

**HART HOUSING PROPERTY
MANAGEMENT COMPANY LIMITED**

Draft INITIAL BUSINESS PLAN

APRIL 2021

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1. EXECUTIVE SUMMARY

- 1.1 This document sets out the Business Plan for Hart Housing Property Management Company Ltd (HHPMC – the Company) for the immediate future with an emphasis on the next five years. The Company has been set up by Hart District Council (HDC – the Council) and this document provides the Company’s vision and broad strategic objectives, as well as the financial forecasts that sit behind the Business Plan.
- 1.2 Broadly, the Business Plan sets out:
- The context and background to the Company.
 - The longer- term growth strategy of the business.
 - The plan for pipeline schemes and scaling of the Company.
 - The projected profit and loss, balance sheet and cashflow of the Company for the next five years.
- 1.3 The overarching objective of the Company is to ensure maximum commercial return through the management of the Council procured assets.
- 1.4 The Company has identified an initial opportunity to create 41 properties for use as affordable accommodation primarily for ‘key workers’ which has formed the basis of this initial Business Plan.
- 1.5 The financial assumptions and projections for this initial opportunity is detailed in ANNEX C and D.
- 1.6 The Company intends to add more property to its portfolio once suitable properties have been identified and purchased by the Council. The Company will not otherwise seek to procure or develop property itself.

2 INTRODUCTION

- 2.1 The Company has been created by the Council as a dedicated and wholly owned housing management company. The aim is to develop a Council acquired housing portfolio that is available primarily to rent within both the affordable and private rental markets, within the geographic boundary of the Hart district.
- 2.2 It is to provide a special purpose vehicle to manage Council acquired residential properties. The Company will hold assets on behalf of the Council with the overarching objective of maximising a commercial return.
- 2.3 Initially, the provision of properties at affordable rents for ‘key workers’ is a priority. This will provide sustainable long-term income and a solid asset base alongside private rented sector (PRS) units. Consideration will be given to the provision of other types of accommodation as the Company develops e.g., shared ownership.

3 BACKGROUND

- 3.1 Hart District is primarily rural, covering c. 21,500 hectares (83 sq. miles) and is situated in north–east Hampshire, bordering both Surrey and Berkshire. The main centers of population (i.e., Fleet, Yateley and Blackwater/Hawley) are in the north and east of the District and form part of a larger ‘Blackwater Valley’ urban area with other nearby towns including Farnborough, Aldershot, Camberley and Sandhurst.
- 3.2 The District is bisected by the main line railway from Waterloo to Southampton and east to west by the M3. These enable good access to London, Southampton and other key employment areas such as Basingstoke, Camberley and Farnborough.
- 3.3 The District is regularly named as one of the best places to live as it benefits from low unemployment, low crime rates and good schools. It has a healthy, active population with high participation in sports and leisure. Due to its good connectivity and popularity, property values are very high.
- 3.4 As part of its long-term strategic vision, the Council recognises that to build and sustain a vibrant local economy it needs to ensure that the supporting social infrastructure in terms of housing is in place to support it. Increasing property values have made it more difficult to attract and retain those ‘key workers’ such as teachers and social workers that are necessary to support the community.
- 3.5 The Local Plan Review of 2020 identified that there is a significant need for additional affordable housing within the District. Affordable housing includes affordable homes for rent for key workers whose needs are not met by the market, and which meet the Government’s definition in Annex 2 of the National Planning Policy Framework. The cost must be low enough for eligible households to afford based on local incomes and house prices. The homes should be restricted for use by future eligible households. The only way we can ensure that these homes are restricted for use by future eligible households is to offer short term assured tenancy agreements which cannot be done through the Local Authority’s Housing Revenue Account.
- 3.6 As well as helping to meet the housing need in Hart, Council intervention in the market is likely to increase overall economic activity, supporting the delivery of investment in new homes. This has a multiplier effect in the local economy with residents working in local businesses and spending in local shops and on local services. It also provides an opportunity to adopt key worker policies to encourage key workers in health, education, social care and other public services to remain in or move to the area.
- 3.7 As a result of new developments in the District, the Council receives funds from developers (S106) to be used for affordable housing.

