



alpha

shaped around you

Value for Money Statement

September 2017



Value for Money

Alpha's Value for Money statement aims to show our residents, partners, funders and those with an interest in our organisation what we do, how we perform and our plans for the future.

This statement helps to give an account of what we understand by value for money; how we will ensure the long term future of the organisation by understanding how our assets perform; how we compare with other providers, and, given all this information, our targets for the future.

Value for money is important to Alpha. We aim to use our resources as efficiently and effectively as possible in delivering our strategic objectives. We will constantly challenge ourselves to free up extra resources which can be reinvested in our services including new homes and the improvement of existing properties. Alpha has a strong ambition to grow.

We will only maximise value for money if we understand our organisation, if we recognise our strengths and weaknesses and if we are transparent. We will work with residents to give an account of value for money and will concentrate on improving the areas of our organisation that are important to them, future residents and service users.

A more detailed value for money statement is available on our website www.alpha-living.co.uk.

To Alpha, value for money is about 5 things:

- Planning for tomorrow, not just for today and ensuring Alpha remains fit for the future
- Talking to our residents about how their rent and service charge is spent and giving an account of how we are doing
- Understanding the cost of our services, comparing ourselves to others, understanding the impact our services make and challenging ourselves to improve
- Showing the wider benefit of what we do
- Being honest about where we are and setting clear targets for the future

Every year we will give an account of how we are doing and our plan for the future. Each year, we update our Business Plan and our Delivery Plan. These documents support business effectiveness and quality. Alpha's Board owns the Value for Money Strategy which helps to inform how we deliver our services.

Where does value for money fit it?

Our residents are happy with the service we offer. In our latest satisfaction survey 94.1% said they were satisfied or very satisfied with the service we provide, which places us well within the top 25% of all providers of housing for older people. Most of Alpha's residents would recommend us to a friend or relative, and our net

promoter score of 53 places us in the top 25% of all housing providers and on a par with high end retailers.

Residents value the communities they live in. We don't do things for people we do them with them and help create an environment which is safe, and yet lively where people benefit from support which gives them independence.

We are a strong business which has grown over the last seven years. Until recently our growth was fuelled by acquiring sheltered housing developments from other providers and transforming them to provide much needed and valued services. We now aim to diversify. Alpha's Board has agreed a growth strategy which targets new build housing.

Getting value for money allows us to do a number of things:

- Make sure our current housing is in good condition, in high demand, is sustainable and meets the aspirations of current and future generations
- Stretch our resources wisely and uses the capacity in Alpha to provide new housing
- Provide our services as efficiently and effectively as possible

Our Strategic View

A key plank of Alpha's value for money strategy is to review the capacity within the business and to use this capacity to meet our wider objectives.

Alpha carried out a major strategic review during 2015, examining its external operating environment, its business risks and its long term strategy. Taking into account financial capacity, the condition of Alpha's existing housing and future demand, the Board adopted a new 30-year business plan which will achieve an enhanced Alpha Standard in all Alpha properties by 2022, re-model some existing developments to reduce the number of studio apartments, provide facilities and enhancements to communal areas that will make a number of Alpha developments "care-ready" and more able to meet the challenges and aspirations of the future. In 2016/17 we invested £2,175,150 in capital improvements, compared to £809,671 the previous year. During 2016/17, the Board considered a detailed future direction and growth strategy which examines Alpha's position in the housing market as a specialist provider and how it can grow and work with partners.

We have carried out significant work with partners to position Alpha for growth. We have tested our business plan and believe there is significant capacity to invest further in new housing while balancing this against the need to improve existing housing and uncertainty over the future funding of sheltered housing.

On the operational side, we continue to work with other smaller housing providers in the North West to exchange good practice, peer review each other's work, and jointly procure services through the Community Housing Association North West group. The group aims to work jointly to improve both the cost and quality of shared services, aiming to achieve the benefits commonly associated with bigger

providers, while retaining the advantage of the local focus, innovation and adaptability of smaller providers.

