




azdominion

VALUE FOR MONEY
REPORT 2017

CONTENTS

EXECUTIVE SUMMARY 1

INTRODUCTION 3
 Our Value for Money approach 3
 Our operating environment 4

OVERALL PERFORMANCE 5
 Operating surplus 5
 Operating margin 5
 Return on investment 5
 Efficiency savings 6
 Indicators & comparisons 7

VFM PERFORMANCE AGAINST STRATEGIC OBJECTIVES 10
 Provide new high quality homes and places 10
 Deliver customer-led services 11
 Invest in our homes and local communities 12
 Strengthen our business 13

ASSURANCE 14

INVESTING IN OUR SOCIAL PURPOSE 15

FUTURE OBJECTIVES 16

FURTHER INFORMATION 17

EXECUTIVE SUMMARY



Welcome to A2Dominion’s Value for Money (VFM) Self-Assessment 2016/17.

Based on a range of performance and cost information, our judgement is that we comply with the regulatory requirements for value for money, as set out in the Homes & Communities Agency’s VFM Standard, and that we improved our performance in 2016/17.

Our compliance has been demonstrated by the following key achievements set against our VFM objectives.

Front cover image
 Centenary Quay,
 Southampton.

Right:
 Canons Gate,
 Bristol.

EXECUTIVE SUMMARY continued

MAXIMISING INCOME AND THE USE OF THE GROUP'S ASSETS:

- We delivered an above target operating surplus of £119.9m, enabling the Group to increase the number of new homes it provides and bringing our total accumulated operating surplus to £606.3m since 2011.
- We exceeded our two-year target of 1,800 homes developed, with 1,127 delivered in 2015/16 and 754 delivered in 2016/17.
- We improved the operating return in each of our main property portfolios, including social housing, shared ownership and non-social rented homes.
- We maintained strong income collection performance over the past five years, achieving our lowest-ever level of arrears.

MAXIMISING VFM THROUGH A RANGE OF PROCUREMENT AND JOINT VENTURE APPROACHES:

- We achieved savings of £4.5m, up from £2.6m in 2015/16, by continuing to build on savings in overhead costs, procurement and benefit realisation of projects within our strategic work programme.
- We improved procurement to drive down costs by completing two new procurement frameworks for development, and planned and cyclical maintenance.

ENSURING EFFICIENCY AND SIMPLICITY ACROSS ALL BUSINESS ACTIVITY:

- Of the 19 VFM actions targets we set for ourselves (2015/16: 23):
 - 12 were fully met (2015/16: 19),
 - 5 were partially met (2015/16: 4),
 - 2 are in progress and will continue into 2017/18 (2015/16: 2).
- We launched a new three-year change programme, Fit for the Future, which is set to transform the way we work, significantly improve the services we provide to our customers and unlock enhancements to our value for money offer from 2020.

WORKING WITH CUSTOMERS TO PRIORITISE INVESTMENT IN SERVICES AND COMMUNITIES:

- We invested £30.1m into upgrading and maintaining 6,498 of our existing homes, compared to £36.9m in 2015/16 for over 5,000 homes.
- We invested £10.4m into communities, business improvements and care and support services, including £1.4m into community development initiatives, which are targeted at customers and communities that are most in need.
- We delivered £3.5m of social value to our local communities, a 10% increase on last year, through our financial, welfare and employment support initiatives.
- We introduced a new Customer Insight & Involvement Framework in 2016/17 to shape our strategies and investment decisions.

ENSURING MANAGERS UNDERSTAND AND ARE ACCOUNTABLE FOR DELIVERING RETURN ON INVESTMENT AND THAT THE GROUP HAS A WELL-DEVELOPED CULTURE FOR ACHIEVING AND DEMONSTRATING VFM:

- We launched a new strategic statement to provide clarity on our focus up to 2020 and to help every area of our business understand their role in the context of profit for a social purpose. This included a restatement of our commitment to value for money.
- We have a G1/V1 governance rating by the Homes & Communities Agency which confirms our ongoing compliance.

INTRODUCTION

A2Dominion is a residential property group with almost 37,000 homes across London and southern England, and over 6,000 more in the development pipeline.

We provide affordable, private and social rented homes, student, NHS and temporary accommodation, as well as supported housing and homes for older people.

We also offer high-quality sustainable homes for sale and shared ownership, available through our FABRICA by A2Dominion brand.

Whilst we take a commercial approach to housebuilding, all of the surpluses the Group generates are reinvested into supporting our social purpose, helping to deliver more homes and services for customers.

A2Dominion is also part of the g15, a group of the largest housing providers in London.

Each year, we publish a VFM self-assessment to demonstrate how we continue to maximise the return on these significant investments.

We do this by evaluating our financial, social and environmental performance and use the findings to inform our future investment decisions and to provide our customers and stakeholders with key information about our performance.

OUR VALUE FOR MONEY APPROACH

At A2Dominion, VFM is not simply about lower costs but about achieving more from our business activities and investments. 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. We aim to maximise the social, environmental and economic returns from the Group's investments and activities.

Each year, the Group undertakes a VFM self-assessment to evaluate our financial, social and environmental performance.

Our approach is shaped by five strategic VFM objectives:

- Maximising income and the use of the Group's assets
- Maximising VFM through a range of procurement and joint venture approaches
- Ensuring efficiency and simplicity across all business activity
- Working with customers to prioritise investment in services and communities
- Ensuring managers understand and are accountable for delivering return on investment and that the Group has a well-developed culture for achieving and demonstrating VFM.

