

## **A2DOMINION STRATEGIC STATEMENT - VALUE FOR MONEY 2015-20.**

This statement summarises the Group's Value for Money (VFM) framework and sets out our strategic VFM priorities over the period 2015-20.

### **A2D vision**

The Group's vision is to improve people's lives through high quality homes and services.

### **Profit with purpose**

The VFM strategy supports the Group vision, setting out how we will maximise surpluses in order to subsidise the provision of homes and services.

### **What VFM means to us**

VFM is not just about minimising costs but meeting quality standards and delivering social and environmental returns from our assets and activities. As we continue to grow we aim to capitalise on the opportunities for efficiency and other benefits through economies of scale harnessing our buying power, technology, simplification and self-regulation.

### **Scope**

The VFM Strategy is Group-wide, encompassing all our legal entities and activities.

### **Strategic VFM Framework**

In addition to this strategy our framework for VFM includes:

- A well-established budget setting & five year planning process aligned to the performance management framework and informed by resident involvement.
- A requirement for all boards, committees and staff to routinely consider VFM in decision making, strategy and policy development.
- Quarterly reporting against efficiency targets and annual reporting of progress against our five year VFM Plan.
- A range of VFM indicators including cost, performance, satisfaction and benchmark data.
- Tools and reporting requirements to help ensure we realise the expected benefits from our programmes of procurement, ICT investment and other improvement activities.
- An annual VFM self-assessment which reviews our current position, including progress against previous targets, comparison with other providers and sectors, and priorities for the future. The self-assessment is published in our Operating and Financial Review in line with regulatory requirements, available at [www.A2Dominion.co.uk](http://www.A2Dominion.co.uk).

### **Future Priorities**

Key issues for the Group to take forward in the VFM strategy include the need to:

- Deliver surpluses in line with forecasts, for reinvestment in provision of new homes. Much of this is dependent on the successful delivery of our private sales programme.
- Roll out new technology, simplify our processes and achieve greater use of online services by customers to reduce overheads and unit costs and improve customer service.
- Achieve VFM improvements through procurement of assets and services.
- Keep our organisational structure under review as part of a proposed programme of business transformation.
- Further reduce overheads and sustain earlier efficiency gains and improvements to achieve year on year improvements in operating margin.
- Meet regulatory requirements, continuing to improve A2Dominion's VFM self-assessment framework.
- Further embed a VFM culture, in particular ensuring accountability for delivering return on investment (ROI).

## **Strategic VFM objectives for 2015-20**

The Group's plans and priorities are shaped by five strategic objectives.

### **1. Maximise income and the use of our assets**

We will maximise income through delivery of surpluses on a significant programme of private sales, inward investment and innovative funding models. Our Treasury Strategy will ensure we have access to affordable funding whilst safeguarding our financial strength. We will invest in expanding our portfolio of private rented properties to increase housing options whilst at the same time benefitting from capital growth. Our Asset Management Strategy will help maximise the return from our existing stock whilst continuing to upgrade – and add value - to it. Our stock rationalisation programme has been completed, consolidating our geographical area of operation, but we may respond to a small number of residual disposal opportunities if circumstances change. Expansion into new geographical areas will only take place where a sound business case exists.

#### **Priorities**

- Use surpluses to support the delivery of 1800 affordable homes by April 2020.
- Continue to use partnerships and joint ventures to support the delivery of 1,800 private sale homes by March 2020 generating surpluses to subsidise the development of affordable homes.
- Maximise sales prices driving up sales margins by optimising the sales approach through design and specifications that match our future customer's needs.
- Expand the portfolio of private rental homes available in the market for those unable to purchase on the open market to 750 homes by 2017.
- Continue to seek grant from the Homes and Communities Agency and Greater London Authority where appropriate to support the delivery of affordable homes.
- Continue to target recovery of estate management costs to close the gap between cost and income.
- Reduce relet times for Care & Support homes and sustain relet improvements in other tenures.
- Update our Asset Management Strategy to incorporate environmental objectives by March 2016.
- Finalise next phase of the planned and cyclical maintenance programme by July 2015.
- Develop and deliver priority property lists with our key local authority partners and other areas with significant disposal plans, in line with Local Asset Plans.
- Update Green Strategy by October 2015 and demonstrate sustainability improvements with Gold SHIFT accreditation by 2017.

