

YMCA ENGLAND & WALES

VALUE FOR MONEY STATEMENT 2018

Obtaining Value for Money

YMCA England & Wales has limited resources and it is important that we derive the maximum benefit from these. Hence Value for Money ("VfM") is about getting the most from the resources at our disposal to achieve our desired outcomes. This is more than simply reducing costs; it is also about improving efficiency and effectiveness of the services we deliver. We define these as:

- Economy (spending less) = reducing the cost of purchasing
- Efficiency (spending well) = measure of productivity and performance
- Effectiveness (spending wisely) = maximising the impact that can be achieved

VfM is highest when there is an optimum balance between these three components:

- Low costs;
- High productivity; and
- Successful outcomes

Through adherence to VfM we can ensure that YMCA England & Wales achieves sustainable financial strength.

This is our annual Value for Money statement and provides information on:

- Our approach to achieving value for money;
- Where our resources come from, how we spend those resources and how we are performing; and
- Our value for money successes and plans for the future.

This full Value for Money statement is published on our website with a summary included within our audited Financial Statements.

Our approach to value for money

Value for Money is led by the Board and overseen by our Finance, Audit and Risk Committee. Each sub-Committee is responsible for ensuring that VfM is considered in their area of operations.

VfM is embedded in the way we work and in the way we plan and deliver services to local YMCAs. Our mission statement makes it incumbent upon us to ensure that services are designed and delivered in a way that enhances the organisation's financial sustainability.

We see VfM as the key to financial sustainability as we optimise cost relative to outcomes. This in turn ensures the financial viability of YMCA England & Wales for us to continue to achieve our long-term goals.

In a climate of reduced funding and potential economic difficulty for many of our member YMCAs, preserving YMCA England & Wales services at current level, let alone improving upon it, is a challenge. VfM is integral to our approach to budgeting and business planning where every penny is made to count.

How have we delivered Value for Money?

The five key components of our VfM strategy:

- 1) Governance – to develop a Board led VfM culture within YMCA England & Wales with all staff encouraged to accept ownership and accountability for achieving it
- 2) Customer focus – to ensure that the services we provide are shaped around the needs of our members
- 3) Performance – ensure that staff understand their objectives. To ensure that the right things are measured
- 4) Financial stewardship – setting budgets understanding our cost base and sources of income and to report performance against these budgets. To optimise the use of assets
- 5) Procurement – buying goods at the optimum price/quality mix.

We have an annual plan for YMCA England & Wales which is derived from the Federation Strategy, informed by an assessment of the operating environment and our priorities. Every year we allocate resources to our activities to enable us to meet these objectives and then monitor our performance against these objectives. This allows us to monitor and evaluate our performance against our goals ensuring that all activities reflect our commitment to achieving economy, efficiency and effectiveness. The Board and its sub-committees, monitor performance via updates at each meeting, review of strategic risks and regular reviews of programmes, projects and policies.

The Board is responsible for setting and monitoring the Value for Money strategy, through oversight of the annual plan and receives performance updates at each of their meetings. The Board holds an annual strategy session at their November residential meeting, which informs the development of the plans and budget for the following year.

It is through our staff that we put our commitment to achieving VfM into action:

1. We empower our employees to make decisions that help us deliver more;

2. We monitor performance through regular reports on activity;
3. We seek out our employees' views and ideas on how we can become more effective and efficient.

YMCA England & Wales monitors VfM via a range of reports showing performance during the year and also over longer-term trend analysis, which are summarised in this VfM self-assessment.

<p>Having clear strategic objectives ... Right activities</p> <p>Statutory Compliance Regulatory Compliance Financial viability</p>	<p>Doing things economically ... Right Delivery</p> <p>Customer satisfaction Good performance Cost of delivery</p>
<p>Maximising Value for Money</p>	
<p>Improved staff training Reduced staff turnover Reduced staff sickness Increased use of volunteers</p> <p>Maximising the return from our staff</p>	<p>Surplus as % of turnover Staff costs as % of expenditure Expenditure as % of budgeted costs Increasing amount of bank and cash balances</p> <p>Maximising the return from our assets</p>

When deciding which initiative to prioritise we consider:

- The short, medium and longer-term benefits, both economic and non-economic
- The total financial and non-financial implementation costs
- The impact on our risk profile
- Potential enablers and barriers
- Any other implications

Priority is given to those actions demonstrating they can be implemented quickly, with low cost and higher benefits.

Whilst recognising the wider work of YMCA EW, there are specific operations where we measure VfM. These are housing, retail and fundraising – with other activities captured by organisational measures. Measures against each of these are set out on the following pages.

Measures for our housing operations

The following measures relate to performance of our housing activity:

	2018		2017		2016	
	Actual	Target	Actual	Target	Actual	Target
Average void loss	4%	3%	5%	3%	6%	3%
Rent arrears:						
- current tenants	2.2%	4%	4%	4%	4%	4%
- former tenants	2.4%	2%	3%	2%	2%	2%
Management expenditure against budget	131%	95-105%	109%	95-105%	116%	95-105%
Maintenance expenditure against budget	62%	95-105%	99%	95-105%	83%	95-105%
Service expenditure against budget	81%	95-105%	84%	95-105%	78%	95-105%
Satisfaction with repairs	98%	80%	99%	80%	99%	80%

VfM STANDARD METRICS

Metrics	2018	2017	2016
Reinvestment	Not relevant to the YMCA		
New Supply delivered	Not relevant to the YMCA		
Gearing	0%	0%	8.5%
EBITDA MRI interest cover	320%	(189%)	1468%
Social Housing cost per unit	£7,513 *	£7,327	£6,590
Operating margin – social housing activities	5.6%	0.9%	4.4%
Operating margin – all activities	(0.4%)	(6.5%)	7.8%
Return on capital employed	(0.4%)	(6.4%)	8.4%

* based on average units during the year due to sale process

Average cost per housing unit is higher than other providers due to the clientele we work with and the associated additional support required. This is what differentiates the YMCA from general purpose housing providers.

