Alliance homes

VALUE FOR MONEY

OUR APPROACH, PLAN AND TARGETS 2023/24

alliancehomes.org.uk

Contents

1. Background

In 2022, we launched Plan A 2.0, a new corporate strategy. Plan A 2.0 builds on our original, ambitious Plan A, and updates our direction using insights that were gained when we engaged and involved our customers, colleagues and stakeholders. A fundamental part of the strategy is our focussed five objectives for the next five years:

- Delivering a great customer experience
- Building more affordable homes
- Being a green and ethical business
- Investing in existing homes and neighbourhoods
- Being a great place to work

2. Our approach to delivering value for money

The delivery of this Value for Money strategy will support our purpose - 'to create great places to live, that our customers are proud to call home' and it underpins our focussed five objectives set out in the Corporate Strategy 2022-2027. This document sets out our approach to value for money, 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 to build more new homes. We recognise that our operating environment presents opportunities and challenges, 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 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.
- 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.
- 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 market-aligned, it's 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 2.0 (Corporate Strategy)
- 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. Customer insight

We have a number of programmes in place to bring the customer voice into the organisation to inform decision making, shape our services and improve the customer experience. These include HIVE, our online community platform which has close to 700 active members; our transactional surveys; and our bi-annual customer experience KPI survey.

Transactional surveys are designed to measure the customer experience at specific touchpoints. These include the experience of new customers who have just moved into their home; feedback on our Home Repairs Service via our SMS day after repair survey; feedback on our Major Works programme; our Support and Adult Carers services; our contact centre and how we handle Complaints and ASB cases. Results are used to understand the current experience and what learnings we can take forward to drive improvements.

Twice a year, we also measure our overall performance with our customer experience key performance indicator (KPIs) survey. To ensure transparency around how we are performing, we publish the results of these KPIs in our Annual Customer Review.

6. Quality measures

We participated in the Tenant Satisfaction Measures (TSM) pilot in January 2023. The Tenant Satisfaction Measures Standard requires all registered providers of social housing to collect and report annually on their performance on a core set of defined measures to provide tenants with greater transparency about their landlord's performance. In relation to VFM, two metrics are reported: overall satisfaction and the VFM metric. With the introduction of the new TSM measures, we will no longer be reporting on the 'meets my needs' metric which used to be our KPI. The results for core are shown below, alongside previous Customer Experience KPI scores.

KPI / Tenant Satisfaction Measures	Baseline Nov 19	Wave 1 Jul 20	Wave 2 Feb 21	Wave 3 Jul 21	Wave 4 Jan 22	Wave 5 Jul 22	Wave 6 Jan 23*
Overall satisfaction with Alliance Homes (fairly / very satisfied)	N/A	N/A	N/A	80%	82%	79%	75%
The value for money for the rent I pay is good (agree/ Strongly agree)	N/A	85%	84%	83%	80%	77%	78%
Alliance Homes meets my needs (agree/strongly agree)	72%	78%	77%	73%	75%	72%	N/A

***Jan 23 data is not directly comparable to previous waves:** there is a slight change to question wording and overall satisfaction is now the first question in the survey, whereas previously it was asked last. We continue to analyse the feedback to understand the causes for changes to the result.

7. Managing our homes

Our customer insight indicates that many of our customers would like to self-serve through an online customer portal. These customers see the key benefits as saving them time and delivering greater convenience, with 24 hours a day access to services such as checking their rent balance, paying rent, reporting or tracking progress of a repair. The portal will be of particular benefit to our working customers, many of whom tell us they find it difficult currently to phone us during working hours.

The portal will also be a positive step forward for customers who suffer from anxiety or stress when having to make phone calls, and who have a preference for communicating online. It is important to note that an online portal will be an additional service offered to customers, and not a replacement for any existing services. Our insight shows that there is a proportion of customers who will not wish to engage with us via an online platform, so the portal will allow us to focus our telephone service on these customers. There is a phased role out timeline for the customer portal with the staggered launch planned from Spring 2024.

8. Income and customer support

In April 2023, we raised our rents by 7% in accordance with the decision of the Regulator of Social Housing in December 2022. Other rental types not subject to the rent cap were increased at a rate consistent with the cap, in the interests of treating our customers equitably. The exception to this is where the increase for an Affordable Rent rate would result in a charge above the LHA rate and those properties in categories that are listed as excluded from the rent cap within the Regulator's Rent Standard.

