

The Affinity Sutton Corporate Plan 2011-2012

Affinity Sutton operates in a complex and rapidly changing environment. Our Corporate Plan exists to help us to steer a steady course between the need for business continuity and the demands of a rapidly changing world. While we retain our vision through this period of change, we recognise that we need to adapt. This plan clarifies the choices we face as an organisation and identifies the business change priorities that are critical to achieving future success.

A New Environment

The Coalition Government has signalled the most radical reform of the sector for a generation. Set against a backdrop of funding cuts in the wake of the Comprehensive Spending Review, changes introduced by the Government include the new affordable rent regime, the introduction of flexible tenancies, and reforms to welfare including the proposed Universal Credit and possible end of direct payments of Housing Benefit. Greater localism will bring our relationship with local authorities and other local partners to the fore, and cuts to services will require us to respond with new ways to support our residents. The reforms also introduce new flexibility for housing associations, including the prospect of greater control over who is able to access our homes.

Following the financial crisis, housing associations face a tougher lending environment in which banks seek to tighten the terms of existing agreements and increase the cost of new loans. The sector's cash flow will continue to make it attractive to some lenders. However, in the light of changes to the funding model we will monitor our financial golden rules carefully and agree how we can continue to invest to meet the need for new affordable homes. As our stock ages, we need to consider how we make the most of the opportunities to effectively manage our assets.

Strategic Choices

In an environment in which we have greater flexibility, we need to make strategic choices, including prioritising where and how we operate, how we deploy our resources and meet the different needs and expectations of new and existing customers.

Social housing will continue to be the heart of our business, and so the majority of new homes we develop will be for affordable rent or enhancing our position in the shared ownership sector. Any other new homes we develop, such as property for sale on the open market, will only be undertaken where it facilitates further investment in affordable housing.

The new funding model will mean that the focus of our new development will be within London and the South East, whereas the locations in which we invest in our current stock and in regeneration will be planned according to need. Our social investment will be based on an understanding of where needs exist, across all areas where we have a significant stockholding. Our approach to customer service will be reviewed based on a greater understanding of different customer needs.

Our approaches to developing and implementing our priorities in all of these areas are detailed within our plan.

Vision, Values and Objectives

In this period of uncertainty, we are determined to remain true to our vision. Our ultimate aim is still to use our heritage, fresh thinking and commitment to help people put down roots. We are committed to our role as a business for social purpose.

Our **values** also remain unchanged – these are our principles about the way we work:

- **Passion for customer services**
- **Using our strengths**
- **Trust and integrity**
- **Willingness to innovate**

Our plan focuses on our key **objectives**, which are:

Delivering good customer service

Our current levels of customer satisfaction are high and in the present operating environment, we recognise it may not be financially possible to promise continuing improvements to service for all our customers. As a consequence, our aim is to maintain satisfaction levels but increasingly, we will need to tailor our service offer to the reflect needs of our different customers and locally determined preferences, moderated by a better understanding of their own responsibilities within the tenancy agreement. At the same time we will continue to deliver our current service standards in a consistent way. We are determined that our brand is recognised for excellence across all areas of service delivery and for achieving high quality outputs that compare favourably with our peers. We believe that our future service offer should be based on an improved understanding of our individual customers and their needs, delivered in a modern and responsive way that improves accessibility.

Prioritising investment for community benefit, with the emphasis on creating better life chances through employment opportunities and combating financial exclusion of our residents will remain important to us. We recognise that the current economic situation may have a disproportionately adverse financial impact on our residents driving them into financial difficulties and increasing their vulnerability.

Growing our business

The landscape of our sector is constantly changing. Our competitors are growing fast and market forces are redefining affordable housing. Business growth, through development and merger and acquisition, enables us to withstand financial risks and to take advantage of opportunities. We possess key advantages as a business, including core financial strength, a good track record in developing new homes and good service delivery. In the current environment of severe housing shortage, we want to provide more affordable housing and maintain our investment in the current stock and associated community services. We are able to deliver these objectives because we are a large association with the financial strength to make a significant

difference. Only by continuing to grow will we be able to seize the emerging opportunities in an uncertain operating environment.