Our success as an organisation is partly dependent on our ability to achieve these objectives across all aspects of our business. We therefore have a framework for driving VFM, including a five-year strategy and an annual action plan.

Our overarching aim for VFM is to contribute to the delivery of the Group's vision for efficiencies and savings, maximising surpluses to subsidise new and existing homes. This has become an even more important part of our strategy since changes in government funding have significantly reduced grant funding for new homes, and social and affordable rental income is impacted by a rent reduction of one percent per year over the next three years.

INTRODUCTION continued

Our main priorities for VFM are:

- **Business change:** To become more efficient, profitable and responsive to our customers' expectations through the successful delivery of a new three-year change programme, Fit for the Future. In 2016/17, the Group decided to invest £20 million into the programme in order to transform the way we work and significantly improve the services we provide to our customers. Driven by the ambitions set-out in our new strategic statement, the programme will also make it easier for staff to do their jobs. The programme encompasses:
 - **Customer Experience:** To develop clear and simple services for customers that are delivered well – regardless of tenure, scheme or location.
 - **Technology:** To streamline, improve and introduce new technology that will support our new ways of working and improve our ability to offer our customers good services.
 - **Digital:** To introduce new and improved online services to support improvements to customer experience, helping to ensure we become a 'digital first' organisation
 - **People:** To develop our staff and organisational structures to align to the new processes, technology and services we'll be introducing, and to provide staff with access to better tools and information.
 - **Business Preparation:** To support the organisation to deliver the changes within the programme, including streamlining our processes to help improve turnaround times and efficiency, and improvements to data on our assets and customers.

See page 15 for more information about our future targets for the Fit for the Future Programme.

- **Commercial activities:** To generate surpluses for reinvestment in our social purpose programmes.
- **Procurement:** To test value for money in all major areas of expenditure.
- **Asset management:** To maximise return on investment on our portfolio.

These objectives and priorities are reflected in a series of indicators, targets and actions for each of the Group's four business plan objectives, as set-out in this self-assessment.

The results help influence our investment decisions and provide our stakeholders with information about our progress against their key objectives including:

- **Residents:** Better services, well maintained homes, reasonable service charges
- **Government:** Delivery of new homes, employment opportunities, lower costs to the taxpayer
- **Local authority partners:** Provision of new homes, management and maintenance of existing homes, care and support services and investment in local communities
- **Homes & Communities Agency:** Compliance with the regulatory VFM standard, mitigation of economic risk to protect social housing assets.

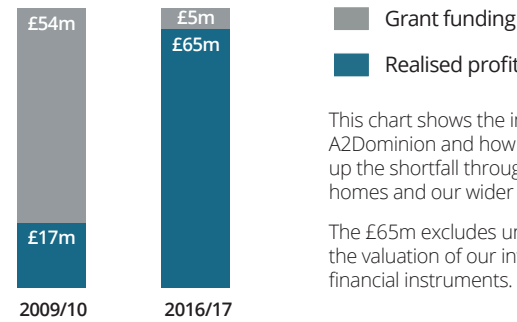
OUR OPERATING ENVIRONMENT

The Group's operating environment has changed significantly in recent years, impacting on the availability of funding for new affordable homes and service development.

In 2016/17, the government implemented the start of its rent policy. This saw a reduction applied of 1% from the previous year's rent for the Group's social housing properties. This 1% reduction continues for the next three years. The net effect over the four years 2016/17 to 2019/20 is £54m less income than we had previously projected in our business plan.

In addition, the UK's planned withdrawal from the European Union has resulted in uncertainty about labour and materials, interest rates and housing supply. As we use surpluses from private sales to cross-subsidise new homes for affordable rent, these changes may well impact the number of rented homes we can provide.

In response to the changing operating environment, the Group took the decision to further grow and expand its commercial activities to generate surpluses to address the shortfall and subsidise a continuing affordable programme. The bar chart below shows the impact of government grant changes on A2Dominion and how we have successfully bridged the gap by generating our own funds to invest in the provision of new homes.



This chart shows the impact of grant changes on A2Dominion and how we have successfully made up the shortfall through surplus to subsidise new homes and our wider social programme.

The £65m excludes unrealised non-cash gains on the valuation of our investment properties and financial instruments.

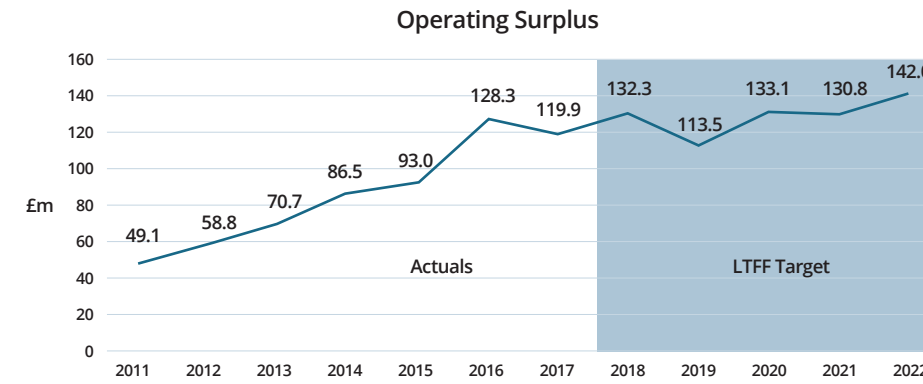
A2Dominion continues to be a financially strong organisation, with a diversified business model and a variety of ways to generate income and withstand volatility in the market. Our future VFM strategy focuses on driving down costs, helping us to both succeed commercially and to sustain our social objectives.

