

Finance Strategy
2019 - 2022



Contents

Introduction	2
Executive summary	3
Context	4
Key achievements over the past four years	7
Purpose & objectives	8
Outcomes	9
Delivering the strategy	10
Measuring success	12
Monitoring the framework	13
References	13

Introduction

We were created in 2007 and are a locally based Housing Association in and around Northamptonshire with a commitment to:

- Develop a diverse range of new homes to meet local needs
- Work with our customers to provide **great** homes and Value for Money services
- Invest in communities where it supports our customers and protects our business

Our mission

We will work successfully with our customers and communities to provide **great** services and high quality living environments.

Our values



Respect

We will treat each other and anyone who deals with us with respect and recognise everyone as an individual.



Trust

We will be open and honest with our colleagues, customers and external partners and we will deliver on the commitments that we make.



One Team

We will be one team, working collaboratively, listening and communicating clearly with our customers, to deliver **great** services.



Empowered

We will be bold, progressive, seek to empower our customers and be confident in the decisions we make.



Efficient and Effective

We will work efficiently and effectively, continuously looking for ways to improve and deliver Value for Money.



Executive summary

The Finance Strategy is one of four strategies which underpin the new Corporate Plan for 2019 - 2022 and builds upon the key achievements delivered through our previous Treasury Strategy (2015 - 2019).

The overarching purpose of this strategy is: **To ensure we have a financially strong business plan that supports and delivers on our corporate objectives.**

We will do this by:

1. Maintaining the long term financial stability of Greatwell Homes and ensuring it has a business plan that is capable of withstanding a stress scenario.

2. Managing cash-flows to ensure the business has robust liquidity for its day to day operations and secondly releasing cash to invest in services and homes.
3. Maximising Value for Money whilst meeting our corporate and social objectives.
4. Complying fully with all corporate/charitable status responsibilities.

We will deliver this strategy through annual action plans that will be aligned to our corporate priorities and be flexible enough to respond to internal and external changes.



Context

Internal context

We are a financially strong, well managed and ambitious organisation. Over the period of our Corporate Plan 2019 - 2022, we will continue to become more efficient and ensure that provision of good quality homes, services and high quality living environments are a priority. Our Customer Charter sets out our customer commitments and is critical to the delivery of each of our strategies and their outcomes.

This strategy provides an integrated, strategic approach to managing the financial position of Greatwell Homes in order to support its strategic aims. The objective is to provide long-term financial sustainability and allow appropriate investment to support our mission, the Corporate Plan 2019 - 2022 and our vision.

The financial aims and objectives will be reviewed annually when the financial forecasts are updated. The reviews will take account of the other strategies and frameworks, in order to develop an overall balance that meets the needs of the organisation.

Essential to the development of the Corporate Plan 2019 - 2022 was the recognition that we need to respond to the financial challenges of the sector and to maintain a strong financial

position. Our modelling and stress testing indicates that, despite policies such as the four-year rent cut (2019/20 being the final year) and welfare reform stretching into the 2020s we are in a good position to finance our plans. We will continue to maintain a surplus before sales throughout this strategy period.

However, we want to release additional capacity to invest in services and more new homes. We will continue to focus on reducing our operating costs. In addition, we will review our income streams and policies that are in place with a view to maximising those streams where it is beneficial to do so and in line with our risk appetite. We will have a strong focus on Value for Money cost savings, service planning and budgetary discipline throughout this strategy period to support our ability to meet our ambitions.

Through the Asset Management Strategy, we will use a range of interventions to “churn” assets that fail to provide an acceptable return on investment or where there are sound reasons to reconsider asset use.

Strategic asset management has a role to play in supporting financial capacity for continued business growth. We will also seek further efficiency goals within our programme of

investments in the existing stock.

In addition to traditional sources, we will seek finance from the capital markets and institutional investors. In 2018/19 we secured our first private placement from Pension Investment Corporation and we intend to approach the market again during this strategy period. The overall strength of our financial position means we remain confident about accessing sources of funding at reasonable cost as we require.

