

MAKING THE MOST FROM OUR RESOURCES

Our Value for Money Strategy 2016

Forward

Linked to our Corporate Plan, this Strategy sets out the key actions that we will be pursuing in the next few years to ensure the delivery of excellent services to our tenants which are also efficient, effective and value for money (VFM). It also takes into account the requirements and expectations of the revised National Standard on VFM.

Given the changes in our operating environment following the government's budget in July 2015 our aim is that our resources are utilised as efficiently and effectively as possible to deliver our strategic objectives. Freeing up extra resources which can be re-invested into meeting housing need and services in our community is paramount. It is also important that the focus is not just about cost savings and financial improvement, but that VFM is integrated into our culture as a matter of course. More importantly, "value" should be defined from the perspective of our customers in any service or process.

If we are to achieve this we must have a robust approach to VFM embedded within all levels of the organisation, which ensures that goods and services are procured and delivered effectively using transparent procedures, obtaining the right level of quality. The objectives of this strategy are to –

- Involve the Board, staff and tenants in understanding our costs, how they relate to our performance and how we compare with others.
- Assess the return on assets and ensure effective procurement
- Deliver cost effective services to our tenants, at the right level of quality and with particular emphasis being placed on "Digital First".
- Explore all avenues of improving VFM including using partnership working and alternative methods of service delivery.

Mike Nicholls, Director of Resources
November 2015

1. Introduction

1.1 Alliance Homes is committed to providing Value For Money services. Our vision is to be a leading Registered Society operating across the West of England.

1.2 We work to identify innovative and sustainable solutions that improve the quality of life of our customers.

Our primary purposes are:

- to provide homes and services that meet the needs of existing and future customers.
- delivery of a range of support and care services that promote independent living.

The driving force behind all our work will be to create opportunities and promote aspiration so that we may support our customers to maximise their potential. We will work directly and in partnership with others to tackle all forms of poverty and exclusion.

1.3 Our Mission can be summarised as ***“Improving lives for a better future”***

1.3 Our values define who we are and shape the behaviours our customers and partners can always expect from us. They support our commitments to outstanding customer service:

Respect –	listening and responding to individual needs, treating people fairly and promoting positive teamwork
Integrity –	being reliable, open, honest and transparent; doing what we say we will do; taking responsibility
Transformation –	inspiring and empowering individuals and communities; applying innovative solutions
Excellence –	aspiring to be the best in all we do; being a partner of choice; delivering outstanding quality and service

We will work in partnership - “Alliances” - with organisations that share our values and ethos where to do so will maximise the outcomes that can be achieved.

1.4 Our Mission will be delivered through our Corporate Objectives which establish a framework for our increasingly diverse range of services and products.

