CABINET | **MR. PAUL SHACKLEY**
CHIEF EXECUTIVE

8th February 2022 | **REPORT NO. CEX2201**

KEY DECISION? No

RUSHMOOR HOMES LTD BUSINESS PLAN UPDATE 2022-2027

SUMMARY AND RECOMMENDATIONS:

This report presents Rushmoor Housing Ltd.'s third business plan covering the period 2022-2026 and associated Shareholder Report covering the first year and a half of the company' operation.

Cabinet is asked to recommend to council that it:

1. Approves the updated Business Plan 2022-2027
2. Agrees to amend the Shareholder Agreement to enable Rushmoor Homes Limited to purchase leasehold property where this supports its primary aim of providing market rented homes
3. In the event of the Government introducing a requirement to provide "Minimum Revenue Provision" on loans to wholly owned Housing Companies Rushmoor Homes Ltd be required to review the Business Plan in co-operation with the Council

1. INTRODUCTION

1.1. Rushmoor Homes Limited (RHL) was incorporated in April 2020, it is owned, controlled, and funded by Rushmoor Borough Council. The purpose of the company is to develop and acquire a portfolio of residential properties for letting in the local housing market.

1.2. The company governance arrangements require a rolling five-year business plan to be approved by the council and a six- monthly shareholder report.

1.3. This report presents the RHL Business Plan for 2022/23 to 2026/27. The report summarises the full Business Plan attached as appendix 4.

1.4. This a key decision based on the amount of investment being made into the company.

2. BACKGROUND

2.1. The council supports the company by supplying council owned land and property, development finance and staff.

2.2. The Business Plan approval process allows the council to influence the company's objectives and identify where the company can support council in achieving its objectives. It also provides detailed information on the company's funding requirements which informs the council's budget processes. A Year End Report with full details of the financial and delivery programme performance against objectives will be published in April 2022.

2.3. The company aspires to become the best performing local landlord in the borough; its purpose, values, and business objectives focus on meeting local housing need through regeneration, environmental and financial sustainability.

3. MARKET REVIEW

3.1. Market profiles of Aldershot and Farnborough have been provided by RHL's Managing Agent Romans, the full report is provided in Appendix 1.

3.2. Based on the information in these reports, RHL has been able to conclude that its strategy to deliver a portfolio of 1 & 2 bed flats targets at small households with incomes of £30k - £60k p.a. remains valid.

3.3. The Board and Staff of RHL appreciate that there is need for affordable family accommodation in the borough and aspires to assist the council in meeting this need in the long term. It is developing a limited number of houses to broaden its portfolio. It is essential for the company to first establish itself and its financial viability. Provision of affordable housing requires either subsidy in some form or for the company over the longer term to outperform its business plan.

4. THE PROGRAMME

4.1. There has been some adjustment to the previous development programme the full details of which are included in appendix 2. The key changes are:

Site	Change
12 Arthur Street	Delay in securing the transfer due to the need for the council to negotiate a settlement agreement with the adjoining owner for a minor encroachment.
Cambridge Road	This will now be rented as a single 4 bed house rather than converted into two 2 bed flats as the works required for the conversion reduced the yield and therefore viability. A 4-bed house provides variety to the company portfolio.
9a Wellington Street	This 3- bed flat above retail units has been added to the portfolio with potential to convert into 2x1 bed flats subject to viability and planning permission.

237 High Street	At the council's request the scheme will be expanded to deliver a more comprehensive scheme if achievable
Churchill Crescent	A new build development to be built to maximise environmentally sustainable measures with an increase in build cost of 10% which has been reflected in the financial modelling of the programme. It is intended that lessons learned from this development will inform future RHL development.
Union Yard	An approach from the council has been made offering 82 completed 1 & 2 bed flats. The cost of acquisition is estimated at £15million to be funded by loans from RBC.

4.2. Experience gained during the first 18 months of operation have provided the Board and staff with a better understanding of the resources and timescales needed to move the programme forward successfully. The revised programme therefore shows a slower pace of delivery which impacts the financial model. The dates for peak debt and loan payback are pushed back one year resulting in the company paying lower levels of interest to the council during the early years. However, the addition of Union Yard into the Business Plan compensates for this.

5. FINANCIAL PROFILE AND THE PROPOSED DEVELOPMENT TIMETABLE

5.1. The company's Profit and Loss, Balance Sheet and Cash Flow Statement are set out in appendix 3 and have been derived from the joint RHL and RBC financial model.

5.2. The Profit and Loss statement shows the total rental income and expected running costs over the 65-year life of the financial model. It shows a profit of £124million before tax and profit distribution. The amount paid by RHL to RBC for loan repayments is £43million with the potential to provide an additional £100million as dividend payments.

5.3. RHL will run at a loss for the next five years as rental income is not able to meet loan repayments along with running costs, therefore, until peak debt is reached in 2030 RHL will require cash flow financing from RBC to ensure viability

5.4. The balance sheet table shows the value of the assets being brought into the company over the next 5 years and how these are financed. This shows that by 2025/26 assets totalling £26.6 million on a cashflow basis will be financed by loans (overdraft financing). The current estimate shows that the peak debt position will be reached in January 2030 with a debt amount of £29.923 million.

5.5. The valuation of the property assets is assessed based on the total cost of the purchase price and development cost of the property and for cashflow purposes is depreciated on a straight-line basis over 25 years. Land values are retained at their purchase / transfer price and not depreciated.

5.6. The Balance Sheet position after 65 years shows the property assets fully depreciated with a cash balance of £6.49million contributing to total assets on a cashflow basis of £24.2million. The property assets will in reality be maintained at a full valuation estimate based on market value and is expected to be as a minimum their original value of c£9.8million with the estimated full value of assets therefore being c£34million.

5.7. The Cash Flow Statement shows how the total income from rents is being used. The model anticipates all surplus cash is used to fund loan repayments which produces the zero cash balance from 2021 onwards. Once debt is repaid in full, surplus cash can be distributed to RBC as the company's shareholder. From 2024/25 no additional capital debt is anticipated although loan repayments will remain outstanding until peak debt is reached in 2030 following which debt will start to be repaid.

6. PERFORMANCE MEASURES

6.1. Previous Business Plans have included a set of limited performance indicators (PI's) which have been reviewed, two sets are of particular importance to the council as shareholder: PIs for the whole programme and for individual sites.

6.2. For the programme as a whole the performance indicators are:

- NPV is positive
- IRR is greater than 5%
- Initial Yield is greater than 3%
- Peak Debt is by or before 2037
- A profit is returned over 65 years
- Break even date is by or before 2070

6.3. These indicators will need to be reviewed each time a site is being considered for addition to the programme.

6.4. For individual sites performance measures are used to evaluate if a site is suitable for taking forward. The levels at which a site is deemed suitable are:

- A positive NPV over 65 years
- A cost of value of less than 90%

- An IRR of more than 5%
- AN initial yield of more than 3%
- Break even date by or before 2070

6.5. The Board have the flexibility to agree individual schemes that do not meet all these criteria providing PIs for the whole portfolio remain within the agreed parameters.