The 1% rent cut to be implemented from April 2017 places a challenge on our operations. In preparation we have restructured our teams to place a greater emphasis on asset management, letting empty properties and income management while delegating more to the front line. We have carried out a major review of service charges by making the system more transparent, by accounting for all costs to residents and by agreeing a set of standards. The government's planned introduction of the local housing allowance cap gives us a further challenge to both ensure our services remain relevant and of a high quality, but also efficient and cost effective.

Return on Assets

Managing our assets wisely is more important than ever. Our view of the future balances our ambition for growth against making sure our existing properties and services are popular. One of our priorities over the last 12 months has been to review the performance of all of our developments to make sure we invest wisely in properties and communities where we can make the biggest difference. We have also looked at how far existing assets can support growth and what further capacity to borrow may be available from our existing housing.

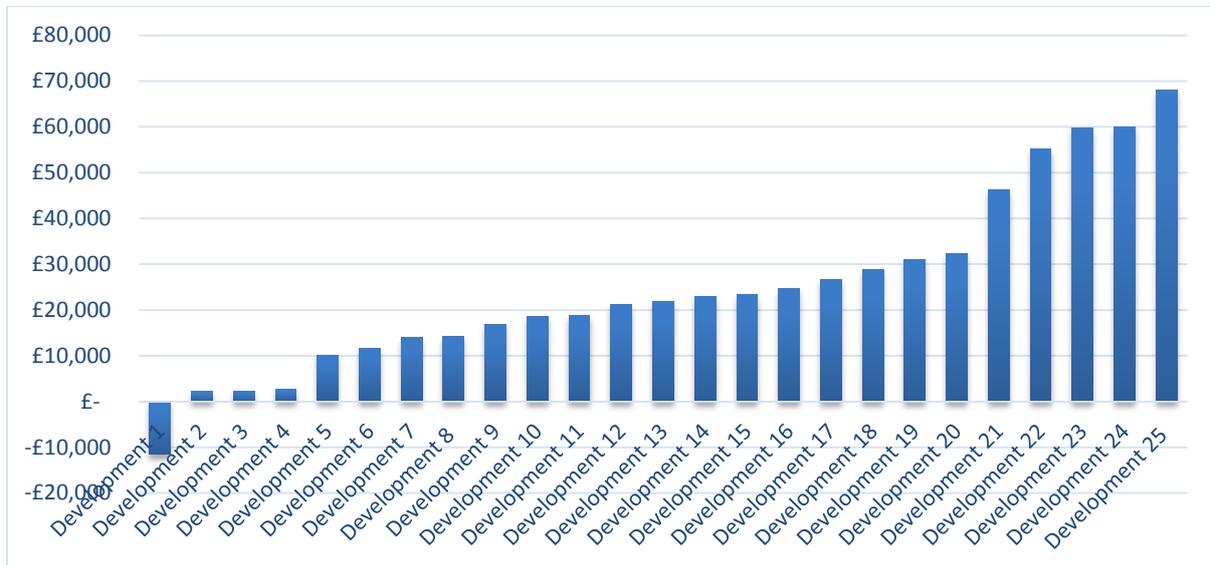
We have reviewed how each of our developments perform. This is especially important given the plan for substantial capital investment. We have evaluated the return of all our social housing assets using a system called PAVE (Portfolio Asset Valuation Evaluation). This builds on an externally validated in-house stock condition survey. Most of our developments have a positive net present value. Those with a negative NPV have a high proportion of studio apartments where considerable investment is needed. Our average NPV is £20,166, and for the majority of our developments our reinvestment programme will result in highly attractive accommodation which pays for itself and will remain popular for the foreseeable future.

The analysis is helpful in identifying where further thought is needed before investing. Studio apartments are a challenge to us. The cost of remodelling cannot always be paid for through rental income. We are looking at how we might make remodelling economic by bringing Development Managers' accommodation back into use, and whether an improvement programme on the existing floor plan will add up.