4 MISSION

- 4.1 The Council is seeking to support affordable and private rented accommodation for key workers and others seeking housing in the District. At the same time it must secure a commercial revenue stream for the Council so that it can be re- invested in other services for residents.

5 OBJECTIVES AND TARGETS

- 5.1 The objectives of the Company are:
- 5.1.1 To maintain good quality affordable and private rented housing throughout the District for the use of key workers and others seeking housing.
- 5.1.2 To adopt a commercial approach to maximising revenue so that the Company contributes to the Council's general fund through surpluses generated from housing rents received that can be re-invested in services to residents.
- 5.1.3 To remain financially viable and operate efficiently to ensure it receives sufficient rental income to meet all of its costs including financing, housing management, property maintenance and administration.

6 COMPANY STRUCTURE AND GOVERNANCE ARRANGEMENTS

- 6.1 Legal guidance has been taken in establishing the Company and its associated legal documentation.
- 6.2 The development of an arm's length wholly owned property management company allows for a more flexible and commercial response in the delivery of housing supply. The Council is entitled to rely on section 1 of the Localism Act 2011 in establishing the company for such purposes.
- 6.3 Section 1 of the Localism Act permits local authorities to do anything an individual may do, subject to several limitations. This is referred to as the "general power of competence" which an authority may exercise for its own purpose, for a commercial purpose and/or for the benefit of others. In exercising this power, it is still subject to its general duties (such as the fiduciary duties it owes to its rate and local taxpayers) and to public law requirements to exercise its power for a proper purpose.
- 6.4 The Company is limited by shares (CLS) which is considered the most appropriate form of vehicle.
- 6.5 The Council is the sole shareholder of the Company and has ultimate control of its business activities. Shareholder control of the Company will be exercised through the Council's Cabinet.

- 6.6 The Company has been established in accordance with the Companies Act 2006 including the appointment of a Board for the Company. The Memorandum and Articles of Association is in a standard form.
- 6.7 An appropriate governance structure is required to ensure sound and robust management of the Company alongside protection of the Council's financial and reputational investment in the Company. See Annex A for details.
- 6.8 As sole shareholder the Council will appoint the directors, approve the Business Plan and other key decisions beyond those agreed in the Business Plan.
- 6.9 These decisions will be taken by the Council's in line with a formal shareholders agreement with the Company. The Shareholders' Agreement is attached in ANNEX H.
- 6.10 Annex A gives an overview of the governance arrangements for the Company Annex G is a copy of the Company's Memorandum and Articles of Association.
- 6.11 The Council will control the company at a strategic level with three Directors tasked with managing the property company within a framework and through delegated authority as set out in the shareholder's agreement.
- 6.12 The Directors will have no other executive powers other than those set by the shareholder and will serve for a period of two years unless otherwise determined by the shareholder. Each director has the same voting powers; and a Consultative Committee of Accountancy Bodies (CCAB) qualified accountant will be appointed amongst these directors to act in the role of Finance Director. **Two Directors will be Hart District Council employees; the third will be a lay individual appointed by the shareholder due to their knowledge and skill in property management.** The Chairman shall be nominated annually by the shareholder. No Council Officer will receive any remuneration for their role on the company.
- 6.13 The Company will have no access to any Council resources unless first agreed by the shareholder.
- 6.14 In addition, the Company will be governed via a Business Plan, approved annually by the shareholder.
- 6.14.1 A Business Plan will cover a rolling 5-year period of investment and activity. The Business Plan will be reviewed annually and cover the following:
- a) Company objectives
 - b) Governance arrangements
 - c) Operational plans
 - d) Financial models and assumptions
 - e) Rents

- f) Approved additional housing
- g) Operational expenses
- h) Funding profile
- i) Profit and loss, balance sheet and cash flows Together with operational policies relating to:
 - i. Rent setting
 - ii. Letting policy
 - iii. Rent arrears
 - iv. Other general policies

7 OPERATIONS

- 7.1 The staffing structure, roles and responsibilities is included at Annex B.
- 7.2 As the Company grows the staffing requirements will be kept under constant review and further staff will be added if appropriate and where first approved by the shareholder.