7. FINANCIAL PROFILE AND PROPOSED DEVELOPMENT TIMETABLE

The Next Five Years

7.1. RHL should have a portfolio of 60 properties delivered over 17 development sites with a further 82 properties at Union Yard. As the portfolio grows consideration will need to be given to management capacity with Romans.

7.2. RHL is determined to support the council in its commitment to make Aldershot and Farnborough greener and more sustainable and will look to incorporate energy efficiency and environmental sustainability into its development programme. The site at Churchill Crescent will be used to test this.

7.3. Initial financial modelling shows an expected increase to the development cost of 10% to achieve highly energy efficient homes. The test site shows the impact of this to the programme on Peak Debt which increases from £29.245 million to £29.51 million and delayed from 2030 to 2031 with debt being cleared in 2061 rather than 2060 and the interest being paid to the council will increase overall from £41.9 million to £42.8 million.

7.4. To support the council in meeting a broader range of housing needs RHL will start to look at sites able to take family houses. The Board will make decisions on a scheme-by-scheme basis.

7.5. The existing shareholder agreement does not allow RHL to purchase leasehold property. During the last year 2 opportunities arose where purchase of an element of leasehold property would have been necessary to acquire land/property for the company’s primary business of the development and ownership of rented housing. To ensure the company is able to negotiate the best range of development opportunities it is proposed the shareholder agreement is amended to allow RHL to consider purchasing property on a long leasehold providing where it supports the company to achieve its primary objective of providing homes from market rent.

8. RESOURCING

8.1. RHL's operating costs are funded by loan finance from RBC. Expenditure for 2021/22 is estimated at £132k. This level of expenditure will increase as the business grows.

8.2. The staff team is made up of RBC employees and charged by RBC on a cost recovery basis:

- Tim Mills Chief Operating Officer
- Sally Ravenhill Business Manager
- Zoe Paine Business Manager
- Steve Ward Company Accountant
- Charlie Heavens Business Support Officer
- Simon Ross RBC's Interim Construction Surveyor

8.3. Additional development and construction resources are needed to deliver the programme successfully. Discussions are underway with RBC on the most appropriate way to recruit this resource taking account of the Council's other regeneration and development needs.

8.4. The Board is composed of:

- Cllr Ken Muschamp
- Cllr Keith Dibble
- Cllr Paul Taylor

8.5. As RHL's business develops the range and complexity of its activities is likely to increase. A Board member skills analysis is currently underway to identify any areas where training or additional expertise may be needed.

9. EXTERNAL ADVISORS

9.1. RHL has appointed the following external consultants:

- Romans- Managing Agent
- Browne Jacobson- Legal Advisors
- Ridge Partners and Rund Partnership Employers Agents

10. APPROVAL OF THE BUSINESS PLAN

10.1. The Business Plan covers a rolling 5 year period and provides the parameters within which the business operates, it is prepared and approved by the Board and presented to the council as the sole shareholder for approval by the council's Cabinet and Full Council.

10.2. The Business Plan is updated annually or when the business wishes to pursue opportunities outside of the approved parameters, each development is delivered with its own business case and project plan approved by the Board and the Council as shareholder.

11. GOVERNANCE

11.1. The company's governance arrangements are set out in its Articles of Association, there are particular governance arrangements in place which are:

- The preparation of the Business Plan for approval by the Chief Executive of the Council to present to Cabinet
- Cabinet agrees land disposals set out in the Business Plan, and recommends the budget and investment required to the council.
- Council approves the annual budget, Business Plan and investment required
- The Board provides a half year report to the Chief Executive, as shareholder which reviews performance against the Business Plan and which is then presented to the council's Licensing, Audit & General Purposes Committee (governance) and Overview and Scrutiny Committee (performance)
- The Chief Executive feeds back any comments from Cabinet, Council PPAB O&S LA&GP to RHL as necessary.

12. RISKS

12.1. A risk register is monitored quarterly against pre-set thresholds and reported to the Board.

12.2. Government is proposing to make changes to the Capital Framework for Local Authorities which may widen the loans on which a minimum revenue provision is required. As the potential changes are subject to consultation and have not yet been finalised it is not clear whether how this will impact lending to RHL or the council's appetite to continue to fund it due to its possible impact on risk and returns. This risk is included in Rushmoor Homes Limited's Risk Register. In the event of this risk materialising it will be necessary for the Council to review the implications, and work with RHL to review the options and proposed business plan. This is reflected in the recommendations.

12.3. RHL will monitor risks against a number of risk indicators; demand, rental values and rental inflation, sales values, build cost inflation, operational costs and regulatory changes impacting the rental market.

12.4. The company will procure asset valuations to ensure the portfolio is valued accurately. Wherever it is found that risks have a negative impact on the Business Plan the financial model will be re-run to quantify the effect.

12.5. The council will be asked to approve actions proposed by the Board to mitigate negative effects of risk. Options that may be considered an exit strategy include winding the company up, selling the company or alternative management options.

13. LEGAL IMPLICATIONS

13.1. RHL has its own legal advisors appointed however, RBC has a continuing role in ensuring proper governance and is represented at weekly project meetings.

14. FINANCIAL AND RESOURCE IMPLICATIONS

14.1. Lending to RHL is a substantial financial commitment for RBC but represents opportunities to; operate in the housing market and participate in the regeneration of the town centres.

14.2. The success of RHL will allow RBC to receive interest on its loans set out in appendix 2

14.3. Staff resources are being considered to ensure the successful delivery of the development programme

15. EQUALITIES IMPACT IMPLICATIONS

15.1. There are no equalities issues arising from this report.

16. CONCLUSIONS

16.1. The Business Plan provides the operational, financial and risk parameters for RHL and sets out a clear plan for the development of the business over the next five-year period. Cabinet is asked to approve the Business Plan for the period 2022-2026(full report contained in appendix 4).

16.2. Approving the Business Plan enables RHL to progress the delivery of good quality homes for rent in the borough.

BACKGROUND DOCUMENTS

Rushmoor Homes Limited Business Plan 2022-2026

CONTACT DETAILS:

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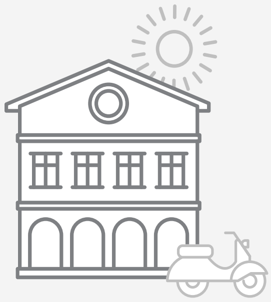
Head of Service – Tim Mills/ tim.mills@rushmoor.gov.uk

APPENDIX 1

Local lettings

Farnborough

LOCAL MARKET ROUND UP

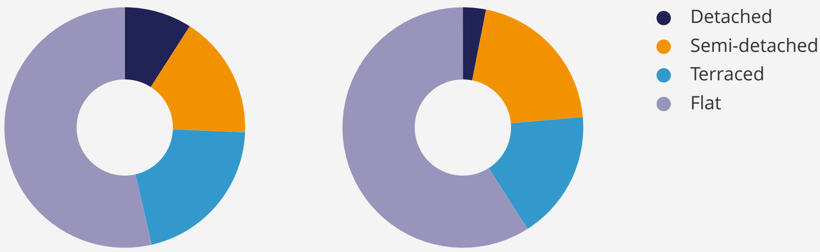


Over the last 12 months, the average rent achieved for properties let in **Farnborough** was **£1,065** per month. This is a **+9%** change on the previous 12 month period.