YMCA England & Wales operates its housing schemes via managing agents. The performance of the managing agents are regularly reviewed and reported at each meeting of the Housing Board. Areas for improvement are identified and raised with the particular scheme.

YMCA England & Wales commits to publish the Tenant Annual Report covering the seven standards, detailing how we met each standard.

Due to the decision by the Board of YMCA England to dispose of all its housing properties, and to eventually de-register as a registered Provider, the need for the Manchester office (used predominantly to accommodate the Housing Department), has been reviewed and a decision made to close the office. Accordingly this office closed in May 2018 with the staff made redundant. This has increased the housing management costs shown above.

As part of the programme of property disposals, a careful analysis is made in respect of investment in properties that are scheduled for disposal, so that over-investment is avoided, whilst maintaining absolute clarity that whilst we continue in the role of landlord, we continue to ensure that all H&S repairs are completed, and that Decent Homes standards are maintained, for example with the roof repairs at Basingstoke and heating system at High Wycombe schemes.

Asset management expenditure is monitored, to ensure that where appropriate tender arrangements are put in place, to ensure best value within procurement, recognising that the cheapest quote does not always represent best value.

Measures for return from our Retail and Fundraising operations

The following measures relate to performance of our retail and fundraising activities:

	2018	2017	2016
RETAIL OPERATIONS			
Average number of shops	86	98	124
Average weekly income	£1,700	£1,575	£1,433
Retail Gift Aid Conversion	16%	26%	23%
Average number of staff	227	247	323
Full time equivalent	176	192	263
FUNDRAISING OPERATIONS			
Gift Aid penetration in fundraising	59%	60%	59%
Return on Investment in Fundraising	2.33x	2.71x	5.01x

Retail operations:

Average shop count numbers have fallen due to closure of poor performing and loss making shops. Lease breaks are being exercised for those shops that cannot make a worthwhile financial return after central costs are applied. Closures are being balanced with new shop openings. The new shops are predominantly temps. Store numbers are expected to remain at around mid-80's to low-90's for the 2018/19 Financial Year.

The process of closing poor performing shops coupled with improvements in shops sales performance has increased our average weekly sales from £1,575 in FY 2017 to £1,700 for FY 2018. Increasing sales of donated goods is highly encouraging given the trading environment we found ourselves in.

Our Gift Aid conversion has reduced as a result of stringent controls imposed at Head Office around the Gift Aid Declaration Form and by a slowdown in new donor sign ups. Initiatives are underway to reverse this trend and to return us back to the levels experienced in 2016 and 2017. These initiatives include the introduction of a new Q-Buster app that will be installed on tablets devices. These tablets will be rolled out to all stores in the 2018/19 financial year and are fully Gift Aid compliant to meet HMRC standards. Q-Buster will allow another member of staff or

volunteer to manage the sign up process seamlessly on the shop floor without the need to access the till point.

Staff numbers include both shops (average of 207 staff with a FTE of 157) and support functions (average 20 staff with an FTE of 19). These figures exclude temporary staff and external consultants.

Fundraising:

As a proportion our level of income, Gift Aid on donations is relatively stable. As an overall proportion, we have looked at our penetration rate and 60% is the general benchmarked data for non-membership organisations.

The return on investment (ROI) for fundraising was higher in 2016 due to an exceptional legacy which has been invested in recruiting new donors. We continue to keep a close watch on expenditure and returns, but due to the additional investment in donor recruitment we do not expect to increase the ROI.

Measures for return from our staff

The following measures relate to organisational performance:

	2018	2017	2016
Human capital cost (total staff cost per FTE)	£26,350	£23,400	£21,100
Gross Revenue per employee:			
- Retail	£46,360	£41,750	£36,750
- Non-Retail	£202,050	£200,520	£272,350
Staff turnover	55%	61%	58%
- Retail	60%	69%	63%
- Non-Retail	35%	28%	31%

Measures for use of assets

	2018	2017	2016
Surplus as % of turnover (excluding sale of assets)	0.04%	(7%)	8%
Staff costs as % of total expenditure	31%	28%	30%
Expenditure as % of budgeted costs	103%	104%	87%
Unrestricted bank and cash balances	£4.5m	£4.2m	£2.7m

As noted above, the restructure of our retail operations has seen closure of less profitable shops with a corresponding reduction in retail staff numbers, and an increase in retail income per staff member. As these staff are lower paid, the reduction in retail staff numbers has caused the average salary per employee to increase and this is expected to continue.

Our retail shops open and close on a regular basis which leads to a high staff turnover rate and this has been emphasised by the restructure during the year.

Cash raised from the sale of housing schemes has been used to repay the external borrowings, with associated savings in interest costs resulting in an increase in cash and bank balances.

Future Focus

The revised Federation Plan for the YMCA in England and Wales has led to YMCA England & Wales reviewing its business model to ensure that we are delivering the services required by member YMCAs.

Finally, during the year YMCA England & Wales participated in the Charity Finance Group's benchmarking study which reviewed key financial activities.