OVERALL PERFORMANCE

OPERATING SURPLUS

Our operating surplus of £119.9m was predominately achieved through a strong performance from the Group's core social housing activities, the sale of new homes and increasing capacity through efficiencies.

Over the next five years to 2022, our updated business plan shows that we are forecasting an aggregate operating surplus of £651.7m and growth in commercial sales activity is targeted to deliver a £176.6m operating surplus, enabling the Group to increase the number of new homes. This surplus fluctuates between years due to the timing of when new homes are delivered through the Group's development programme.



Operating surplus figures from 2015 and beyond are reported in accordance with FRS 102, the new accounting standard. Although FRS 102 was introduced in 2016, the 2015 surplus was restated to form a comparative. Prior years are reported under previous UK Generally Accepted Accounting Principles (UK GAAP).

OPERATING MARGIN

Our operating margin in 2016/17 was 32.2%, which is slightly lower than the previous year (2015/16: 33.9%). This is primarily a result of lower sales margins and volumes, which fluctuates year-on-year in line with the Group's development programme. However the underlying social housing performance remains strong with an operating margin of 34.7% which is an improvement on our 2015/16 performance of 34.1%.

RETURN ON INVESTMENT

The assessment of financial return is a significant consideration for the Group's investment decisions and results in a stronger financial position and performance. Each of the Group's main property portfolios have provided an improved operating return from the prior years.

The following table shows the operating return on our housing property portfolio and an improvement on 2015/16.

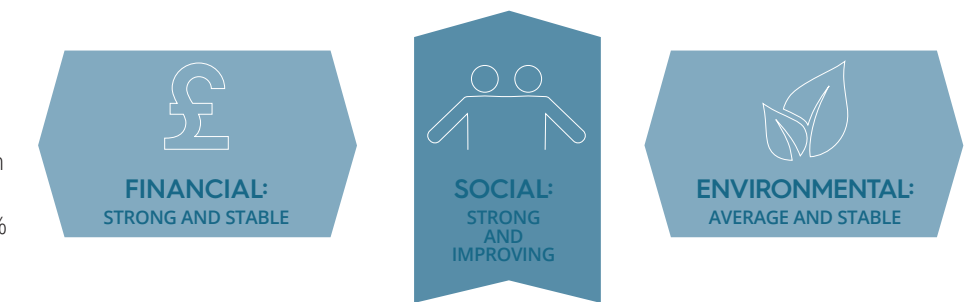
PORTFOLIO	NET ASSETS EMPLOYED ¹ - BOOK VALUE (£M)	ANNUAL RENTAL TURNOVER (£M)	ANNUAL OPERATING SURPLUS (£M)	2016/17 OPERATING RETURN	2015/16 OPERATING RETURN	2014/15 OPERATING RETURN
Social housing rented	1,062.3	185.8	61.2	6%	6%	5%
Shared ownership	184.1	25.9	12.2	7%	6%	4%
Non-social rented	256.0	21.1	11.7	5%	4%	4%

¹Net of housing grant

The Group also has a clear investment policy which sets out the returns for each asset opportunity.

This ranges from operating margin targets for private sale homes, income yield targets for private rental homes and a requirement for affordable homes to breakeven within their first year of management.

Our overall judgement on our return on investment performance, based on a range of comparative data, is:



OVERALL PERFORMANCE continued

EFFICIENCY SAVINGS

Savings across the business now total £23m since the Group's formation in 2008, including £4.5m secured in 2016/17. This has been achieved through rationalisation, technology, our Lean business improvement programme, testing the market in all major areas of expenditure, as well as reduced void losses.

This has enabled us to invest in service improvements, planned and major repairs and to assist our residents impacted by welfare reform. Our aim is to save a further £19.4m over the next three years.

The table below outlines the main areas in which the Group has achieved efficiency savings since merger, and its future targets in these areas through to 2020.

	2009/10 TO 2014/15 ACTUAL SAVINGS £M	2015/16 ACTUAL SAVINGS £M	2016/17 ACTUAL SAVINGS £M	TOTAL SAVINGS £M	2017/18 TARGET SAVINGS £M	2018/19 TARGET SAVINGS £M	2019/20 TARGET SAVINGS £M	3 YEAR TARGET SAVINGS £M
Lean business improvement reviews	0.8	-		0.8	-		-	0.0
Procurement & contract savings	4.3	0.1	1.6	6.0	4.2	4.7	4.7	13.6
Overhead savings	7.3	1.0	1.4	9.7	1.7	1.6	1.6	4.9
Income collection improvements	3.5	1.5	1.5	6.5	0.3	0.3	0.3	0.9
Total	15.9	2.6	4.5	23.0	6.2	6.6	6.6	19.4
Target	10.9	1.8	2.3	15.0				
Cash collection improvements - arrears reduction	2.2	1.4	1.6	5.2				

INDICATORS & COMPARISONS

To demonstrate our performance consistently against key efficiency measures, the Group is trialling the adoption of a sector-wide efficiency scorecard, below. The comparator group being used is the g15 group of housing associations which operate in the same geographical areas as A2Dominion.

