



**Alliance**  
homes

[alliancehomes.org.uk](http://alliancehomes.org.uk)

---

**VALUE FOR MONEY**  
OUR APPROACH

# Contents

---

<b>1. Background</b>	3	<b>10. New Homes</b>	13
<b>2. Our approach to delivering value for money</b>	4	<b>11. Procurement</b>	13
<b>3. Context</b>	6	<b>12. Finance and Investment</b>	14
<b>4. Drivers for VFM</b>	7	<b>13. Community Services</b>	14
<b>5. Our Strategy</b>	8	<b>14. Grants</b>	15
<b>6. Quality Measures</b>	10	<b>15. Benchmarking</b>	15
<b>7. Customer Insight</b>	11	<b>16. Reporting</b>	15
<b>8. Income</b>	11	<b>17. Review</b>	15
<b>9. Asset Management</b>	12		

---

## 1. Background

---

**In 2017, Alliance developed Plan A which is an ambitious corporate strategy to transform the way that we work. Plan A sets out clear, high level goals and the ‘measures that matter’ that we will track to ensure delivery.**

Over the last four years, the operating environment in which we work has been challenging, reduced rents and capital grant availability has meant that we have ensured all of the services we provide demonstrate good value for money.

During this time we have carried out significant investment, particularly around our business support services infrastructure to enable the transformation of our business to take place. This enables longer term efficiencies to be realised as we move towards smarter working practices including self-service for our customers, agile working and the use of technology to support us in these practices.

## 2. Our approach to delivering value for money

---

**This document sets out our approach to value for money. It details the context and drivers for our approach and sets out our targets for the coming year and indicative targets for the following two years.**

- We're a long term, asset driven business, so decisions we make will reflect this. We will ensure that all decisions consider overall cost effectiveness, e.g. installing components that will last rather than the cheapest and our aim is to deliver a broadly consistent quality of home for customers, whether they are living in an existing or new property.
- We're fundamentally shifting our resources to investing in digital services and new homes. To achieve this, we will drive out cost from other parts of our business.

- Our service offering will meet legal, contractual and regulatory requirements, and we will only provide services above this level where they can demonstrably contribute to the achievement of our objectives or if a customer pays for these services. The same principle applies to our business support services.
- Overheads, including business support services, are actively managed and flex in size to reflect the scale, complexity and requirements of our business activities.
- Our colleague offer is mid-market, tailored to each sector or employment market. We will use a mixed economy of permanent, fixed term and contracted employees to achieve flexibility, high quality results and maximum business efficiency.

**Value for Money is a cornerstone of everything we do, and our approach is a holistic one which places our customers at the centre of every decision we make, ensuring that five principles are considered:**

### **Principle 1: Doing things economically**

This principle considers effective and efficient ways to provide services and being innovative and using digital technology and research to design better ways to work.

### **Principle 2: Doing things right**

This principle ensures that we have clear strategies, policies and processes in order to deliver the vision of the business.

### **Principle 3: Maximising the return on our assets**

This principle sets out the way we will manage our existing assets and how we will create new assets to achieve maximum value from our assets for us and for our customers.

### **Principle 4: Maximising the return from our colleagues**

This principle ensures that we invest in our colleagues to promote high performance and to support a culture of development and innovation. It addresses how we will work with our colleagues to train, support and retain them as they deliver high-quality services in an agile way for our business.

### **Principle 5: Achieving the right outcomes**

This principle sets out how we will self-assess our business effectiveness and measure how successful we have been in achieving our corporate plan objectives, and what value has been delivered.

## 3. Context

---

Our operating environment presents opportunities and risks in the delivery of value for money services. We are creating a culture of meeting those challenges to deliver efficiencies which are reinvested in service delivery. Our ambition is to deliver a balance of cost and quality to ensure value for money. We have developed a group structure which supports this objective.

## 4. Drivers for VFM

---

**We have a number of key internal and external business drivers which influence value for money:**

- Customer insights
- Plan A (Corporate Strategy)
- Financial Plan,
- Benchmarking our performance against other, similar organisations
- Asset Management Strategy
- Development Strategy
- Governance and Risk, including building safety requirements
- Economic climate

## 5. Our Strategy

The first two years of Plan A have been focussed on investing in and delivering the business support services infrastructure that is required. In the next two years, we will be undertaking a full review of our customer service provision and this will be focused on;

- Home Repairs Service
- Tenancy Services
- Community Services

Our financial plan for the next three years shows:

VFM Metric	Actuals P9 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Notes
Gearing %	42.5%	46.1%	46.4%	48.0%	Increased gearing due to new Loans - Cash retained at minimum balance to meet our business requirements
EBITDA-MRI Interest Cover	3.3	3.6	4.4	4.8	Interest cover improving as surplus increasing while interest payable is relatively constant
Headline Social Housing Cost/Unit (£'000) (*note below)	4.2	4.1	4.0	3.8	CPU is decreasing as we implement efficiency savings
Overall Operating Margin %	24.7%	25.7%	25.6%	27.8%	Margin is increasing as we implement efficiency savings
Overall Operating Margin % (excluding surplus/loss on sale of housing properties)	22.0%	25.4%	25.4%	27.5%	Margin is increasing as we implement efficiency savings following transformation
Return on Capital Employed %	4.4%	5.9%	5.6%	5.4%	Asset base increasing at a faster rate than the surplus is increasing as we plan a period of increased levels of investment in new homes
Group Surplus for Period £m after interest	5.95	8.96	10.22	11.55	Surplus is increasing as we implement efficiency savings
Reinvestment %	13.6%	29.6%	19.4%	17.6%	Increased investment in our existing and new homes is planned across 3-year budget time line