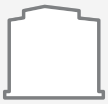
Properties let by type over the last 12 months

SOUTH EAST

FARNBOROUGH



Change in average rents
over past year



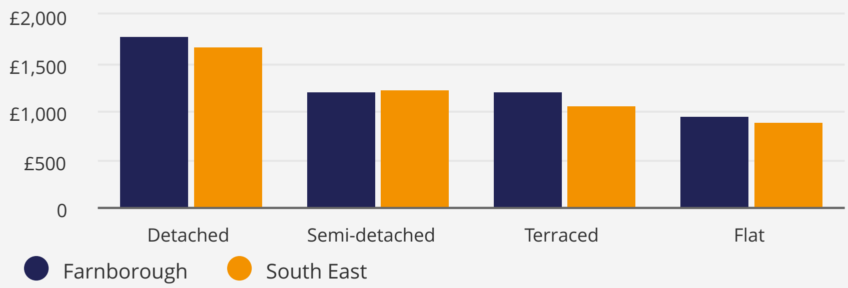
+3%
Flats

+14%
Houses

Average age of tenants
over last 12 months

34

Average monthly rents by property type over last 12 months



Source: Dataloft Rental Market Analytics (rental data is based on achieved rents for approximately 20–35% market share, depending on location)

NATIONAL MARKET

NOVEMBER 2021

We bring you the latest trends in the UK's housing market with a detailed focus on our local market.

Rental market

Rental values are rising at their strongest pace in over nearly 5 years. Average values across the UK, excluding London, rose by 2.2% in the year to October (ONS)., the strongest rise since December 2016. Rental values growth across the capital has returned to positive territory.

At +66% the new balance of respondents noting a rise in renter demand across England and Wales is at its highest level ever recorded by the RICS monthly survey.

Economy

Inflation, the cost of living rose to 4.2% in October, its highest rate in nearly 10 years and twice the government's 2% target. The cost of fuel, gas and electricity all increased,. The steep rise makes a rise in the base rate of interest increasingly likely.

Weekly earnings annual growth is set to average 5.7% in 2021, the highest level in 20 years. adjusting for inflation this equates to 3.6% in real terms, after 1.8% (nominal) and 0.8% (real) in 2020. (National Institute of Economic and Social Research). Rising inflation will mean real earnings growth is liable to plateau in 2022.

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Appendix One

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We'd love to hear from you at our branch. Get in touch!

dataloftinform

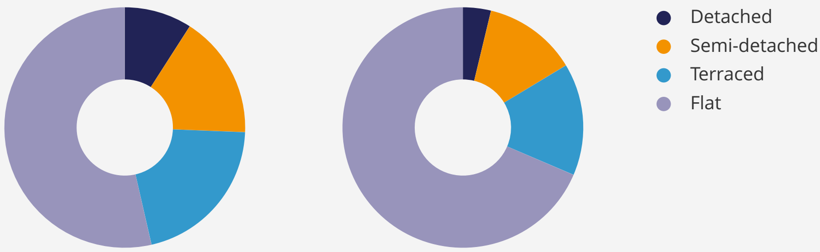
Local lettings

Aldershot

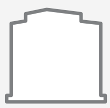
LOCAL MARKET ROUND UP

Over the last 12 months, the average rent achieved for properties let in **Aldershot** was **£917** per month. This is a **+1%** change on the previous 12 month period.

Properties let by type over the last 12 months



Change in average rents over past year



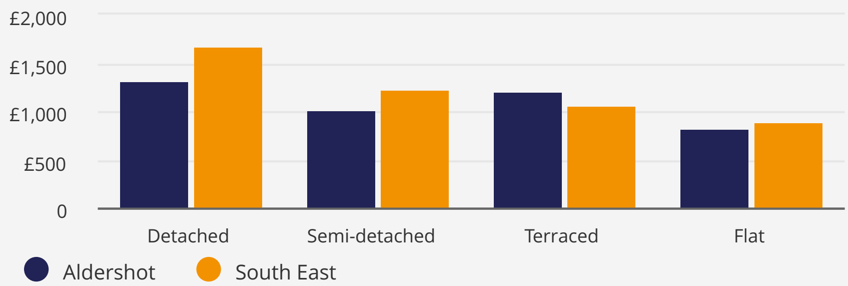
+2%
Flats

+4%
Houses

Average age of tenants over last 12 months

33

Average monthly rents by property type over last 12 months



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Charlotte Kelly

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We'd love to hear from you at our branch. Get in touch!

APPENDIX 2

Financial year: 20/21, 21/22, 22/23, 23/24, 24/25

Calendar Month: J F M | A M J J A S O N D J F M | A M J J A S O N D J F M | A M J J A S O N D J F M | A M J J A S O N D J F M | A M J J

Calendar year: 2, 3, 4, 5

Month from co formation: 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64

Scheme	Units	Timeline
12 Arthur Street, A 3 x 2 bed flats	3	£ T L 3
Ship Lane Lodge,F 3 bed house, former cemetery lodge	1	£ T L 1
LA 69 Victoria Road & LA 3a Arthur Street 4 x 1 bed flats on LA 69 Victoria Rd with	4	Pa A Pp £ T £ C SoS PC L 4
9a Wellington Street, A 2 x 1 bed flats subject to planning	2	Pa A Pp £ T £ C SoS PC L 2
57 Cambridge Road, A 1 x 4 bed house	1	A £ T £ C SoS PC L 1
Land at Churchill Crescent, F 12 units subject to planning	8	Pa A Pp A £T £ C SoS PC L 8
237 High Street Aldershot 4 x 2 bed flats	4	Pa A Pp £ T £ C SoS PC L 4
Manor Park Cottage NB, A 1 house subject to planning	1	Pa A Pp £ T £ C SoS PC L 1
Fleet Road Scout Hut, F 4 flats subject to planning	4	Pa A Pp £ T £ C SoS PC L 4
Redan Road, A 6 flats subject to planning	6	Pa A Pp £ T £ C SoS PC L 6
Pool Road Depot, A 6 flats subject to planning	6	Pa A Pp £ T £ C SoS PC L 6
Union Street East car park, F 8 flats subject to planning	8	Pa A P p £ T £ C SoS PC L 8
11 Wellington Street 2 flats subject to planning	2	Pa A P p £ T £ C SoS PC L 2
Water Lane, F 2 flats subject to planning	2	Pa A Pp £ T £ C SoS PC L 2
2a Windsor Way, A 6 flats subject to planning	6	Pa A Pp £ T £ C SoS PC L 6
Manor Park Cottage, A Existing 3 bed house	1	
Manor Park Lodge, A Existing 3 bed House	1	
Union Street East, A	82	
	60	0 (20/21), 4 (21/22), 7 (22/23), 29 (23/24), 10 (24/25)