Our over-arching plan is to accelerate investment in Alpha's current housing. Key components are approaching the end of their life cycle, and a policy of only investing surpluses into an improvement programme would mean it would take 12 years to reach the enhanced Alpha Standard, which the Board regarded as unacceptable. Alpha's asset management strategy also has regard to changing demographics, increasing aspirations and the increasingly complex needs of older people. Much sheltered accommodation was built at a time of lower life expectancy with comparatively little need for accommodation for people with impaired mobility. The Alpha Standard will over time provide wet rooms to the

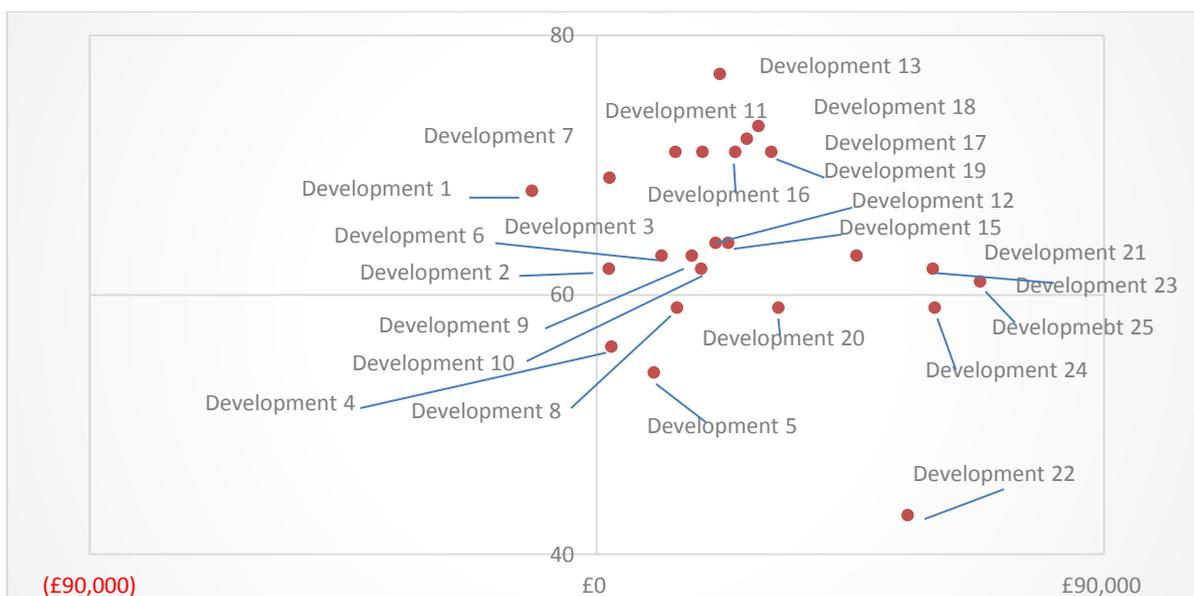
majority of Alpha developments, reduce the number of bedsits wherever possible, convert them to one-bedroomed flats, and enhance communal areas. The Saxon Court project will pilot a number of approaches on a care-ready theme which could be carried forward into other remodelling and refurbishment developments.

Return on Assets of all Alpha Developments



The analysis makes a clear judgement of those developments which perform well in terms of making a positive contribution to Alpha’s overall business and those which perform less well. To complete the picture Alpha has carried out an analysis of the sustainability of each of its developments using 34 factors under 6 main headings including location, amenities and popularity, weighted the scores and created a sustainability index.

Return on Assets and Sustainability of all Alpha Developments



Analysed alongside net present values, this gives a fuller picture. It shows that, as well as the challenge of developments with a high proportion of studios, there is a sustainability issue in some of the developments managed by others where Alpha owns properties. While these properties currently have a positive value, this may not always be the case and Alpha will continue to monitor these properties and review their long term management. Alpha is in the process of putting each of its developments into one of four bands which will then inform an approach to future investment.

