



## **STRATEGIC BUSINESS PLAN 2018 - 2023**

**Improving opportunities for people**

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# 1. Foreword

Hello, and welcome to emh group.

We are living in a time of housing and care crisis. Through housing associations, 120,000 homes will be built by 2033 in the East Midlands region<sup>1</sup> to help meet projected demand. The needs of our customers are changing and in many cases increasing, we have an ageing population with a fragile care system, and we have new challenges facing both the housing and care sectors. We want to remove the stigma attached to the social housing and care sectors and to bring about a change in perceptions so our customers, colleagues and others across the sectors can be proud about social housing and care. We have a lot to achieve, but emh group is already very proud to provide housing and care services to customers and service users in over 19,000 homes with a turnover of £107 million and over 1,000 employees.

In shaping this business plan, our Boards have actively engaged with our customers and colleagues to understand their perspectives on where our priorities should be. These views are captured within this plan and our strategic objectives. By the end of this five year plan emh group will have increased the number of homes managed to at least 21,500 and will be providing sustainable person centered care and support services to over 1000 people through emh care and support . We will work smarter and harder to create and support thriving communities.

We are ambitious and motivated to achieve our aims and objectives; and to invest in the partnerships, staff and services to ensure we succeed. At emh group, our **Mission** is to:

***“provide housing and care to improve opportunities for people”***

We are a leading housing and care business. We have a strong reputation, built on years of good sustained performance, but this does not mean we will rest on our laurels. Our Board and Executive Team are committed to reaching our **vision** by 2023:

***“to be the best social housing and care business in the country, leading the market as service provider and employer”***

We have strong **values** that underpin everything we do:

|                       |   |
|-----------------------|---|
| <b>Integrity</b>      | We work to the highest ethical standards              |
| <b>Diversity</b>      | We respect others for who they are                    |
| <b>Openness</b>       | We are honest and straightforward                     |
| <b>Accountability</b> | We are accountable to and influenced by our customers |
| <b>Clarity</b>        | We are clear about what we are here to do and why     |
| <b>Excellence</b>     | We strive to be the best in everything we do          |

These values are fundamental to achieving our newly revised **objectives**:

To deliver ambitious plans to **develop new homes to own and rent**, meeting a range of housing needs.

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<sup>1</sup> Home Truths 2017/18 – National Housing Federation

To **develop our people offer**, ensuring there are opportunities for personal growth, talent management and succession in order to increase the impact of individuals and teams across the group.

To **invest in the housing and neighbourhood service** where it is needed most, making services fit for the future, managing our existing homes and investing in and engaging with the diverse communities that live there, increasing our feedback options and putting customers right at the heart of what we do.

To **develop a clear vision and strategy** for our Care and Support arm that delivers 'outstanding' services to the people we support.

To **remain a resilient and financially robust business** by continuing to demonstrate value for money; efficiency and effectiveness; and by providing the financial and other resources needed to deliver our services and continue to grow.

Our objectives remain relevant even when facing unprecedented changes to our operating context - changes that have and continue to present us with both challenges and opportunities and we embrace both. The 2015 budget cuts required us to bring about a fundamental shift in our business planning as a result of a four year rent reduction plan, welfare reforms, and reductions in local government budgets impacting on the delivery of care and support services. We now also face the still somewhat unknown impact of BREXIT and the defining and tragic Grenfell fire. emh group is well placed to respond to these challenges.

This year we have fully reviewed our business plan, realigning it with our mission and vision and identifying new projects, plans and ongoing improvements to services. This review, along with our strong reputation, the trust our customers and stakeholders have in us and our highly committed and value driven workforce will help to make our vision a reality.

David Russell  
Chair emh group

Chan Kataria  
Group Chief Executive

## 2. External factors affecting emh group

The sectors in which emh group operates have changed dramatically over the past few years. The political, economical, social and environmental climates have given us challenges and opportunities. We are not expecting these to lessen over the coming years.

What we will do is prepare our business to respond to the changes, opportunities and uncertainties presented by the operating environment. Even in this environment emh group has thrived, successfully delivering improvements and many achievements. Each year we review the risks we face and these are detailed in our risk map (Appendix 4). Key environmental factors affecting emh group are outlined below.

### Welfare Reform and Income:

The return to a rent formula of CPI + 1% is not expected to cause problems for most working families on lower quartile incomes according to the National Housing Federation's 2017 research; however, we understand that impacts will vary widely across the country. We are conscious that we need to ensure our rents and services remain affordable as the roll out of Universal Credit continues in our areas of operation until the end of 2018. Our income team has managed the impact well, achieving a low current rent arrears level of 2.93% as of 31 March 2018. However, our business plan includes provisions for increased levels of debt should the full impact of Universal Credit make sustaining such low level arrears more challenging going forward.

