

Date of meeting:	22 <sup>nd</sup> January 2016
Subject:	<b>Alliance Homes Group Report to NSC</b>
Presented by:	Clive Bodley, Group Chief Executive
Executive Summary:	<p>The Alliance Homes Group operates primarily within North Somerset and the Group is comprised of three companies headed by a community benefit organisation. The Group operates on social enterprise principles and the parent organisation has charitable status.</p> <p>During the financial year 2014/15 the Alliance Homes Group continued to pursue its objectives within the core themes of Stronger Communities, Better Homes and Smarter Business. Most key targets were met, financial performance was good and there was national and local recognition of the quality of services delivered.</p> <p>The implementation of welfare reforms and the government's budget in June 2015 have resulted in a negative impact on many of the client groups with which Alliance works, and on its own financial position. The most significant impact on business has been the introduction of planned rent reductions for four years. This has resulted in a reduction of £86 million in planned spending and consequential redundancies and service reductions.</p> <p>The Group's Board has confirmed it plans to work to the same objectives as before the rent reductions were imposed. The reduced resource has limited the overall capacity of the Group but does not change its purpose. The intention remains to work with partners to</p> <ul style="list-style-type: none"><li>• address housing need;</li><li>• help individuals to achieve or maintain independent living;</li><li>• help build stronger communities.</li></ul>

# REPORT

## 1. Background

Alliance Homes Group was formed out of the transfer of the housing stock from North Somerset Council in February 2006. The Group operates with the following brand identities:

- Alliance Homes – engaged in managing 6,500 homes and developing new homes.
- Alliance Living Support – delivering a range of housing support services to households across North Somerset through partnerships that include the Support Alliance, the Older Persons Support Alliance and the Crossroads Alliance.
- Alliance Living Care – a domiciliary care business
- Alliance Property Care – property maintenance and asset management
- Alliance Ventures – primarily an energy generating company.

The Group operates with a turnover of £37.8 million and employs about 400 people. Alliance Homes is regulated by the Homes and Communities Agency and is currently assessed at the highest governance and viability grades (assessed prior to rent reductions). Alliance Living Care is regulated by the Care Quality Commission.

The Group Board is comprised of up to twelve non-executive directors plus the Group Chief Executive. Two Board members are nominated by North Somerset Council. Five Board places are reserved for tenants of Alliance Homes.

The Annual Report and Financial Statements are available at [http://www.alliancehomesgroup.org.uk/mediaFiles/downloads/1985369/Alliance\\_Resident\\_Annual\\_Report\\_2015.pdf](http://www.alliancehomesgroup.org.uk/mediaFiles/downloads/1985369/Alliance_Resident_Annual_Report_2015.pdf)

The current Corporate Plan is available at [http://www.alliancehomesgroup.org.uk/mediaFiles/downloads/1985369/Alliance\\_Homes\\_Corporate\\_Plan\\_2015\\_66500\\_21\\_5\\_15\\_PAGE\\_BY\\_PAGE.pdf](http://www.alliancehomesgroup.org.uk/mediaFiles/downloads/1985369/Alliance_Homes_Corporate_Plan_2015_66500_21_5_15_PAGE_BY_PAGE.pdf)

The Corporate Plan is in the course of revision as a consequence of the enforced rent reductions. Partner consultation has commenced and the revised plan is expected to be finalised in the new financial year.

## 2. Achievements

During 2014/15 the Group continued to operate within its budgets and has again identified significant Value for Money improvements (£1 million) during the year. Service achievements and recognition during the year include:

- Maintaining high levels of customer satisfaction when compared with over 1000 companies in the UK. We were voted Top 10 Landlord by the national “Big Tenant Survey”.
- Delivering significant energy savings for tenants and being recognised for our achievements by the National Energy Foundation who named us Energy Champion Landlord.
- Entering the domiciliary care market through the purchase of Careplus Agency Ltd, thereby expanding the services delivered through Alliance Living.
- Commencing our support for family carers and extending our support for other vulnerable people in the community through the Support Alliance.