Appendix 3 RHL Profit and Loss, Balance Sheet & Cash Flow Statement

Profit & Loss Statement

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Profit & Loss Statement							
Rental income	£224,232,717	£0	£24,500	£83,248	£475,875	£1,541,936	£1,579,560
Total costs derived from income	-£26,683,693	£0	-£2,916	-£9,906	-£56,629	-£183,490	-£187,968
Net Rental Income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Operating expenses	-£19,074,578	-£26,852	-£1,896	-£6,812	-£44,606	-£154,344	-£157,431
Major Repairs costs	-£3,706,046	£0	£0	£0	£0	£0	£0
Council Management Fee	-£575,900	-£51,020	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
EBITDA	£174,768,400	-£77,872	-£111,312	-£73,341	£290,640	£1,120,102	£1,150,161
Overdraft interest expense	-£41,972,748	-£112	-£20,566	-£238,634	-£697,446	-£1,379,428	-£1,379,428
Depreciation charge	-£9,438,486	£0	£0	-£1,360	-£192,914	-£383,427	-£383,427
S106 Costs	-£638,144	£0	-£35,384	-£585,068	-£17,692	£0	£0
Gain / (Loss) on Disposal of Property Asset	£0	£0	£0	£0	£0	£0	£0
Profit after financing cost	£122,719,022	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net profit/(loss) in period	£23,259,362	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings							
Retained earnings - b/f		£0	-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813
Net profit/(loss) in period		-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings - c/f		-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813	-£3,016,507

Balance Sheet

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Balance Sheet							
Assets							
Land Value	£17,583,000	£0	£1,354,650	£2,539,250	£17,583,000	£17,583,000	£17,583,000
Property Assets	£0	£0	£156,290	£6,675,731	£9,244,212	£8,860,784	£8,477,357
Total Non-current Assets	£17,583,000	£0	£1,510,940	£9,214,981	£26,827,212	£26,443,784	£26,060,357
Receivables	£0	£0	£0	£0	£0	£0	£0
Cash	£6,462,327	£743,802	£0	£0	£0	£0	£0
Total Current Assets	£6,462,327	£743,802	£0	£0	£0	£0	£0
Total Assets	£24,045,327	£743,802	£1,510,940	£9,214,981	£26,827,212	£26,443,784	£26,060,357
Liabilities							
Payables	£0	-£51,020	-£412	-£1,009	-£12,352	-£12,862	-£13,119
S106 Liability	-£0	£0	£0	-£165,719	-£8,377	-£0	-£0
Interest Payable	£0	-£112	-£13,948	-£248,840	-£881,135	-£1,148,328	-£1,377,337
Total Current Liabilities	£0	-£51,132	-£14,361	-£415,569	-£901,864	-£1,161,190	-£1,390,456
Overdraft Balance	£0	-£770,654	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
Total Non-current Liabilities	£0	£0	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
Total Liabilities	£0	-£821,786	-£1,678,202	-£10,260,776	-£28,490,418	-£28,749,744	-£28,979,010
Net Assets / (Liabilities)	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
Equity							
Retained Earnings	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
Total Equity	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653

Cash Flow Statement

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Cash Flow Statement							
Net cash received from rental income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Cash paid for Operating Expenses	-£22,727,562	-£26,852	-£1,484	-£6,215	-£33,263	-£153,834	-£157,174
Council Management Fee	-£575,900	£0	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
Net cash from operations	£174,245,562	-£26,852	-£110,900	-£52,874	£301,983	£1,120,612	£1,150,418
Development CAPEX	-£9,438,486	£0	-£156,290	-£6,520,802	-£2,761,394	£0	£0
Land Acquisition Costs	-£17,583,000	£0	-£1,354,650	-£1,184,600	-£15,043,750	£0	£0
Disposal proceeds	£0	£0	£0	£0	£0	£0	£0
S106 Payments	-£638,144	£0	-£35,384	-£419,349	-£175,035	-£8,377	£0
Cashflow available for debt service	£146,585,932	-£26,852	-£1,657,224	-£8,177,624	-£17,678,196	£1,112,235	£1,150,418
Drawdown from Overdraft	£27,588,958	£770,654	£920,443	£8,181,366	£17,743,347	£0	£0
Overdraft interest paid	-£41,972,748	£0	-£6,618	-£3,742	-£65,151	-£1,112,235	-£1,150,418
Overdraft principal repayment	-£27,588,958	£0	-£404	£0	£0	£0	£0
Cashflow after financing costs	£104,613,184	£743,802	-£743,802	£0	£0	£0	£0
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance							
Cash balance - b/f		£0	£743,802	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance - c/f		£0	£0	£0	£0	£0	£0

APPENDIX 4

Rushmoor Homes Ltd

Draft Business Plan

2022 – 2027

Executive Summary

Rushmoor Homes Ltd is a limited company wholly owned by Rushmoor Borough Council. Its purpose is to operate in the local housing market to produce a portfolio of residential properties for letting on private market rents.

The company is owned, controlled and funded by Rushmoor Borough Council and is required to prepare an annual business plan for approval by the Council.

This is the company's third business plan, and it looks forward five years to set out the company's plans for delivering on its current programme of property acquisition and development, its requirement for funding and its opportunities for growth.

The most significant change to its business plan comes from the possibility of acquiring from the Council 82 completed flats at the Council's Union Yard development which is under construction in Aldershot. This will more than double the size of the company's planned portfolio.

Performance management, risk management, resourcing and governance issues are also covered by the Plan with new measures for performance management and risk management being introduced. Experience from the last year has also suggested a clarification of the company's Shareholder Agreement to permit ownership of long leasehold interests where this enables the company to achieve its primary objectives.

1.0 Introduction

1.1 As Rushmoor Homes Ltd (RHLtd) approaches its third year of operation this new Business Plan sets out the company's strategy for its next five years of operation. It examines trends in the local housing market and considers potential opportunities to expand its business. A revised delivery programme has been prepared that generates revised financial forecasts.

1.2 A key factor in the ability of the company to deliver its objectives is its relationship with its only shareholder Rushmoor Borough Council (RBC). The Council provides support to the company by supplying council owned property and land from which the company can create a portfolio of homes for letting on market rents. RBC is also the company's source of finance for its development programme and it provides key members of staff to operate the company and deliver new homes.

1.3 This business plan will be submitted to RBC for approval. Through this approval process the Council has an opportunity to influence the company's objectives and targets and identify where the company can assist in meeting Council objectives. The business plan also provides information on the funding required to support RHLtd's activities to inform the Council's budget building process. Progress made by the company in the last financial year will be reported in a year-end shareholder report providing the financial and programme delivery outcomes for 2021 / 22 and performance against its objectives.