8 FINANCING THE COMPANY

- 8.1 The business case is predicated on the basis that the property management company is funded in part by S106 monies where the asset is to be used for affordable housing purposes and loans obtained via the Council for all other forms of residential use.
- 8.2 Financial modelling for the Company has been predicated on there being no overall cost to the Council over the life of the Business Plan and for profits and dividends to be generated.
- 8.3 A portion of the principal amount of any loans will be repaid annually and for the loan to be repaid in full. The term of all loans will be set to ensure that this is achievable and allows the Company sufficient 'headroom' in its cash management to make a profit and to pay out dividends.
- 8.4 The loan interest rate charged by the Council must consider the need to ensure it is a commercial rate and therefore avoid any potential state aid provisions being triggered.
- 8.5 To ensure that the Company's business is sustainable, the financial projections in the Business Plan will be closely and regularly monitored. There are a set of core assumptions applied to the model which are based upon prevailing market conditions, judgements based on comparators and industry wide standards or norms.
- 8.6 Details of the assumptions for the initial housing investment is detailed in ANNEX C.

9 REFURBISHMENT COSTS

- 9.1 Assumptions have been made for the maintenance and refurbishment costs based on industry benchmarks.
- 9.2 Allowances for fees including legal, and other specialist services are included in the estimated costs.

10 TAX AND FINANCIAL SUPPORT

- 10.1 The Company will be subject to various different taxation regimes, including Stamp Duty Land Tax (SDLT), Corporation Tax and Value Added Tax (VAT).
- 10.2 SDLT has been built into the model based on current thresholds and chargeable on relevant acquisitions at the appropriate rate. As the Council is a Local Authority, group relief should be available on the purchase of land. This means that no SDLT is charged whether land was sold or gifted.
- 10.3 Corporation Tax has also been included in the model at the current rate and is chargeable on relevant surpluses after deducting allowable costs including loan interest.
- 10.4 No provision has been made for capital gains tax as it is not envisaged that this will apply as the Company does not intend to dispose of assets.
- 10.5 Although it is the intention to register the Company for VAT it is not envisaged that the Company will be able to recover all of the VAT that it incurs on the purchase of goods and services. An allowance has been made for VAT payments and receipts within the cash flow model.
- 10.6 The Company will obtain appropriate external advice with regard to its tax affairs.
- 10.7 The Company will be self-sufficient and supporting with its own distinct bank account and locally appointed auditors and accountants.

11 DIVIDENDS

- 11.1 It is envisaged that any surplus funds/profits will be paid to the shareholder using Dividends.
- 11.2 Any cash sums available for Dividends will be affected by any loan repayments and taxation and the amount of cash to be retained by the Company for ongoing business requirements and re-investment. The Council as shareholder will give the Company a steer in terms of their aspirations for dividends. The Company will annually recommend to the shareholder the divided

12 CASH RETENTION

- 12.1 To ensure that the Company has sufficient funds in place to meet its day-to-day obligations, a minimum amount of cash equivalent to 10% of post-tax profits, will be retained at all times after the initial two-year period. In addition, the allowance for any repair/refurbishment costs will be held in a separate reserve account and used as required.

13 ASSET VALUATIONS

- 13.1 All the identified Council owned properties as shown in Annex E will be transferred to the Company at a 'peppercorn value' and subsequently revalued at market rates to reflect the enhanced value because of the refurbishment and representing their investment income potential.
- 13.2 Revaluations of the asset base will be undertaken at market rates on an annual cycle to reflect market conditions or more frequently depending on cost.

14 PROFIT AND LOSS, BALANCE SHEET AND CASHFLOW PROJECTION

- 14.1 Financial projections over the medium term (5 years) have been provided at Annex E reflecting the assumptions made within this Business Plan.
- 14.2 The financial models show that based on the assumptions used, the business is profitable, has a high asset value and that the cash flow can be sustained and provides for payment of all operational costs, taxes and dividends.