SECTOR SCORECARD INFORMATION	A2DOMINION ACTUALS 2016/17	A2DOMINION ACTUALS 2015/16	G15 AVERAGE 2015/16
Business health			
Operating margin (excluding sale of fixed assets)	28.6%	29.9%	32.5%
Social housing margin	34.7%	34.1%	35.6%
Earnings before Interest, Tax, Depreciation, Major Repairs and Improvements (EBITDMRI)	160.5%	172.4%	191.7%
Development capacity			
Units developed	754	1,127	781
Units developed (as a % of units owned)	2.4%	3.0%	2.3%
Gearing	61.6%	53.9%	44.7%
Outcomes delivered			
Customer satisfaction	82.8%	81.8%	75.8%
£'s invested for every £ generated	1.1	1.0	1.2
Effective asset management			
Ratio of responsive repairs to planned maintenance	41.5%	48.4%	64.2%
Return on Capital Employed (ROCE)	3.4%	4.0%	4.5%
Operating efficiencies			
Overheads as a % of income (Housemark)*	N/A	11.2%	11.7%
Overall social housing cost per unit (£k)	4,089	4,037	4,933
Management cost per unit (£k)	1,083	1,360	1,320
Service charge cost per unit (£k)	748	677	613
Maintenance cost per unit (£k)	1,115	991	1,084
Major repairs cost per unit (£k)	613	523	855
Other social housing cost per unit (£k)	531	485	860
Rent collected	100.4%	98.0%	98.1%

* Results are to be derived from Housemark benchmarking data in autumn 2017.

OVERALL PERFORMANCE continued

These indicators provide an overview of efficiency in relation to business health, development capacity, outcomes delivered, effective asset management and operating efficiencies, as follows:

Business health: the Group's operating margin reflects the operating efficiency of the Group's rented business and sales performance. The timing of the completion of new development schemes alongside the investment made into maintaining homes will influence this measure. The additional indicator for the Group's core social housing business helps demonstrate the performance of the underlying business margin and this has increased during 2016/17. The EBITDA MRI measure is an approximation of cash generated. For A2Dominion our results reflect the investment being made into new developments and private rented homes, which result in increasing debt levels to achieve this. Whilst the result is below our peers it is at a level that still indicates strong financial health.

Development capacity: the two measures relating to units in development and units developed as a % of homes owned highlights the contribution made in the year to the supply of new homes. The phasing of development programmes will result in peaks and troughs and as a result A2Dominion target to complete 1,800 homes over a two year period, which has been achieved. The gearing indicator shows the proportion of borrowing in relation to the size of asset base. A2Dominion's result which is higher than the g15 average demonstrates that it is using its capacity effectively to leverage its assets more than others.

Outcomes delivered: the indicators that help to demonstrate this area are the customer satisfaction measure and the £'s invested measure. A2Dominion's customer satisfaction measure for 2016/17 of 82.8% is significantly above its peers and has also improved from the prior year. The £s invested for every £ generated from operations demonstrates the extent to which the Group is investing its own money in new supply, which at 1.1 for 2016/17 helps show that the Group is efficiently reinvesting all of its own cash generated together with other sources for future investment.

Effective asset management: the return on capital employed measure indicates how well A2Dominion is using its capital and debt to generate a financial return. Whilst this measure provides an organisation wide metric, A2Dominion measures the return for each of its key business areas which are summarised within its Value for Money overview. The 2016/17 result of 3.4% reflects the decision to secure funding for future use for the organisation. The additional £250m received following the successful bond issue is to be used over the next year and thus currently suppresses the overall return until these funds are used and the associated assets come into operation. The ratio of responsive to planned repairs of 41.5% for 2016/17 helps demonstrate the success that A2Dominion has had in ensuring its level of investment in long-term improvements to its homes continues.

Operating efficiencies: the results for 2016/17 indicate a strong performance from A2Dominion in this area. The overall cost per unit for the social housing activities is considerably below the peer group. The measures for the repairs cost per unit will fluctuate depending on the maintenance programmes during the year. The efficiencies targeted and delivered that are referenced in the VFM section have led to the Group's overhead as a % of its turnover falling below its peer group in 2015/16.

As referenced above, the sector scorecard highlights how our results for this year compare against the g15 average for the prior year, and reflects new measures to provide the Group Board with an overview of how A2Dominion is performing compared to others.

However throughout the year, the Group has been using benchmarking information from the prior year (ending 31 March 2016) to establish key VFM actions, which is based on a different methodology. This information has been used to focus actions on where we have looked adrift from our benchmarking group. This is the information that the Group Board has been using to assure themselves that the Group is undertaking the right activities to continue to enhance its value for money offer to its stakeholders.

This will be the last year of using this benchmarking data. The Group Board's future focus for 2017/18 will be to utilise the results of the 2016/17 sector scorecard measures to inform those areas and activities that can be improved further, to demonstrate the delivery of even more operating efficiencies.

Below are the results of the prior year's benchmarking results, with the associated actions that have been put in place during the year.

