Alliance homes

VALUE FOR MONEY

OUR APPROACH, PLAN AND TARGETS 2021-22

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1. Background

In 2017, Plan A was developed and sets out our five year strategy to transform the way in which we work. It sets high level goals which support our ambition to be known for great customer experience and increasing the supply of housing. An integral part of achieving these goals is providing value for money across everything we do.

Over recent years, 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.

2. Our approach to delivering value for money

This document sets out our approach to value for money. It sets our plan and targets for the coming year together with indicative targets for the following two years.

We are committed to driving efficiency within our business operations as well as providing value for money services to our customers, in order that we can invest more in our existing homes and in building new homes. We recognise that our operating environment presents opportunities and risks to this, and we are driving a culture to meet those challenges by understanding and responding to our cost and quality indicators.

Our approach to value for money focusses on the distribution of efficiency gains into reinvestment in our core services.

Value for money is implicit in everything we do. It is a cross cutting and overarching priority, intricately balancing cost and quality to drive optimum business and customer service decisions.

- We're a long term, customer and 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. 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 Plan)
- Four key strategies - Asset Strategy, Customer Services Strategy, Resource Strategy and People Strategy
- Financial Plan
- Benchmarking our performance against other, similar organisations
- Governance and Risk, including building safety requirements
- Economic climate

5. Our 2020/21 Value for Money Plan

The first three years of Plan A were focussed on investing in and delivering the structure that is required to support Plan A. For 2020/21, we planned to undertake a full review of our service provision to be focussed on;

- Home Repairs Service
- Tenancy Services
- Community Services

We set three strategic priorities for 2020/21

- Deliver Civica Phase 1
- Data cleanse and ownership
- KPIs and reporting

A number of 'business as usual' initiatives also sat alongside these. We built efficiency targets into our plans to take account of the delivery of these.

The global pandemic was announced in March 2020. Like other housing associations, our focus moved to providing essential services only, while ensuring the safety of our customers and colleagues. We took the decision not to undertake any intrusive major repairs, such as replacement of kitchens and bathrooms. We considered ways in which we could release pressure which was building within the business as a result of the pandemic. To release that pressure we took the decision to postpone implementation of Civica until July 2021.

The performance against the VFM targets set for 2020/21 will be reported within the Annual Accounts in August 2021.

6. Value for Money 2021/22

It is a year since the global pandemic was announced. The Government has recently published its roadmap out of the pandemic and has clearly stated that the UK will have to live with the presence of the virus for some time yet but that life will return to more normality over the coming months. In planning for 2021/22 we have included for this gradual unlocking of society.

During the year, the Board has approved four new strategies which support Plan A. Over the last few months, we have undertaken our second Great Places to Work (GPTW) survey. An action plan has been drawn up in response to this and this work has also been included in our plans.

The strategic objectives for 2021/22 are:

- Customer Service Strategy - Successfully implement the new Civica housing management system and self-service customer portal, whilst also progressing HRS transformation
- Asset Strategy – create the right conditions for our future asset investments and to progress strategically significant development projects
- Resource Strategy – embed data management improvements to enable robust and reliable reporting of performance and improving our control environment
- People Strategy – building the foundations of a trusting culture using the Great Places to Work as a roadmap to change

7. Customer Insight

Our HIVE online community platform continues to form a key part of our customer insight programme, helping us become more customer centric as an organisation. With close to 543 members now signed up to HIVE, the platform gives customers the opportunity to share their opinions and experiences at whatever time suits them.

HIVE is a safe space for customers to be able to share honest feedback with the confidence that their responses are anonymous. Importantly, all our customer segments are represented on HIVE which means we are hearing from all our key customer groups, not just those who were able to engage with us previously through the more traditional resident involvement approach. 84% of our customer members feel HIVE gives them the opportunity to provide feedback on topics that are important to them.