### **2. Maximise value for money through a range of procurement and joint venture approaches.**

Our procurement programme continues to secure savings and other benefits. The Group's Procurement Strategy emphasises that choices are not limited to the lowest price option but take account of on-going revenue costs, initial capital investment, the proposed scale and quality of the service or product, and residents' views.

Meanwhile we have established a track record in joint venture approaches for both development and service provision. We will continue to pursue joint ventures to bring in the skills and capacity we lack, to help mitigate the risks of significant investments, and where there is good commercial potential to deliver efficiencies and generate a surplus.

## Priorities

- Undertake procurement programme to deliver financial, environmental and social benefits including from: review of tender for development contractor frameworks by April 2016, procurement of back office business systems in 2016, and Planned and Cyclical Maintenance in 2017.
- Implement purchase to pay system by March 2016.
- Introduce a category management framework enhancing spend visibility to inform future procurement opportunities.
- Update the Business Plan for Pyramid Plus with targets for profit margin.

### **3. Ensure efficiency and simplicity across the Group**

A2D has already undertaken a significant programme of rationalisation including the Group, Board and Executive structures, office premises, stock outside our core area of operation and selected ICT systems. However there is further potential for improvement through our revised Customer Services and IT Strategies, both, due to be finalised in 2015. These will trigger a programme of business transformation with major investment to rationalise and upgrade our ICT infrastructure. This is in addition to the Group wide roll out of Microsoft Dynamics CRM (Customer Relationship Management), electronic document management and mobile working technology already underway and supporting improved customer experience and better ways of working. As processes are due to be transferred to new systems they will be subject to challenge using Lean systems thinking, a methodology we have already embedded into our Service Improvement Programme and our day to day operating practices. Key benefits include a focus on what the customer values most, simpler processes and systems with less room for operating error, faster problem-solving, less waste, greater consistency and better VFM. Our organisational structure will be kept under review to support and sustain the business changes.

## Priorities

- Finalise the Group's IT Strategy by July 2015.
- Agree the Group's model for future delivery of customer services by March 2016.
- Implement the Customer Services and ICT strategies through the Group wide *Switched On* programme to transform service delivery and efficiency from 2015/16.
- In particular give priority to increasing online payments and providing self-service functionality for online reporting and tracking of repairs and estate services.
- Complete an initial review of the organisational structure to assess the scale of changing business needs by October 2015.
- Define and agree the organisational design principles in advance of business change by April 2016.
- Continue Tenancy Sustainment work to show a positive ROI as evidenced by the value of additional grants and benefits achieved for A2D residents.

### **4. Ensure managers understand and are accountable for delivering ROI and that A2D has a well-developed culture for achieving and demonstrating VFM.**

A2D's process for approving new investment requires a proven business case with expected financial and non-financial benefits identified. From 2015, to minimise the risk of non-delivery, we are adopting a more rigorous framework of monitoring and reporting throughout the project life-cycle for which the commissioning manager will be responsible.

We will continue to compare costs and performance with other providers where possible (both housing and other sectors), helping us target priorities and methods for improvement.

Our approach to budgeting using an activity zero based methodology ensures engagement throughout the organisation and allows the Group to identify opportunities to redefine activities and systems that are resource intensive.

### Priorities

Continue to develop and publish cost and performance comparisons.

Undertake and publish annual VFM self-assessment by 31 July each year.

Introduce quarterly monitoring benefits realised from Switched On, from 2015/16.

Publish annual pay and cost information within the annual financial statements.

Publish the Residents Annual Report no later than October each year.

### 5 Work with residents to prioritise investment in services and communities.

Savings will continue to be reinvested in new and existing homes and core services. They will also be used to invest in targeted community initiatives through our social enterprise programme, *Be Inspired*, and our Priority Neighbourhoods Strategy. An understanding of customer priorities is achieved through routine feedback and involvement mechanisms including the Customer Services Committee, Service Improvement Groups, a comprehensive survey programme, quality assurance work, complaints, procurements and other initiatives.