\* Based on 2019/20 forecast for comparison purposes

We measure value for money through our VFM metrics and our goals in addition to various 'quality' measures. Over the next three years we will improve efficiency by reducing our costs and increasing the operating margin so that we can invest in developing more new homes and invest in our existing homes including working towards meeting our carbon neutrality commitments on all homes while ensuring that all purchasing decisions deliver value for money.

We have included in our plans, some specific VFM efficiencies as detailed below:

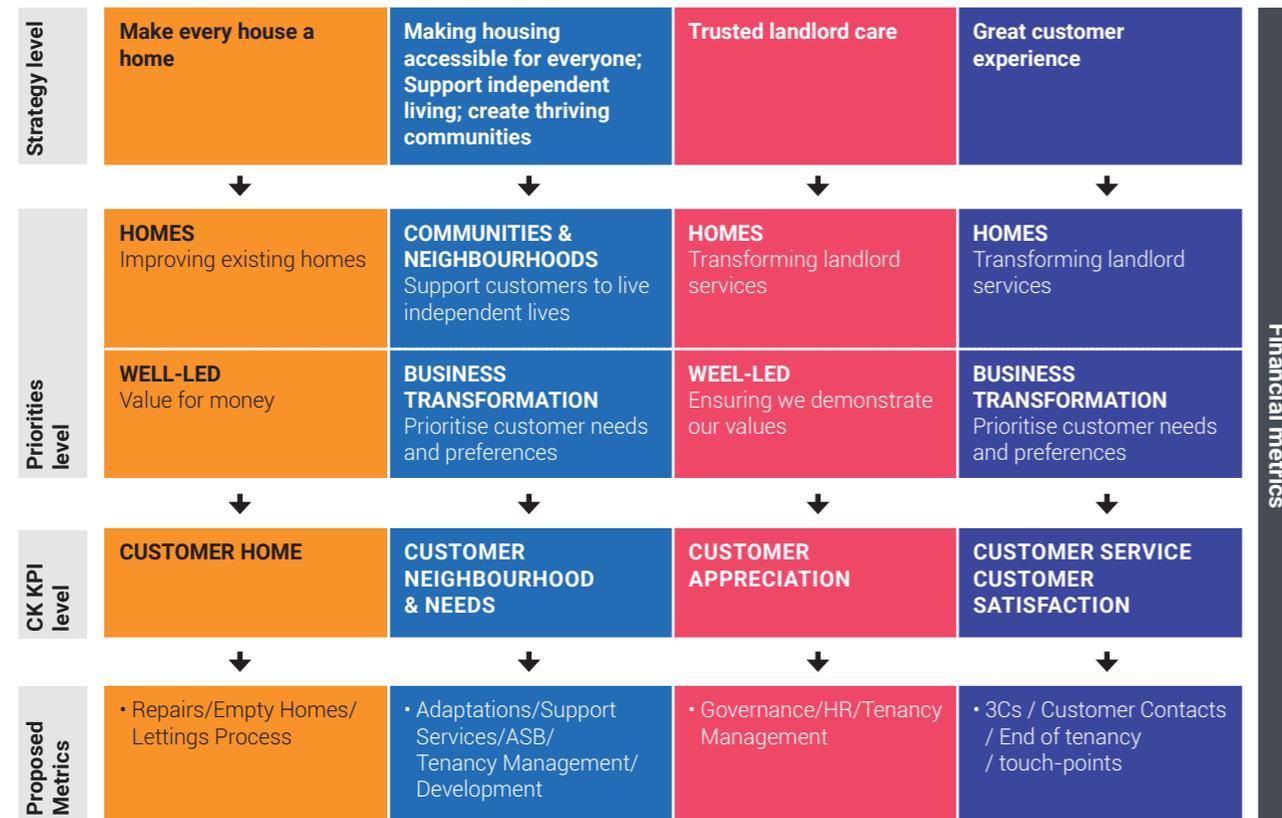
	2020/21	2021/22	2022/23
Reduced sub-contractor spend as we increase productivity in our Home Repairs Service	£467K	£467K	£467K
Implementation of a new Housing Management system	£76.3K	£348K	£661K
Reduced spend on external legal and consultancy services	90K	90K	90K
Total efficiency savings included in budget	£544.2K	£815.9K	£1,128.9K

The budget process has included a robust review of costs and has been developed alongside this VFM Strategy. This sets an ambitious additional target to deliver a further £300k of savings which have not been identified yet. Over the coming years we will carry out systematic service improvements to ensure that we are as efficient as possible while meeting our quality outcomes.