Alpha has also reviewed its security position and updated its asset management register. These exercises show that Alpha has five developments where it does not own the freehold. Negotiations on two are progressing well, with a good prospect of reaching an agreeable figure for the extension of the lease on a third. This will make these properties mortgageable. In total Alpha has in excess of an estimated £7m available as security to support further borrowing.

Efficiencies in specifications, tendering and the decision to internally manage our capital programme internally through existing resources have generated substantial efficiencies. We estimate these efficiencies support the fact that £4.38m will be available to support growth or substantial remodelling outside provision made in the Alpha Standard from the current Lloyds facility. A series of soft tendering exercises, internal project management and use of small contractors is further delivering lower cost solutions which will be recognised during 2017/18 compared to previous project costs.

One of the aims of our reinvestment programme is to reduce the number of studio apartments. This currently totals 178 which represents 21% of Alpha's housing. The completion of the Saxon Court project will see the number of studios reduce to 140 or 16% of Alpha's housing. While studio apartments in our remaining developments remain popular, and some of our residents are fiercely protective of them, we need to make sure they remain popular for the future, and will keep their demand under regular review.

During 2017/18 we will bring former live-in Development Managers' accommodation back into use for general lettings. Some of these properties are substantial and will support conversion into two sheltered apartments. While this programme will incur initial costs, rental income and the dilution of service charges for Alpha residents will ensure rapid payback of this investment.

As part of our continuing review of assets we will assess the performance of each of our developments every year and review the cost of our improvement programme against provision in the stock condition survey.

How do we compare?

We can compare Alpha's financial performance and operational performance against others. Alpha is a member of the Acuity benchmarking club for smaller providers which also gives access to data provided to HouseMark by larger providers.

Our financial results remain positive, although surpluses have decreased compared to last year. This was planned and is the result of a considerable increase in major repairs expenditure (£253,725 versus £52,969 2015/16) along with higher depreciation charges (£603,425 versus £424,292 2015/16) due to the introduction of an accelerated capital improvement and re-modelling programme in the financial year. The previous year's surplus was exceptional due to the planned slow-down of maintenance spend while the organisation took stock of its requirements for capital improvements.

Reduced expenditure on responsive repairs continues and is a welcome development. Progress was made during the year in extending and enhancing the in-house handyperson service to carry out routine maintenance and more work to empty properties and responsive repairs. Day to day expenditure was also reduced as older elements including kitchens and bathrooms were replaced. Over the year we spent £2.175m on capital improvements compared to £809k in 2015/16.

Costs and Performance

Performance was benchmarked against the Community Housing Association North West group, smaller national providers who are members of the Acuity benchmarking club and against all providers through the HouseMark benchmarking club. Some definitions are slightly different to those used in the financial statements in order to allow direct comparison with others. The following quartile indicators are used:

Upper quartile		Upper median quartile		Lower median quartile		Lower quartile	
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Performance indicator	Alpha 14/15	Alpha 15/16	Alpha 16/17	North west quartile	National smalls quartile	House-Mark quartile
Resident satisfaction						
Overall satisfaction with services (hsg for older people)	90.2%	94.1%	94.1%			
Satisfaction with quality of home (hsg for older people)		93.1%	93.1%			
Satisfaction with value for money of rent (older people)	82.0%	90.8%	90.8%			
Satisfaction with VfM of service charges (older people)		88.3%	88.3%			
Satisfaction with repairs and maintenance (older people)	90.7%	88.9%	88.9%			
Satisfaction that landlord listens and acts on views (older people)		81.4%	81.4%			
Lettings and empty properties						
Average re-let time (older people)	34 days	27 days	61 days			
% rent loss on empty properties (older people)	4.1%	3.7%	4.1%			