BENCHMARK MEASURE	2015/16 RESULT	2014/15 RESULT	2015/16 PEER GROUP MEDIAN	OVERVIEW AND FUTURE ACTION
Growth in turnover	21.8%	9.2%	7.8%	Higher rental income from increasing the number of homes in management alongside strong private sales
Debt per unit managed	£41,046	£38,831	£39,746	This is as a result of our continued investment in our current housing stock as well as to fund growth in our development plan which ranks in the first quartile when compared to our peers.
Overhead costs - % of adjusted turnover	10.7%	11.1%	11.8%	An improving position achieved through the delivery of the Group's efficiency programme.
Housing management cost - Per unit	£623	£602	£551	The result is higher than the g15 peer Group principally due to our investment in tenancy sustainment activities. We leveraged £5.5m to support residents through tenancy sustainment activities. A reorganisation of our housing services delivery model in April has resulted in a more efficient structure, and these benefits will reduce our housing management costs in the 2016/17 benchmarking results.
Rent Arrears - performance	3.49%	3.62%	2.94%	More efficient team structure should continue to see improvement in arrears position.
Responsive repairs - Per unit	£936	£922	£938	Responsive repairs and void costs are at similar level to the median cost of our peer group, with re-let turnaround times being maintained at better than the median. A2Dominion has maintained its top ranking in relation to average number of responsive repairs per property.
Major repairs Per unit	£1,528	£1,361	£1,101	The increased spend per property reflects a large investment programme in mechanical and electrical work. The re-procurement of planned repairs contracts will help this spend reduce from April 2017 onwards.
Cyclical repairs	£223	£286	£305	

KEY TO PERFORMANCE RELATIVE TO OUR PEERS:

- The Group's result is in the upper quartile of the peer group (top 25%)
- The Group's result is in the middle upper quartile of the peer group (between 25% & 50%)
- The Group's result is in the middle lower quartile of the peer group (between 50% & 75%)
- The Group's result is in the lower quartile of the peer group (between 75% & 100%)

VFM PERFORMANCE AGAINST STRATEGIC OBJECTIVES

A2Dominion has four strategic objectives to help it realise its vision and which it uses to inform its VFM targets. The pages that follow assess A2Dominion's VFM progress against these business objectives and summarise future VFM plans.

PROVIDE NEW HIGH QUALITY HOMES AND PLACES

Our key aims for this objective are to maximise income and grants and to generate surpluses through sales to support the delivery of affordable housing, and to increase our private rent portfolio in order to extend housing options and strengthen the Group's asset base.

KEY TO STATUS:

- Fully met
- Partially met
- Not due

2016/2017 TARGETS	PERFORMANCE HIGHLIGHTS 2016/2017	STATUS
Achieve land, development and sales targets to help deliver a Group surplus of £65.3m in 2016/17	<p>Surplus target of £65.3m exceeded.</p> <p>Achieved profit of £25.1m from private development and shared ownership sales.</p> <p>Exceeded two-year target of 1,800 homes developed, with 1,127 delivered in 2015/16 and 754 delivered in 2016/17 (total: 1,881). In the past year, this comprised:</p> <ul style="list-style-type: none"> • 322 - Affordable Rent • 182 - Private Rent • 179 - Private Sale • 71 - Shared ownership. <p>Claimed grant totalling £2.4m for 152 affordable units in London and £1.1m for 92 units outside London.</p> <p>Allocated £3.8m of grant through the Homes Community Agency Shared Ownership Affordable Homes Programme 2016-21 programme to deliver 120 shared ownership units in the South East.</p> <p>Increased PRS portfolio, which now totals over 1,000 units in management and committed to taking 500 more over the next two years, with an average yield of 5% against a target of 4%.</p>	✓
Complete the selection process for the new development contractor framework.	Successfully completed the OJEU Contractor Framework for the next four years. The development framework, worth £500m, will cover work of varying size and scope as part of A2Dominion's development plan, including the construction of residential properties, infrastructure and more.	✓
Improve customer experience with residential sales and aftercare, as measured by a Net Promoter Score of 50 or higher.	<p>Net Promoter Score in 2016/17 was 35.3 and is improving month-on-month, with the last quarter figure at 57.6.</p> <p>Customer satisfaction with our new homes is high:</p> <ul style="list-style-type: none"> • 96% with the performance of the defects team • 81% for home demonstrations • 91% with the performance of contractors for affordable new homes. 	✓
Raise £100m to fund future developments which will deliver surplus for cross-subsidy in the longer term.	£250m raised through an unsecured wholesale bond – 12 years at 3.56%.	✓
Undertake a review of the use of consultants to save £100,000 per year.	Review is due for completion in 2017/18 with savings to be made in year of £267k with further savings to be made in the next 3 years of £350k per annum.	✓

DELIVER CUSTOMER-LED SERVICES

Our key aims for this objective are to update our customer service model to increase digital self-services, whilst sustaining and improving service standards.