In addition to HIVE, we are increasing the number of transactional research programmes throughout the business. These are designed to measure the customer experience at specific touchpoints. In Q1 2021/22 we plan to launch our Complaints and ASB customer surveys to understand how satisfied customers are with the way in which we handle these important areas.

8. Quality Measures

Latest Customer Experience KPI scores for core ‘Need’ measure and VFM

KPI measure	Benchmark November 2019	Wave 1 July/August 2020	Wave 2 February 2021	Trend
Alliance Homes meets my needs	72%	78%	77%	Positive (significant increase from Nov 2019 to Feb 2021)
The value for money for the rent I pay is good	na	85%	84%	Stable (no significant change)
	n=1,405	*n=788*	*n=892*	

This indicates that our customers feel that the services which we offer provide good value for money.

9. Managing our Homes

Our customer insights show that many would like to self-serve and carry out basic tasks such as booking a repair or paying rent online. In 2021/22, we will go live with our new housing management system Civica CX. Following this, we will start work on implementing a customer portal which will allow access to customers to undertake these and more tasks. This will allow us to focus our telephone and face-to-face services for those customers who require these services.

Before the global pandemic, we had introduced agile working into Alliance. This allows our colleagues to work according to the needs of the business while achieving a greater work/life balance. This will allow us to consider an extension of the hours over which we are able to offer our services.

10. Income

In 2020, for the first time in four years, we increased our rents. In April 2021, we will raise our rents by 1.5%. Although we are very aware of the economic environment, this decision will enable us to be able to provide further investment into existing and new homes.

11. Community and Support Services

We provide community and support 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.

12. Asset Management

Our Decent Homes performance has historically tracked at a non-decent rate of less than 0.5%. This demonstrates the strength of our major works planning and programme delivery. Over the last 12 months Covid-19 has resulted in a suspension of some improvement programmes (kitchens and bathrooms in particular) at various points in the year. This will contribute to an increase in non-decency in 2021/22. We have included additional budget provision for catch-up works profiled to ensure a steady post-Covid recovery.

We are already recognising the need to increase the overall standard of our homes, evidenced by customer insight feedback. Understanding what matters most to our customers will enable us to consider and implement our own quality enhancements to the void property standard by providing floor coverings, for example. A pilot project in 2019/20 produced positive results and a review of the pilot findings is proposed for the coming year. This will direct a business case for wider adoption in the business, with an increase in costs offset by a reduction in costs elsewhere and potentially increased customer satisfaction.

As set out in our Asset Strategy, we are committed to improving the energy efficiency of our homes. This is underpinned by the Government's pledge for carbon neutrality by 2050 and North Somerset Council's aspiration to meet that target by 2030. Our starting position is strong, as reflected in prior investment in renewable technologies and our homes insulation programmes. However, we have approximately 1,000 homes that do not currently meet EPC rating C. This year we will be evaluating the cost and delivery implications of prioritising investment into these properties, supported by grant funding to enable us to bring them up to EPC rating C where possible. This planning period will enable us to obtain a more detailed understanding of requirements in future years of the Asset Strategy.

In addition to our planned investment programmes, we also provide responsive maintenance services through our Alliance Homes Partnership (AHP), a cost-sharing group with two other partners. In April 2020, we restructured our service. This was to improve the productivity of our operatives. However, the pandemic has meant that this has not been achieved. New leadership was put in place in summer 2020 and the driver in 2021/22 will be to improve productivity and to upskill operatives to carry out work which previously has been completed by sub-contractors. This is embedded within a Home Repairs Service (HRS) transformation plan. In addition, we have re-tendered for our materials supplier which will commence on 1 April 2021, driving better value for money and reduced costs.

13. New Homes

We have ambitious plans to invest in new homes over the next three years, delivering the right new homes in the right places and supporting our ambition to deliver 2,000 new affordable homes over the next 10 years.

We have invested in our infrastructure to support our pipeline growth. Our new homes programme will continue to comprise developer-led Section 106 purchases in addition to land-led design and build projects, for mixed affordable tenures (social/affordable rent, rent to buy and shared ownership sale). We will operate in five local authority areas, with the majority of our new supply in North Somerset, where we have existing economies of scale that represent better value for money.