15 KEY FINANCIAL PERFORMANCE MEASURES

- 15.1 It is proposed to use a variety of measures to measure the financial health of the Company, namely:
- Return on Investment (ROI) takes into consideration the amount of profit that is made against the investment in the property.
 - Rental yield of which there are two typical measures, gross and net. The latter takes out expenses (management and maintenance costs, debt charges). Net yield being calculated as $\text{rent} - \text{expenses} / \text{house price}$. Given the fact that the initial estate is being rented primarily on an affordable basis (i.e., below market rents) the yields will be lower than typical industry norms. The anticipated net yield for the Company will be in the region of not less than 4%.
 - Return on capital employed which looks at the profit against the combined equity and debt capital invested in the Company. This is regarded as a

good measure of the business as it looks at how effectively debt is being used and is calculated as earnings before interest and tax (debit) / Assets – Liabilities (non-current) with a target of **15% plus by year 5**.

- Price to earnings ratio, which is a commonly used measure in commercial finance in relation to share value which is relation to rented housing is calculated as the increase of the yield calculated as: House price / rent-expenses which theoretically indicates how much investors should be willing to pay per pound of earnings.
- Profitability (profit on cost – POC) which demonstrates the profit of the business over its cost.
- Investor Dividend per Share – which will provide the shareholder value per share and demonstrate its growth value.

16 RISK MANAGEMENT

16.1 Key risks and opportunities are outlined below.

Risk	Mitigation	Opportunity
PROPERTY		
Property values fall	The business plan recognises that short-term fluctuations in the market are inevitable, but the outturn is positive over the term of the plan.	
Insufficient demand	Each development will be subject to its own business case which will identify a suitable mix of tenure reflecting current demands in the market.	Evidence demonstrates that there is a consistent demand for sub-market rented housing.
TIME		
Company not established in time to support specific initiatives	Resources are in place to ensure that the company is incorporated in June 2021.	
Property not available in time to meet budget targets.	Regular assessment and management of development	

Risk	Mitigation	Opportunity
	timetable.	
FINANCIAL		
The Company is not profitable and is unable to pay dividends to the Council and/or defaults on loan interest and repayments, resulting in the Council's Investment not achieving the projected return.	Cabinet will require detailed financial modelling by the housing company, including sensitivity analysis, to ensure careful selection of investment options that excludes those that fall short of the necessary viability criteria.	Long-term tenants are retained, voids/bad debts are minimized and consequently dividends to the Council are maximised.
LEGAL		
Council acting outside of relevant powers	External specialist legal advice obtained and followed.	
Personal risk arising from the duties and liabilities of company directors	Appropriate insurance will be obtained	
REPUTATION		
Reputational impact to the Council	The Company Directors will act in a professional manner at all times to contribute to a positive view of the Council's services	Local Letting and Management company will be engaged to provide an arm's length service.
Reputational damage in the event of the company's failure	Risks reviewed and evaluated on a regular basis as part of corporate risk management process	

16.2 Opportunities

- increase of affordable housing within the District, for key works who may otherwise not be able to access the local housing market
- Income generation for the General Fund.
- Increased resilience for the Medium Term Financial Strategy
- Support for local people to rent or buy a home.
- Increase in the value of the Council's asset base

16.3 Overall, it is considered that the Company is well positioned over the next 5 years and can manage any significant market downturn in that it:

- has a relatively low borrowing requirement.
- has a high value asset base;
- has a low fixed cost management structure.
- has a high projected level of profitability;
- can fix interest rates for longer term loans.

and so will give sufficient protection against marked changes in rental income or occupation

17 CONCLUSION

17.1 The Company provides an additional route to improve the local housing position within the District. This Business Plan sets out the framework that will provide the Council the opportunity to support housing availability within the District, particularly for 'keyworkers' and secure additional income in the medium to longer term from dividends that the Council can use to invest in services to residents.

