**Hexagon Housing Association**

**Board of Management**

**29 September 2015**

**Agenda item 5**

**Strategic matters arising from annual review of Community Investment**

**Report by the Operations Director**

**Lead Board member: Kellie Elmes**

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| ***1.*** | ***Summary*** |
|  | The report contains a progress report on last year’s strategic priorities – employment support including business start-up, financial and digital inclusion and evaluating the HACT social value tool. The suggested priorities for the next year are the production of a new 3 year Community Investment strategy, the implementation of a new London wide housing association partnership for which we have bid for European funding and some consideration of the possible impact from next year onwards on the priorities of the team if the Business Plan deteriorates from the current “base case”. |
| ***2.*** | ***Recommendations*** |
| 2.1  2.2  2.3 | To note the timetable for the production of the new strategy and to invite Board members to make submissions to feed into it  To note the Love London working partnership bid and the expectation that the implementation will be a focus of activity in coming months if it is successful  To confirm that the current level of funding for community investment should continue while the Business Plan indicates that Hexagon can afford this level of support |
| ***3.*** | ***Progress on priorities agreed in September 2014*** |
| 3.1 | There were three priorities agreed last September:   * Continuing our employability support programme * Continuing to support residents to manage their money with a big emphasis on getting on-line and using the credit union to manage their money and obtain affordable credit * Evaluating the potential usefulness of a new tool produced by the Housing Associations Charitable Trust (HACT) for measuring the social value of our community investment programme |
| *3.2* | ***Employability support programme*** |
| 3.2.1 | 17 residents were supported into employment in 2014/15 compared with the target of 20; performance has dipped largely because of staff sickness. However, the Hexagon Academy has continued to be recognised as a potential recruitment pool within the organisation with appointments in four different teams being made from Academy participants. |
| 3.2.2 | Work placements are central to the Academy approach for boosting employability of residents, with 62% of those who have done a work placement securing employment in the 12 months. (Target was 60%) Placements provide employment experience including the freshening of experience; they also help individuals develop their self - confidence and embed key employability skills such as time keeping, interpersonal skills, meeting deadlines, and organisational skills.  We were awarded the Fair Share Quality Standard in Work Experience Placements Silver Level. This standard recognises us as an employer committed to providing high quality work experience to develop residents and future workforce; it also contributes to our position as an ethical employer and promotes a positive image for residents and to other organisations and employers. |
| *3.2.3* | ***Business start-up*** |
|  | The Business Start Up Programme offered residents up to 6 x 2 hour one to one sessions with a Business Start Up Advisor to guide them through the essential steps of starting their own business. In the last 12 months, 18 residents completed the programme. (Target was 10). The outcomes to date have been that 4 businesses have been launched, 4 are test trading, 2 have secured grant funding to further develop their ventures, 1 secured full-time employment and 1 secured a place on an enterprise scholarship. |
| *3.3* | ***Financial and digital inclusion*** |
| 3.3.1 | The one to one money advice service has continued to operate, providing much needed support to 90 residents.(Target 60) Many of these residents have support needs, often unrecognised by the statutory services, with evidence of mental ill health, substance and alcohol misuse and chaotic lifestyles. The work done especially with such cases is resource intensive. The value of the interventions was £67619 additional income to residents of which £50188 came back to Hexagon in the form of rent payments. |
| 3.3.2 | One of the objectives for the last year was to carry out a digital communications survey of residents and this was done in the winter. This found that the proportion of Hexagon residents who are on-line at 65% is much lower than the national average of 87%, with lack of interest and skills being cited as the two main barriers. Only 45% of our residents are confident in carrying out 4 basic online tasks (e.g. sending an email) compared with 80% nationally. Only 30% of our residents who are on-line had used our website in the previous 12 months. The survey demonstrated that our residents are lagging well behind in terms of digital capability.  Our digital support programme offers a package of a 4 week training course, a reconditioned lap top and a Wi-Fi dongle with 12 months internet access. 39 residents completed the programme in the last 12 months (target 40) and the courses have had a 100% retention rate. However the level of confidence once residents start to use their computers at home is not high and we would like to be able to offer resident digital champions to help others but beyond the current single volunteer champion, so far have not had much response so this needs review. |
| 3.3.3 | The partnership with the London Plus credit union was launched last September at Residents Day but so far take-up amongst residents has been low with only about 5-6 residents signing up. The way the credit union is promoted needs review. |
| *3.4* | ***Evaluating HACT’s social value tool*** |
| 3.4.1 | During the year work was done and reported to Directors’ Group and the Board using HACT’s social value tool to show the social impact of the Academy work we do. This tool is being used by a number of social housing organisations to assess the impact of some of their community investment activities. The results showed that in relation to employability support in 2014/15, the £55370 spent generated £206487 of social value, so for every £ we spent, we generated £3.73 in social value. At the time, the cost per secure job was calculated at £2636 although this would have reduced as there were more job outcomes than were reported when that report was done. |