- Extending our work to bring people together in the community and help make the communities where we work better places to live – this work has been recognised by the North Somerset business community with the “Business in the Community Award”; by the National Housing Federation’s Community Impact Award for Better Neighbourhoods and by the Innovation and Good Practice Award from the national consortium for older people’s housing, Erosh, for our Festival of Ages.
- Enabling and creating training and employment opportunities, particularly for those who are disadvantaged or ‘hard to reach.’
- Providing new good quality housing schemes for local people; recognised by the Local Authority Building Control association (LABC) with the “Best Affordable Housing Development” award; the National Sustainable Housing Award; and the Best Energy Efficiency Scheme Award from Renewable Futures and Green Energy.
- Securing all these achievements through a positive working culture that maintains very high staff satisfaction rates, and by a staff team that clearly wants to make a positive difference in people’s lives.

### 3. Challenges

The business environment within which the Group operates has changed significantly over recent months.

Key challenges are:

- *Uncertainty over future income levels.* Income levels (primarily rents) are set by government. The 2015 budget reduced this significantly. Investment in building new homes had been based on the government’s previous ten year plan for rent increases above inflation (announced 2013). Rent income from homes built within this programme will no longer cover the cost of construction. Addressing the rent reductions requires annual savings of 11.4% maintained over 20 years. Service reductions and consequential redundancies are being implemented to address this. However, further reductions in income levels are anticipated and we will need to build resilience and actively manage risk.
- *Unaffordability of homes.* Welfare reforms are reducing tenants’ capacity to meet even the reducing rent levels. This will require an approach to lettings that takes account of individual circumstances and capacity to pay. Alliance Homes will become more selective about who it can afford to house.
- *Development.* Provision of a development programme of homes all at “affordable rents” is no longer viable for the Group. A development programme will be retained but will rely on homes let at market rents to cross subsidise a smaller programme at sub-market rents designed to meet local needs.
- *Right to Buy.* Alliance Homes expects to engage with join the voluntary Right to Buy scheme. If the government reimburses the sale discount then it is anticipated that replacement homes can be provided in due course.
- *Care and Support Funding.* The pressure on local authority and health service budgets is tending to limit the preventative and independent living services operated by Alliance Living Support and Alliance Living Care. If the Group is unable to maintain these as viable business streams then it will bring further pressure onto the parent organisation. Contracts will be sought across a wider geographic area to seek to establish larger and stronger care and support businesses.

At a lower level of detail:

- Welfare Reform continues to cause concerns as its impact is felt by increasing numbers of tenants. Relatively few tenants have been affected by the Benefit Cap so far. However, combined with Universal Credit this is expected to increase rent arrears. For example, we have 32 Universal Credit cases currently; all are in arrears and over 40% are already on direct payments because of significant arrears.
- The number of households under-occupying their homes remains an issue. The original 860 cases have reduced to 560. It is becoming increasingly difficult to achieve down-sizing for the remaining households.
- The Choice Based Lettings process is becoming less effective following the reduction in size of the Council's housing register. The smaller number of people meeting the criteria is resulting in greater delays in filling vacant homes. The timescale has increased from 22 days to 32 days. This creates a financial loss of about £60,000 each year. Combining this with the £70,000 charge for participating in the choice based letting system leads Alliance Homes to question the effectiveness and value for money of the current process.
- Service reductions arising from rent reductions will be affecting tenants. Changes include stopping the assisted gardening and assisted decorating programmes affecting nearly 500 tenants. Reduced void standards will affect 500 new tenancies each year.

#### **4. Plans**

Looking ahead, our plans include maintaining a development programme of 250 homes. These will now be split between a proportion to be let at market rents in order to subsidise a smaller programme at sub-market rents.

The Group will seek opportunities to extend its work of care and support. Essentially, these services focus on enabling independent living, reducing demand on more expensive crisis response or residential care services delivered through health and local authorities.

The Group will continue to focus on partnership working with other agencies in order to offer a comprehensive range of services and achieve economies in delivery. This work may extend beyond North Somerset boundaries if there are clear benefits to be gained in terms of spreading costs or mitigating risks.

Clive Bodley, Group Chief Executive  
Tel: 01275 398031  
Email: [clive.bodley@alliancehomes.org.uk](mailto:clive.bodley@alliancehomes.org.uk)