



Thameswey Housing Limited
Thameswey Guest Houses Limited
Business Plan 2020

Covering Period 2020-2023

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1. Introduction

- 1.1 This Business Plan covers the residential activities of the Group which are split between two legal entities. Thameswey Housing Limited (THL) and Thameswey Guest Houses Limited (TGHL).
- 1.2 The Business Plan comprises the following Format:
- A summary of the Purpose of the Company;
 - Structure and Scope of current operations;
 - Activity since last business plan;
 - Proposed medium term objectives;
 - Financial Performance.
- 1.3 This is a four-year plan which reflects the long-term nature of the housing businesses within the Group.
- 1.4 The Business Plan ensures the focus of the company activity is clearly aligned with Thameswey Limited and ultimately with Woking Borough Council's (WBC) strategic objectives for the Thameswey Group and the Woking 2050 Strategy.

2. Executive Summary of Plan

- 2.1 The key points of this plan are summarised below:
- THL will look to consolidate its capacity during the course of this business plan period. Ensuring that it has the appropriate resources and processes in place to manage its growing property holding. A 'compliance review', which is in effect an internal peer review will be carried out as part of this consolidation to self-assess capacity.
 - THL will continue with the roll out of self-delivery of tenancy management, reducing reliance on third party providers.
 - THL will work with TDL and TSCL to contribute towards the Woking 2050 environmental objectives by reducing the carbon footprint of its stock and promoting wider environmental benefits such as habitat creation and reduction of resource consumption.
 - TGHL will look to review its current offer and expand into a wider spectrum of service.
 - THL will significantly increase its stock holding, taking on property in development from TDL including the first phases of Sheerwater property, during the course of this plan.
 - THL will look to invest in a wider geographical area to ensure it can provide an appropriate range of property and tenure types within its portfolio.

3. Purpose of the Companies

- 3.1 Thameswey Housing Limited (THL) is established to support WBC's delivery of the Woking 2050 Strategy, the Housing Strategy and the Economic Development Strategy through the provision of residential accommodation of all tenures and types. A core objective is to provide homes which are affordable to those who, due to their circumstances, are not able to access open market provision but are equally unable to access Social Rented Accommodation provided by the Council or a Registered Social Landlord (RSL).
- 3.2 While Thameswey Housing's rental structure covers rents from 50% to 100% of the local open market rent, the target for THL, with the exception of stock which will be held as part of the Sheerwater Redevelopment Project and that which has been provided under THL's commitment to 24 Band C properties per year as part of the £200m funding agreement, is the provision of

property at an intermediate rent in the region of 80% of the local open market rent. This intermediate product remains the target for THL property provision, but in order to provide the cross-subsidy needed to achieve a viable economic model at a submarket rent (without any external subsidy) THL will hold approximately two thirds of its property portfolio at open market rents.

- 3.3 Thameswey Guest Houses Limited currently provides accommodation on a temporary basis to those who cannot access permanent or temporary accommodation on the open market.
- 3.4 THL was incorporated in 2005 by its ultimate owner Woking Borough Council (WBC). THL is specifically referred to in the WBC Housing Strategy Action Plan to assist WBC in the provision of affordable housing. This is supported by Council section 106 Planning Agreements referencing THL as an accepted provider of affordable housing.
- 3.5 THL has a 50% share in Rutland Woking (residential) Limited (RWRL), the remaining 50% is held by Rutland Properties Limited. During the business plan period the Rutland Joint venture companies are expected to consolidate into one entity, being Rutland Woking Ltd.
- 3.6 The current directors for the residential companies are set out below:

<u>Name</u>	<u>Class</u>
Terry Price	Independent (Chairman)
Barry Maunders	Independent
Peter Bryant	Officer Director
Louise Strongitharm	Officer Director
Clr David Bittleston	Councillor Director
Clr Ayesha Azad	Councillor Director
Clr Colin Kemp	Councillor Director
Clr Debbie Harlow	Councillor Director

- 3.7 The Board composition meets the requirements of the Thameswey Group Protocols. In order to be quorate a board meeting must have at least one director from each class present.

4. Structure and Scope of Companies

Business Concept - THL

- 4.1 The acquisition (or development) of property by THL is predicated on a no net cost to the Woking Council Taxpayer. In order to do this the company must charge rent at such a level to support the cost of purchasing and running the property that it holds. Each property will be purchased or developed based on a property specific economic model (set at 50 years) and an appropriate rent is charged based around the cost and the local market conditions. In order to set rents at a submarket level this economic model will normally require a subsidy. The subsidy will need to come in either the form of a grant (such as subsidised land or section 106 Payments from the Council) or as a cross subsidy from other THL property.
- 4.2 The financial impact of this economic model is that for the initial period of property ownership the company will operate negative cash flow on the majority of properties so as to secure rent levels at affordable prices. Each property (in effect each project) is then aggregated into the company's overall financial model to allow cross subsidy where properties are performing better than originally modelled. When modelling no account is taken of capital appreciation as this is maintained as a safety buffer in case property disposal is required. However, capital appreciation is used in the accountancy treatment of the company.

- 4.3 THL was not established to make a return for the ultimate shareholder (WBC), its objective is to secure additional homes and assist the Council in achieving its 2050, Housing and Economic Development strategy targets. Accordingly, profits generated by THL will be retained in THL and earmarked to support the provision of homes in the future. The intention is that this is done by providing revenue support to future investments allowing lower rental levels to be achieved.

Business Concept - TGHL

- 4.4 TGHL has been set up to operate the transitional and temporary accommodation operated by the group. The property type is normally supported or bed and breakfast style accommodation which are VAT chargeable services. As such the company is VAT registered which differentiates it from THL. Currently the company only operates Maybury Lodge, but growth is expected within this business plan period to operate additional properties. Unlike THL, an element of accumulated profit generated by TGHL is returned as a premium to WBC.