2.0 RHLtd's Purpose

2.1 RHLtd's purpose remains to participate directly in the housing market to provide good quality homes for private market rent. Its sole shareholder, Rushmoor Borough Council, has objectives around meeting housing need, environmental sustainability, regeneration and achieving financial sustainability. RHLtd aims to support its shareholder in meeting these objectives provided this can be done without compromising the company's financial viability and where working through a company is the best means for the Council to achieve its desired outcomes.

3.0 RHLtd's Values

3.1 The way in which the company operates is an important part of the business plan. The company strives to become the best landlord in the borough and seeks to become:

- A trusted partner of its shareholder: Rushmoor Borough Council
- A trusted private sector landlord providing quality homes and services

- A business that operates with integrity and treats tenants, contractors and partners with respect.
- A learning organisation that acknowledges and learns from mistakes and recognises good work.

4.0 RHLtd's Objectives

4.1 Reflecting the purpose set by the Council, the Company's objectives are:

- to take a transfer of existing residential properties owned and let by the Council;
- to develop/acquire property to assemble a residential property portfolio that may contain a range of tenures;
- provide quality homes for rent in the private rented market to meet housing need and create a revenue stream providing a return on investment to its Shareholder (the Council);
- to remain financially viable and commercially sustainable;
- to assist the Council in meeting requirements for affordable housing and temporary accommodation where a company is the best means of achieving the required outcomes;
- to assist the Council in meeting its regeneration and sustainability objectives contributing to a greener borough and improvements in the built environment
- to provide an efficient landlord service including housing management and maintenance;
- to maintain its properties to a standard that meets tenants' reasonable expectations; protects Shareholder reputation and shareholder investment in the company; and
- create saleable, realisable assets should the generation of capital receipts become a priority for its Shareholder.

5.0 Market Review

5.1 Currently RHLtd's activity will be focussed in the borough of Rushmoor and its housing market area.

5.2 RHLtd has been provided with market profiles for Aldershot and Farnborough by its Managing Agent LRG Romans. These are in Appendix One.

5.3 Based on information contained in these reports RHLtd has concluded its existing strategy of growing a portfolio of primarily one and two bed flats targeted at small households with incomes of between £30,000 and £60,000pa remains valid.

5.4 Although the company wishes to assist the Council in meeting local housing need, it must first establish itself and its financial viability before it can consider introducing an element of affordable/discounted rent to meet the needs of those on lower incomes without subsidy.

6.0 The Programme

6.1 As the programme has advanced, assumptions about the development potential of sites, the number of units in the programme and the timetable for delivery have been adjusted.

6.2 This revised programme is shown in appendix two. Key changes are as follows.

- Significant delay in securing the transfer of 12 Arthur Street due to the need for the Council to agree a settlement agreement with the adjoining owner for a minor encroachment.
- The discounted rent scheme in the previous (2021-26) business plan will now be rented as one four- bedroom house rather than two, two bed flats. The estimated cost of conversion to flats did not yield the required increases in rent income to achieve a viable scheme. It also provides greater variety to the company's portfolio.
- 9a Wellington Street has been added to the programme. This is a council owned property located in Aldershot town centre above a retail unit. There is potential to convert this to two, one bed flats subject to planning permission.
- An approach from RBC with an offer of 82 completed units at its Union Yard scheme currently under development in Aldershot Town Centre. The cost of acquisition is estimated at £15m and will be funded by loans from RBC.

6.3 Experience gained in the first 18 months of operation has resulted in a better understanding of the resources needed to move the programme forward, better understanding of the time needed to complete actions in the development process and the potential for delays due to issues arising from the nature of the sites offered by RBC. The revised programme shows a slower pace of delivery than in previous business plans. This revised timetable has an impact on the financial profile with peak debt and payback dates being pushed out and a lower level of interest payments in the early years. However, the incorporation of Union Yard into the Business Plan has compensated for elements of this.

7.0 Financial Profile of Proposed Development Timetable

7.1 The following tables set out the key income and expenditure for the company together with its requirement for capital. These figures are derived from the joint RHLtd and RBC financial model.

7.2 The following tables set out the key income and expenditure for the company together with its requirement for capital. These figures are derived from the joint RHLtd and RBC financial model.

		01/01/2021 31/03/2021	01/04/2021 31/03/2022	01/04/2022 31/03/2023	01/04/2023 31/03/2024	01/04/2024 31/03/2025	01/04/2025 31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Profit & Loss Statement							
Rental income	£224,232,717	£0	£24,500	£83,248	£475,875	£1,541,936	£1,579,560
Total costs derived from income	-£26,683,693	£0	-£2,916	-£9,906	-£56,629	-£183,490	-£187,968
Net Rental Income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Operating expenses	-£19,074,578	-£26,852	-£1,896	-£6,812	-£44,606	-£154,344	-£157,431
Major Repairs costs	-£3,706,046	£0	£0	£0	£0	£0	£0
Council Management Fee	-£575,900	-£51,020	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
EBITDA	£174,768,400	-£77,872	-£111,312	-£73,341	£290,640	£1,120,102	£1,150,161
Overdraft interest expense	-£41,972,748	-£112	-£20,566	-£238,634	-£697,446	-£1,379,428	-£1,379,428
Depreciation charge	-£9,438,486	£0	£0	-£1,360	-£192,914	-£383,427	-£383,427
S106 Costs	-£638,144	£0	-£35,384	-£585,068	-£17,692	£0	£0
Gain / (Loss) on Disposal of Property Asset	£0	£0	£0	£0	£0	£0	£0
Profit after financing cost	£122,719,022	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net profit/(loss) in period	£23,259,362	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings							
Retained earnings - b/f		£0	-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813
Net profit/(loss) in period		-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings - c/f		-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813	-£3,016,507

7.3 The Profit and Loss Statement shows the total income received from rents and the amounts expended by the organisation for running costs, capital expenditure and debt servicing. Over the 65 years of the model the position shows a healthy profit of £122m before tax and profit distribution. The amount paid over to Rushmoor Borough Council for the servicing of debt amounts to £42m with a potential additional £99m that could be paid as dividends.

7.4 For each of the next 5 years of operation RHL is running at a loss due to the fact that income from rental is insufficient to meet debt principal and interest repayments along with continuing running costs. In the short term, until peak debt is reached in January 2030, RHL will require cash flow financing from RBC to ensure that it remains viable.