### Priorities

- Continue to target community investment work in a minimum of ten priority neighbourhoods each year.
- Provide employment and training opportunities to deliver 108 apprenticeships and 1,100 residents engaged in volunteering, work opportunities, work tasters and placements.
- Invest in 46 social enterprises and support 150 young, and 70 older, entrepreneurs.
- Programme of homework clubs and projects to engage 500 children per year.
- Support 2,050 residents to transact on line.
- Support 100 residents per year to improve financial awareness and literacy.
- Deliver a total return on social investment of £5.8M (provisional figure, to be confirmed) by April 2020.
- Demonstrate lessons learned from complaints and feedback with publication of *You Said, We Did* results.

### VFM Indicators

We will use a range of VFM indicators to assess progress against targets:

Indicator	Baseline*	Targets				
		15/16	16/17	17/18	18/19	19/20
Return on net fixed assets	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating surplus	£86.5M	£97.7M	£140.1M	£145.6M	£113.4M	£102.8M
Operating margin	29.2%	30.0%	26.2%	28.8%	36.8%	40.3%
Savings	-	£1.3M	£1.3M	£1.3M	£1.3M	£1.3M
Efficiencies	£1.96M	£1.03M	£0.5M	£0.5M	£0.5M	£0.5M
Rent arrears – social housing (general needs (GN))	4.14%	4.12%	4.57%	4.97%	5.47%	5.82%
Re-let times – social housing (GN)	18 days	17	16	16	15	15
Social ROI through Community Investment activities	£0.7M**	£0.7M	£0.9M	£1.3M	£1.4	£1.5M

\*based on 13/14 results (last full year available at time of writing this strategy).

\*\*Calculated for *Be Inspired* using HACT (Housing Associations' Charitable Trust) Wellbeing Valuation

Additional VFM indicators we will monitor include:

<b>Indicator</b>	<b>Baseline*</b>
Rent void loss per home – social housing	£91
Planned and responsive costs per home	£902
Capital committed as proportion of fixed assets	55.6%
Debt per unit	£33,540
Operating cost per home – social housing activities	£3685
Operating margin – social housing activities	32.6%
Operating margin – all activities	28.6%
Management costs per home – social housing activities	£1366
Service costs per home – social housing activities	£674
Chief Exec pay per home	£6.72
Board and execs' pay per home	£51.29
Value of grants and benefits leveraged for residents through tenancy sustainment	£1.5M
Customer Satisfaction	70% of services > 82%

### Key strategies and programmes supporting the VFM Strategy

- ICT Strategy and Programme
- Customer Services Strategy and Programme
- Procurement Strategy and Programme
- Annual business and budget planning cycle
- Asset Management Strategy and Planned & Cyclical Maintenance Programme
- Priority Neighbourhood Strategy and *Be Inspired* initiative
- Green Strategy
- Treasury Strategy

### Review of VFM Strategy

The Strategy will be reviewed no later than March 2020. Progress will be reported annually through the VFM self-assessment.

### Roles & Responsibilities

<b>A2D Body</b>	<b>Responsibility</b>	<b>Reports</b>	<b>Frequency</b>
Group Board	Approve the strategic VFM and self assessment frameworks, ensure return on assets and consider VFM implications in all decision making.	VFM Strategy & Plan Progress reports VFM self-assessment Efficiency Targets	Annual Annual Quarterly
Customer Services Committee	Monitor and challenge the VFM of services from the customers' perspective, advising the Group Board on options and concerns	Directors' reports	Quarterly
Executive Management Team	Set annual efficiency targets, consider VFM implications of decisions and ensure VFM guidance to the boards.	VFM Strategy & Plan VFM self-assessment Efficiency Targets and Benefits Reporting	Annual Annual Quarterly

Programme Board	Develop and implement strategic and operational frameworks to improve VFM of the organisation and its services. VFM options appraisals and benefits evaluation of key projects.	VFM Strategy KPIs, unit costs & benchmarks Business cases. Highlight reports Project evaluations Benefits reporting	Annual Monthly & annual As required As required Monthly Quarterly
Service Improvement Groups	Consider VFM of the relevant services from residents' perspectives and advise CSC as appropriate.	VFM information as part of performance reports & improvement proposals	As per meeting timetable