We understand the impact of such a rent increase on our customers and we have established a Customer Support Package totalling over £200k and consisting of two different funds available to customers. In addition, we have invested in new roles to directly support customers in greatest need to ensure that they are accessing all benefits for which they are eligible. The different funding streams are described in the following table:

Customer Support fund	Alliance charitable fund
• Financial hardship as a direct impact of Covid 19 and the increase in rent liability. • Support required to sustain tenancy to meet priority debts, long term debt solutions. • Available to customers renting homes from us and seeking to engage in long term debt solutions to sustain their tenancies. • Customers struggling to sustain tenancies due to the increase in rent liability and the increase in cost of living. • Provide one off payment of costs or practical items such as energy, white goods, carpet. • To enable customers to access, advise and support for mental health services. • Available to customers renting a home from us.	• Real time crisis intervention. • Provision of small awards for crisis intervention such as food, energy or travel costs. • Available to any customer engaged with any services offered by Alliance Homes.

9. 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.

10. Asset management

During 2023/24, we will continue to invest in our homes and move forward with the delivery of our Asset Strategy. The last two years have presented significant operating environment challenges, compounded by the impacts of BREXIT, Covid-19 and other continuing supply chain issues. As a result, performance against budgeted major works improvement programmes has been below forecast and future investment requirements now need to be programmed and smoothed.

Whilst 2022/23 was characterised by challenges, our Decent Homes performance was 95.4% and an action plan developed for all homes identified as non-decent. During 2023/24 we aim to maintain and where possible improve upon this performance. The government's review of the Social Housing Decent Homes Standard, which concluded in autumn 2021, found the standard remains broadly suitable and effective, but that updates may be beneficial.

In February 2023, the Regulator stated that damp and mould will be a "key focus" of the housing sector's new consumer regulatory regime. Our approach to measuring the extent of damp and mould issues affecting our properties is through assessing the condition of all our homes using a 5-yearly rolling stock condition survey programme. Since April 2022, our surveys have also included the collection of damp and humidity readings to support our ability to identify potential damp and mould risks. This approach also provides longer term predictive data analytics and trend mapping across our portfolio of homes.

We are developing an approach that will align with our annual gas servicing inspections, with gas engineers carrying out a high-level inspection and recording any instances of damp and mould, as part of our proactive approach to managing the issue.

Throughout the year, we will continue to capture more intelligence about our stock profile and its investment requirements through our asset surveying programme, with this being used to inform business decisions. Key considerations, going forward, include developing a proactive approach to tackling disrepair (especially where there is a potential building fabric failure) and ensuring building safety compliance (particularly fire safety).

We will continue to assess our future investment requirements for decarbonisation and wider sustainability improvements. This will include refinement of our energy data, capacity testing our long-term financial plan and progressing with targeted energy efficiency projects. In February 2023, we were awarded a grant of £1.1m through the government's Social Housing Decarbonisation Fund (SHDF) to boost energy efficiency and cut emissions of our properties. We fund approximately 130 homes through the SHDF grant process. In 2023/24 we will continue to seek opportunities to maximise value for money by securing external grant funding for energy efficiency measures where practicable.

We are well placed to meet the requirements of EPC C by 2030 and net zero carbon targets by 2050, although we recognise the need to be agile in our thinking. To support our planning and preparedness, we have appointed an external sustainability consultancy who will provide advice and guidance in the development of a strategic roadmap which will seek to outperform the timescales and targets set by Government.

Our asset strategy continues to evolve and seeks to drive value for money. A Disposal Policy was recently approved by Board, recognising the need to ensure long term viability of assets and seek alternative future use opportunities where they cannot perform adequately. Our approach to disposal is for it to be 'the exception not the rule' and only considered when set qualitative and quantitative criteria are met.

In the maintenance arena, we will continue to provide empty homes, repairs, home safety and other contracted works through our in-house Home Repairs Service (HRS) and through our Alliance Homes Partnership (AHP) with two other partners. Covid-19 and supply chain strains have also adversely impacted some elements of service delivery in these areas, and a backlog of work in progress has increased since early 2020. We are continuing to refine operational plans to ensure we meet customer promises and drive greater productivity in service delivery.

11. New homes

We are an ambitious and growing organisation with a clear strategic objective of building more affordable homes to meet the ever-growing housing need in our area of operation. Significant investment in new housing supply has enabled us to continue to effectively grow our development pipeline which will support our ambition of delivering 2,000 new homes over the next 10 years.

We have completed 409 new homes in the 2-year period from 1st April 2021 to 31st March 2023. This leaves 1,591 development completions to achieve our 2,000 homes target. Additionally, we have continued to provide homes for shared ownership sale. Shared ownership tackles affordability issues within many of our communities and during 2022/23 we have sold 64 new shared ownership homes. This has generated an income of £7.1m at an average surplus of 25.7% that will be reinvested in new homes and services.

