

The Hyelm Group

Chair and Chief Executive's Review Year Ending 30th September 2015

Introduction

This has been a year of considerable progress, challenge and change.

It was a year that saw us adopt a new and ambitious Strategic Plan for the three years to 2019, the aim of which is to help alleviate the ever-increasing demand for high standards of affordable accommodation and services in the capital for young people at the start of their careers, whilst preserving our special ethos, culture and values as an organisation.

It was a year that saw us, in accordance with the first stage of our Plan, complete on the sale of our housing scheme in Hampstead with a view to using the sale proceeds to provide more contemporary, affordable housing for young people elsewhere in London.

A number of new sites have since been identified with further development in mind. Deals have been negotiated and we are now working towards exchange of contracts in relation to two of these.

It was also a year of excellent operational performance amid a changing and challenging political backdrop as well as being a year that saw us continue to become more outward reaching as an organisation, with further progress being made in raising our profile within the housing and charity sectors.

Strategy

Following the successful delivery of our previously adopted Strategic Plan for the three years to 2015, a considerable amount of time was spent during 2015 discussing the strategic direction of our organisation for the next three years.

In addition to our consideration of the current economic and political climate, market research was undertaken to help inform the discussions that took place.

This work confirmed that there remained a considerable and growing demand for the type of accommodation and services that we provide.

Independent research and the National Housing Federation also confirmed that we are the only organisation in London that sets out to understand the needs and to offer the type of accommodation and services that we do specifically to young people in entry level employment roles who have no support needs and who are unable to stay within the family network.

The three key objectives of our new Plan are:

- Using the sale proceeds of our Hampstead property, to develop and provide high standards of contemporary, affordable, rented accommodation, facilities and services for a further 250 young people in two or more new housing schemes in great London locations.

- To continue to manage our existing operation in an efficient and effective manner during the development process and beyond.
- To promote positive, stable, safe environments in each of our schemes, ensuring that the sense of place and family and the supportive communities that we promote, which are so fundamental to what we do, are kept as we move from old to new.

A copy of our new Plan can be viewed in the Documents Library section of our website.

Arthur West House

The sale of our Hampstead property, Arthur West House, completed during the early stages of the year in accordance with our adopted strategy.

A sale price of £30.05 million was agreed with the successful bidder, PegasusLife Limited. This was £6 million in excess of the highest open market valuation that was given for the site and followed an extensive professional marketing campaign, which attracted strong interest from both the UK and overseas.

A tremendous amount of work was undertaken to ensure that vacant possession was delivered with no concerns arising, with support being given, where needed, to enable the residents of the scheme to find suitable alternative accommodation elsewhere.

Each member of staff whose post was made redundant as a result of the sale also achieved a positive move on to other suitable employment.

Development

A specialist firm of Lead Development Consultants was appointed shortly before the sale to find suitable new sites on which to develop and to attend to all aspects of project management, thereafter.

Despite a very strong and challenging land market, more than 40 potential opportunities were subsequently identified in London for initial consideration.

Deals have since been negotiated and we are now working towards exchange of contracts on two of these.

Our overall aim is to position ourselves as the housing charity that offers the accommodation that young people want to live in rather than have to live in due to there being a lack of affordable housing options elsewhere, at great prices and in great locations.

Group Structure

Agreement was reached, in principle, with the Charity Commissioners during the year on the arrangements that will apply to Hyelm and Ames House in the financing and operation of our new developments.

Hyelm and Ames House will embark on the first of our new projects jointly from the outset. The two charities will be co-owners of the finished scheme. The precise extent of ownership will reflect the monies invested by each.

The legal title of the land will be held in the name of Hyelm for itself and as Trustee of Ames House. A restriction on title will record the percentage of the ownership that belongs to each charity.

A lease and management agreement will not be needed. The complicated split cost and cross charging arrangements that were in place at Arthur West House will not apply.

Although separate annual accounts will still need to be prepared, the Ames House accounts will be relatively simple with a Unifying Direction being sought.

It is anticipated that efficiency savings in the region of £15,000 per annum will be achieved in the operation of our new schemes as a result of this more streamlined approach.