5. Activity since the last Business Plan

- 5.1 THL and its subsidiary TGHL have continued to perform well over the last 12 months. TGHL has maintained an average occupation of 88% and has supported WBC and neighbouring local authorities by helping to prevent homelessness. To date over 3359 nights of accommodation have been provided in 2019 (at the end of Sept 2019) with over 90% from Woking. During this period significant improvement to the infrastructure of Maybury Lodge has been carried out including improvements in fire safety and communal catering facilities. The extensive refurbishment at Maybury Lodge and the under-occupation during part of 2018 has meant that TGHL paid a reduced premium of £40,000 during 2018.
- 5.2 THL has completed the acquisition of 124 street properties since the last business plan and has continued to agree further purchases. The company has focussed its street acquisitions on property types which can deliver lower rental levels (B and C band) and can also help to address the Council commitment to provide accommodation for Syrian refugees. The company has also continued to try and acquire property in the vicinity of the Sheerwater redevelopment and in Knaphill and Byfleet, areas which are under-represented in the company's stock holding. These acquisitions bring THL total property holdings as of Sept 2019 to 679.
- 5.3 During the year THL has progressed the implementation of self-delivery of property management. The company has bought its new property management software online (PEX) and has started to bring property across from external providers. By the middle of 2020 all property, with the exception of 36 Assured Tenancies which will continue to be managed by New Vision Homes due to their expertise in dealing with secure tenants, will have come across for self-delivery. New processes have been implemented as part of the PEX roll out and new staff recruited to manage the tenant interaction. The implementation of the self-delivery infrastructure has been a significant focus for the team over the last period and will continue to use resource over the next few years as the team adapt to delivering the entire rental customer experience.
- 5.4 THL has also produced new marketing material, allowing online advertising of new property in line with self-delivery roll out. It has also introduced promotional information for the Earn Your Deposit Scheme (EYDS) including an information cartoon setting out the process in easy to understand terms. The EYDS adoption has been rolled out across our shorthold tenancies and has been used to promote tenants moving from old assured tenancies to new Thamesway Assured Shorthold Tenancies. This has been successful, particularly at the Pirbright Development and will continue to be promoted to encourage residents to change tenancies.
- 5.5 THL has continued to improve the energy efficiency of its stock and the roll out of renewables. Solar water heating has been rolled out to our void stock to complement the standard insulation

upgrades. The completed energy efficiency upgrade at Pirbright, delivered with Thamesway Sustainable Communities Limited (TSCL) has continued to be monitored and battery performance analysed to determine if they are sensible to roll out to other THL property. Initial readings are positive although they will need to be monitored for a longer period before a final decision is made.

6. Proposed Medium - Long Term Objectives

Overview 2020-2023

- 6.1 Market conditions within the residential market continue to be volatile in the Woking area and it is expected that this will continue during the period of this plan. While the impact of the planned UK exit from the European Union is causing uncertainty and depressing the market the overall lack of supply, despite the pace of residential apartment building, particularly with family housing is keeping underlying property prices high. Development sites remain in limited supply and have continued to hold or increase value. The Green Belt review and Local Plan is due to complete during this business plan period which may increase the availability for future development although the current view is that property prices will remain strong despite the challenges.
- 6.2 The historic local increase in property price, even with the recent market turbulence (which has led to some local reduction in prices), means where THL secures a purchase there is currently less scope to offer a rental level below market without additional subsidy. This subsidy has taken the form of either section 106 commuted housing payments, cross subsidy from existing THL properties which are making a return above model parameters and profit made on property disposals.
- 6.3 The other side to the challenge of purchasing, due to the increase in property prices, has been the increase in the value of THLs current stock. Historically THL stock has been valued at cost in the accounts but in discussion with the Auditors an external valuation of the stock was carried out as of the 31 December 2015 to take into account the current occupancy and condition. This resulted in a revaluation reserve of £26,924,187. With the market uncertainty referred to above the annual assessments carried out since have been based on RICS data and have indicated that the growth since has not been material. However, going forward it is expected that an external valuation, delayed from 2019, will be required once the market has started to settle, probably late 2020.

Priorities 2020-2023

- 6.4 Given the rapid growth in THL over the last business plan period with significant increases in stock numbers, the introduction of self-delivery of lettings and the planned growth in residential numbers over this business plan period a period of consolidation and in-ward focus will be a key priority during this plan period. The company will need to develop its letting processes, including out of hours services, to reflect the increased demand and service offer. The integration of the new letting management software with other back office systems and the development of a comprehensive asset management system in partnership with our facilities management staff will be a priority. Staffing levels in TSCL will also need to be reviewed to ensure that we have sufficient capacity to deal with the whole tenancy process. The key part of this consolidation will be a 'compliance review' to self-assess the company as a mini-peer review to determine and compare existing practice against good practice within the industry.
- 6.5 The consolidation mentioned above is of particular importance given the level of property due to come into THL from Thamesway Developments Limited (TDL) during this plan period. Harrington Place is due to be handed over in early 2020 and this will be followed by major developments at

121 Chertsey Road, Brookwood Lye, Cornerstone, Christchurch Way and Sheerwater within the plan period. With the current scale of TDL property development and hand over to THL it is unlikely that the company will look to acquire any substantial more sites within the early part of the plan period but will focus with TDL on getting the existing sites delivered and let.