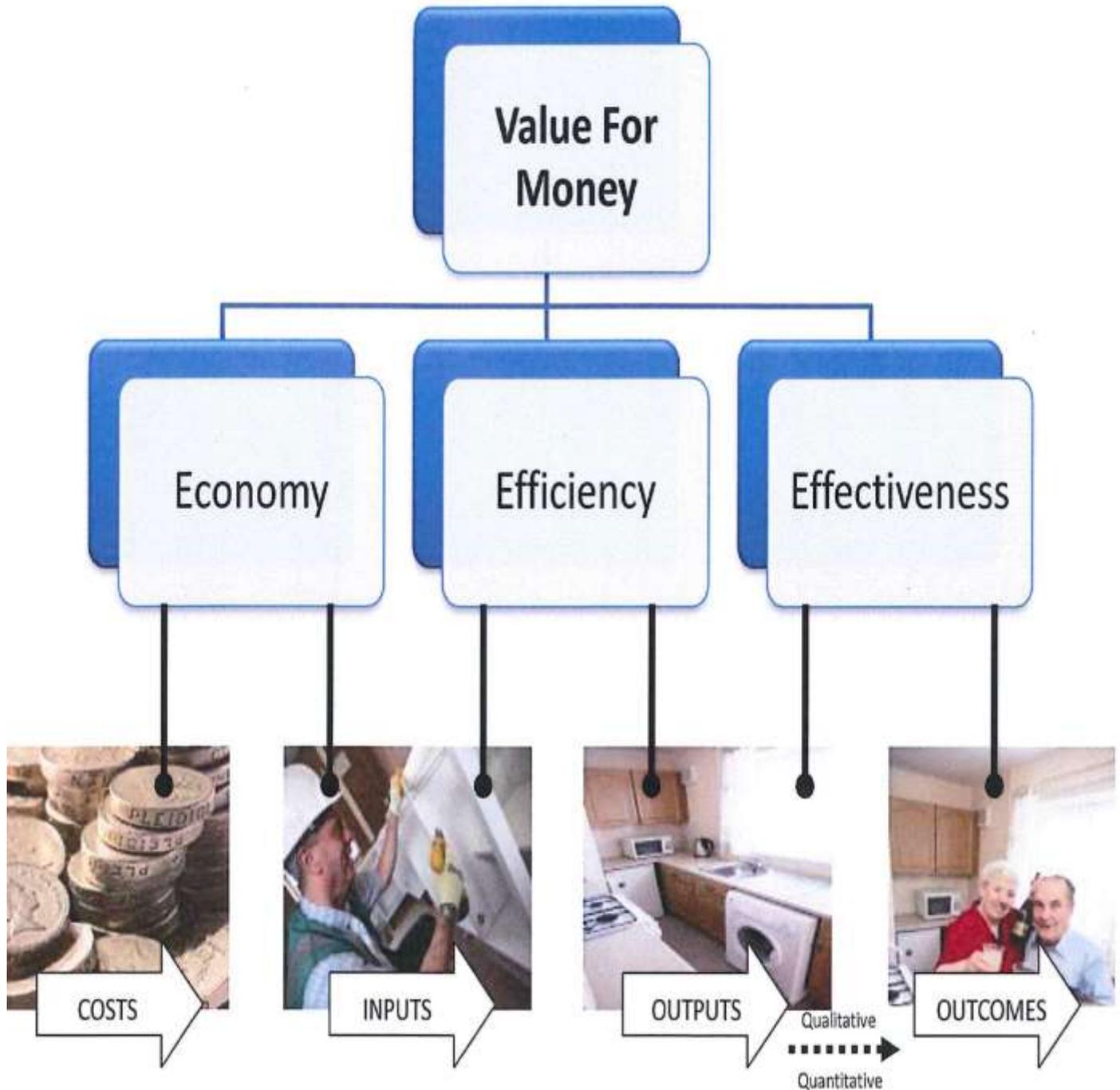
They can be summarised as:

Stronger Communities, Better Homes, Smarter Business

Mission	Corporate Objectives
Stronger Communities	Our objective is to improve the quality of life of our customers and work to create thriving communities. We will do this through implementing actions that tackle poverty and deprivation, build capacity, create social and economic opportunities and raise aspirations
Better Homes	Our objective is to offer a flexible range of housing products and services that support local needs according to customers' current circumstances and future aspirations. We will do this through a range of housing products including investment in existing housing provision, effective asset management, and the development of housing that is tailored to customers' needs and aspirations
Smarter Business	Our objective is to establish an efficient, nimble and flexible business that can adapt to changing market conditions and opportunities. We will do this by making effective use of resources that build resilience, generate profits for reinvestment in social purposes and optimise the delivery of housing solutions and strong communities.

2 How VFM is Measured

2.1 VFM is defined as the relationship between economy, efficiency and effectiveness, sometimes known as the “3 Es” and is illustrated by the diagram below. It is about obtaining the maximum benefit with the resources available.