### Political Changes:

The appointment of a new Housing Minister, and a new Ministry for Housing, Communities and Local Government, shows a renewed Government focus to deliver more homes and build communities. In the last five years we built more than 1,500 homes, including our award winning PassivHaus energy efficient housing development. We secured £200m of Bond Finance to build more homes. This renewed Government focus presents opportunities for emh group to continue our growth objective and help meet housing need.

### Homelessness:

In 2015/16 local authorities accepted 58,000 households as homeless and there were over 4,000 people sleeping rough in the UK. We participated in a rough sleeper count in Leicester City in November 2017, where 31 rough sleepers were found on a single night (7<sup>th</sup> November 2017). 25% of those experiencing homelessness have spent time in care. There is no doubt that both the housing and care sectors need to respond. We are committed to delivering on a strategy that compliments the requirements of the Homelessness Reduction Act.

### Care and Support:

Our care and support arm joined emh group in 2013 and has added to our portfolio of successful services and improved its financial position too. We are therefore better able to respond to the adult social care crisis. We currently provide care and support to vulnerable clients groups. We want to increase this provision, but we acknowledge that with changes to the supported housing funding and local authority partners making substantial cuts to public funding, this is difficult. We will review and where necessary revise our service to deliver the increased care and support our vulnerable client groups really need. The Care Quality Commission rated the majority of our services as 'Good', but we are striving for 'Outstanding' ratings for our services from our service users and the Care Quality Commission.

Households aged 65 and over are expected to increase by 58% to 903,000 by 2035. This presents an opportunity to bring our housing and care offer together for the benefit of our customers and the public purse.

The recruitment, retention and development of our staff is vital to our success. This is a significant challenge facing the care sector as a whole.

## Regulatory Framework:

We are a housing and care Group. We are therefore bound by the requirements of both the Regulator of Social Housing and the Care Quality Commission. We are able to effectively manage our risks and respond to any regulatory changes required of us.

## Financial Viability and Value for Money:

A key part of delivering our services as efficiently as possible is understanding the costs and main drivers, setting targets for key financial measures and understanding how our costs compare to our peers. We used the Housemark benchmarking tool and have recently adopted the Sector Scorecard approach. We delivered strong performance against the key measures in the Sector Scorecard during the 2016/17 year and our highlights include:

- ✓ Maintaining our top quartile performance for social housing cost per unit
- ✓ Improved operating margin from 25.6% to 31.6%
- ✓ Delivery of 331 new homes achieving 2.1% growth in units
- ✓ Achieving a 4.2% return on investment
- ✓ Delivering £1.9m efficiency gains in cash terms during the year.

In 2017/18 we are on target to match or improve this level of performance.

We want to ensure that our services are efficient and that our customers believe they are receiving value from their rent and charges. We welcome the new approach to value for money from the regulator. In addition to the sector wide financial metrics we will update our value for money strategy to measure the delivery of wider value for money measures. We believe one of the ways we can offer greater Value for Money is through the use of mobile technology. We spent more time out in our communities through the use of mobile working technology in recent years and intend to increase this.

## Technology:

We continue to embrace the digital transformation agenda and are keen to explore options that support our organisational improvement objectives. Our approach is not digital by default – but digital where appropriate as we recognize that accessing services digitally is not easy or appropriate for all our customers. We are offering our services in digital ways including improving assistive technology use in our sheltered and care services; virtual offices through our agile working and digital access to our services.

## Housing Green Paper:

The anticipated housing green paper will present us with a wide range of issues to deal with, but we are not expecting these to be 'new' issues. The health and safety of our homes; the quality and management of our homes; the rights of our tenants are already at the forefront of our day to day work. We have started our journey of anticipating and addressing the issues, our resident led Scrutiny Panel achieved the TPAS/Chartered Institute of housing Quality Assured Scrutiny Accreditation; and over the first three years of social housing rent reductions we improved our overall customer satisfaction levels from 76% to 81%. We will respond further to the housing green paper supporting the need to address the funding and infrastructure requirements that will help to deliver the much needed additional social housing and community cohesion across our homes.

## Social Care Green Paper:

We welcome the Government proposals to publish a 'social care for older people' green paper during the summer of 2018 and our work to reposition our own care and support service will mean we can actively respond to the paper setting out what we believe to be of local, regional and national importance for the sector.

### 3. SWOC analysis

As part of our business planning process, we undertake a review of the organizational and sector strengths and weaknesses and the opportunities and challenges that we face. An outline of these is given below.