- 6.6 THL will continue to purchase on street property where it makes economic sense or fulfils a strategic development opportunity (for example unlocks a wider development) or addresses a specific accommodation need highlighted by the Council. The majority of Band C rental property will be fulfilled by this on-street acquisition.
- 6.7 The current articles of association of the Company allow investment in property outside of WBC administrative boundaries. Historically, the Company has been working with a 30-minute commute to Woking railway station as its main operating area with any purchase outside of this being treated as an exception requiring separate Board and WBC approval. While this area will remain the main focus for THL this plan proposes that this restriction on operating area is relaxed, especially for 'specialist accommodation'. The aim of widening the area is to provide access to property markets which may be cheaper than the Woking area and could provide greater opportunity for specialist accommodation. Any property acquired outside of the traditional 30-minute commute will still need to have a link to Woking by addressing a specific need which cannot be met within the current 30-minute commute area.
- 6.8 Due to recent activity THL will have a significant property holding within Woking Town Centre during this plan period. In order to minimise the risk of over-concentration of property holdings in one location and potentially competing against itself THL will look to prioritise acquisition of property outside of the town centre during the plan period.
- 6.9 During August 2017, WBC agreed to support THL in purchasing Sheerwater properties within the red line regeneration scheme. THL will continue to purchase properties from Sheerwater residents as the redevelopment progresses both within the development 'red line' but also neighbouring property. During the plan period THL will also be taking its first stock from TDL within the new Canalside Development (Sheerwater Regeneration). The first 'purple phase' will be 50% affordable with the other 50% a mix of sale and open market rent. Although the stock will be held in Thameswey Housing Limited to reflect the Council's desire for a different rental structure the property will be ring fenced in its own financial and accounting model.
- 6.10 The priority for TGHL will be to continue to provide short term transitional and specialist accommodation with a focus on bed and breakfast. During the plan period the type of offer at Maybury Lodge will be reviewed as the current management contract is due for renewal at the end of 2019. TGHL will take the opportunity, in consultation with WBC, to review the offer currently provided at the property. TGHL will also look to see if there is demand for additional expansion of its offer during the plan period including accommodation services other than bed and breakfast. TGHL will continue to provide an annual premium to WBC, based on volume of occupation and any operating profit, to support the housing service.

Property Enhancement and EPC rating

- 6.11 During the previous plan period THL undertook a review of the Energy Performance Certificate (EPC) ratings across the housing stock and set a target of EPC at a minimum of EPC level C. Work will continue during this plan period to ensure all property held by THL achieves this minimum level. THL will also work with TDL to promote a higher EPC rating on new build property. For example, the new Sheerwater development in the first residential phase is aiming for an EPC level A.
- 6.12 THL will also look to work closely with the Environmental Projects Team of TSCL to build on the successful 'Pirbright Project' to enhance energy efficiency across the stock but also to build

on the wider potential for THL stock to contribute towards the Woking 2050 strategy on an environmental basis. Projects such as providing enhanced habitats within THL stock (hibernacula, Swift Boxes, Intensive Green Roofs) and reducing the carbon impact of the stock through low maintenance products, renewable energy and limiting resource consumption (water use mitigation etc).

7. Operational Support

- 7.1 As identified within the TSCL business plan Thamesway has started to reinforce its in house capacity through recruiting additional Housing Managers and development staff to reflect the increase THL stock. This growth will continue through this plan period as additional properties and developments come online and the self-delivery process embeds. However, THL will still continue to use appropriately qualified commercial advisors on an ad-hoc basis, particularly in valuation and development appraisals as well as to assist in development. Synergy LLP and Madlins LLP have been appointed to provide Quantity Surveying, Employers Agent and CDMC (health and safety) support to THL and TDL. Bed and breakfast and transient accommodation owned by TGHM will also be managed by specialist providers determined on a project by project basis
- 7.2 Corporate legal services for the company are provided by Clyde & Co LLP and the day to day contract requirements/conveyancing for acquisitions are undertaken by the Council's legal services. Where additional capacity is required framework solicitors are used to provide conveyance support. Thamesway has also started to use Freeths through the Council's Regeneration Framework for construction contract work for appointing advisors and contractors to both THL and TDL. HR functions for THL, as with the rest of the group, will be supported by the Council.

8. Property Portfolio

- 8.1 The companies will continue to aim to provide accommodation across a broad range of types, tenures and rental levels. The vast majority will be held for rental and the proportion of each type will be driven by the rental policy structure outlined in other sections of this business plan. The main split of two thirds open market rent and a third submarket (including a minimum of 24 per annum Band C for the business plan period) will apply at a total portfolio level as opposed to property type.
- 8.2 All THL rental tenants are not eligible for the Right to Buy. However, THL has introduced the Earn Your Deposit Scheme which all tenants on an Assured Shorthold Tenancy are eligible to accumulate.

Affordable Housing at Intermediate Rent

- 8.3 THL aims to continue to provide affordable homes at an intermediate tiered rent. The rental level of each property is assessed on a project finance basis with close reference to the current need and the ability to fund the property. The base rental position will be 80% of the open market rental value as independently valued on acquisition.
- 8.4 Despite acquiring in cheaper areas, the company is aware that the rental market is exceptionally strong and likely to continue within the plan period making intermediate rental levels (80% of market) increasingly challenging for some residents on an affordability aspect. The company will therefore look to generate rental subsidies from open market property to lower the rental levels being charged for those on intermediate rent. The rental cross subsidy from open market property will be used to suppress rents to intermediate levels (80%). However, a key challenge, and

objective, of the company will be to provide a number of units within rental Band C (supported rent) which will address an affordability challenge locally. The success of the supply of Band C will be predicated on leveraging additional subsidy as the rental cross subsidy cannot support this lower yield. With the lack of availability of section 106 payments from WBC other forms of subsidy will be required such as discounted land value or access to reduced cost funding.