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Balance Sheet							
Assets							
Land Value	£17,583,000	£0	£1,354,650	£2,539,250	£17,583,000	£17,583,000	£17,583,000
Property Assets	£0	£0	£156,290	£6,675,731	£9,244,212	£8,860,784	£8,477,357
Total Non-current Assets	£17,583,000	£0	£1,510,940	£9,214,981	£26,827,212	£26,443,784	£26,060,357
Receivables	£0	£0	£0	£0	£0	£0	£0
Cash	£6,462,327	£743,802	£0	£0	£0	£0	£0
Total Current Assets	£6,462,327	£743,802	£0	£0	£0	£0	£0
Total Assets	£24,045,327	£743,802	£1,510,940	£9,214,981	£26,827,212	£26,443,784	£26,060,357
Liabilities							
Payables	£0	-£51,020	-£412	-£1,009	-£12,352	-£12,862	-£13,119
S106 Liability	-£0	£0	£0	-£165,719	-£8,377	-£0	-£0
Interest Payable	£0	-£112	-£13,948	-£248,840	-£881,135	-£1,148,328	-£1,377,337
Total Current Liabilities	£0	-£51,132	-£14,361	-£415,569	-£901,864	-£1,161,190	-£1,390,456
Overdraft Balance	£0	-£770,654	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
Total Non-current Liabilities	£0	£0	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
Total Liabilities	£0	-£821,786	-£1,678,202	-£10,260,776	-£28,490,418	-£28,749,744	-£28,979,010
Net Assets / (Liabilities)	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
Equity							
Retained Earnings	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
Total Equity	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653

7.5 The balance sheet shows the value of the assets being brought into RHL in the next 5 years of operation and how those assets are being financed. As can be seen by 2025/26 assets totalling £26m will be totally financed by loans (shown as overdraft financing). The current estimate shows that the peak debt position will be reached on 31st January 2030 with a debt amount of £29.245m and assets amounting to £24.5m.

7.6 The Balance sheet position after 65 years of the model shows the property assets fully depreciated with a cash balance of £6.46m contributing to total assets of £24m.

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY 22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
Cash Flow Statement							
Net cash received from rental income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Cash paid for Operating Expenses	-£22,727,562	-£26,852	-£1,484	-£6,215	-£33,263	-£153,834	-£157,174
Council Management Fee	-£575,900	£0	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
Net cash from operations	£174,245,562	-£26,852	-£110,900	-£52,874	£301,983	£1,120,612	£1,150,418
Development CAPEX	-£9,438,486	£0	-£156,290	-£6,520,802	-£2,761,394	£0	£0
Land Acquisition Costs	-£17,583,000	£0	-£1,354,650	-£1,184,600	-£15,043,750	£0	£0
Disposal proceeds	£0	£0	£0	£0	£0	£0	£0
S106 Payments	-£638,144	£0	-£35,384	-£419,349	-£175,035	-£8,377	£0
Cashflow available for debt service	£146,585,932	-£26,852	-£1,657,224	-£8,177,624	-£17,678,196	£1,112,235	£1,150,418
Drawdown from Overdraft	£27,588,958	£770,654	£920,443	£8,181,366	£17,743,347	£0	£0
Overdraft interest paid	-£41,972,748	£0	-£6,618	-£3,742	-£65,151	-£1,112,235	-£1,150,418
Overdraft principal repayment	-£27,588,958	£0	-£404	£0	£0	£0	£0
Cashflow after financing costs	£104,613,184	£743,802	-£743,802	£0	£0	£0	£0
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance							
Cash balance - b/f		£0	£743,802	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance - c/f		£0	£0	£0	£0	£0	£0

7.7 The Cash Flow Statement shows how the total income from rentals is being utilised. The model anticipates that all available surplus cash is used to fund debt interest and principal repayments in the first instance hence the zero cash balances from 2021 onwards. Once debt is fully repaid surplus cash is available for distribution to RBC as the single shareholder. From 2024/25 onwards no additional capital debt is anticipated however loan interest will remain outstanding until peak debt is reached in 2030 following which debt will start to be repaid.

Notes :

- Development CAP EX = money spent on developing property.
- Land Acquisition Costs = land/property acquisition transferred from RBC to RHL in exchange for a loan note.
- Drawdown from Overdraft is either cash or a loan note used to fund either Development or Land Acquisition as well as cash flow funding to cover income shortfalls in the early years of the organisation.

Performance Measures

7.8 Previous business plans included a limited set of performance indicators. These have been reviewed and two sets of measures are proposed some of which will be particularly relevant to the Council as shareholder

The Whole Programme

7.9 For the programme as a whole, the five years covered by this business plan will see the debt incurred by RHL increase from an estimated £1.7m at the end of March 2022 to £27.6m by the end of 2025/26. Peak debt for the programme will occur in year 2030 at an estimated £29.245m. Debt from the current programme is expected to be cleared by year 2061. Interest payments to RBC are estimated to total £41.97m over 65 years.

7.10 The performance indicators (PIs) for the whole programme are as follows

- NPV is £ positive
- IRR is = or > 5%
- initial yield is = or >3%
- Peak Debt by or before 2037
- Returns a profit over 65 years
- Break even date by or before 2070

7.11 These indicators will need to be reviewed each time a site is being considered for addition to the programme

Performance Measures for sites

7.12 Each site in the programme is measured against similar performance indicators. In determining whether RHLtd should pursue a site and what price it should pay, the sites can be evaluated through the RHLtd/RBC financial model.

The levels at which a site is deemed suitable for the programme are

- a positive NPV over 65 years
- A cost to value of less than 90%
- An IRR of = or > 5%
- An initial yield of = or > 3%
- Break even date by or before 2070

7.13 The RHLtd Board will have flexibility to agree individual schemes that don't meet all these criteria but only if the PI's for the whole portfolio remain within their agreed parameters.

7.14 These PIs will be reported on in the six-monthly Shareholder Reports

8.0 The next five years

8.1 RHL will continue to pursue its programme of property purchases from Rushmoor BC to produce homes for its target market of small households on incomes between £30,000 and £60,000. By the end of the next five years RHLtd should have a portfolio of 60 units delivered across 17 sites/properties in its small sites programme, with the possibility of a further 82 completed units at Union Yard comprising mainly one and two bed flats.

Union Yard

8.2 In 2023 the portfolio will increase significantly if, as planned, RHLtd purchases from the Council, completed units at the Council's Union Yard development in Aldershot.

This will more than double the homes under management and will need careful consideration and discussion around capacity with RHLtd’s Managing Agent.

Sustainability

8.3 RBC declared a climate emergency in 2019. As part of its climate promise it has a stated aim of making Aldershot and Farnborough greener and more sustainable. RHLtd wishes to support the Council in its aspirations for sustainability and will look to incorporate energy efficiency and environmental sustainability into its development programme.

8.4 The first step will be to use a scheme from the programme and with help from its employer’s agent to model the financial impact of including green measures both in terms of the costs of construction, long term maintenance and the rental returns that can be achieved for greener homes. Depending on the outcome of this piece of work the Board of RHLtd will consider the extent to which it can include measures to reduce the environmental impact of its schemes while generating an income stream for its Shareholder and Funder.