Income management						
Current rent arrears (general needs and older people)	1.51%	1.39%	1.34%			
Performance indicator	Alpha 14/15	Alpha 15/16	Alpha 16/17	North west quartile	National smalls quartile	HouseMark quartile
Former tenants' arrears (general needs and OP)	0.22%	0.10%	0.22%			
Value for money						
Cost per property of housing management		£341	£374			
Cost per property of responsive repairs		£502	£550			
Cost per property of major and cyclical works		£419	£459			
Overhead costs as a percentage of turnover		10.06%	10.8%			

Compared to other providers, Alpha's service is well regarded by residents. Alpha residents particularly value the Development Manager service and the fact that as a community based provider Alpha listens to and acts on residents' views. Value for money of rents and service charges was rated highly. We have worked on improving the transparency of service charges over the last year. The main area within the national dataset where Alpha compared less favourably to others was the condition of its properties. Analysing the data further, dissatisfaction was closely related to those developments which scored poorly in Alpha's stock condition survey, or where there is a high proportion of studio apartments. Alpha's asset management strategy has started to address this.

Alpha's performance for the time taken to let empty properties was well below the sector norm. This is mainly because properties held vacant for investment became ready to let, skewing the figures. This performance carries through to overall void loss where 10 properties were regularly held vacant for works at Saxon Court. Using this measure, performance will continue to appear worse for the next few years as Alpha embarks on a major scheme of improvements. We will however seek further improvement in re-let times and expect both the turnover of properties and their popularity to improve as we progress through our capital programme. From April 2017 we have a dedicated member of staff responsible for co-ordinating voids and lettings, and although some challenges remain we will maximise our performance in this area.

Income management is an area of strength, and performance has improved compared to previous years. We have reformed our approach and use profiling information to target our effort and our support to those residents where we can make the greatest difference. Regular performance clinics have helped to improve performance. All income management indicators are placed in the top quartile when compared to other providers.

Even without taking into account the observation from the Homes and Communities Agency report 'Understanding Unit Costs of Housing Providers' that management costs for the provision of housing for older people are typically 50%

higher than for general needs housing, Alpha's management costs are placed in the top quartile compared to other smaller housing providers. Interestingly when compared to bigger providers in the HouseMark dataset Alpha's costs are in the bottom quartile. On all other value for money measures, Alpha returns top quartile or upper quartile performance. In future years, the cost of major and cyclical works will grow as continue our improvement programme, but it is particularly pleasing to note that our overhead costs appear to be tightly controlled.

Our Future Plans

Overall, Alpha provides good value for money. We provide valuable services and accommodation and will play our part in meeting housing need by using our investment capacity. High quality sheltered accommodation helps people to live independently for longer and increases their quality of life. Sheltered accommodation provides friendship, support, an exciting environment, plenty of opportunities for social activity and also security and peace of mind. Alpha has started the journey of developing sheltered accommodation for the 21st century which will cater more flexibly for older people as their needs change while still providing high quality housing which people aspire to live in.

Sheltered accommodation is cost effective. A national report commissioned by the National Housing Federation¹ summarises previous research including an £83,000 benefit to the economy of each unit of sheltered accommodation through savings in health and care, local authority social care budgets and in freeing up the housing market. Sheltered housing reduces dependence on other services including GP referrals and hospital admissions. It improves health and well-being. Sheltered accommodation can be a real alternative to more expensive residential care provision.

Sheltered accommodation is however under pressure. The government's proposal to introduce a cap on housing benefit payments to the level of the local housing allowance means Alpha and all other sheltered housing providers will no longer be able to provide those important services in sheltered housing that bring wider benefits including the development manager service, emergency call systems, secure door entry, lifts gardens and social activities. This will have the effect of displacing much greater costs to other government departments.

At the moment we cannot easily give a monetary value to the work we do. All anecdotal evidence points to the fact that sheltered housing is cost effective, but one of our priorities is to provide solid evidence to support this. We are not afraid to challenge ourselves and adopt good practice elsewhere or to listen to the views of Alpha residents.