- 8.5 Affordable properties at intermediate rent through THL have been let on a mix of assured short hold (AST) and assured tenancy basis. It is intended that going forward the default tenancy position will be AST. Where tenants currently occupying under an assured tenancy move the re-lets will be on AST. Where the company offers an AST, unless there are any issues associated with payment of rent or breach of tenancy conditions, the tenancy is allowed to go periodic after the initial term of 6 months. The default tenancy period to be offered to new tenants within this business plan period is 3 years to encourage household stability, encouraging tenants to consider the property as a long-term home, while saving the company costs from property turnover. However, on Sheerwater, in line with the Council's secure tenant consultation, THL will offer a 10-year tenancy period for displaced secure tenants. This will necessitate a land charge and may generate an SDLT liability for the tenant.

Shared Ownership

- 8.6 THL will not offer Shared Ownership within this business plan period. However, it will continue to hold a mortgage protection reserve on the balance sheet of 10% of the value of the sold proportion of any shared ownership property still held.

Transitional Rented, Specialist and Temporary Accommodation

- 8.7 During the period of this business plan THL and TGHL will look to provide property which can address the needs of potentially vulnerable residents. This could be due to age, infirmity or people who have an institutional background such as the care system, armed forces or the justice system. This transitional category can also be used to help the Council manage its homelessness and temporary accommodation duties. TGHL is likely (subject to tax compliance) to be the vehicle for the majority of property held to address these needs as the VAT status of TGHL will be more appropriate.
- 8.8 Accommodation of this type will need to be located within close proximity of support networks which will allow people to manage in their own home. Where appropriate the properties will be selected in consultation with partner agencies who will also confirm the appropriate support networks are in place. There may need to be some element of support and while the default position is that the properties will be managed in the same way as the company's intermediate rent properties there may be projects which will require on site or specialist management.
- 8.9 Where the accommodation is let on a transitional or temporary basis the property will either be let on a corporate basis direct to a partner scheme providers, under a licence to occupy to individuals or in the case of the guest house on a nightly basis to individuals/the Council to allow ease of mobility. Where rents are paid directly, the individual rental levels will be in line with THL intermediate rents. Where they are direct corporate lets, the rent will be determined in negotiation with the provider.

Investment Rental and Sales

- 8.10 When THL was established, the initial business strategy provided for the company to develop and sell properties on the open market to either cross subsidise future investment in affordable rented accommodation or to help maintain the financial stability of the company. In later years this has been supplemented by Open Market Rental which is now aimed to apply to two thirds of THL

stock. The combination of the prevailing market conditions and the outlook for the housing market over the period of this plan means that this option is a priority in this plan. The regeneration of Sheerwater to provide Canalside is also predicated on the disposal of a significant number of properties.

- 8.11 The company will also look to alternative styles of open market property to ensure that it isn't competing with itself in a geographical area and also to address the wider strategic objective of the group 'to support the local economy'. This may involve co-living developments, micro-living via conversion property and student accommodation if it is to support a locally based institution.
- 8.12 THL has also had a series of investments placed with it in the form of Equity Loans given to former residents of Sheerwater under the Council's Community Charter. These investments take the form of an interest free equity share in the former resident's new home. Technically THL will be able to share in any capital appreciation on the property upon disposal. The premium when returned to THL would then be paid to WBC as the original loan is provided by WBC under the Community Charter. To date over £1.4m of loans have been issued.

9. Funding of THL and TGHL

Capital Funding

- 9.1 In April 2016 the Executive approved the medium-term financial strategy for the Council which proposed changing the scope of the THL loan arrangements. The Council's medium-term financial strategy (MTFS) reintroduced the provision of Share Capital at 25% of the investment, total commitment from WBC totalled £200M over a four-year period. During the 2018 business plan an additional £50M was awarded. Latterly WBC has also proposed further investment during 2021/22 and part of 2022/23 as part of a revised medium-term financial strategy. This would provide the company with an additional £130M borrowing approval.
- 9.2 However, since these funding commitments were made by the Council the treatment of share capital (Minimum Revenue Provision treatment) has been amended via Statutory Guidance This means that share capital will need to be written down over a much shorter period of 20 years than originally modelled making it more expensive than the current model can support. Therefore, during this plan period, it is not intended to take share capital as part of the funding structure of THL and TGHL. During this plan period the companies will work with the Council, as its funder, on alternative funding structures to address the medium-term cash flow risk of removing share capital.
- 9.3 The effective cost of capital to the company proposed in the MTFS is 1.5% above the Council's certainty rate for non-Sheerwater property provision. Sheerwater has its own funding arrangement reflecting the significant public benefit of the regeneration. The funding is on a 50-year period with 25 years interest only and 25 years annuity. The initial 25-year period can either be borrowed short term or long term fixed to aid treasury management for the company. Funding available for THL is listed in the appendices.
- 9.4 Additional funds are requested for 2023 of £5M on top of previous funding authorisations. The purpose is to continue to fund housing developments, and to support loan financing. For the period 2023 to 2025 an assumed level of project spend has been calculated based on current data, at the point projects become live the phasing of spend will be updated. It is possible that further additional funding may be requested for specific projects outside of the business plan approvals although this will be on a case by case basis to the Executive.
- 9.5 The timing and order of borrowing will affect the final margins applied to individual loans. It is also acknowledged that current borrowing approvals are indicative as projects will not necessarily follow financial years. Therefore, some expenditure may move to later years or come forward

within these approved borrowing limits should opportunities for larger projects arise. The movement of borrowing between years will be managed in consultation with the Council's section 151 officer.