Tax Efficiency

As is common practice within the housing association sector, an HMRC approved wholly owned subsidiary company, Arthur West House Limited, was set up during the year for tax efficiency purposes.

Our new developments will be constructed in the name of the new company. The new company will then develop the schemes for sale to Hyelm and Ames House on a design and build basis.

Any profits generated by the new company as a result of this trading relationship will be donated to Hyelm and Ames House in accordance with the gift aid scheme for charities.

It is anticipated that VAT efficiency savings in the region of £500,000 will be achieved as a result of this new arrangement.

Treasury Management

A specialist firm of treasury management advisors was appointed during the year to advise us on the safe and efficient investment of the sale proceeds of Arthur West House pending their reinvestment in our new schemes.

The aim is to achieve the most appropriate balance of risk, reward and access to our funds throughout the development process.

Advice is also being sought on our borrowing requirements for the future to ensure that the best possible terms in any future private sector borrowing that we take out are achieved.

A new Treasury Management policy and strategy has been adopted by our Board to provide a suitable governance framework and further guidance on treasury management matters.

Affordability

A new rent policy was adopted during the year.

In accordance with the policy, our rents are now set at levels that are comparable with rents considered by the Mayor of London to be affordable to those earning the London Living Wage. The London Living Wage is currently £9.40 per hour.

Bed spaces at our Old Street and new development schemes will continue to be allocated to those who fall within our resident selection criteria who are in greatest need.

Information and advice will be provided to all of our residents to enable them to move on to more permanent housing within five years of their arrival or sooner, should their financial situations allow.

Further information on our current rent and service charge levels can be found in the Old Street Rent section of our website.

Office and Communal Spaces

It is our intention, in accordance with our new Strategic Plan, to establish with our local authority planners the scope that there may be to provide additional accommodation at our Old Street scheme through extension to the property and/or through the conversion of surplus communal and office spaces.

It is felt that this may now be possible due to recent changes in planning guidelines and precedents that have been set by a number of new high density housing schemes that have been built in the local area.

In the meantime, we have rented out our surplus office space on a short-term basis to an established business, which produces holographic images for marketing and promotional purposes.

The owner of the business is a former resident of Arthur West House. He very much shares the values of our organisation, employs two former members of our staff and runs his operation in accordance with the ethos that we promote.

This new relationship generates additional income of £55,000 per annum for us. The owner has also agreed to donate £5,000 each year to help finance an organised programme of social and educational activities for our residents.

Strategic Partners

Good progress continued to be made during the year to support the needs of young people through partnership working.

Existing links with organisations such as The Stephen Lawrence Charitable Trust, Springboard, LB Hackney and Forest YMCA were further developed.

New relationships were forged with a view to increasing referral channels for our accommodation, the most recent being with St. Mungos Broadway, Five Guys Burger and Fries UK, KM Decorating, House of St. Barnabas, 1up Foundation and The John Lewis Partnership.

This enabled a number of young people to benefit from the affordable accommodation and stable communities that we provide and to make further progress on their pathways towards full independent living.

Eleven young people were housed by us at our Old Street scheme during the year as a result of these enhanced channels.

Value for Money

Our ethos and way of doing things fits in well with the current focus within the social housing sector on Value for Money.

In these challenging economic times, it is particularly important that best value is delivered in everything that we do.

In accordance with regulation, we now produce and publish on our website an annual statement outlining our approach to and performance in Value for Money.

Political Backdrop

The election of a new government led to considerable changes in the political backdrop during the year.

New measures such as the extension of the Right to Buy scheme to tenants of housing associations, a requirement for social landlords to reduce their rent levels by 1% each year for the next four years, welfare reform and the classification of housing associations as public bodies combined to have a significant impact on the housing association sector.

A considerable amount of work has been done to research and understand the implications of these changes.

Our strong financial position, the affordability of our rent levels, the type of accommodation that we provide and the special nature of our charity have ensured, however, that the impact of these changes on the viability of our organisation will be minimal.