8.5 Initial testing on a sample site suggests that if sustainability measures add 10% to development costs the impact on the programme’s performance is as follows. The additional debt for the five years covered by the business plan (2022-2027) amounts to £201,837. Peak debt will occur in 2031 at £29.51m (compared with 2030 and £29.245m). Debt is expected to clear in 2061 rather than 2060 and interest payment to the Council would increase to £42.8m from £41.9m

Diversification

8.6 RHLtd’s business plan and its development programme are centred around one and two bedroom flats at market rents.

8.7 RHLtd will consider including a small number of family houses to assist its Shareholder meet housing need in the borough and, where external subsidy is available, consider providing some homes at discounted rents. Over the longer term it may be possible to provide discounted rents with cross subsidy from the company's other schemes. The Board will make decisions on schemes of this nature based on its ability to maintain its loan payments to RBC and discussions with RBC on utilisation of additional revenue for this purpose.

Leaseholds

8.8 During the current financial year RHLtd was asked on two occasions to consider purchasing property that included properties sold on long leaseholds. In one case the seller decided to pursue an alternative purchaser due to this issue and theother opportunity was not at the correct price to be attractive to RHLtd, it highlighted the fact the Shareholder Agreement did not explicitly include management of long leaseholds in the description of its business. It did contain the following wording “Develop / acquire property to assemble a residential property portfolio that may contain a **range of tenures".** To be completely clear about what is permitted it is proposed that the Shareholder agreement is amended to allow RHLtd to consider purchasing property where it includes long leaseholds provided it helps the company to achieve its principal purpose of providing homes for market rent.

9.0 Resourcing

9.1 RHLtd's operating costs, in so far as not being covered by available rental income, are funded by loan finance from Rushmoor Borough Council. Expenditure for the current (2021/22) financial year is estimated at £132K and it is expected that this level of spend will increase as the programme expands and company activity rises.

Staffing

9.2 The staff team comprises:

- Tim Mills, Chief Operating Officer
- Steve Ward, Company Accountant
- Sally Ravenhill, Business Manager
- Zoe Paine, Business Manager
- Charlie Heavens, Business Support Officer

Additional support is provided by

- Simon Ross RBC's Interim Construction Surveyor

9.3 All members of the staff team are employed by Rushmoor Borough Council and are charged out to RHLtd on a cost recovery basis.

9.4 As the company has developed its projects the need for additional resources has become clear in particular with regard to development and construction expertise within the team . The Business Plan provides additional resources to facilitate this requirement. Discussions are underway with RBC on the employment of a suitable person who may also provide similar expertise for the Council's property programme.

External Advisors

9.5 RHLtd has engaged the following external advisors

- LRG Romans - as managing agent to provide tenant and property management services and advice on the rental market
- Browne Jacobson – as legal advisors
- Ridge and Partners and Rund Partnership - as employer's agents

10.0 Exit Strategy

10.1 RHLtd will monitor quarterly risks against a number of thresholds and in particular will check the following risk indicators

- Demand for rental units - report from Managing Agent Quarterly
- Rental values and rental inflation over time - report from Managing Agent. Current level of rental inflation is set at 2.5% per annum. On the assumption that costs remained constant rental inflation would need to fall below 1.5% per annum before the programme fell into deficit overall.
- Sale values - report from Managing Agent)
- Build Cost inflation over time - Employers Agent will provide information increases beyond 5% would require a review of the programme
- Operating costs - Current level of Operational Expenditure inflation is set to follow RPI. The current level is modelled at an RPI of 2%. On the assumption that increases in RPI would be met by increases in rental income cost inflation is not expected to unduly affect the programme but could impact on the level of dividends payable.
- Regulatory changes affecting the operation of the rental market

10.2 The company will procure asset valuations as required to make sure it has a good understanding of the value of its portfolio.

10.3 If the benchmarks are exceeded and/or the regulatory environment becomes unfavourable or if there are changes in other risk indicators that will have a negative effect on the business plan, the company's financial model will be re-run to quantify the effect.

10.4 If the effect is that the company's ability to generate a profit or repay its debt is impaired, compared with the financial projections contained in its current business plan, the following will be considered

- The possibility of refinancing to reduce interest costs
- A review of operating costs to see if savings can be made
- A review of assets to determine if a sale of a property(ies) will improve performance
- A review of performance of development, management and contractors' performance.
- A review of usage of assets to determine if better value from alternative letting strategies can be achieved

10.5 This quarterly review of risks, any modelling and consequential review of costs and performance will be reported to the Housing Company's Board and if in the view of the Board it is appropriate, the Council as shareholder.

10.6 If appropriate the Council will be asked to approve actions proposed by the company to mitigate the negative effects of movements in the risk indicators

10.7 If in the view of the Council as shareholder, there is little prospect of the company mitigating the risks so that it returns to operating within reasonable tolerances of the original baseline model and business plan, the Council may consider options to mitigate its risk and ensure it recovers the maximum value to repay its own borrowing. Options that may be considered are:

- Winding up of the company and disposal of property – This option is highly dependent on the capital values of the property in comparison to debt. Over time it is likely that capital values will grow. However, in early stages there is a risk that values may not cover the Council's debt particularly if there is a significant market down-turn
- Winding up of the company and retention of the property by the Council as temporary accommodation – The Council is not able to hold rental property in general but can do so for the purposes of providing temporary accommodation. This depends on the need of the Council for such accommodation and the potential income/cost for this accommodation
- Sale of the company either in whole or to create a joint venture – The value of the company to an existing company in the rental market may represent a better value option particularly in the early stages. The ability of a company already operating in the rental market to share or absorb the overhead costs of management and maintenance may result in a better value proposition. Entering into a joint venture may enable the Council to maximise value over the longer term
- Alternative management options – The Council could explore whether alternative approaches to managing the company in a more arms-length arrangement particularly if alternative markets are being considered could deliver better value

10.8 In deciding on what actions to take, the company will need to be fully aware of the value of its assets. There is a risk that the value of schemes in development may not allow full recovery of money spent, therefore, the company is at greatest risk of not being able to raise sufficient funds to pay off its borrowings in the development phase of the programme. In order to secure its position, the Council will need to ensure that appropriate collateral warranties are in place to secure its interests where it may wish to exit or in the event of insolvency.

11.0 Approval of the Business Plan

11.1 Rushmoor Borough Council, as sole Shareholder, exercises its influence and control through the Shareholder Agreement which requires Council consent to a range of company actions; and through its annual consideration and approval of the company's business plan. A limited number of actions are permissible without recourse to the Council to allow ease of operation. The company can enter into property transactions and into contracts as set out in the Approved Business Plan.

11.2 The Business Plan approval process requires its preparation and approval by the Board of Directors and presentation to the Council as shareholder, with consideration by the Council's Cabinet and Full Council as necessary.

11.3 The Plan will cover a rolling five-year period and will be updated annually or when the company wishes to pursue opportunities outside of the parameters of the approved business plan.

11.4 Rushmoor Homes Ltd will develop its programme as set out in the approved business plan and develop for each project a business case and project plan which will be prepared and approved by the Board of Directors and the Council as Shareholder.