With significant variations in values across our operating area and varied delivery mechanisms, we continue to develop a portfolio that balances tackling housing need in high value areas with securing value for money within our investments. We develop our own homes through direct land purchase and partnerships with developers as this offers us the most flexibility to tackle areas that the market would not naturally address – and control the timing and specification of our homes. We also purchase S106 homes secured through the planning process from the housing market as they offer us greater value for money and speed of delivery. For 2023/24 we plan to complete 258 new homes.

We remain committed to our operating geography and continue to deliver most of our new homes in North Somerset. Providing homes where we are already a dominant landlord enables us to generate operational value for money in management, by giving creating a bigger economy of scale. Our pipeline in other local authority areas is modest, but we are establishing a growing portfolio in Sedgemoor where we able to secure good opportunities at competitive prices. Over the next year Sedgemoor will represent our largest local authority operating area outside of North Somerset.

12. Finance and investment

The economic environment in which we work continues to be uncertain. In previous years, this has been driven by Brexit, then the pandemic and now a high inflation economic environment. More recently this has been compounded by the Rent Cap, high inflation on development, repairs and decarbonisation costs, and increased variable interest rates.

We have a Revolving Credit Facility with Lloyds Bank, of £75m for five years from 2022. This is a Sustainability Linked Loan (SSL) which gives a discount for meeting three ambitious environmental sustainability targets.

We produce an annual ESG Report which follows the framework set out in the Sustainability Reporting Standard for Social Housing, for which we were an early adopter. We recognise that 'green investments' are likely to offer further efficiencies in the coming years and we aim to take advantage of these where possible.

In the first quarter of 2022/23 we signed a loan deal with the banks Macquarie and Industrial Alliance for a loan to Alliance of £100m, which we will use to further boost the number of new homes and investment in our communities.

13. 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 which will drive value for money from our new build programme.

14. Data management

We continue to be a data driven organisation. After successfully completing our data management project we now have clear and accurate data on our customers and services. In 2022/23 we implemented a refreshed data insights strategy around monitoring and reporting to allow us to enhance our services to our customers.

15. Customer strategy

Our new customer portal called Connect will be launched in 2023/24. We will aim for as many customers as possible to use our online services with a phased rollout to encourage use across our customer base. Connect will deliver time savings and cost savings across our services. The system will be easy and seamless for customers to use. Therefore, our customer services team can concentrate on those who really need them. Our customers have helped to design the functionality. Connect will enable us to collect data about how our services work, which we will use to keep improving our services.

16. 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.

We have robust procurement processes which market test the costs of all our larger contracts, and we comply fully with all procurement legislation.

To mitigate the impact of the rent cap on our income, we have negotiated the contractual price increases on some of our existing contracts. The table opposite presents the savings to be achieved on these contracts by agreeing the lower percentage uplift for the year commencing April 2022:

Contract Description	Price Adjustment Date	Contract End Date	Contractual percentage uplift	Negotiated Percentage Uplift	Contract Saving - remaining term	Percentage Saving	Annual Saving (or term if less)
Grounds Maintenance	01/04/23	29/02/24	15.70%	7.00%	£59,925	8.70%	£59,925
Void Property Cleaning	01/04/23	31/03/25	14.10%	10.00%	£9,835	4.10%	£4,917
Arboriculture	01/04/23	29/02/24	13.37%	7.00%	£10,164	6.37%	£10,164
Carpets and Flooring	01/04/23	30/06/24	13.37%	12.00%	£1,091	1.37%	£935
Garage Management Services	01/04/23	30/09/23	13.80%	5.00%	£31,514	8.80%	£31,514
Wall Insulation programme	01/04/23	31/12/23	13.50%	7.00%	£39,554	6.50%	£39,554
Asbestos Survey and Testing	01/06/23	30/05/23	14.74%	7.00%	£8,221	7.74%	£8,221
					£160,304	**7%**	**£155,230**

All amounts shown above include VAT.

In addition to the savings derived from procurement exercises described above, there are non-cashable benefits achieved from outsourcing our Empty Homes Energy management. This includes process improvement that removes complexity and reduces delays in Empty Homes re-let times. Currently, 40 properties a month are processed through this arrangement. This will also be rolled out to new-build homes to cover the period from developer handover to first occupancy.

17. 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:

Measure	2022/23 Budget	2022/23 Actual	2023/24 Budget	2024/25 Indicative Budget	2025/26 Indicative Budget
Gearing	47.00%	**49.5%**	53.10%	54.30%	56.50%
EBITDA-MRI Interest Cover	171.70%	**162.6%**	100.70%	110.70%	131.80%
Headline social housing cost per unit (£)	£4,878	**£4,933**	£5,282	£5,616	£5,616
Operating Margin	22.54%	**19.18%**	23.55%	22.95%	25.36%
Operating Margin: Overall (VFM)	22.24%	**17.63%**	22.92%	23.43%	25.84%
Operating Margin: social housing lettings	26.62%	**15.85%**	25.53%	21.69%	24.86%
Group surplus* (£'000)	£8,569k	**£5,697k**	£7,635k	£7,297k	£9,258k
Return on Capital Employed	4.60%	**3.9%**	4.40%	4.10%	4.30%
New Supply: Social Housing	2.50%	**2.2%**	2.50%	2.10%	2.50%
Reinvestment	13.70%	**18.1%**	18.10%	13.60%	13.50%

*Group surplus is the surplus before tax.