We own and manage about 4,570 homes for rent and manage a further 120 shared ownership properties. Our development pipeline is set to deliver a mix of homes with around 30% for low cost ownership and 70% affordable rent with an element of market rent. This is the last year of the four year 1% rent reduction which reduced our income by £6.6 million between 2016 and 2020. Our business plan has been robustly stress tested reflecting the fall in income as well as our growth ambitions, as it remains an absolute priority to provide more affordable homes.

Treasury

It is important that our Treasury Strategy will continue to ensure:

- We will have funds available at the lowest



- possible cost to match our investment plan.
- We will minimise the cost of carry.
- Funding availability is aligned to our other three strategies; Growth, Transforming our Future and Asset Management.
- Restrictive covenants are avoided to ensure that the future activities are not unduly curtailed.
- We will keep refinancing risk within acceptable limits.
- We will keep the amount of properties charged to lenders to a minimum to ensure that future growth can be realised.
- All treasury functions will be compliant with the Treasury Management Policy to ensure that all risks are properly controlled.

The current funding position is outstanding debt stands at £49m, of which £39m is drawn down from the Barclays facility and £10m from PIC.

Our debt portfolio has a duration (which is a measure of how fixed a debt portfolio is) of 20.37 years, which is above our recommended range of 8.0 – 14.0 years.

We are in a healthy position and have circa £147.2m of valued security with £14.4m unallocated. In addition, currently 266 properties are uncharged awaiting valuation.

The recommended treasury strategy and target ranges are set out below:

	Target	Current
Minimum/maximum duration	Range of 8.0 years - 14.0 years (target 12 years)	20.37 years (11.56 when the Barclays loan is drawn)
Maximum floating debt in business plan in first five year	50%	33%

Taxation

It is important that we manage our tax affairs to minimise the taxation paid, whilst ensuring remaining compliant. HMRC's approach and expectation from large and mid-size businesses expect an approved tax policy forms part of overall corporate policy. The overall objectives of our tax statement are:

- Getting tax right to enable the right investment decisions
- Ensuring a controlled, transparent tax approach is in place to support the overall growth strategy, at the same time to minimise the risk of errors and oversights.
- Effective communications with HMRC and tax advisors to formulate the most appropriate and provide value for money.

- Achieve tax efficiencies to fulfil our charitable objectives.
- To ensure that the risk appetite is considered on a case by case basis, taking into consideration the ability to achieve value for money whilst ensuring the VAT and TAX compliance is maintained.

Income Streams

A key objective is to improve the level of surpluses in order to maintain a healthy financial position and to continue to invest in new homes and our existing services. Whilst we will be reviewing our cost base during this strategy period and ensuring it is delivering best value we will also be reviewing our income streams and associated policies.

Outlined in our Growth Strategy are areas where we will look to grow. These include exploring opportunities to sell our services to others with income generated being used to invest in more and improved homes and services for our customers.

We will also be looking at working with other for-profit providers that are entering the sector, which provide an opportunity for us to manage homes on their behalf and allow us to spread our costs and make a commercial return which will be reinvested into our business.



Key achievements over the past four years

Our Corporate Plan 2015 - 2019 was underpinned by six key strategies including the Treasury Strategy.

The key achievements over the last four years include:

- Refinanced £85m Loan Facility with Barclays in Summer 2015.
- Review and implementation of Service Charges Recovery model in December 2016.
- Obtained shadow credit rating which showed a strong rating of between AA3 and A1 in December 2016.
- Treasury Task and Finish Group (TTFG) reviewed Development Capacity and Funding Options in Summer 2017 and presented to Board offsite in October 2017.
- Revised Treasury Strategy incorporating the work carried out by the TTFG approved at Board in November 2017.
- Tax Statement approved by Audit and Risk Committee in May 2018.
- Successful presentations to Investors resulting in a £40m private placement on 29 March 2019.