Operational Modelling and Funding

- 9.6 Each batch of acquisitions, or in the case of large purchases or developments each individual transaction (excluding Sheerwater), is modelled based on the underlying THL financial model of 50-year loans, 25 years interest only and 25 years annuity.
- 9.7 The financial model is used to forecast both revenue and costs for property purchases. It is used to provide information on the different levels of rent needed to service the debt and is used to assist in setting rent levels. It is updated depending on market and inflation forecasts. The basic or base case model assumes cost inflation will run at 2% per annum. Due to the different acquisition costs for property some will have a revenue contribution above the minimum required to service the cost under the model. This surplus will be used to keep rental levels lower in other properties where there would not be a surplus, in effect pooling the total rent and cost. As referred to earlier in the plan external subsidy, in the form of section 106 grant money or subsidised land will become increasingly necessary to support affordable rental levels within the model as property prices, construction costs and market rental levels continue to increase significantly.
- 9.8 In line with WBC adopted MTFs, which sets out a facility of up to £50m per annum, THL intends to increase investment significantly over the rest of the business plan period. The company has already started a number of projects and feasibility studies with TDL which, although they have a long lead in period, will make a significant step forward in scale of the company. Between these projects THL aims to supply additional c.700 properties, subject to planning, over the next four years.

10. Financial Performance – Thamesway Housing Limited

Projected Profit & Loss Account

- 10.1 Over the business plan period the rental revenue will increase from £5.5M to £15M per year.
- 10.2 The cost base is expected to rise with inflation at 2%, however the scale of the business will incur additional staff, and as such costs are stepped as the additional units are purchased. During 2020 additional services are required to support the block management of Harrington Place, such as recycling, concierge and cleaning, which includes a dedicated team, initially expected to be outsourced.
- 10.3 PEX is expected to be fully operational by 2020, with a minimum quantity of property management being retained by NVH. Staffing levels are expected to increase in THL to support the business growth. Staffing in the call centre will increase by 2 FTE, and within the housing team by 2 FTE in 2019, and a further 1 FTE in 2020. The dedicated housing team is expected to include a total headcount of 7 FTE by the end of 2020, with a shared back office support team of 7 FTE.
- 10.4 During the business plan period the dedicated staff will be employed directly by THL, the benefit being a reduction in intercompany VAT transactions and a reduction in administrative burden.

- 10.5 Doubtful debts and bad debts are expected to remain at the current proportional levels, even though the property portfolio is increasing, this is due to a rigorous internal process and the requirement of deposits for properties.
- 10.6 Loan interest will increase significantly compared to prior years due to the significant capital investment, during the business plan period, expected costs are increasing from £6.4M in 2018 to £18.4M in 2023.
- 10.7 The Earn Your Deposit Scheme (EYDS) provision remains the same levels as previous business plans at an expectation of 9% tenant take up. The scheme will be monitored closely at the point tenants start to benefit from exiting a property.
- 10.8 The current business plan does not take into account property revaluation provision.

The profit and loss account for the period 2018 to 2023 is included in appendix 2.

Projected Balance Sheet

- 10.9 Fixed Assets increase over the business plan period from £164.2M to £521.3M, the profile is based on developments completed by TDL, plus the purchase of street properties, where appropriate.
- 10.10 Stock will reduce as the land purchases are developed and become fixed assets.
- 10.11 Long term loans are forecast to increase to support the capital expenditure, loans outstanding over the business plan period increase from £159.9M in 2018 to £531.8M in 2023.
- 10.12 Share capital remains at £24.5M during the business plan period, due to the significant investment over the business plan period the capital and reserves are reducing from £37.5M to £8.8M, this is being driven by the loan interest payments, impacting the annual profits.

The balance sheet for the period 2018 to 2023 is included in Appendix 3

Projected Cash Flow

- 10.13 Generation of operational profits increase from 2019 to 2023 from £3M to £9M. The profits are used to assist the purchase of assets, alongside additional loans from WBC.
- 10.14 Dividends are being forecast from TGHL expecting to total £0.5M, receivable annually in arrears.

The cash flow forecast for the period 2019 to 2023 is included in Appendix 4.

Long Term View

- 10.15 THL runs as an established business, making long term strategic decisions.
- 10.16 A review of property prices in Woking has been completed, and due to Brexit, the properties have not been revalued in 2019, it is expected the properties will be revalued during the business plan period.
- 10.17 THL investment by 2023 is expected to be £521.3M, excluding future revaluation. Property investment appraisals are modelled to break even over 25 years; therefore, interest funding will

be required to support THL in the medium term. Included within the total investment is a revaluation reserve of £26.9M.

11. Financial Performance – Thameswey Guest Houses Limited

Projected Profit & Loss Account

11.1 Nightly accomodation rates are expected to be maintained in 2020.

11.2 The intention is to maintain a third party managing the facility over the business plan period.

11.3 Costs are assumed to increase by 2% year on year

Appendix 4 includes the profit and loss account for the period 2018 to 2023

Projected Balance Sheet

11.4 The projected balance sheet is included in Appendix 5

Projected Cash Flow

11.5 . The projected cash flow is included in Appendix 6

Appendix 1: Rental Policy

Within this plan period THL will continue to operate 5 different types of agreement when letting property to third parties or occupiers:

Assured Shorthold Tenancy (AST) – this will be the normal position for all new tenancies.

Commercial Tenancy – this will be used where THL lets a property to a third party to provide specialist accommodation normally in support of its transitional accommodation category.

Long Lease – this will be used in the case of a shared ownership property.

License – this will be used if THL is operating transitional accommodation directly or where the property is not fully self-contained.

Assured Tenancy – these are historic tenancies given out by WBHL (now THL) when it first started and will be phased out as tenancies end.

The rental levels for the commercial tenancy, long lease and licence will all be determined on a case by case basis and will be determined purely by the economic circumstances of the property acquisition.

Assured tenancies will be phased out, but the existing ones will remain at the current rental structure applied on purchase.

Assured Shorthold Tenancies will be banded according to the subsidy THL is able to use to support the property acquisition and will fall into three bands.