17.2 It is acknowledged however, that although the base case for the next 5 years is sound there is no certainty that the environment will remain static. The Company will need to monitor all factors and risks including changes in government policy on housing, the local property market and wider economic changes in interest rates and inflation.

ANNEX A – GOVERNANCE STRUCTURE

GOVERNANCE STRUCTURE

- 1.1 The governance structure of the property management company will comprise two delegations acting to oversee the business plan and overall strategic direction of the company. These two delegations act as the Board of Directors and a specific Company Scrutiny Panel drawn for Members of the Council's Overview and Scrutiny Committee.
- 1.2 The Company Scrutiny Panel is a sub-committee of the Council's Overview and Scrutiny Committee and will comprise three members appointed annually by the Overview and Scrutiny Committee. It will meet twice a year to oversee company activity, provide strategic guidance and advise the Council in its capacity as shareholder. The Terms of Reference for the panel will require approval by Cabinet in consultation with Overview and Scrutiny Committee.
- 1.3 In accordance with the Companies Act 2006 there is no necessity for a named company secretary. The responsibilities must still be discharged, but become by default, the directors. They include ensuring compliance with corporate governance and other financial and legal regulations; arranging directors' and shareholder meetings; and the filing of returns with Companies House. This role will be supported by the Council's Legal Services and Finance teams. Any administrative support will be procured at commercial rates from the Council.
- 1.4 It is proposed that the Board of Directors consist of two Council employees plus an independent layperson who has specialist knowledge and experience of local letting and property management experience. The Director's should have a range of skills, qualifications and experience including governance and finance.
- 1.5 Once appointed, a director has several duties and liabilities under general company law:
 - A fiduciary duty to act honestly, in good faith and in the interests of the company
 - A general duty to take reasonable care and skill, and to exercise independent judgement when dealing with the company's affairs
 - A duty to avoid conflict of interest, not make a private profit from the position, and to ensure that the legislation contained in the Companies Acts is complied with
 - Personal liability if the company acts outside its powers with the prior knowledge of the director
 - Liability for breach of trust
 - Liability for losses sustained if a director abuses their position; and/or fails to act in the best interest of the company; and/or fails to exercise the requisite level of skill and care
 - Liability to contribute to the company's assets if a director knows or ought to know that there is no reasonable prospect of the company avoiding liquidation
 - Liability for fraudulent trading

ANNEX A – GOVERNANCE STRUCTURE

- Liability for a fine and/or making good losses where cheques and other documents do not bear the company's name
 - Liability for damages arising from the unauthorised activities of a director.
- 1.6 The Council's own insurance does not provide cover for officers acting as directors. However, the company will be able to obtain insurance for its directors against claims for negligence, breach of trust etc. Directors will also be provided with an appropriate level of training, to be sourced externally.
- 1.7 The Council through the appointment of directors with appropriate skills and experience, is delegating the day-to-day commercial operation of the business and the delivery of the Business Plan to those individuals within a framework agreed by the Council. This will include:
- Rent setting.
 - Letting policy.
 - Marketing strategy and property lets.
 - Management and maintenance arrangements in relation to the properties.
 - Rent arrears and debt recovery.
- 1.8 Management of the property in the Company's portfolio will require on going management, maintenance and a range of landlord services. These services will be procured, in line with Council procurement policies as required. The Company's procurement requirements will include:
- Letting/Management agents.
 - Professional services – including legal and tax
 - Contractors - for example property maintenance.
- 1.9 The Company is subject to the public contract regulations in relation to procurement where applicable.
- 1.10 A summary of the governance structure is provided below:

Function	
Sole Shareholder	Council taking decisions reserved for the shareholder in the company's articles of association and shareholder agreement. This would include approval of the annual company budget and business plan.
Company Scrutiny Panel	Three elected members appointed by the shareholder to oversee company activity and provide strategic guidance. Officers will attend panel meetings as required.
Board of Directors	Two Council employees' officers plus an independent person appointed by the shareholder and legally responsible for the company's performance, accounts and records.
Company Secretary	Duties will be administered by the Council's shared Legal Services team in accordance with the requirements of the Board of Directors.