18. Benchmarking and continuous improvement

To ensure continuous improvement we've benchmarked our key metrics against a group of 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

At 49.5%, gearing is higher than the target of 47% in 2022/23. Long-term borrowing has increased since the start of the year by £20m while the value of housing assets has not increased as expected due to lower build completions at the end of the year against target. Alliance currently has high headroom levels for Gearing. Our gearing is increasing in the coming years, which is in line with our plans to continue our ambitious new homes programme.

However, our gearing results continue to remain lower than the projected trend of our peer group and remains well within our funders' covenant of 75%, indicating the capacity within our business plan for future investment.

EBITDA-MRI interest cover

Our EBITDA-MRI interest cover reduces over the three budget years, partly due to an increase in capitalised major repairs as we plan to catch up on the backlogs resulting from the Covid-19 pandemic. The backlog of repairs is set to be carried out over the next 4 years.

As our loans outstanding increase, the additional associated interest costs also contribute towards the reduction in our interest cover.

However, our interest cover is higher than our peers, and remains higher than the projected trend of our peer group.

Headline Social Housing Cost per Unit

Historically, our cost per unit has been higher than that of our peers due to higher spending on repairs and maintenance in comparison.

This trend is set to continue as we push forward with our plans to invest in and improve our existing properties in addition to working through the major repairs backlog. Our capitalised major repairs spend over the three budget years contribute towards the increases in our cost per unit. The capitalised major repairs spend for these three years is £9.8m in 2023/24, £10.2m in 2024/25 and £10.5m in 2025/26 (compared to £6.0m in 2022/23).

The projected trend line above suggests additional costs from the impacts of the Covid-19 pandemic will also impact our peers. Therefore, whilst our cost per unit increases, that of our peers is likely to follow.

Overall Operating Margin (VFM)

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).

A lower margin was anticipated in 2022/23 due to cost-of-living payments to staff and costs relating to LGPS exit. Furthermore, higher than forecast spends in areas including service charge costs, maintenance and non-capital major works. There was also a material swing in bad debt expense, reflecting the provision we hold against irrecoverable debts based on their age profile. The sector as a whole experienced a decline in this area with our benchmark groups presenting a reduction in the range of 2.98% - 3.39%.

Our overall operating margin (VFM) is projected to increase for the three budget years from 2023/24 to 2025/26, generating operating margins of 23.55%, 22.95% and 25.36% respectively.

Return on Capital Employed

Our Return on Capital Employed (ROCE) shows that we are making a good return on capital invested in the business and is higher than our weighted average cost of capital (currently 3.59%)

Although the 2023/24 ROCE is budgeted to be higher than 2022/23, we experience a downward trend in the three budget years.

Our operating surpluses will be impacted by increased interest costs on new borrowings to fund our ambitious development programme.

Despite this, our results remain healthy throughout and are bolstered by a strong Balance Sheet which includes the significant investments we plan to make in our existing properties.

Assuming that our peer group retain their trend, we will remain higher than the average of our peers in this respect.

Group Surplus

This measure shows that our group surplus is projected to increase in in the three budget years. This is due to the income generated from new units completed as part of our development programme.

The planned investment in new and existing properties will be funded by new borrowings, hence additional interest costs will be incurred.

% Reinvestment

This measure shows the amount of investment in existing and new properties.

Our reinvestment percentage outperforms the budget in 2022/23. The capitalised major repairs spend for the three budget years is forecast to increase compared to 2022/23, resulting from the backlog of major repairs works being pushed out to later years.

Although the value of housing assets has not increased as expected due to lower build completions in 2022/23 against target, our performance remains significantly higher than the projected trend of our peer group. The industry as a whole continues to experience difficulties in labour and materials supply.

19. Action plan

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 and will continue to monitor the following areas in the 2023/24 financial year:

- Ensure that the cost of carry of debt is as low as possible, balancing borrowing with the requirements of the business.
- Review peer group to ensure that we are benchmarking against similar organisations providing similar services.
- Consider how all companies within the Group can further increase surplus.
- Ensure that our ROCE remains higher than our weighted average cost of capital i.e. return is higher than cost of borrowing.
- Analyse staffing costs by service and benchmark to identify under/over provision. Review all vacant posts prior to going out to recruitment.

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

0281 10 23