Regulation

A new set of regulatory performance standards, with which all housing associations are expected to comply, was introduced by our lead regulator, the Homes and Communities Agency, during the year.

The aim was to strengthen the regulatory framework to reflect changes in the social housing sector, such as increasing diversity and a greater need for effective risk management to protect social housing assets.

Much work has been done to research and understand the implications of the new requirements. Action plans, which have since been implemented, were drawn up to ensure full compliance.

Positive relationships otherwise continued to be maintained with all three of our regulatory bodies, the Homes and Communities Agency, the Charity Commissioners and Companies House.

Profile

Our Executive Management Team continued to raise the profile of our organisation by hosting sector events and by attending a variety of sector conferences, seminars and group meetings during the year.

A close involvement was maintained, in particular, with the G320 group of smaller housing associations in London.

New relationships were formed as part of the research that we carried out to support discussions on our new Strategic Plan with around 50 organisations that work with young people in the capital today.

These included national and local employers, other housing providers, local community groups, training providers and government policy and research organisations.

On top of this, visits to our accommodation were received from our local MP and Chair of the Public Accounts Committee, Meg Hillier, and Head of Housing Matters at LB Hackney, Councillor Philip Glanville.

The considerable amount of work that has been done engaging with local authorities and other developing housing associations in our search for new sites further contributed to the strengthening of our profile during the year.

Operation

A new reporting framework was introduced during the year to enable our Board to better monitor the performance of our organisation.

This included a fresh set of key performance indicators and more relevant information on the performance of our peers for benchmarking purposes.

A healthy set of results in relation to the year demonstrated our continued strength in management and service delivery.

These are outlined in greater detail in our most recent Annual (Performance) Report, a copy of which can be found in the Documents Library section of our website, and show that our performance compared favourably with that of the smaller housing association sector as a whole.

The quality and standard of our housing stock, facilities and services remained high. Great emphasis continued to be placed on maintaining stable, safe and homely environments.

Challenging performance indicators will continue to be set and monitored by the Board during the forthcoming year.

Staffing

We now have a staffing compliment of seven to manage the day-to-day operation of The Group and to drive forward the delivery of our development programme.

Our Executive Management Team comprises Chief Executive & Company Secretary, Keith Douglas, Director of Finance, Mark Sharman (part-time) and Director of Operations, Simon Wright. Fred Bawua-Anipah provides central management support as our Finance Officer.

The Old Street Management Team comprises Scheme Manager, Gillian Oman and Duty Managers, Phillip Lloyd and Sheridan Orr.

A further review of our staffing requirements will take place as soon as suitable sites have been secured and precise size, nature and locations of our new schemes are known.

Our thanks go to all of our staff, whose commitment and dedication were the keystones to another successful year.

Governance

It is vital for the continued health and progress of our organisation and from the point of view of our regulators that our Board and governance arrangements reflect best practice guidelines and are of the highest standards at all times.

With this in mind, our Board has adopted and complies with all relevant aspects of the National Housing Federation's most recent codes on best governance practice and conduct. Hyelm is a member of the Federation.

In addition, a biennial Board and Board member appraisal process is now followed. This is supported by governance development and succession plans, which continue to be kept under close review.

Further information on the membership and composition of our Board is given our most recent Annual (Performance) Report, a copy of which can be found in the Documents Library section of our website.

We would like to express our continual appreciation to all members of our Board who contributed their time and effort during the year in performing their duties.

Summary

The Hyelm Group has a very positive story to tell in relation to its performance, plans and the quality of the accommodation and services that it provides.

Our development plans present a further exciting opportunity to expand the work that we do.

We are confident that our organisation remains well placed to meet the challenges of our development and other plans and of the particularly challenging economic, funding and political environments in which we now live.

We are equally confident that, in the years to come, we will continue to make a real difference to the lives of those whom we set out to house by strengthening our position as a modern, dynamic, well run, financially sound and forward looking organisation that closely involves, understands and responds to the needs of young people.

**Susan Parsonage,
Chair.**

**Keith Douglas,
Chief Executive.**

31st March 2016.