Band A (open market)	96-100% of local open Market Rent
Band B (intermediate rent)	61-95% of local open Market Rent
Band C (supported rent)	50-60% of local open Market Rent

All of these bands will be assessed every year to ensure they are still appropriate given THL purchases, subsidy rates and the prevailing economic conditions. The local open Market Rent is assessed on individual properties and can therefore vary considerably, however the underlying assumption is an annual rent increase of 5%.

WBC MTFs included a new objective for THL in that THL should aim to provide at least 24 Band C units per annum. Band C units are aimed to provide properties at the equivalent of the target social rent for households who need direct support as they will not be able to sustain an intermediate rent. The ability to deliver these units will be assessed annually to ensure that the need is still appropriate, and they are financially viable. It is likely that tenants in Band C property will also require a greater level of social support and the company will work closely with the Council to ensure stable tenancies.

While the Sheerwater redevelopment is ongoing THL will look to work with WBC on prioritising movement of existing residents.

The table below identifies property that fall within the banding criteria, shared ownership and corporate lets are excluded from the table.

	Properties
Band A (full market)	171
Band B (60%-96%)	377
Band B (60% - 80%) included with in figure above	276
Band C (40%-60%)	48
Total Lettings (Sept 2019)	561
Properties owned and secured for development	51
Properties currently void/refurbishment in progress	32

All new tenancies will be subject to a credit reference to ensure that prospective occupiers are able to afford the proposed rent and will be used in conjunction with personal references as appropriate. The credit reference will be relevant to the proposed rent and take into account household income including benefits where relevant. This process wouldn't be appropriate for Licenses due to the short-term nature of the arrangement and ease of termination in arrears situations.

TGHL rental policy will be reviewed as part of the review of operational costs. The rental charges have been tested to reflect the comparative market and with the desire for the company to pay off the debt associated with this property quickly, due to the shortened property life of temporary accommodation and Bed and Breakfast. If costs are reduced the rental levels will be reviewed at the same time. In the interim they will remain at current levels. As part of the TGHL financial return from this rent the company provides a payment back to WBC to support the work it does with Housing Options to prevent homelessness

Appendix 2: Profit & Loss Account

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Turnover						
Rental Income	5,542,991	6,183,200	8,208,884	9,830,699	12,513,264	15,054,097
Feed in Tariff Income	8,256	5,490	5,490	5,490	5,490	5,490
Other Income	-31,995	0	0	0	0	0
Sale of Property	320,000	0	0	0	0	0
Cost of Sales	363,999	0	0	0	0	0
Profit on Sale of Assets	-43,999	0	0	0	0	0
	5,475,253	6,188,690	8,214,374	9,836,189	12,518,754	15,059,587
Cost of Sales						
Ground Rent	84,125	86,444	86,444	86,444	86,444	86,444
Council Tax/Rates	69,493	74,198	98,507	117,968	150,159	180,649
Utilities/Telephones	47,954	61,832	82,089	98,307	125,133	150,541
General Maintenance	1,217,317	1,200,000	1,717,500	1,945,500	2,176,500	2,515,500
Grounds / Block						
Maintenance	14,860	35,000	286,900	294,921	375,398	451,623
Total Cost of Sales	1,433,749	1,457,474	2,271,439	2,543,140	2,913,634	3,384,757
	4,041,504	4,731,216	5,942,935	7,293,048	9,605,121	11,674,830
Gross profit/(loss)						
GP% of Turnover	85%	76%	72%	74%	77%	78%
Indirect Costs						
Insurance	101,035	128,400	157,000	187,400	218,200	263,400
Housing Management Costs			82,089	98,307	125,133	150,541
Administration Charges	395,514	654,857	930,128	948,731	967,706	987,060
WBC/NVH Mgt Fee	115,116	124,898	33,552	34,223	34,908	35,606
Agents Fees	225,082	240,000	60,000	24,000	24,000	24,000
Prof Fees - Legal	9,918	7,272	50,000	50,000	50,000	50,000
Audit & Tax Advice	11,306	15,000	15,300	15,606	15,918	16,236
Trade Mark Fees	1,200	1,200	1,200	1,200	1,200	1,200
Non Exec Remuneration	6,470	6,470	6,470	6,599	6,731	6,866
Other Expenses	13,583	30,000	30,000	30,000	30,000	30,000
Bank Charges	1,203	1,200	1,200	1,200	1,200	1,200
Bad Debts	0	9,275	12,313	14,746	18,770	22,581
Doubtful Debt Provision	11,254	15,500	24,627	29,492	37,540	45,162
Total Costs	891,681	1,234,072	1,403,879	1,441,505	1,531,305	1,633,852
	3,149,823	3,497,144	4,539,055	5,851,544	8,073,816	10,040,978
EBITDA						
Depreciation	133,694	531,287	681,062	793,394	877,642	940,828
Earn Your Deposit Provision		92,448	113,040	134,928	157,104	189,648
Mortgage Protect Provision		0	0	0	0	0
Amortisation	155,631	155,631	155,631	155,631	155,631	155,631

Operating Profit	3,171,760	3,029,039	3,900,584	5,078,853	7,194,700	9,066,132
Dividends Receivable	40,000	100,000	100,000	100,000	98,000	92,000
Bank Interest Income	0	0	0	0	0	0
Loan Interest Income	119,448	114,701	111,978	109,117	106,112	102,954
Finance Costs	6,436,325	6,943,813	7,651,934	10,981,716	13,957,027	18,381,738
Profit/(Loss) Before Tax	(3,105,117)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)
Deferred Taxation	177,324	0	0	0	0	0
Profit/(Loss) After Tax	(2,927,793)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)