2016/2017 TARGETS	PERFORMANCE HIGHLIGHTS 2016/2017	STATUS
Implement a VFM action plan in the repairs joint ventures, Pyramid Plus, with an initial focus on quantifying waste and measuring the cost of materials	<p>The VFM action plan is being implemented across both repairs joint ventures and is ongoing.</p> <p>Pyramid Plus South productivity increased to its highest ever levels with 3.3 jobs completed per day per operative.</p>	✓
Reduce open repair jobs in 2016/17 by 40 percent to reduce repair times and increase customer satisfaction	<p>Reduced open orders by 35% (Pyramid Plus South) and 31% (Pyramid Plus London).</p> <p>Significant reduction in median standard repair days from 18.25 days 2015/16 to 11.5 days 2016/17.</p> <p>Significant reduction in median urgent communal repair hours from 27 hours 2015/16 to 17 hours 2016/17.</p>	✓
Undertake a project to minimise 'high cost to serve' demand from customers with significantly above-average repairs and other requests	Project initiated and comparative high cost to serve reports produced. Solutions are being explored for implementation.	✓
Continue to invest in new online services including, subject to business cases, payments through My Account customer portal, set-up of Direct Debits and payments via automated calls	<p>Increased number of users of the customer portal, My Account, by 60% with a total of 10,000 registered users.</p> <p>Improved the online customer experience for users of My Account:</p> <ul style="list-style-type: none"> • Simplified the online registration process resulting in a 60% reduction in abandoned registrations • Improved the online repairs process resulting in a 5% reduction in abandoned requests. <p>Increased the number of residents on Direct Debit, including 30.2% of general needs residents against a target of 29.2%.</p>	✓
Build a knowledge management solution for front-line staff to use to increase the resolution of customer enquiries right first-time.	<p>Launched a new knowledge management system to support the merger of the Customer Contact Centre.</p> <p>Significant improvement in the performance of the Customer Contact Centre, achieving an overall grade of service of 80% (i.e. calls answered within 60 seconds) in February and March of 2017, for the first time since July 2016.</p> <p>Completing the review of the Group's customer contact model and making improvements to 89 related processes.</p>	✓

VFM PERFORMANCE AGAINST STRATEGIC OBJECTIVES continued

INVEST IN OUR HOMES AND LOCAL COMMUNITIES

Our key aims for this objective are to achieve best use of our property assets to meet local authority and other priorities, ensure cost-effective maintenance of homes, use our surpluses to support social enterprise and priority neighbourhood areas, and further consolidate our operational areas.

2016/2017 TARGETS	PERFORMANCE HIGHLIGHTS 2016/2017	STATUS
Review our Asset Management Strategy by March 2017 to maximise performance of our portfolio	Asset management strategy reviewed and approved by Group Board. Identified and disposed of 46 'uneconomical to repair' units, generating proceeds of £7.1m. Disposed of five properties in Southall (2 commercial and 3 residential) generating £392k. Generated £95k from further stock rationalisation. Invested £2m in planned refurbishment work.	✓
Procure new planned and cyclical maintenance contracts by April 2017 at an estimated cost of £25m-£30m, depending on the priorities in our Asset Management Strategy	Launched new planned repairs frameworks to deliver in the region of £90m of works over four years. Multiple contractors have been appointed to the frameworks to deliver enhanced VFM with expectations of savings in key work streams, e.g. 25% in kitchen and bathroom refurbishments. New contracts will generate approximately up to £1.4m of savings per year going forward.	✓
Extend usage of our contractor portal to save in the region of £100,000 per year	The contractor portal has been extended to some gas boiler and planned mechanical and electrical contractors. Its use continues to attract non-financial benefits such as a reduction in complaints, invoice processing and avoidable contact, as well as better visibility and controls. The extension of the portal to all contractors, including planned, cyclical, and servicing, will now be rolled out as part of the Group's Fit for the Future change programme.	✓
Stay on track to meet our April 2018 community investment targets, including work and volunteering opportunities, digital and financial inclusion and social enterprise ventures.	We delivered £3.5m of social value to our local communities, a 10% increase on last year, through our Community Investment and Tenancy Sustainment Teams. 1,778 people engaged in health and educational programmes (including Digital DIY), exceeding the target of 500. Launch of Love London Working initiative, working in partnership with Affinity Sutton (now Clarion). We have exceeded our target to register and work with 104 people. Secured £729k through fundraising and income generation for community initiatives (target: £630k). Of this, £90k came from Children In Need to deliver sports in a priority neighbourhood and £286k came from Money Advice Service for financial inclusion. With the £286k secured from the Money Advice Service we are expanding the DOSH programme into Spelthorne and Oxford and developing a financial capability app for residents, in partnership with Deloitte Digital. Secured £286k from the Money Advice Service to extend financial advice services and develop an app for residents, in partnership with Deloitte Digital. Helped residents secure £5.5m in additional benefits and payments, up from £4.7m last year.	✓

STRENGTHEN OUR BUSINESS

Our key aims for this objective are to reduce overheads, to simplify and integrate business processes and sustain environmental improvements in our offices.

2016/2017 TARGETS	PERFORMANCE HIGHLIGHTS 2016/2017	STATUS
Deliver an operating surplus of £104.1m and efficiency savings of £2.3m.	Exceeded operating surplus target for 2016/17 by £15.8m (achieved: £119.9m). Delivered efficiency savings of £4.5m.	✓
Undertake year one of the new A2Dominion Work Programme including further phases of Dynamics CRM roll-out (property services, residential sales and private rent) and My Account customer portal.	Completed preparation to launch the new Fit for the Future change programme, which gained the Group Board's approval in December 2017. Invested approximately £400,000 into interim improvements to support the business while the change programme is being implemented. This includes: <ul style="list-style-type: none"> Improvements to our commercial, payments and service charge systems, which all support medium-term improvements to our efficiency and customer service. Upgrading our Customer Relationship Management system, Microsoft Dynamics CRM. Increasing the capacity of the customer portal, My Account, from around 30 to 300 concurrent users. 	✓
Complete group-wide roll out of a payment system (P2P) and procure replacement system(s) for Finance, Human Resources, Payroll and Housing Services	Completed 70% of the rollout of the Purchase To Pay system (P2P). Reduced the average length of time taken to process an invoice to 19 days and saved £14k on late payment related charges.	✓
Establish our new in-house legal services team to save £200,000 per year.	Established a new in-house legal team with savings of £270k achieved in 2016/17.	✓
Implement changes in central services to save in the region of £200,000 per year	The full savings are due to be achieved per year from 2018/19. Smaller cumulative efficiencies will be achieved in the interim.	✓

ASSURANCE

Our VFM framework is overseen by A2Dominion’s Executive Management Team and Group Board, who determine strategy and investment priorities and monitor progress against published plans and targets.