ANNEX A – GOVERNANCE STRUCTURE

Landlord Services	Identified by the Board of Directors and responsible for the discharge of any duties and responsibilities delegated by the Board of Directors.
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BOARD SKILLS REVIEW

- 1.11 The Company shall prepare in respect of each financial year a report that analyses the skills of the Directors who comprise the Board against the requirements of the proposed business plan for the following year and considers any skills gaps or duplication and sets out a strategy for filling any gaps.
- 1.12 The Board will contain three Directors; these directors between them must demonstrate the following skills and experiences before appointment:
- A. Property Management and letting
 - B. Strategic Governance
 - C. Qualified CCAB Accountancy
- 1.13 The lay member of the Board must have local property letting and management experience.
- 1.14 The Board will be supported by the Company's solicitor and the appointed property letting and management company.

ANNEX B- COMPANY ASSETS (JUNE 2021)

COMPANY ASSETS

Property ID	Availability Date	# of Dwellings	Current Balance Sheet Value	Type	Source of Funds	Comments
Edenbrook Flats	May 2021	41 apartments	£7.46M	Affordable Rent	Initially through Internal borrowing Public Works Loan Board S106 for affordable housing	Completion due May 2021

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

FINANCIAL APPRAISAL

Summary Table

Property	16 x 1 bed; 25 x 2 bed
Purchase Price	£7,000,000
Stamp Duty Land Tax	£247,500
Other Acquisition Fees	£212,500
Property	16 x 1 bed; 25 x 2 bed
Rent (80% Market Rent)	Mean value £932.28 pcm.
Refurbishment provision	£25,000 p.a. (£610 per apartment)
Voids/Bad Debt	5%
Management/Letting fee	12.5% gross rent

Financial Projections

- 1.1 The financial model forecasts that the business will generate profits before tax in its first year. The first tenants are expected by end of June 2021.
- 1.2 90% of the profit after interest and tax will be returned to the Council from Year 1. The Council will also receive interest payments on the loan provided.
- 1.3 The Company will need to maintain a cash reserve of c.10% of gross income to meet its day-to-day obligations.
- 1.4 Income Statement, Balance Sheet and Cash Flow projections are provided in ANNEX D.

2 Funding

- 2.1 The funding provided by the Council to the Housing Company requires the use of internal borrowing, Public Works Loan Broad and ultimate a contribution from S106 monies allocated for the delivery of affordable homes (the Loans).
- 2.2 The Loans will be spread over a 50-year period. This enables cash flows to be forecast over the long term, but focus will initially be on the first 5-year development period.
- 2.3 The rate of interest is fixed for the term of the Loan at 2.8%. This provides a rate of return for the Council at 0.8% over the PWLB published rate of 2.00%. Capital costs will be repaid on a straight-line basis over a 50-year period.

3 Assumptions – further information

- 3.1 Voids / bad debts losses – this has been assumed at 5% which is in line with other affordable housing schemes in the south-east England.
- 3.2 Management and lettings administration costs have been assumed as 12.5% of total rental costs in line with market rates.

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

- 3.3 Refurbishment\maintenance allowances are assumed at £610 per dwelling per annum (inclusive of VAT). This covers day to day and cyclical maintenance costs such as redecoration. Major refurbishments are expected to be required for each property in year 6/7 after construction. In practice, some of these funds may not be needed initially so the equivalent sum will be set aside in an appropriate repairs reserve.
- 3.4 Insurance costs – allowance has been made within the model for building insurance to cover rebuild costs.
- 3.5 Rent assumptions: The Company will principally be focused on provided homes for 'key workers. The dwellings at Edenbrook consist of 16 one bedroom and 25 two-bedroom apartments. Current market rents are set out in the table below:

Type	Market Rent pcm	Affordable Rent pcm
1 bed	£950	£760
2 bed	£1,200	£960

- 3.6 The current assumption is that affordable rents will be set at 80% of the market rent and that the average unit rental will be in the range £760 - £1000 pcm. The Company would grant tenancies under the Assured Tenancy Regime of the Housing Act 1988. These will take the form of either periodic ('rolling') tenancies or assured short hold tenancies (which are for a fixed term i.e., a minimum of six months), or such other longer periods as agreed by the landlord and tenant. Secure tenancies under the Housing Act 1988 cannot be granted by the Company.
- 3.7 Rent increases will be in line with Government Guidelines: they can only be raised when the fixed term ends and must be fair and realistic – i.e., in line with reasonable rents in the open market.