| 3.4.2 | Similarly in relation to business start-up the social value was calculated at the end of the financial year. During 2014/15, the overall spend on Business Start Up support was £22088. This generated £44807 of social value, so every £1 spent had generated £2.03 of social value by the year end and if calculated now, the figure would improve. |
| 3.4.3 | The work showed that only some community investment activities could be assessed using this tool but it nevertheless was felt to be useful and the  intention is to extend its use and where possible make some comparisons with other organisations using the same tool. |
| ***4.*** | ***Priorities for the next 12 months*** |
| 4.1 | There needs to be a comprehensive review of our priorities for community investment in the context of the challenges Hexagon as an organisation faces over the next few years as well as those our residents are facing with cuts in benefits and tax credits eroding the income of the poorly paid and unwaged. |
| ***4.2*** | ***New community investment strategy*** |
| 4.2.1 | Our current three year community investment strategy was developed in 2012 and is due for review anyway and this review needs to take account of the changing and in many ways deteriorating external environment. There will be a need to be selective in the areas we decide to focus on and value for money will be an important criterion. Some of the areas for review have been highlighted in section 3, such as the need to look again at both the reach and the effectiveness of our digital programme and how we can improve the take-up of the credit union membership amongst residents. |
| 4.2.2 | The lead Board Member will be involved in the development of the new strategy and time must be allowed for seeking the views of residents. It is therefore proposed that the strategy should be developed over the next three months with the aim of seeking approval at the January Board.  The Board is asked to note the timescale and Board Members are invited to make submissions to feed into it. This could be done in a structured way if the Board agrees. |
| ***4.3*** | ***“Love London Working” partnership bid for ESF funds*** |
| 4.3.1 | Bidding for external funding is not normally part of our strategy but the opportunity of taking part in a pan-London partnership bid for funds to enhance our business start-up and employment support work has been agreed as an exception. We have bid for three year funding – a total of £182k - together with 15 other social landlords in London and expect to find out the result later in September. If successful, we would be match funding the ESF funds with the funding we provide for our employment support and business start-up work. One of the main benefits would be that the ESF funding would enable us to employ our own business start-up advisor. We would also be able to secure the benefits of working in partnership which should offer greater opportunities for residents e.g. in terms of being able to access other providers’ programmes. There would of course be a need to meet the outputs required of the funding. If the bid is unsuccessful, there may still be some spin-offs in terms of the contacts made through putting the bid together.  Directors’ Group approved in July the submission of the second stage bid so the Board is simply asked to note this partnership bid. |
| ***4.4*** | ***Future funding for community investment activities*** |
| 4.4.1 | The overall level and focus of our community investment funding may need to be revisited in the light of the pressures which Hexagon’s budget is going to be facing following the summer budget announcements especially on the rent reduction. The level of funding for community investment was initially approved when the team was established in 2008 as a function of the overall surplus of Hexagon - it was originally set at 10% - but this linkage has been lost in the last few years as the surplus has soared. Additional funding was agreed a couple of years ago to fund our financial inclusion work which was judged to be the right response to the then impending welfare reform. The appropriate overall level of funding has not been revisited. The team currently costs £389359 of which £235016 is the cost of the team and project direct costs and £154343 is the cost of central overheads. |
| ***4.4.2*** | ***Business plan review*** |
| 4.4.2.1 | Recent work on the business plan has shown that on the “base case” – if costs and income change in the way we expect and on the key assumptions in the plan - Hexagon can continue to fund the current level of community investment activity without risking our finances. However, when the business plan is “stress tested” to see the impact of various changes in the assumptions, one component of a mitigation plan would be for Hexagon to cut back on spending on community investment. |
| 4.4.2.2 | Community investment expenditure is a cost to Hexagon and is not required to fulfil our legal and regulatory responsibilities as a social landlord. Only the financial inclusion work can be relatively easily demonstrated to show a return to Hexagon. The other activities – although they may well have a positive long-term impact on our residents’ ability in the long-term to pay their rent – are not in the same category. It may be necessary to cut these activities in the future if Hexagon’s financial position turns out to be worse than expected. |
| 4.4.3 | ***Impact on residents of the budget and austerity generally*** |
|  | The Government’s austerity programme is affecting our residents’ standard of living. The respected think-tank – the Institute for Fiscal Studies - has estimated for example that the summer budget announcements will lead to a reduction in the net income per year of the lowest income households of £800 for the poorest 10%, £1300 for the second poorest 10% and about £1000 for the third poorest. This is equivalent to losing between 5 and 7.5% of their net income. Our low income residents in the future are going to be paying much more towards their council tax, and paying more for their fuel bills, albeit their rents are going to be slightly lower for 4 years, and for those claiming most types of benefit or tax credit, these extra costs will need to come from a reduced income. We would therefore like to be able to continue to offer services which help residents find additional work, or start their own business for supplementary income as well as simply get residents into work. |
| 4.4.4 | The Board should note that the community investment activity can continue to be funded at the current level under the base case assumptions of the Business Plan, but the position would be revisited if the assumptions turn adverse in reality. |