Our annual business planning process ensures that proposals are matched by the appropriate level of resources and that all significant proposals undergo a business case or options appraisal. VFM is a standard consideration for every board, committee and executive decision.

A2Dominion engages its customers on VFM through its survey programme, as well as through its new Customer Insight Panel which helped to develop the Group’s new Customer Insight & Involvement Framework in 2016/17. The framework aims to use customer insight to shape our strategies and investment decisions, how we target resources and to scrutinise our services and improve standards. In 2016/17, we obtained feedback on our services from over 20,428 customers with over 11,500 contacted by telephone and text as part of our after-care service.

We evaluate return on investment from major projects and all teams within the Group review their performance results regularly. Our investment targets are:

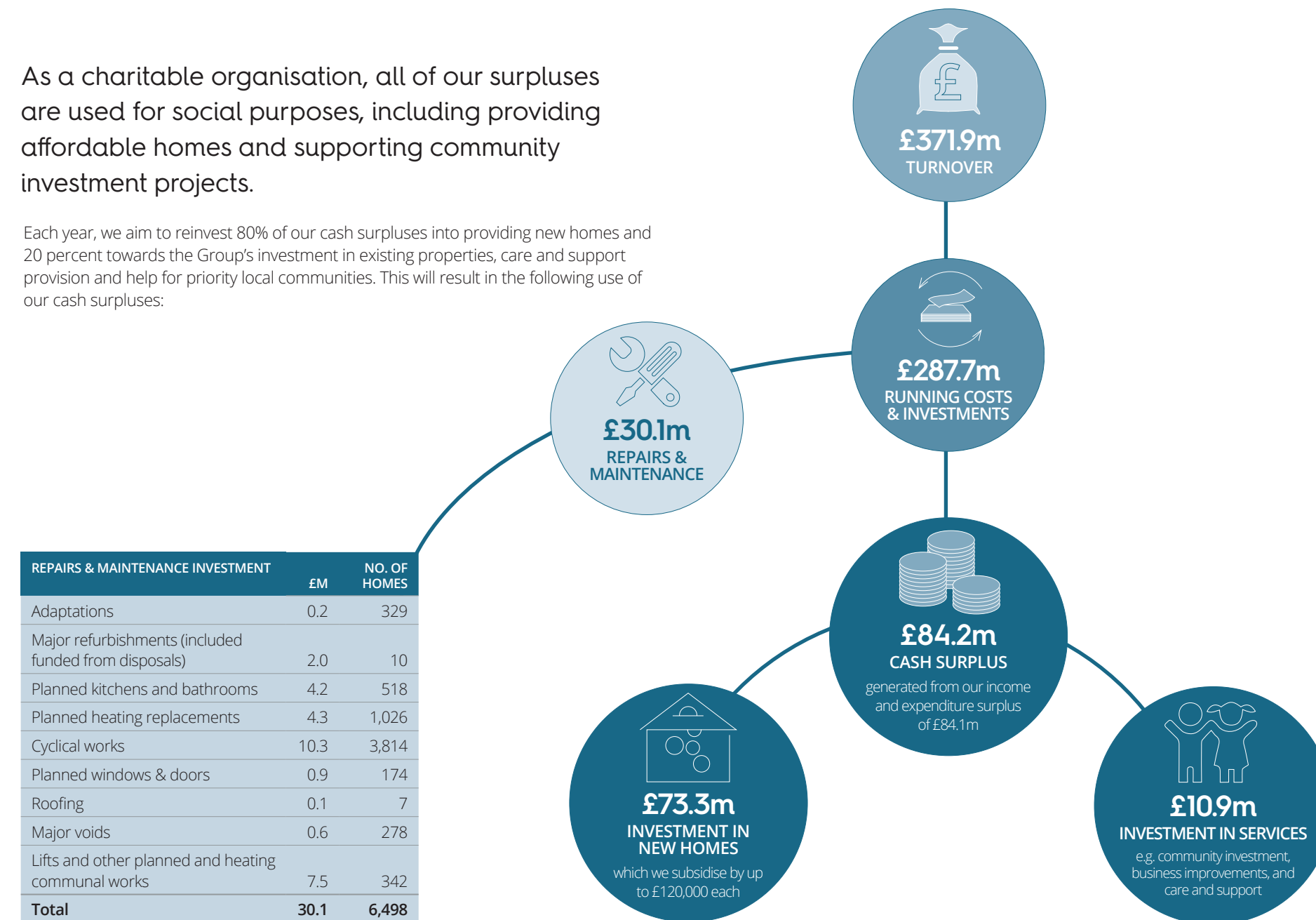
INVESTMENT AREA	2016/17 TARGET	2016/17 RESULT
Private sales	20% margin	Exceeded
Private rented stock	4% yield	Exceeded
Social and affordable homes	Breakeven in year one	Met

VFM objectives are also incorporated into individual staff targets and incentivised through the opportunity for Group and individual bonuses linked to profitability and performance. Staff are set objectives that reduce cost and maximise cash to deliver profit with a purpose.