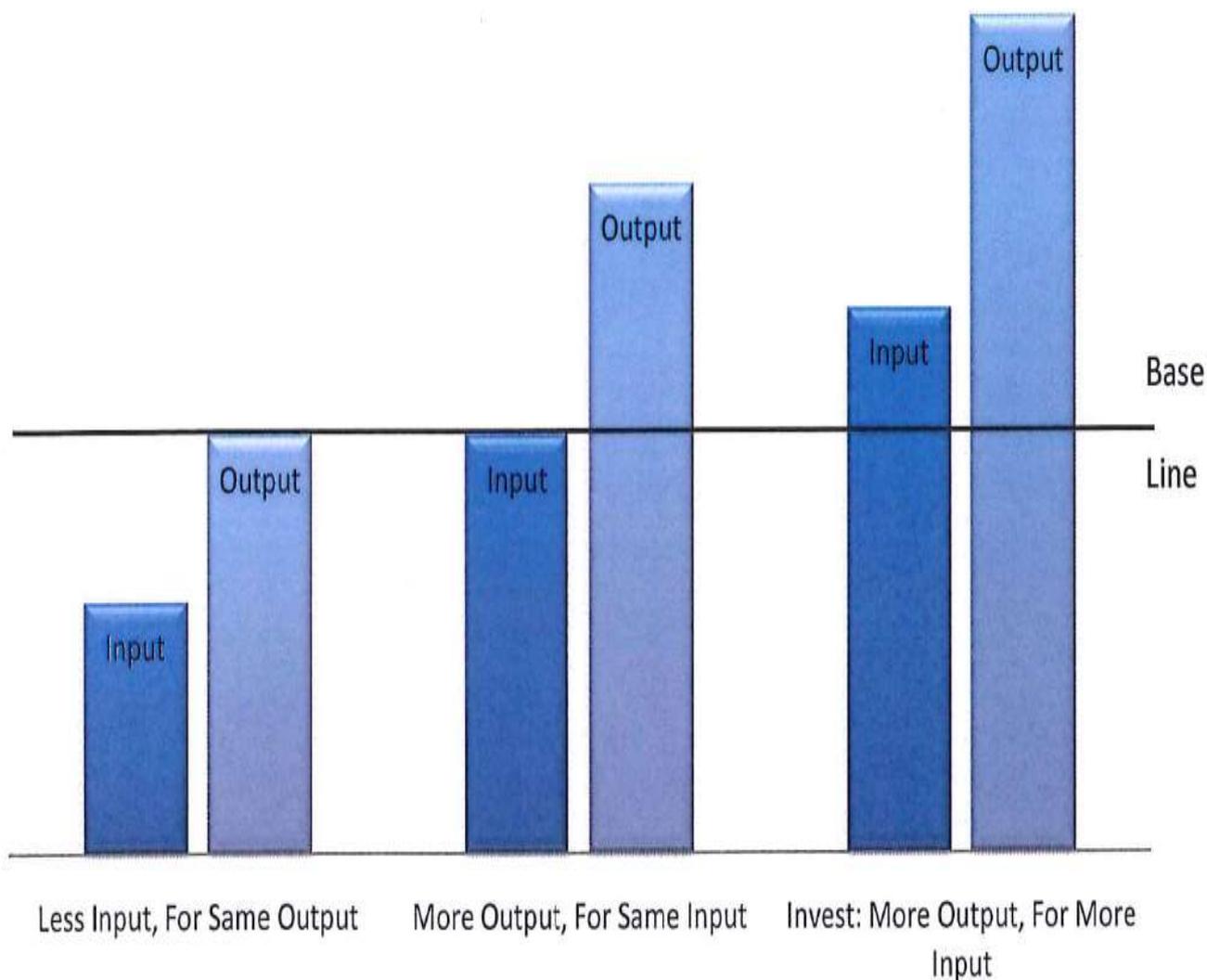
Economy is the price paid for what goes into providing a service. Economy is about minimising the cost of the resources for an activity. An example is the cost per hour of a repairs operative.

Efficiency is a measure of the activity, i.e. how much you get out (outputs) in relation to what you put in (inputs). Efficiency is primarily associated with the process and delivery and performing tasks with reasonable effort. An example is the number of repairs carried out by a repairs operative.

Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Effectiveness is primarily associated with the outcomes for the customers and they should be equitable across communities, so effectiveness measures should include aspects of equity as well as quality. Sustainability is also an increasingly important aspect of effectiveness. An example is the satisfaction of the customer receiving the repair.

2.2 VFM is achieved when there is an optimum balance between all three elements – relatively low cost (economy), high performance (efficiency) and successful outcomes for customers (effectiveness).

2.3 VFM can also be demonstrated by the diagram below:



2.3 VFM is not just about reducing costs. It is a complex balance of the cost (economy), inputs (efficiency) and the outputs (effectiveness). Success in delivering VFM will be judged by the quality of the services provided, the effective use of resources, whether the service is fit for purpose and ultimately, the satisfaction of our customers. Put simply **VFM is about “business effectiveness”**

3 The National Context

3.1 Challenges faced by the Sector

Major changes are currently taking place which are likely to have a significant impact on the housing sector. These include:

- Reducing rent levels over the next four years to 1st April 2020 and our inability to rely on government statements concerning future rent levels
- welfare reform and the end of direct housing benefit payments to landlords;
- continued reduction of capital subsidies;
- increasing expectation that housing providers will engage in the delivery of a mixed portfolio of housing products which include market based solutions that generate cross-subsidy for charitable activities but also increase market risk exposures;
- as a result of welfare reform and the scaling back of regulation, funders may increasingly view housing providers as higher risk and as a result the cost of funds may increase;
- longer term debt has moved towards capital markets and banks have tended to move towards shorter term loan facilities;
- increased importance of VFM in the Governments attitude towards housing providers with some already down graded on Governance for failure to comply with the VFM standard;
- development of new homes is now seen as a priority by Government and is increasingly linked to the “sweating of assets”; there is a particular focus on increased completion of housing for sale;
- a higher onus on housing providers to develop their own approaches to the way they manage their business, and services as opposed to being driven by regulatory requirements;
- demographic change, particularly an ageing population;
- an increase in demand for low cost housing.
- Government funding be withdrawn and/or becoming outcome related and linked to results
- Providers taking on more risks

These changes will mean:

- housing providers having to manage their business in a more commercial and innovative manner;
- housing providers increasingly needing to focus on efficiency, effectiveness and VFM;
- greater emphasis on housing providers using their capital, assets and revenue more effectively with higher levels of self subsidy for marginal products and services..

3.2 Regulatory Framework

The regulator has an increased focus and proactive approach to the regulation of the economic standards around governance, viability and VFM of registered providers. They expect that the Board will have an informed view of the cost base and the factors affecting it. The Board must have a strategy for making best use of assets and a plan for improving VFM that has been developed in a transparent way with input from stakeholders. The regulator’s findings on this will be reflected in published Regulatory Judgements and also a key focus of In Depth Assessments.(IDAs)

The VFM Standard requires registered providers to articulate and deliver a comprehensive and strategic approach to achieving VFM in meeting the organisations objectives. Boards must maintain a robust assessment of the performance of all of their assets and resources (including financial, social and environmental returns). This will take into account the interests of and commitments to stakeholders, and will be available to them in a way that is transparent and accessible. This means managing resources economically, efficiently and effectively to provide quality services and homes, planning for and delivering year on year improvements in VFM.

Registered providers should:

- Have a robust approach to making decisions on the use of resources to deliver the organisations objectives, including an understanding of the trade offs and opportunity costs of its decisions;
- Understand the return on its assets, and have a strategy for optimising the future returns on assets, - including a rigorous appraisal of all potential options for improving value for money, including the potential benefits in alternative delivery models - measured against the organisations purpose and objectives;
- Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance;
- Understand the cost and outcomes of delivering specific services and which underlying factors influence these costs

Registered providers' boards shall demonstrate to stakeholders how they are meeting the standard. As part of this process, on an annual basis, they will publish a robust self assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:

- Enable stakeholders to understand the return on assets measured against the organisation's objectives;
- Set out the absolute and comparative costs of delivering specific services;
- Evidence the value for money gains that have been and will be made and how they have and will be realised over time.