12.0 Governance

12.1 Governance of the company is detailed in the Articles of Association, however, as a company wholly owned by Rushmoor Borough Council there are particular governance arrangements in place.

- Annually the Board prepares its Business Plan and its budget for the Chief Executive of the Council, as shareholder, to present to the Council's Cabinet.
- RBC's Cabinet agrees any land disposals required by the Business Plan and recommends the Business Plan, the annual budget and investment required to the Council
- The Council approves the annual budget Business Plan and investment in the company.
- The Board prepares a half year report to the Chief Executive, as Shareholder, reviewing progress against the Business Plan. The Shareholder presents these
- reports to RBC's Licensing, Audit and General Purposes Committee (governance) and its Overview and Scrutiny Panel (performance)
- The Board prepares a full year report on progress against the Business Plan and company governance for the Chief Executive of the Council, as Shareholder, and the Chief Executive will present this report and consult with Policy and Projects Advisory
- Board, Licensing Audit and General Purposes Committee and Overview and Scrutiny Panel.
- The Shareholder will feedback comments from Cabinet, Council, PPAB, O&S LA&GP to Rushmoor Homes Ltd as necessary

13.0 The RHLtd Board

13.1 The members of the RHLtd Board are:

- Cllr Ken Muschamp
- Cllr Keith Dibble
- Cllr Paul Taylor

13.2 As RHLtd’s programme develops, the range and complexity of its activities is likely to increase. The Board needs to be in a position to engage in effective decision making, therefore, an audit of the skills of board members is underway to identify any areas where additional expertise may be needed.

14.0 Conclusions

14.1 This business plan looks forward to the next five years of operation for RHLtd. During this time the company plans to deliver on its programme of 60 homes across 17 development sites/properties. The programme has been adjusted to produce a more realistic delivery timetable given the resources currently available. This business plan period will also see the addition of 82 homes to the portfolio which will more than double the number of units under management. This an important change for the company and will establish it as a significant landlord in the borough

Appendix One

Appendix Two

Rushmoor Homes Ltd Delivery Programme

Months 10–27

	Units	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Financial year			20/21							21/22									
Calendar Month		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Calendar year							2												3
Month from co formation		10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Scheme																			
12 Arthur Street, A 3 x 2 bed flats	3					£					T	L	3						
Ship Lane Lodge, F 3 bed house, former cemetery lodge	1					£	T	L	1										
LA 69 Victoria Road & LA 3a Arthur Street 4 x 1 bed flats on LA 69 Victoria Rd with	4		Pa	A		Pp	£ T					£ C		SoS					
9a Wellington Street, A 2 x 1 bed flats subject to planning	2											Pa	A	Pp	£ T			£ C	
57 Cambridge Road, A 1 x 4 bed house	1										A	£ T	£ C	SoS	PC	L	1		
Land at Churchill Crescent, F 12 units subject to planning	8														Pa	A	Pp	A	£T
237 High Street Aldershot 4 x 2 bed flats	4											Pa	A	Pp	£ T			£ C	
Manor Park Cottage NB, A 1 house subject to planning	1												Pa	A	Pp	£ T			£ C
Fleet Road Scout Hut, F 4 flats subject to planning	4												Pa	A	Pp	£ T			£ C
Redan Road, A 6 flats subject to planning	6														Pa	A	Pp	£ T	
Pool Road Depot, A 6 flats subject to planning	6														Pa	A	Pp	£ T	
Union Street East car park, F 8 flats subject to planning	8																		
11 Wellington Street 2 flats subject to planning	2																		
Water Lane, F 2 flats subject to planning	2																		
2a Windsor Way, A 6 flats subject to planning	6																		
Manor Park Cottage, A Existing 3 bed house	1																		
Manor Park Lodge, A Existing 3 bed House	1																		
Union Street East, A	82																		
	60			0												4			

Months 28–45

	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
Financial year			22/23												23/24			
Calendar Month	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Calendar year												4						
Month from co formation	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
12 Arthur Street, A																		
Ship Lane Lodge, F																		
LA 69 Victoria Road & LA 3a Arthur Street			PC	L	4													
9a Wellington Street, A	SoS						PC	L	2									
57 Cambridge Road, A																		
Land at Churchill Crescent, F				£ C		SoS												PC
237 High Street Aldershot	SoS									PC	L	4						
Manor Park Cottage NB, A		SoS										PC	L	1				
Fleet Road Scout Hut, F		SoS										PC	L	4				
Redan Road, A		£ C		SoS										PC	L	6		
Pool Road Depot, A		£ C		SoS										PC	L	6		
Union Street East car park, F							Pa	A	Pp	£ T			£ C		SoS			
11 Wellington Street							Pa	A	Pp	£ T			£ C		SoS			
Water Lane, F																Pa	A	Pp
2a Windsor Way, A																Pa	A	Pp
Manor Park Cottage, A																		
Manor Park Lodge, A																		
Union Street East, A																		
									7									

Months 46–63

	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63
Financial year									24/25									
Calendar Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Calendar year						5												
Month from co formation	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63
12 Arthur Street, A																		
Ship Lane Lodge, F																		
LA 69 Victoria Road & LA 3a Arthur Street																		
9a Wellington Street, A																		
57 Cambridge Road, A																		
Land at Churchill Crescent, F	L	8																
237 High Street Aldershot																		
Manor Park Cottage NB, A																		
Fleet Road Scout Hut, F																		
Redan Road, A																		
Pool Road Depot, A																		
Union Street East car park, F									PC	L	8							
11 Wellington Street			PC	L	2													
Water Lane, F	£ T			£ C		SoS										PC	L	2
2a Windsor Way, A	£ T			£ C		SoS											PC	L
Manor Park Cottage, A																		
Manor Park Lodge, A																		
Union Street East, A																		
			29												10			

Months 64–74

	64	65	66	67	68	69	70	71	72	73	74
Calendar Month	J	A	S	O	N	D	J	F	M	A	
Month from co formation	64	65	66	67	68	69	70	71	72	73	74
12 Arthur Street, A											
Ship Lane Lodge, F											
LA 69 Victoria Road & LA 3a Arthur Street											
9a Wellington Street, A											
57 Cambridge Road, A											
Land at Churchill Crescent, F											
237 High Street Aldershot											
Manor Park Cottage NB, A											
Fleet Road Scout Hut, F											
Redan Road, A											
Pool Road Depot, A											
Union Street East car park, F											
11 Wellington Street											
Water Lane, F											
2a Windsor Way, A	6										
Manor Park Cottage, A		T	L	?	1						
Manor Park Lodge, A		T	L	?	1						
Union Street East, A											
									10		

Pa = Planning Application	C = contract let	£ = potential drawdown
Pp = Planning Permission	SoS = start on site	A = Aldershot
A= Cabinet/ Board approval	PC = completion	F = Farnborough
T = transfer	L = letting	