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

PROJECTED INCOME STATEMENT

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

£	2021_22	2022_23	2023_24	2024_25	2025_26
Rent	245,600	449,984	473,334	487,534	502,160
Service Charge	4,100	5,002	5,149	5,304	5,463
Voids	-12,485	-22,749	-23,924	-24,642	-25,381
Total Income	237,215	432,237	454,559	468,195	482,241
Salaries	0	0	0	0	-25,000
Refurbishment	-20,833	-25,418	-26,165	-26,950	-27,758
Management/Letting Fee	-32,227	-53,996	-56,314	-58,004	-59,744
VAT Reclaim	10,090	14,354	14,894	15,341	15,801
Other costs	-10,000	-10,300	-10,609	-10,927	-11,255
Profit before Interest & Tax	184,244	356,877	376,365	387,655	374,285
Interest	-57,389	-88,201	-89,965	-91,764	-93,600
MRP Provision	-59,680	-59,221	-58,515	-57,796	-57,061
Taxation	0	-19,709	-51,725	-55,420	-57,553
Profit after Interest & Tax	67,175	189,746	176,159	182,675	166,071
Dividend	-60,457	-170,772	-158,543	-164,408	-149,464
Retained Income	6,717	18,975	17,616	18,268	16,607

Assumes:

- § Voids at 5%
- § All salary costs years 1-4 capitalised
- § Refurbishment costs will be accrued until required.
- § Inflation inbuilt at 3% pa on cost and income from April 2022
- § Other costs includes buildings insurance and accounting fees
- § Dividend @ 90% apart from year 1
- § Corporation Tax 19%

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

PROJECTED BALANCE SHEET

£	Opening	2021_22	2022_23	2023_24	2024_25	2025_26
Fixed Assets	7,460,000	7,460,000	7,460,000	7,460,000	7,460,000	7,460,000
Current Assets:						
Cash	1,000	26,551	60,693	94,224	129,191	113,557
Total Assets	7,461,000	7,486,551	7,520,693	7,554,224	7,589,191	7,573,557
Long-term Debt	7,460,000	7,342,931	7,312,578	7,311,520	7,310,440	7,309,339
Refurbishment Liability		18,833	34,001	49,916	66,616	34,374
Current Liabilities		117,069	147,422	148,480	149,560	150,661
Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Retained Earnings		6,717	25,692	43,308	61,576	78,183
	7,461,000	7,486,551	7,520,693	7,554,224	7,589,191	7,573,557

Assumes:

- § Loan £7.46M - Edenbrook Flats
- § Loan Term: 50 years
- § Interest Rate 2.8% reducing balance
- § Refurbishment allowance £25K p.a. - major repairs expected year 7/8.

ANNEX C - EDENBROOK FLATS: FINANCIAL PROJECTIONS

PROJECTED CASH FLOW

£	2021_22	2022_23	2023_24	2024_25	2025_26
Balance b/fwd	1,000	26,551	60,693	94,224	129,191
Lettings Income	237,215	432,237	454,559	468,195	482,241
Cash In Flow	238,215	458,788	515,252	562,419	611,433
Capital					
Interest	-117,069	-147,422	-148,480	-149,560	-150,661
Operating Costs	-32,137	-49,942	-52,029	-53,590	-80,198
Refurbishment	-2,000	-10,250	-10,250	-10,250	-60,000
Tax	0	-19,709	-51,725	-55,420	-57,553
Dividends	-60,457	-170,772	-158,543	-164,408	-149,464
Cash Out flow	-211,664	-398,095	-421,028	-433,228	-497,876
Bal c/fwd	26,551	60,693	94,224	129,191	113,557

ANNEX D - POTENTIAL FUTURE OPPORTUNITY

Property ID	Availability Date	# of Dwellings	Current Balance Sheet Value	Development Cost	Value after Development	Type	Source of Funds	Comments
The Swan	unknown	unknown	£1	unknown	unknown			Grade 2 listed derelict pub – potential for redevelopment.