The new funding model for social housing comes with significant risk attached. The need to guarantee higher rental yields to fund development coupled with the likely removal of direct payments of Housing Benefit to landlords will require careful management. To mitigate against the impact of how Housing Benefit is paid, for at least some new lettings, we may need to target households who can afford higher rents without this support. Intermediate products may also be required to provide self-funding developments or generate cross-subsidy. Identifying and understanding potential customers in the wider housing market will be increasingly important and we will use our market and customer insight to identify new products to meet the needs and aspirations of both our existing customers and a new customer base.

Maintaining our financial strength

The Group's financial golden rules have become part of its guiding philosophy. We believe strongly that in order to fulfil our social objectives we must provide solid financial foundations. The impact of current Government changes threatens to weaken the Group's performance. As fiscal pressures take effect, our operating and net surplus levels could reduce, causing our interest cover ratio to decline over time. Without profits, positive cash generation, strong interest cover ratios, efficiency savings, and so on, we risk compromising our ability to build new homes, invest in communities and maintain our stock in a good condition.

The business change priorities in this plan detail how we will continue to maintain our strong financial position in light of challenging circumstances and adapt our Asset Management Strategy to ensure that we make the right investment decisions.

Increasing our influence

As a significant national provider, we need a strong voice to influence and help shape the future of our sector. We possess many business strengths and are a leading development, operational and financial performer. However, as a relatively newly formed organisation, we can do more to achieve the impact and influence to match our capabilities and potential. We need to focus on building our brand to gain recognition for our strengths and achievements.

As new policies are being developed by central and local government which will have a significant impact on the way we work, we need to have a strong voice and increased influence in the way these policies are shaped. The Localism Bill devolves greater powers to councils and neighbourhoods and will give local communities more control over housing and planning decisions, therefore we need to increase our engagement with local stakeholders and improve their understanding of our wider values and breadth of work within our communities.

Business change priorities

In delivering to these four key objectives we need to make changes to the way we do things and this is facilitated by our 11 business change priorities that reflect the emerging challenges we face. Developed through an understanding of threats and opportunities presented by the external environment, these new priorities help to align our business and improve organisational agility.

Objective	Business Change Priorities
Delivering good customer service	<ul style="list-style-type: none"> • Review the way we deliver housing services • How and where we invest in communities • Developing fairer access to our homes • Review the way we deliver repairs • Collecting and using effective customer data
Growing our business	<ul style="list-style-type: none"> • Reshaping our development strategy • Defining and implementing our merger, acquisition and disposal strategy
Maintaining our financial strength	<ul style="list-style-type: none"> • Enhancing our capacity • Creating a more sophisticated asset strategy
Increasing our influence	<ul style="list-style-type: none"> • Stakeholder relationship management • Building our brand

Achieving our Priorities

The changed environment means that we need to develop answers to new questions and develop new capabilities within the organisation. We have set challenging targets on implementation and each priority has an identified leader. Achieving these priorities will help us to create a better future for our customers – both addressing current needs and anticipating the types of products and services customers will want in the future – and create opportunities for our staff and business partners.

Links to other Business Priorities

The business change priorities in our plan set out our response to the changing external environment. These priorities will take shape in the wider context of existing business continuity and ongoing change programmes, including Affinity Sutton’s continued focus on achieving operational excellence and completing the next stage of our simplification process.

We aspire to be an organisation respected for its active commitment to reducing its environmental impact in all areas; for providing efficient and affordable homes; and for having a culture that is enthusiastic and dedicated to green behaviours. This year we will complete our Futurefit low carbon retrofitting project. The initial outcomes of this project will form the basis of our planning for sustainability within future Corporate Plans.

Reviewing Progress

The business change priorities will be reviewed quarterly by the Group Executive Team and twice each year by the Group Board.