INVESTING IN OUR SOCIAL PURPOSE

As a charitable organisation, all of our surpluses are used for social purposes, including providing affordable homes and supporting community investment projects.

Each year, we aim to reinvest 80% of our cash surpluses into providing new homes and 20 percent towards the Group’s investment in existing properties, care and support provision and help for priority local communities. This will result in the following use of our cash surpluses:



FUTURE OBJECTIVES

Going forward, our main focus for value for money will continue to be on the successful delivery of our Fit for the Future change programme.

By transforming the way our business works and significantly improving the services we provide to our customers, the programme is set to provide a payback return for the organisation within four years of its full implementation and generate operating efficiencies of approximately £4.6m a year from 2020.

As such, the programme is a key enabler for achieving the Group's future strategic ambitions for customers, assets and staff, supported by a robust, integrated, sustainable technology platform. This includes a reduction in repeat contact and high cost to serve customers, improved first-time resolution of calls, and the ability to manage more assets with the same or fewer staff.

Alongside the change programme, the Group will continue to deliver the following VFM initiatives that together will enable the Group to be competitive in the provision of homes and services, sustain community investment in priority areas, and ensure it continues to offer value for money to its key stakeholders.

BUSINESS OBJECTIVE	2017/18 TARGETS
Provide new high quality homes and places	<p>Achieve land, development and sales targets to help deliver an overall operating surplus of £132.9m in 2017/18.</p> <p>Develop 1,200 new homes each year over the next three years, rising to 1,500 in subsequent years. This would result in A2Dominion managing over 40,000 homes by 2020 and 45,000 homes by 2025.</p> <p>Secure development sites to provide the next two years' supply by the end of each current year.</p> <p>Improve customer experience with residential sales and aftercare, as measured by a Net Promoter Score of 50 or higher.</p> <p>Continue to explore and raise funds for future developments which will deliver surplus for cross-subsidy in the longer term.</p>
Deliver customer-led services	<p>Identify 'High cost to serve' customers and implement solutions to reduce their repair requests and reduce call volumes by 10-15%.</p> <p>Investment in digital channels and processes to enable longer-term increases to customer self-service and to enable customers to access services faster, more efficiently.</p> <p>Development of the new Customer Contact Centre and knowledge management tool, to deliver net annual savings against current and projected running costs of up to £257k in 2017/18, rising to £275k across subsequent years.</p> <p>Achieve 85% customer satisfaction with the Customer Contact Centre.</p> <p>Achieve a stabilised and consistent performance of contact handling with fewer than 7.5% calls abandoned and 80% of calls answered within 60 seconds.</p>

BUSINESS OBJECTIVE	2017/18 TARGETS
Invest in our homes and local communities	<p>Stay on track to meet our April 2018 community investment targets, including:</p> <ul style="list-style-type: none"> • 350 residents engaged in work and volunteering opportunities • To support 550 residents to get online through training programmes • To support 200 residents to increase their financial awareness. <p>Implement the new planned and cyclical maintenance frameworks with anticipated annual savings of £1.4m.</p> <p>Secure £630k of additional income through external fundraising activities.</p> <p>Achieve £4m anticipated return on our social investment in community activities.</p> <p>Continue the implementation of the Group's new Asset Management Strategy to ensure the best use of A2Dominion's assets.</p> <p>Optimise the performance of the Group's asset portfolio using the new property performance assessment system and the category management structure to inform strategic procurement opportunities over the next few years, including net present values.</p> <p>To update our existing Management of Property Services Safety Strategy to ensure the continued safety and protection of residents. This includes £12.7m for servicing, maintenance and investment into domestic gas boilers, fire safety, water hygiene and electrical safety and lightning protection, and the acceleration of our annual fire safety assessments.</p>
Strengthen our business	<p>Deliver an operating surplus of £132.9m.</p> <p>Achieve efficiency savings of £5.9m from reduced costs and increased income, including reviewing our supplier management and procurement services to achieve procurement savings of £2.8m.</p> <p>Continue roll-out of Dynamics CRM across the Group, in line with the Fit for the Future Programme, providing a single contact platform and single view of customer records and achieving £250k target savings</p> <p>Combine the Group's leasehold and private rent service delivery teams to increase efficiency of operations, savings £100k a year.</p>

FURTHER INFORMATION

We publish additional performance information on our website:

Annual Report & Accounts

www.a2dominion.co.uk/publications

Customer Annual Report

www.a2dominion.co.uk/customerpublications

VFM Strategy

www.a2dominion.co.uk/vfm



A2Dominion Group

The Point
37 North Wharf Road
London W2 1BD
T 020 8825 1000
F 020 8825 1963

info@a2dominion.co.uk
www.a2dominion.co.uk



0062-0717-CO

A2Dominion Housing Group Ltd

(an exempt charity registered under the Co-operative & Community Benefit Societies Act 2014 Sco. No. 28985R, HCA Reg. L4240).

Registered Office: The Point, 37 North Wharf Road, London W2 1BD



The Lamptons,
Hounslow.