ANNEX E - PROPOSED COMPANY SCRUTINY PANEL – TERMS OF REFERENCE

COMPANY SCRUTINY PANEL – DRAFT TERMS OF REFERENCE

1. Purpose of the Housing Property Management Company Scrutiny Panel

- 1.1. The purpose of the Housing Property Management Company Scrutiny Panel (the Panel) is to provide strategic guidance to the directors of the Company, including informing the Company of priorities of the Shareholder (the Council) that are pertinent to the operation and future development of the company.
- 1.2. The Panel will review the Company's business plan at least annually and advise Cabinet of its views
- 1.3. The meetings of the Panel will provide an opportunity for the Company to bring to the Shareholder's attention emerging issues or perhaps opportunities for new business ventures.

2. Membership and meetings of the Company Scrutiny Panel

- 2.1. The Panel is an integral part of the governance arrangements for the Company.
- 2.2. The Panel will comprise three members of Hart District Council's Overview and Scrutiny Committee.
- 2.3. Members of the Panel may invite officers of the Council to attend meetings to provide performance updates.
- 2.4. The Panel is not a constituted committee of Hart District Council. There is no requirement to maintain political balance nor to meet in public or publish any notes or minutes.
- 2.5. Members of the Panel will treat information shared by the Company as being commercially sensitive and therefore it will not be shared beyond the Panel without the permission of the Company's directors.
- 2.6. A Panel meeting will be held no less than twice a year. The Board of Directors will report to the Panel at each Panel meeting on the following items:
 - Financial performance in the previous quarter and year-to-date against the annual budget and latest business plan
 - Performance against agreed key performance indicators
 - Any matters previously agreed between the Company and the Shareholder
 - Other matters that arise from time-to-time.
- 2.1. A meeting of the Panel will only be quorate if at least two Panel members are present.
- 2.2. Unless otherwise agreed by a majority of members, not less than five clear

ANNEX E - PROPOSED COMPANY SCRUTINY PANEL – TERMS OF REFERENCE

- working days' notice shall be given to each of the members of the Panel, and to the Directors of the Company, for a meeting to be held. An agenda will be issued in advance of any meeting indicating the matters to be discussed, together with any relevant papers for discussion.
- 2.3. In addition, the Company will supply the members of the Panel with all information and data reasonably requested by the Panel to enable it to reach an informed judgment on any matter put before it.
 - 2.4. The Company will ensure that at least one director who is qualified to address the issues included on the agenda attends each meeting of the Panel.
 - 2.5. The Panel will hold an advisory role to the Shareholder, that is Cabinet, when it is making decisions on matters reserved for the Shareholder (or the Shareholder Representative if and when deemed appropriate by the Shareholder).
 - 2.6. Chairing of each meeting of the Panel will be determined by the members of the Panel present at that meeting.
 - 2.7. If a Panel member works for, is commissioned by or has any interest in the Company, the member shall declare this to the Panel immediately.
- 3. Review of these Terms of Reference**
- 3.1. The Terms of Reference will be reviewed by the Panel and the Company's representatives on an annual basis.
 - 3.2. Amendments may be agreed by the Panel (in consultation with Overview and Scrutiny Committee) and the Company representatives, so long as no amendment contradicts the Shareholder Agreement.
 - 3.3. Amendments to the Shareholder Agreement may be determined by the Shareholder, that is, through a meeting of Cabinet

**ARTICLES OF ASSOCIATION - TO BE ADDED ONCE AGREED AND
COMPLETE**

SHAREHOLDER AGREEMENT - TO BE ADDED ONCE AGREED AND COMPLETE