We recognise that currently; our Operating Margin may be lower and our Cost Per Unit may be higher than some of our peer registered providers. While we will strive to achieve value for money in every decision we make, we are guided by the feedback from our customers and our relentless desire to ensure that all our homes our safe, warm, fit for modern day living and sustainable into the future.

## 6. Quality Measures

We are in the process of reviewing our suite of qualitative and quantitative measures the hierarchy of which is set out below. This will help us to understand with greater clarity the outcomes we want and the resources that we are using in achieving this. VFM will be a key part of any service review:



## 7. Customer Insight

We have invested in modern customer insight systems which give us up-to-the-minute information on what our customers think and feel about our current and proposed services. Through this we are able to revolutionise services to our customers. We will also use this information to review each of our goals to ensure that they are in line with our customer feedback.

## 8. Income

During the last four years, we have reduced all social and affordable rents by 1% each year. In 2020, for the first time in four years, we have increased all rents by 2.7% in order to be able to provide further investment into developing new homes and also investing in our existing properties, ensuring all customers have a safe, warm and secure home. Further years' rent increases will be considered in conjunction with our investment plans while considering affordability for our customers.

## 9. Asset Management

---

**All of our homes meet the Decent Homes Standard. However, this Standard is now several years old, having been introduced in 2000. Customer insight tells us that our customers would like to see the standard of our existing homes more closely match that of our new homes, including carpet.**

We are also looking towards decarbonisation of our homes in line with the Government's commitments to meet carbon-neutrality by 2050. We are drawing up plans to achieve this and to ensure our homes are inexpensive to heat from sustainable heating sources and are well insulated so that our homes are cost-effective for our customers to live in.

Although the majority of our properties have an EPC rating of C or above, some have a lower rating. We are reviewing our Asset Management Strategy to ensure that all our properties meet our ambitions.

We provide responsive and planned maintenance along with some major repairs through our Alliance Homes Partnership, a cost sharing group with two other partners. During the last year, we have recognised that we can improve the productivity of our operatives and this will be supported by a new leadership structure which has been put in place at the beginning of the 2020/21 financial year. This will mean that we will reduce the amount we spend with sub-contractors by £467k in 2020/21 as a result of increased productivity in-house. In addition, we will drive in value for money in our materials supply chain. This will lead to a saving in the cost of materials which will be netted off against the increased cost of additional materials used in undertaking more of the work in-house.

## 10. New Homes

---

**We have ambitious plans to invest in new homes over the next three years and our reviewed New Homes Strategy will support us in this goal. We have built the team and the infrastructure to be able to do this and are currently building our pipeline to meet our target of approximately 200 new homes to be developed each year. We will focus on North Somerset, in line with our Partnership Agreement with the Local Authority, although we will also develop new homes outside this area.**

## 11. Procurement

---

**In 2020, we will be transforming our purchasing and procurement services through a categorisation of spends, identifying preferred suppliers and putting in place purchasing agreements with our preferred suppliers to drive in value for money efficiencies in all of our purchasing decisions. We have robust procurement processes which market tests the costs of all our larger contracts and we fully comply with OJEU legislation.**

We do not yet know what the full effect of this plan will be, but for 2020/21 we have estimated that we will be able to save:

<b>Legal costs</b>	<b>£40k</b>
<b>Consultancy costs</b>	<b>£50k</b>

## 12. Finance and Investment

---

The economic environment in which we work has been very uncertain over the last year or so firstly due to BREXIT and more latterly the coronavirus pandemic. During this time, we have been and continue to hold higher levels of liquidity which would enable us to be able to take advantage of any opportunities which present themselves during this time. Over the next three years, we plan to reduce our cash holdings. All excess cash will be invested in accordance with our Treasury Management Strategy and will protect the capital as well as maximising return. We recognise that 'green investments' are likely to offer further efficiencies in the coming years and we aim to take advantage of these.

## 13. Community Services

---

We will provide community services where they support our purpose, demonstrate a positive benefit to the communities in which our homes are situated and where they improve lives and enhance our brand. We will not undertake services where they are not commercially viable or where another organisation is better placed to provide those services. We are currently reviewing all of community services to ensure that they meet these criteria.

## 14. Grants

---

We will seek to maximise the availability of grant funding to support our investment in existing and new homes. For example, we have access to Homes England grant funding to support our new build development programme via a partnership agreement with Curo. We will also identify other opportunities for public subsidy from partner organisations, in order to drive better value for money from our property investment activities.

## 15. Benchmarking

---

We are committed to continuous improvement and as part of this we will benchmark our results with peer organisations, taking any learning from this information to be able to improve the service we offer to our customers.

## 16. Reporting

---

Each year we will report our targets and how we did against each one. We will set out the reasons for not meeting a target and explain how we will remedy this in the future. This will be published as part of our Annual Report to our customers and stakeholders.

## 17. Review

---

This document will be reviewed annually as part our Budgeting process.



40 Martingale Way, Portishead, BS20 7AW  
**03000 120 120**  
**[alliancehomes.org.uk](http://alliancehomes.org.uk)**