3.3 Social Return on Investment

We will aim to measure the social value of our activities to demonstrate performance improvement and outcomes achieved from the allocation of resources. This is particularly relevant given the considerable use of public assets in an age of austerity.

The key strands where monitoring of social impact will be critical are identified as follows:

- demonstrating to Commissioners the value and outcomes achieved through the application of resources received;
- seeking out maximum value from the Group's procurement activities to maximise social value through purchasing and supply chain management;
- building capacity and creating employment opportunities both directly and through partnership working for our customers, and particularly those within excluded and vulnerable groups;
- providing direct support to individuals, including welfare advice and advice on employment, training and personal development.

Social value will be considered as a key consideration required of all strategic developments.

We have also developed tools and methodologies that enable us to select key projects for social impact review. It is recognised that this is a rapidly shifting environment which will require monitoring over the coming 12 months. We will assess whether generally accepted forms of measurement develop necessitating a review of our existing approach to support wider benchmarking. This can also be utilised for the assessment of anticipated value for future projects based on results achieved elsewhere. This will include an assessment of the proposals from the Cabinet Office's planned review of social value measurement.

Whilst metrics for social value continue to evolve, there is an emerging consensus around the principles of social value which the Group will subscribe to, derived from the SROI Network, which set out the following:

1. Involve stakeholders
2. Understand what changes
3. Value the things that matter
4. Only include what is material
5. Do not over-claim
6. Be transparent
7. Verify the result

4 Our plans

Whilst we have been successful in achieving significant VFM savings in the years 2013/14 and 2014/15 our plans for 2015/16 had to be radically changed to respond to the changes in our operating environment following the Governments budget announcements in July 2015. The enforced rent reduction for 4 years from 1st April 2016 has led to identify cost reductions of £3.5m per annum and review our future plans for development.

As the cost reduction exercise will be completed by 1st April 2016 we now need to focus on what's next? The following table sets out our plans for the next two years. We have also set ourselves a target of determine what service provision might look like if we make a further 10% reduction in costs.

5 – Our VFM Objectives	Activity	Measure of Success
<p>Involve the Board, staff and tenants in understanding our costs how they relate to our performance and how we compare with others</p>	1. Continue to benchmark performance locally, regionally and nationally	1. Completed Annual Housemark Survey
	2. Ensure that Board, managers and tenants understand the costs of their service and how the cost, performance and satisfaction compare with others	2. Presented survey outputs to managers in detail and in outline to Board, staff and Tenants
	3. Continue to develop and monitor the suite of VFM performance indicators ensuring continuous improvement in all indicators.	3. Suite of VFM indicators kept up to date and relevant
	4. Continue to maintain a VFM register and ensure all entries are evidenced	4. VFM register regularly updated and evidence provided to support entries.
	5. Carry out an annual self assessment (including the introduction of social and environmental assessments) on how we delivered VFM in meeting our objectives and ensure this is publicly available	5. Completed annual self assessment
	6. Analyse benchmarking information to understand which areas of the organisation are high cost and help identify the actions we need to take to improve costs and performance	6. High cost areas identified and where appropriate an action plan agreed to reduce cost or increase output
	7. Seek feedback from tenants when VFM information is presented and consider changing future layouts accordingly	7. Tenants have had the opportunity to give feedback on how VFM information is being presented
	8. Continue to provide VFM briefings for all staff, giving clarity on how they can contribute to VFM	8. VFM information included in induction, team meetings and staff meetings.
	9. Use suggestions and feedback from staff and tenants when making changes to service delivery	9. Where appropriate staff and tenant suggestions implemented and efficiency savings recorded.

5 – Our VFM Objectives	Activity	Measure of Success
	10. Consult with staff and tenants on where to re-invest some of the efficiency savings made	10. Staff and tenants consulted on where efficiency savings should be directed
	11. Social value will be considered as a key consideration required of all strategic developments.	11. Board report template altered to consider Social Value implications of all strategic developments.
	12. Review the methodology for allocating overhead costs across the business	12. Overhead methodology reviewed and amended where appropriate.

