

Profit for purpose: how housing charities are safeguarding services in a time of austerity

Mark Henderson (www.homegroup.org.uk)

In 2009, after years of abuse at the hands of her partner, Emma fled her home in Gateshead. She turned to the local women's refuge, run by Home Group, and began the process of rebuilding her life.

She soon discovered a passion for care and found that sharing her story inspired hope and fortitude in others.

She made her way through college and into a 'dream' job supporting Home Group customers.

Such was Emma's impact on those she helped that the refuge has recently named a room in her honour.

These achievements are Emma's; we at Home Group simply gave her a safe place to live and the opportunity to fulfil her potential.

As one of the largest housing charities in the country, it's something we do with tens of thousands of some of the most vulnerable people in society every day – helping people like Emma live healthier, more independent lives.

Over the 80-year history of Home Group – we were forged in the social ferment that produced the Jarrow March – we've built our reputation on high quality homes and services that are central to people's lives.

2015, however, marked an inflection point in that long history. Never before has the social housing sector faced such a concentrated period of political and financial upheaval.

As well as accelerated welfare reform, the extension of Right to Buy to housing association customers and withdrawal of the right to social rent for families earning more than £30k, the government has imposed a rent cut of 1% for each of the next four years.

Now, 1% might not sound particularly onerous, especially when compared to the much deeper cuts imposed on local authorities in recent years. But it means rents will be 12% lower than expected by 2020, reducing income by £2.3 billion a year. And care services already operate on wafer-thin margins.

The UK HomeCare Association says that councils currently pay an average of £13.66 an hour for care. The Living Wage will push those costs up to £16.70 an hour. Of that, the provider's margin is just 50p.

Factor in 40% cuts since 2010 to the budgets of local authorities who commission these services and you can understand why the HomeCare Association is warning of 'catastrophic failure' in the market.

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They estimate a £750m shortfall in social care costs next year and an extra billion pound funding gap by 2020.

The care sector as a whole is working to achieve a new settlement that secures the future of care services and housing associations have a vital role to play in that future. We can reduce the burden on the NHS by providing more effective, more affordable care for people whose best interests are not served by a hospital bed or whose problems, such as debt or social isolation, can't be medicated away.

Consider the case of Derek, a client of ours at Home Group. Derek was clinically depressed, to the point that he had attempted suicide. He was referred to us by his GP at a time when he was lonely, isolated, weighed 25 stone and was deeply sceptical of the value of any help offered to him.

Through our Physical Activity Service we helped Derek become more active, encouraged healthy eating and portion control. As a result he lost 11 stone, his depression subsided and he no longer required medication.



Mark Henderson



Clearly this is a fantastic outcome for Derek and his family but the benefits for the NHS are equally clear. Rather than many years of medication and a high risk of illness due to a deteriorating physical condition, Derek is happy, healthy and increasingly independent. In fact he is now a volunteer assisting with the programme and helping others follow in his footsteps.

The cost of delivering this service works out at around £1,600. When you consider the positive outcomes it brings: increased well-being, reduced dependency on primary care services, lower prescribing costs and the ability to keep people out of hospital, you can appreciate that this approach saves the NHS money. And this isn't just a financial argument either. We can achieve outcomes that are better, as well as cheaper, and which keep people closer to home and their family support structures.

Our social impact is not limited to our traditional care services either.

Take Rayner's Lane for example, an estate in Harrow where Home Group is now 14 years into a regeneration project that has transformed a formerly deprived area of London.

The scheme showcases the unique ability of housing associations to combine social improvement with building at scale – delivering 700 new homes that help tackle the housing crisis while also shaping a vibrant, supportive community with people at its heart.

As a result, crime is down on the estate, and employment and educational achievement are up. The community is healthier and more integrated than ever before.

Such success is only possible because we marry our social mission and development expertise with solid financial foundations.

Those foundations rest largely on our ability to build and maintain our surplus.

Surplus, or profit, is often misunderstood when it comes to housing associations.

Proof of this comes when people pose the question, in these times of austerity: what should we choose, profit or purpose?

That is a false choice. The answer has to be both.

When people hear profit they might reflexively think of housing association fat cats sitting on piles of cash that could otherwise be put to good use. But that couldn't be further from the truth.

For us, profit is an investment dividend. We borrow against our surplus to build more homes and help more people, with greater surpluses providing greater confidence to our financial partners.

Without profit, there is no purpose. You can't pay the bills with good intentions. If the financial model isn't sustainable, the whole thing collapses. And you can't help anyone if you go bust.

I'm acutely aware of where our profit comes from and the responsibility that brings.

Rent payments from some of the poorest and most vulnerable people in society make up our income, supplemented by millions of pounds of public money.

There is, therefore, a mutuality in our organisations between us as custodians of the asset and the customers who pay us rent.

That imposes an ethical responsibility on us to ensure that money is reinvested in maintaining good quality stock and building even more homes to help meet demand.

So how are we safeguarding surplus and ensuring we're fit for a future in which we'll have to be much more self-sufficient than we have been in the past?

A large proportion of our expenditure is statutory – it's mandated by law. This includes the work we do on anti-social behaviour, for example, or to ensure homes are safe.

Another chunk is spent on discretionary services, like fitting out houses above and beyond the Decent Homes standard.

And on top of that we have tax liabilities to meet.

If we accept our income overall is going to fall – as a result of rent cuts and further welfare reform – the only way to ensure surplus is protected, so we continue to have the financial strength to do what we do, is to reduce the discretionary spending – cutting back on what is simply nice rather than necessary.

Key to that is being very clear about things we won't do.

Some housing associations have found themselves propping up failing companies that aren't viable or trying to fill in for every discarded service the local council has deemed unfeasible. Such overreach is likely to be fatal.

We need, instead, to focus on our core activities – those statutory requirements – and be ruthless about cutting waste.

We need to double down on what we do best: leveraging our financial strength and utilising our experience to build high quality homes at scale.

Housing associations do an invaluable, irreplaceable job. We make a substantial contribution to the country's economy and play a pivotal part in tackling the UK's housing crisis.

Most importantly of all, we remain true to the philanthropic roots of social housing laid down by the likes of George Peabody and Joseph Rowntree in the 19th century.

For people like Emma, we help transform lives. When I hear her describe Home Group as her 'guardian angel' and I see what she, and so many others, have been able to achieve with our support it makes me ever more determined to safeguard our future, so we can continue to play a part in safeguarding theirs.

Mark Henderson is the Chief Executive of Home Group, one of the UK's largest social enterprises – with over 55,000 homes under management across Scotland and England. It is the UK's largest provider of Supported People services in England, Wales and Scotland helping in over 500 projects and working with over 36,000 individual clients each year.

Home Group has a turnover of some £340 million per annum and was voted the UK's best Landlord and best Housing Association in the UK.

He has nearly 30 years of experience in regeneration and business support.

Mark is passionate about placing customers at the heart of any organisation. He previously ran his own business before joining Home Group, and before that had worked with the RDA as Operations Director. He has also undertaken a variety of regeneration and economic development jobs across the country in local government, most recently as Chief Executive of one of the largest County Councils in the country. He is a newly appointed Board Member for the National Housing Federation.

Mark is a motorcycle racing fan and a season ticket holder at Newcastle United.