We will continue to reduce costs where we can. During 2016/17 we carried out a restructure that will end live-in arrangements among almost all Development Managers. Some residents have expressed concerns. We have taken these into account, but faced with a complete change in our funding from 2019, Alpha's

¹ James Berrington – The Value of Sheltered Housing (National Housing Federation, January 2017)

Board is clear this step had to be taken. The change will help to increase the number of properties available to rent and will reduce service charges slightly, while having only a minimal impact on the quality of services. We will continue to challenge our costs, but the full introduction of the Local Housing Allowance (LHA) cap may force us to think the unthinkable and reduce or end services. We will continue to make the case that the LHA cap will have a hugely negative effect on sheltered and supported housing, but we must also plan for its introduction.

We set ourselves a series of targets last year.

Review of Last Year

What we said	What we did
<u>Service Charges</u>	
Complete the review of service charges	Review complete
Consult on services and service standards through the resident challenge group	Carried out resident consultation events at Alpha developments and agreed standards for key services including security, gardening and cleaning
Revise tenancy agreements	Introduced new tenancy agreements
Implement a transparent charging regime from April 2017	New service charges fully implemented from April 2017
<u>Asset Management</u>	
Bid for Homes and Communities Agency funding to support major remodelling scheme at Saxon Court, St Helens	Successful bid confirmed in January 2017. Work started on site and due to complete in April 2018.
Complete the modelling of net present value and sustainability	Complete
Develop our asset management strategy	To be agreed early in 2017/18
Understand the investment needs of all Alpha developments	Stock condition survey updated and outline investment programme in place
<u>Job Evaluation</u>	
Complete a job evaluation process which will aid recruitment and retention and contribute to value for money	Complete. Scope extended to include restructure and ending of live-in arrangements for Development Managers. Some aspects including development and training appraisal are still to be fully embedded.
<u>Growth Strategy</u>	
Finalise loan agreement with Lloyds PLC	Complete
Carry out research on Alpha's place in the housing market and its capacity for growth	Complete
Agree growth strategy	

What we said	What we did
	Future direction and growth strategy agreed in March 2017 which aims to work more closely with partners, target new build and concentrate on a smaller geographical area.
Branding	
Review Alpha's branding, marketing and communications	Completed through focus groups held with residents, board members and staff
Agree new branding	Completed. Competition held to appoint agency to create new branding
Launch branding	Website, signage and adoption of branding through all Alpha communications completed in early 2017/18

Alpha achieved most of its targets for 2016/17. Our key achievements were the agreement of a loan facility of £11m with Lloyds PLC, the agreement of a strategy to drive growth and considerable work to inform the management of Alpha assets. Alpha's 30-year business plan was agreed in March 2017. We also successfully bid for HCA funding to support the complete remodelling of Saxon Court St Helens. This 80-week project is running to time and budget, and is managed in-house.

Work to achieve a fully transparent method of charging for services took up a great deal of time, but was necessary. Residents were widely consulted and standards for key services were agreed with the residents' challenge group. The work involved the drafting of new tenancy agreements and the creation of detailed service charge statements for all residents. The project was completed to time in March 2017.

Job evaluation involving the grading and benchmarking of every post within Alpha was completed in the year. Linked to a new performance and development appraisal system, the exercise aims to reward posts fairly and to get the best from our staffing resources. Some restructuring also took place. A new tier of Area Managers was created with responsibility for arrears and voids management at the line management of Development Managers. Two posts were deleted at head office.

Work to re-brand Alpha was completed during the year, with the branding to be fully implemented in early 2017/18. The branding aims to create a fresh and interesting outlook based on the Alpha brand values of being honest, patient, innovative, warm, professional and determined.