Purpose & Objectives

The overarching purpose of this strategy is to ensure we have a financially strong business plan that supports and delivers on our corporate objectives.

We will do this by...

- 1** Maintaining the long term financial stability of Greatwell Homes and ensuring it has a business plan that is capable of withstanding a stress scenario.
- 2** Managing cash-flows to ensure the business has robust liquidity for its day to day operations and secondly releasing cash to invest in services and homes.
- 3** Maximising value for money whilst meeting our corporate and social objectives.
- 4** Complying fully with all corporate/charitable status responsibilities.



Outcomes

The key outcomes we expect from delivering this strategy for our employees and customers are summarised below.

Customers	Greatwell Homes
Ensure Rent and Service Charges policy support our customers where it adds value to do so.	Ensure necessary funds are in place to support delivery of the long term business plan.
Funds are in place to deliver Independent Living schemes that provide a good quality modern and affordable home which meets the need older people now and in the future.	Ensure full compliance with all tax, legislative and financial reporting.
Funds are in place to increase supply of homes to help more customers find an affordable home suitable for their needs.	Improved VFM.
Funds are in place to ensure that we deliver high quality living environments.	Full compliance with all regulatory standards.



Delivering the strategy

The objectives below will be supported by a three year action plan. All strategy objectives will support cross cutting action plans.

Objective	What we will do
<p>Maintaining the long term financial stability of Greatwell Homes and ensuring it has a business plan that is capable of withstanding a stress scenario.</p>	<ul style="list-style-type: none"> • It is essential in light of the current financial climate that we operate efficiently and effectively and will continue to strictly prioritise expenditure taking account of our Corporate Plan priorities. • Continue to align budget setting and monitoring process to delivery of the Corporate Plan priorities. • In order to effectively monitor and manage financial performance it is essential that the financial impact of all our activities are effectively and transparently communicated across the business and that we continue to benchmark against other relevant peers. • We need to ensure that we effectively comply with our covenant requirements stipulated by our banks and investors and communicate our financial performance to them in a timely manner. • We will continue to actively manage our cost base and will incorporate VFM principles in all of our activities. • Financial and non financial performance will be combined and reported to Board quarterly. • VFM metrics will be measured and reported quarterly and annually to Board as part of the Finance and Performance report. • Brixx is the, business planning tool used by the finance team; an assessment of its effectiveness with other providers will be undertaken over the strategy period. • Stress tests will be reviewed and updated to reflect the current economic climate and risks associated with delivery of the plan.
<p>Managing cash-flows to ensure the business has robust liquidity for its day to day operations and secondly releasing cash to invest in services and homes</p>	<ul style="list-style-type: none"> • Treasury management comprises the management of Greatwell Home’s cash flows, debtors and creditors, banking, money market and capital market transactions. It includes the effective control of the risks associated with those activities, and the pursuit of optimum performance. • We will monitor and manage cash wisely to ensure there are sufficient cash reserves to meet our long-term investment and annual working capital needs and will continually review the appropriateness of our loan and investment decisions. • We will update the Treasury and Investment Management Policy in light of the new strategy. • Surplus cash will be invested to achieve optimum returns whilst reflecting the Board’s appetite for risk. • We will continue to work with our Treasury advisors whose contract will be reviewed during the first year of this strategy.



Objective	What we will do
<p>Maximising value for money whilst meeting our corporate and social objectives.</p>	<ul style="list-style-type: none"> • We must continue to expand income across a range of services and continue to diversify. • Actively bid for managing stock for other providers (sector and non sector) in our defined areas of operation where it makes sense to do so. • These activities will be scrutinised carefully to ensure sustainable financial benefit is delivered and all associated risks are identified and considered. • We will review our rent and service charge policies to ensure that we maximise our income in line with decisions made by the Board.
<p>Complying fully with all corporate/charitable status responsibilities</p>	<ul style="list-style-type: none"> • We will continue to conform to all the legal requirements set out in the various elements of tax legislation. • We will ensure that VAT and tax returns are completed and submitted on time, and the appropriate payments made by the due dates. • We will endeavour to claim all relief and allowances to minimise any VAT and tax liabilities. • We will proactively understand and fully utilise the remaining VAT recovery from the VAT shelter arrangement. Due to the values involved, approach HMRC where appropriate and bring the VAT shelter to an end at the correct time.