Appendix 3: THL Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
FIXED ASSETS						
Property (Cost Price)	157,197,602	173,197,602	247,443,745	302,148,176	440,887,016	512,568,016
Greenwood House	4,986,531	4,961,143	4,935,756	4,910,368	4,884,981	4,859,593
Furniture/Fixtures	1,902,410	2,506,808	2,960,106	3,300,079	3,555,059	3,746,295
Housing System	121,118	115,891	111,918	108,939	106,704	105,028
	164,207,661	180,781,444	255,451,525	310,467,562	449,433,760	521,278,932
LONG TERM INVESTMENTS						
Loan to TDL	815,135	815,135	815,135	815,135	815,135	815,135
Loan to TGH Ltd	1,112,329	1,055,819	996,448	934,072	868,538	799,687
Investment in TGH Ltd	360,464	360,464	360,464	360,464	360,464	360,464
	2,287,928	2,231,418	2,172,047	2,109,671	2,044,137	1,975,286
CURRENT ASSETS						
Trade Debtors	259,779	230,958	257,633	342,037	409,612	521,386
Stock	30,215,048	30,215,048	19,240,259	19,240,259	19,240,259	19,240,259
Accrued Income	167,088	206,141	197,000	202,910	208,997	215,267
Provision for Doubtful Debts	(50,400)	(11,548)	(12,882)	(17,102)	(20,481)	(26,069)
Prepayments	147,950	30,000	25,000	32,000	28,000	15,000
TDL Advances	8,000,000	0	0	0	0	0
BF Service Charges	0	0	0	0	0	0
Bank Account	3,635,721	9,120,141	4,413,856	4,645,190	9,112,843	8,326,610
	42,375,186	39,790,740	24,120,867	24,445,294	28,979,231	28,292,453
CURRENT LIABILITIES						
Trade Creditors	154,115	161,821	169,912	178,407	187,328	196,694
Accrued Expenses	1,026,184	923,566	461,783	471,018	480,439	490,048
Deferred Income	139,807	146,797	154,137	161,844	169,936	178,433
Earn Your Deposit Provision	0	92,448	205,488	340,416	497,520	687,168
Mortgage Protection Fund	83,425	83,425	83,425	83,425	83,425	83,425
Provision for Deferred Tax	3,643,806	3,643,806	3,643,806	3,643,806	3,643,806	3,643,806
	5,047,337	5,051,863	4,718,551	4,878,917	5,062,454	5,279,574
NET CURRENT ASSETS	37,327,849	34,738,878	19,402,316	19,566,377	23,916,777	23,012,879
LONG TERM LIABILITIES						
Long Term Loans	159,983,540	177,767,544	240,736,696	301,703,794	451,668,704	531,817,409
Grants/Contributions	6,387,160	6,231,529	6,075,899	5,920,268	5,764,638	5,609,007
	166,370,700	183,999,074	246,812,595	307,624,063	457,433,342	537,426,417
NET TOTAL ASSETS	37,452,738	33,752,666	30,213,294	24,519,548	17,961,333	8,840,680
CAPITAL & RESERVES						
Share Capital	24,490,000	24,490,000	24,490,000	24,490,000	24,490,000	24,490,000
P&L Account Brought fwd	15,890,531	12,962,738	9,262,666	5,723,294	29,548	(6,528,667)
Profit/(Loss) YTD	(2,927,793)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)
	37,452,738	33,752,666	30,213,294	24,519,548	17,961,333	8,840,680

Appendix 4: THL Cash Flow

	2019	2020	2021	2022	2023
	<i>Forecast</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£	£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	3,029,039	3,900,584	5,078,853	7,194,700	9,066,132
(Increase)/Decrease in Debtors	8,068,866	10,963,588	(93,093)	(66,284)	(99,455)
Increase/(Decrease) in Creditors	4,526	(333,312)	160,366	183,537	217,120
Add Back: EYDS	92,448	113,040	134,928	157,104	189,648
Add Back: Depreciation / Less Amortisation	375,657	525,432	637,763	722,012	785,198
NET CASH FLOW FROM OPERATING ACTIVITIES	11,570,536	15,169,332	5,918,816	8,191,068	10,158,643
Investing Activities					
TDL/TGHL Loan Interest (Purchase)/Disposal of fixed assets	114,701	111,978	109,117	106,112	102,954
	(17,105,000)	(75,351,143)	(55,809,431)	(139,843,840)	(72,786,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	(16,990,299)	(75,239,165)	(55,700,314)	(139,737,728)	(72,683,046)
Financing Activities					
Increase in Share Capital dividends receivable	100,000	100,000	100,000	98,000	92,000
Interest Paid	(6,943,813)	(7,651,934)	(10,981,716)	(13,957,027)	(18,381,738)
Loans Received	17,712,326	62,885,036	60,863,020	149,840,707	89,810,352
Repayment of THL principal	(28,925)	(28,925)	(30,849)	(32,901)	(9,851,295)
Repayment of Loans - TGHL	56,510	59,371	62,376	65,534	68,852
NET CASH FLOW FROM FINANCING ACTIVITIES	10,896,098	55,363,548	50,012,831	136,014,313	61,738,170
NET CASH INFLOW/(OUTFLOW) OF CASH	5,476,335	(4,706,285)	231,334	4,467,653	(786,233)
Cash Balance @ Beginning of Period	3,643,806	9,120,141	4,413,856	4,645,190	9,112,843
Cash Balance @ End of Period	9,120,141	4,413,856	4,645,190	9,112,843	8,326,610