We also faced a number of unforeseen issues during the year. Alpha provides lunch clubs to 200 diners each week on the Wirral. The provision is loss making, but is important in providing a hot meal to older people and in opening Alpha's developments for wider community use. Wirral Councils grant for the lunch clubs has been halved and will end in September 2017. Alpha has signed an agreement

with Fareshare during 2016 to source food for the lunch clubs and will seek sponsorship to make up the loss of grant during 2017.

A £11.7m improvement programme was started, managed using existing internal resources. While specific consultants have been procured on a competitive and capped fee basis, the internal team has project-managed the partnership and provided liaison, decanting management and labour, all from existing resources. Actual savings will not be known until contract completion but early examples are:

- Capped negotiated fees - saving of circa £24,000
- Decanting of residents - savings against competitive quote, circa £150 per unit (£7,500)
- Internal resources in lieu of paid consultants, potentially £170,000 over the project life
- Internal handyperson resource for basic repairs, estimated £16,000 per annum with further benefit of assumed contractor profit and overheads

Quantifiable savings made during the year were:

Area	Description	Saving
Laundry	Servicing re-tendered	£4,000
Fire equipment	Review of maintained appliances, reduced by 148 units	£2,000
Lift renewals	Procured and managed internally, no consultant fees	£5,830
Void works	Elemental replacements without full procurement and fees £70,000 @ 12%	£8,400
Other capital works	Various areas of capital works managed internally £300,000 @ 12%	£36,000
Lunch clubs	Agreement with Fairshare to supply food to Wirral lunch clubs	£6,700
Carpets and decorating	Savings through internal management of contract	£8,250
Electrical testing and upgrading	Savings through internal management of contract	£19,800
Legionella and fire risk work	Savings through internal management of contract	£5,800

Looking ahead, work to demonstrate Alpha's impact is planned during 2017/18. Given external policy pressures and the likely reform of the funding regime for supported and sheltered housing, this work plans to demonstrate the value of Alpha's work in terms of its monetary value, in terms of the difference it can make to people's lives and the savings made by preventing or postponing other interventions.

The use of data remains an area where more work is needed. A value for money register is in place but is not used to drive improvements. Performance measurement has improved, with clearer benchmarking and better identification

of trends in performance, but there is still room for further improvement. One of our challenges is our housing management software which does not provide real time data, making the management of services including responsive repairs, void properties and arrears management more difficult than they should be. We need to weigh up whether the considerable investment needed in a new system can be paid for through the efficiencies it generates, and we will carry out this assessment during 2017/18.

As discussed in the previous section, Alpha's performance in letting empty properties does not compare favourably with other providers. A dedicated member of staff is now responsible for this area of work. We plan to use data more effectively, and in the coming months, to examine all aspects of our work on empty property management.

We will start work to evaluate the value for money of AlphaPlus and our handyperson service.

We will review how we let works on our capital improvement contracts and during the year will package one contract which will target working with smaller local contractors to test whether working this way can generate savings to the programme. We will also consider how we remodel and let accommodation released as Development Managers move out of live-in accommodation through the year and expect that after initial investment this will generate considerable savings.

Targets for future years are:

2017/18

- Complete work to assess the wider impact of Alpha to demonstrate the value of Alpha's work in terms of its monetary value, the difference it can make to people's lives and the savings made by preventing or postponing other interventions.
- Complete a review of Alpha's Wirral based lunch clubs and decide in September whether to continue or to end their provision
- Complete external validation of all assumptions in Alpha's growth plan and pursue growth opportunities with partners
- Carry out an exercise to evaluate the savings that may be possible in working with smaller contractors on part of Alpha's improvement programme
- Bring former Development Managers' accommodation back into use for general lettings
- Assess how the management of empty properties can be better measured and managed

- Assess the costs and benefits of investment in new housing management software
- Complete a review of the value for money of the AlphaPlus service and Alpha's handyperson service

Alpha's board has considered this value for money self-assessment and believes that Alpha fully complies with the expectations set out in the regulator's value for money standard.