14. 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 then the pandemic.

During this time, we have been holding higher levels of liquidity that would enable us to be able to take advantage of any opportunities which presented during this time. Marina Gardens is one such opportunity and we plan for this to be completed in 2021. This will mean that we will substantially decrease our cash holdings as a result. We will then start drawing down our Revolving Credit Facility, which will be fully utilised by December 2023. During 2021, we will go out to the market to arrange our next long-term funding facility. We have received confirmation of our A1 credit rating from Moody's in readiness for this. We recognise that 'green investments' are likely to offer further efficiencies in the coming years and we aim to take advantage of these. We have produced our first ESG Report which follows the framework set out in the Sustainability Reporting Standard for Social Housing.

15. Grants

We seek to maximise the availability of grant funding to support our investment in existing and new homes. We have access to Homes England grant funding to support our new build development programme via a partnership agreement with Curo, a West of England Housing Association. We will also identify other opportunities for public subsidy from partner organisations, such as our Strategic Partnership with North Somerset Council will drive in value for money from our new build programme.

16. Data Management

All our decisions are data driven. In 2021/22 we will complete our Data Management Project to ensure that we have up-to-date data on our customers and the services which we provide to them. This is key to being able to target our services where required and to improve customer satisfaction.

17. Procurement

We drive in value for money through all our purchasing decisions. In 2020, we started 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 our purchasing decisions. We have also improved processes around the purchase-to-pay service, making system changes to drive efficiency. Training across the business is planned for 2021.

We have robust procurement processes which market test the costs of all our larger contracts and we fully comply with all procurement legislation. We keep a VFM log of all of our procurement exercises and the following table shows the savings that will be achieved on new contracts starting in 2021/22:

Contract Description	Contract Start date	Contract End Date	Base Price	Tendered Price	Contract Term Saving	Percentage Saving	Annual Saving
Replacement doors - supply and fit	01/04/2020	31/03/2025	£900,000	£573,000	£327,000	36.33%	£65,400
Mobile Phones (one-off purchase)	18/06/2020	30/06/2020	£50,000	£34,848	£15,152	30.30%	£15,152
Scaffolding	01/07/2020	30/06/2025	£360,000	£336,359	£23,641	6.57%	£4,728
Drain clearance and CCT surveys	01/08/2020	31/07/2025	£250,000	£133,472	£116,528	46.61%	£23,306
Supply and fitting of carpets	01/07/2020	30/06/2024	£369,000	£259,016	£109,984	29.81%	£27,496
Asbestos removal services	01/05/2020	30/04/2027	£350,000	£322,000	£28,000	8.00%	£4,000
Arboriculture works	01/08/2020	29/02/2024	£280,000	£157,610	£122,390	43.71%	£34,179
Lone worker device	15/01/2021	14/01/2024	£190,000	£116,000	£74,000	38.95%	£24,689
Repairs & Maintenance Materials	01/04/2021	31/03/2024	£4,200,000	£3,976,800	£223,200	5.31%	£74,400
			£6,949,000	£5,909,105	£1,039,895	14.96%	£273,350

All figures exclude VAT

18. Financial Plan

Our financial plan includes all strategic and operational aims detailed in this report. For the next three years our high level VFM targets are:

VFM Metric	20.21 *Budget*	20/21 *YTD*	20/21 *Q3 F'cast*	21/22 *Budget*	22/23 *Indicative Budget*	23/24 *Indicative Budget*
Gearing %	46.1%	40.1%	41.7%	46.9%	46.1%	43.5%
EBITDA-MRI Interest Cover	3.6	4.3	3.4	2.4	2.1	1.8
Headline SHCPU (£'000)	4.1	3.4	3.5	4.4	4.6	4.8
Overall Operating Margin	25.70%	26.10%	23.05%	22.55%	22.48%	22.49%
Overall Operating Margin (VFM)	22.00%	26.10%	23.02%	21.29%	22.17%	22.18%
Return on Capital Employed	5.9%	5.73%	4.97%	5.4%	5.3%	5.2%
Group Surplus for Period (£'000)	8,541	6,555	6,555	7,863	8,276	8,541
Reinvestment %	29.6%	8.35%	8.82%	46.6%	22.0%	13.9%
Reinvestment % (ex. Marina Gardens)	29.6%	8.35%	8.82%	27.9%	25.3%	15.6%

19. Benchmarking and Continuous Improvement

To ensure continuous improvement we've benchmarked our key metrics against a group of 10 peer housing associations, based on our stock numbers and types, size and geographic location. Each measure tracks the trend from the last three years of the peer group performance and compares that with our VFM targets for the three years of our budget.

% Gearing

Our gearing will increase in 2021/22 due to an estimated loan draw-down of £19.5m. This will then decrease over the following two years as this is converted into assets. Taking a trend from the peer group results suggests that our % gearing will remain below the average of the peer group throughout the next three years. Our lenders require a maximum gearing of 75% and although the calculation methods are all slightly different, we have plenty of capacity for further borrowing.

EBITDA-MRI Interest Cover

Our EBITDA-MRI interest cover is higher than our peers and remains higher than the projected trend of the average of our peer group. This shows our capacity to repay our interest costs and allows for further borrowing. Our funders require a minimum interest cover of 100% in any one year or 110% over a three-year period.

Headline Social Housing Cost per Unit

Historically, our cost per unit has been higher than that of our peers. This is because we have invested more in repairs and maintenance than our peers. Over the last three years, this has reduced by half as a result of efficiency savings made. If this trend were to continue over the next three years, our cost per unit would be at, or slightly lower than, that of our peers'. However, caution must be advised as we do not know the extent to which our peers' costs will increase/decrease over the coming year as they plan for building safety and decarbonisation works to be undertaken. In addition, when we have completed our planning work, we may find that we need to invest further over the coming years.

Overall Operating Margin

The overall operating margin is intrinsically linked to the cost per unit measure above. The more that is spent on services, the less the operating margin is likely to be (assuming income remains fairly static). Again, our overall operating margin has decreased at a slower level than that of our peers over the last three years. If this trend were to continue, our margin would be at, or slightly lower than, the peer group in 2022/23 onwards.

Return on Capital Employed

We are making a good return on capital invested in the business. Our three-year budget shows that this remains above 5.0%. Assuming that our peer group retain their trend, we will remain above the average of our peers in this respect.

Group Surplus

The Group Surplus is projected to increase over the coming years. This will allow further investment in existing and new properties.

% Reinvestment

This measure reflects the amount of investment in existing and new properties. In 2021/22, we are planning to invest £63m in new development (including Marina Gardens) and an increased major repairs programme. In the following two years, we show lower levels of reinvestment, although these will be reviewed as we firm up our pipeline.

% Reinvestment (Excluding Marina Gardens)

For this measure we have examined reinvestment percentage, but without Marina Gardens. 2022/23 and 2023/24 also show a higher level of investment as the brought-forward net book value from 2021/22 would be lower, and therefore the investment in 2022/23 and 2023/24 would be a higher percentage of the lower value.

The VFM metrics give assurance that our targets provide value for money when compared with our peers' projected trends in these measures.

We are committed to continuous improvement and, from our latest benchmarking review, we have identified the following areas for review in the 2021/22 financial year:

- Review maintenance spend to ensure efficiency
- Review costs and capitalisation of development
- Review overheads costs
- Drive in further efficiencies in our management costs through delivery of digital offer and automated services

20. 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.

21. Review

This Plan will be reviewed annually as part of the budgeting process.

Alliance homes

40 Martingale Way, Portishead, BS20 7AW
03000 120 120
alliancehomes.org.uk

AH-104/02