Appendix 5: TGHL Profit and Loss Account

	2018	2019	2020	2021	2022	2023
	Actual £	Forecast £	Budget £	Budget £	Budget £	Budget £
Rent Income	341,960	404,223	406,000	410,060	414,161	418,302
Cost of Sales						
Management Fee	102,000	105,000	105,000	105,000	105,000	105,000
Gross Profit/(Loss)	239,960	299,223	301,000	305,060	309,161	313,302
<i>GP % of turnover</i>	<i>70.2%</i>	<i>74.0%</i>	<i>74.1%</i>	<i>74.4%</i>	<i>74.6%</i>	<i>74.9%</i>
Indirect Costs						
Administration Charges	40,000	40,000	40,000	40,800	41,616	42,449
Business Rates	2,708	2,782	2,935	2,993	3,053	3,114
Electricity	4,812	4,527	4,617	4,710	4,804	4,900
Gas	3,221	4,566	4,657	4,750	4,845	4,942
Water	1,949	2,982	3,042	3,103	3,165	3,228
Insurance	4,213	4,465	4,796	4,892	4,990	5,090
Premises Maintenance	3,466	3,859	3,936	4,015	4,095	4,177
Audit & Tax Advice	4,011	5,300	5,304	5,410	5,518	5,629
Trademark Fees	1,000	1,000	1,000	1,020	1,040	1,061
Non-Exec Remuneration	5,392	5,397	5,404	5,512	5,622	5,735
Doubtful Debt Provision	0	0	0	0	0	0
Other Sundry Expenses	148	150	152	155	158	161
Bank Charges	93	107	109	112	114	116
Total Costs	71,013	75,136	75,952	77,471	79,020	80,601
EBITDA	168,947	224,087.66	225,048	227,589	230,140	232,701
Depreciation	23,460	21,728	25,780	30,780	38,280	48,280
Operating Profit/(loss)	145,487	202,360	199,268	196,809	191,860	184,421
Finance Income	306	378	144	144	144	144
Finance Costs	56,969	55,210	51,316	49,052	45,895	42,577
Profit/(Loss) Before Tax	88,824	147,528	148,096	147,901	146,110	141,989
CT Provision	21,333	0	0	0	0	0
Profit/(Loss) After Tax	67,491	147,528	148,096	147,901	146,110	141,989
Dividends paid	40,000	100,000	100,000	100,000	98,000	92,000
Retained Profit	27,491	47,528	48,096	47,901	48,110	49,989

Appendix 6: TGHL Balance Sheet

	2018 Actual £	2019 Forecast £	2020 Budget £	2021 Budget £	2022 Budget £	2023 Budget £
FIXED ASSETS						
Land & Buildings	1,424,083	1,402,355	1,376,575	1,345,795	1,307,515	1,259,235
Furniture and Fittings	0	0	10,000	20,000	30,000	40,000
	1,424,083	1,402,355	1,386,575	1,365,795	1,337,515	1,299,235
CURRENT ASSETS						
Trade Debtors	81,268	33,685	33,833	34,172	34,513	34,859
Provision for Doubtful Debts	(5,920)	(5,920)	(5,920)	(5,920)	(5,920)	(5,920)
VAT Refund	3,736	0	0	0	0	0
Prepayments	2,614	2,614	2,614	2,614	2,614	2,614
Bank Account	362,869	433,749	438,368	444,969	456,122	475,838
	444,567	464,128	468,895	475,834	487,329	507,390
CURRENT LIABILITIES						
Trade Creditors	35,081	15,011	15,079	15,206	15,335	15,467
VAT Liability	17,933	44,818	45,010	45,518	46,028	46,540
Provision for Corpn. Tax	106,618	106,618	106,618	106,618	106,618	106,618
Accrued Expenses	21,179	21,179	21,179	21,179	21,179	21,179
	180,811	187,626	187,886	188,521	189,160	189,804
NET CURRENT ASSETS	263,756	276,502	281,009	287,314	298,169	317,586
LONG TERM LIABILITIES						
Long Term Loans (THL)	1,112,329	1,055,818	996,448	934,072	868,538	799,687
	1,112,329	1,055,818	996,448	934,072	868,538	799,687
NET TOTAL ASSETS	575,511	623,040	671,136	719,037	767,147	817,135
CAPITAL & RESERVES						
Share Capital	360,000	360,000	360,000	360,000	360,000	360,000
P&L Account B/F	188,020	215,512	263,039	311,136	359,037	407,146
Profit/(Loss) YTD	27,491	47,528	48,096	47,901	48,110	49,989
	575,511	623,040	671,136	719,037	767,146	817,135

Appendix 7: TGHL Cash Flow

	2019	2020	2021	2022	2023
		£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	202,360	199,268	196,809	191,860	184,421
(Increase)/Decrease in Debtors	51,319	(148)	(338)	(342)	(345)
Increase/(Decrease) in Creditors	6,815	260	635	639	644
Add Back: Depreciation / Less Amortisation / Provisions	21,728	25,780	30,780	38,280	48,280
NET CASH FLOW FROM OPERATING ACTIVITIES	282,222	225,160	227,886	230,438	233,000
Investing Activities					
(Purchase)/Disposal of fixed assets	0	(10,000)	(10,000)	(10,000)	(10,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	0	(10,000)	(10,000)	(10,000)	(10,000)
Financing Activities					
Increase in Share Capital	0	0	0	0	0
Interest Received	378	144	144	144	144
Finance Costs	(55,210)	(51,316)	(49,052)	(45,895)	(42,577)
Dividends Paid	(100,000)	(100,000)	(100,000)	(98,000)	(92,000)
Corporation Tax Paid					
Loans Received	0	0	0	0	0
Repayment of Loans	(56,510)	(59,370)	(62,376)	(65,534)	(68,852)
NET CASH FLOW FROM FINANCING ACTIVITIES	(211,342)	(210,541)	(211,284)	(209,284)	(203,284)
NET CASH INFLOW/(OUTFLOW) OF CASH	70,880	4,619	6,601	11,153	19,716
Cash Balance @ Beginning of Period	362,869	433,749	438,368	444,969	456,122
Cash Balance @ End of Period	433,749	438,368	444,969	456,122	475,838