5 – Our VFM Objectives	Activity	Measure of Success
Assess the return on assets and ensure effective procurement	1. Maintain a contract register and review key dates for re-tendering services to ensure contracts are effectively packaged	1. Contract renewal dates reviewed
	2. Review the internal processes for procurement	2. Procurement processes and networks reviewed
	3. Reduce sub contracted works by continuing to maximise potential of in house team.	3. Amount of sub contracted work reduced by £130,000 (10%)
	4. Reduce workforce non productive time and travel related costs	4. Reduce gross non- productive time of operatives by at least 10%
	5. Explore a different solution to materials management and supply with an objective of reducing related costs.	5. Reduce material spend by around 10%

5 – Our VFM Objectives	Activity	Measure of Success
Deliver cost effective services of the right quality to our tenants with particular emphasis being placed on “Digital First”	1. Ensure business cases made for additional resources and consider opportunity costs	1. All requests for additional resources consider opportunity cost associated with request.
	2. Implement the CRM system across all areas of the business where appropriate ensuring all key processes are reviewed before implementation.	2. Business process reviews completed prior to implementation of CRM in key areas of business..
	3. Deliver the Business Transformation Programme (BTP) See diagram	3. Introduction of Customer Satisfaction feedback online.
	4. Overall AHG costs lower than median costs when compared to all LSVT’s (Through Housemark).	4. Deliver £250,000 of savings identified in BTP.
	5. Ensure Housing Management costs are within 5% of median costs for LSVT organisations.	5. Comparison with Housemark
	6. Consider what service provision might look like with an additional 10% reduction in operating costs	6. Plan formulated to set out actions that would need to be taken to meet 10% cost reduction target

5 – Our VFM Objectives	Activity	Measure of Success
Explore all avenues of improving VFM including using partnership working and alternative methods of service delivery	1. Assess how we can work with partners to jointly deliver services and maximise any efficiency savings	1. Use of shared services and other partnership working considered as appropriate

**Alliance Homes
Business Transformation Programme Tranche 2
Workstreams and Projects
Version 3.0**



6 Stakeholders

The objectives of this Strategy will be communicated to the Board, staff tenants and other key stakeholders.

Monitoring of progress against the Strategy will be carried out by the Performance Management Group. Regular updates on progress will be presented to tenants and the Board.

The Strategy will be reviewed every year.

7 Risk

The following Risk Map references are relevant:

Risk No.	Risk	Current Assessment	Mitigation						
16	Inability to deliver the expected level of value for money, resulting in reduced growth and/or service delivery.	<table border="1"> <tr> <td>Prob</td> <td>2</td> </tr> <tr> <td>Impact</td> <td>4</td> </tr> <tr> <td>Total</td> <td>6</td> </tr> </table>	Prob	2	Impact	4	Total	6	The aim of this Strategy is to ensure the VFM target is met.
Prob	2								
Impact	4								
Total	6								
36	Regulatory supervision and/or poor regulatory Judgement	<table border="1"> <tr> <td>Prob</td> <td>2</td> </tr> <tr> <td>Impact</td> <td>4</td> </tr> <tr> <td>Total</td> <td>6</td> </tr> </table>	Prob	2	Impact	4	Total	6	This Strategy helps to demonstrate our commitment to VFM thereby meeting a key regulatory standard
Prob	2								
Impact	4								
Total	6								
48	Failure to achieve and demonstrate continuous improvement in services provided resulting in poor performance and low customer satisfaction	<table border="1"> <tr> <td>Prob</td> <td>2</td> </tr> <tr> <td>Impact</td> <td>3</td> </tr> <tr> <td>Total</td> <td>5</td> </tr> </table>	Prob	2	Impact	3	Total	5	Our aim is to show continuous improvement in our VFM performance indicators.
Prob	2								
Impact	3								
Total	5								

8 Diversity and Health and Safety

This Strategy has no direct impact on Diversity or Health and Safety although by implication a greater emphasis on providing social value is likely to have a positive impact on vulnerable tenants and the communities in which they live.