Measuring success

In order to measure our successes in delivering this strategy we will use a combination of new and existing key and operational performance indicators (KPIs and OPIs).

The following table provides measures that will be adopted for the purpose of this strategy.

Targets will be set as part of the annual Corporate Planning cycle, and will be aligned to priorities, risks and strategic objectives. Individuals will have targets set as part of their annual appraisals which complement these targets.

A high level action plan sets out the key activities that will be progressed over the next three years aligned to the relevant objective. As part of the annual Corporate Planning cycle the action plan will be reviewed and updated to ensure that our plans can respond to any changes in the external operating environment and are aligned to our strategic objectives and wider corporate priorities.

Measure	
VFM Metrics	Operating margin (overall) %
	Asset cover
	Interest cover (EBITDA MRI)
	New supply delivered (social units)%
	Reinvestment %
	Return on capital employed %
	Gearing %
KPIs & OPIs	Reinvestment %
	Gearing %
	Return on capital employed %
	Overall Operating Margin (as per RSA VFM metrics calculation)
	Interest cover EBITDA-MR (as per RSA VFM metrics calculation)
Other	Net present value (NPV) of total stock



Monitoring the framework

References

There is a clear process in place for identifying, assessing and monitoring risks including providing assurance and overall compliance. Full details can be found in our Risk and Assurance Framework.

In order to ensure our objectives are met we will review this strategy on an annual basis and report the outcomes of the review to the Executive Management Team (EMT) and to Board as part of a Corporate Plan update.

Corporate Plan	<ul style="list-style-type: none"> This strategy is one of four which underpin the Corporate Plan 2019 - 2022.
Growth Strategy	<ul style="list-style-type: none"> This strategy will support with the Growth strategy of delivering more homes.
Transforming our Future Strategy	<ul style="list-style-type: none"> This strategy will support in delivering the ambitions of our Transforming our Future strategy
Asset Management Strategy	<ul style="list-style-type: none"> This strategy will support with the Asset management Strategy of providing well maintained, safe and secure homes and high-quality living environments that meet the needs of our current and future customers.
Value for Money and Procurement Framework	<ul style="list-style-type: none"> In delivering this strategy we will ensure that all contracts are procured efficiently via our online platform. We will ensure that we are able to divert our resources to those who require them the most, thereby delivering value for money.
Risk, Assurance and Compliance Framework	<ul style="list-style-type: none"> The key risks and mitigations associated with the delivery of this strategy are reflected in the strategic risk and assurance map which is reviewed by Audit and Risk Committee and the Board on a quarterly basis. The Board will need to determine its appetite for Treasury risk on an annual basis
Communications Framework	<ul style="list-style-type: none"> We will promote the actions linked to this strategy through an effective communications plan, ensuring the message is accessible and relevant to its target audience.
Customer Involvement Framework	<ul style="list-style-type: none"> We will consult with the Customer Assembly on the objectives and proposals set out in this strategy regarding rent and service charge policy as part of the first-year action plan. As per the above where service policy proposals directly affect our customers we will actively seek and listen to their views and fully involve them in the design process.





E: customer.services@greatwellhomes.org.uk
T: 01933 234450

Twitter: @greatwellhomes

Facebook: www.facebook.com/greatwellhomes/

Linkedin: www.linkedin.com/company/greatwell-homes/

**12 Sheep Street
Wellingborough
Northamptonshire
NN8 1BL**