#### 3.1 Strengths

- Strong Governance
- Strong values and reputation
- Strong executive leadership and staff commitment and skills
- Robust financial viability
- Wide range of quality services provided
- Political and sector influence
- Strong stakeholder relations
- Proven track record for growth through successful partnerships
- Strong Consumer Regulation
- Group Structure ring fencing activities
- Efficiency/Value for Money
- Expertise and specialisms across care and support, housing and rural issues

#### 3.2 Opportunities

- Developing links into the Industrial Strategy including funding
- Increased profile of the housing sector
- Digitalisation
- Mergers and consolidation in both housing and care sectors
- Selling our services i.e. development partner agency, in-house maintenance service, care and support
- Housing, Health and Care integration
- HS2
- Increasing demand for services for older and vulnerable persons
- Devolution and combined authorities
- Rent certainty for the sector

#### 3.3 Weaknesses

- Viability of In-house maintenance service
- Under utilisation of customer profile information
- HR metrics require expansion
- Geographically restricted to the traditional East Midlands region
- Digital offer requires review
- Open market sales not exploited
- Ageing stock profile
- Over reliance on care and support commissioning income
- Limited number of care and support partners

#### 3.4 Challenges

- Voluntary Right to Buy pilot
- BREXIT uncertainty
- Skills shortages in competitive jobs market
- Land supply and competition
- Increasing vulnerability of customers and community cohesion
- Funding for sheltered and supported housing, including personalised budgets
- Falling real wages
- Welfare reform

## 4. Strategic Business Goals

### 4.1 Growth and Business Development

emh group is the housing association with the largest number of homes in the East Midlands region. We have exciting plans to further diversify activities through market sale and private rent, whilst retaining and strengthening our market share in our core affordable products – after all, this is why we exist. We will expand to other locations where there is a demonstrable need for affordable housing, and where housing market conditions can support an active development programme and where our housing, care and support services are needed. Appendix 3 shows our current areas of operation.

In our last plan (2017 – 2022) we committed to building 2,150 units by 2022. Working in partnership with Homes England, Local Authorities and Developers we are pleased to say that we will meet this commitment and plan to grow our programme to over 500 quality homes a year, building 2,500 homes between 2018 and 2023.

emh group believes in improving opportunities for people and therefore, to help people who aspire to own their own home, we have our own sales team agency and re-sales service, operating under the commercial brand of Hello Homes. They have a successful track record in selling properties, with all homes built in 2017/18 being either fully sold or reserved. To help more people into home ownership, we are increasing our programme from 70 units in 2018/19 to over 160 in 2019/20 and by 2023, we plan to have sold more than 700.

emh group will explore opportunities for growth through strategic partnerships and acquisitions and has adopted the National Housing Federation's Merger Code and developed a Merger Strategy.

We consider the provision of rural housing to be valuable in helping to keep people in local communities. Through our unique operating business, Midlands Rural Housing, we will continue to provide a wide range of skills and expertise in the assessment of rural housing needs across the East and West Midlands, the development and management of homes, strategy formulation and lobbying for rural housing provision. We also intend to continue to build in rural communities and plan 50 new homes per year.

<https://www.midlandsrural.org.uk/media/2887/mrh-business-plan-2017.pdf>

emh group will look for opportunities to develop effective influencing links with key business and other forums to contribute to the delivery of the Industrial Strategy, to influence investment in regional infrastructure and workplace skills and to promote links between housing, health and social care in order to widen our offer to potential partners and service users.

It is our intention to grow the care and support business during the life of this plan.

## **Key Strategic Goals – Growth and Business Development:**

- We will actively seek out opportunities for expansion through acquisition and partnering, including merger opportunities that align with our values and requirements.
- We will contribute to the Government's ambitions to deliver 300,000 homes by achieving our own development target of 2,500 new homes through a range of products and methods including modular construction.
- During the term of this plan we will work in collaboration with Homes England and other development partners. This includes as lead partner for the Quantum development consortium, partnering with builders and with local authorities to achieve increased housing provision.
- We will explore further opportunities to provide our services to others including:
  - ✓ development agency and sales services
  - ✓ home maintenance services
  - ✓ gardening and landscape maintenance services
- We will develop a social enterprise strategy, which will include our approach to measuring social return on investment. This strategy will define our 'offer' for complimentary but diversified services and products.

## 4.2 People and Organisational Development

Employing over 1,000 people places a great responsibility on us to ensure we are an employer of choice, offering career pathways and developing a well-trained and highly motivated workforce. Our aim is to ensure we have high levels of colleague engagement and a productive, motivated and included workforce.

In 2016 we developed our HR vision, followed by our HR Strategy in 2017. These provide the framework and define our approach to investing in our staff, managing talent and how this links into our overall mission to **‘to provide housing and care to improve opportunities for people’** – this includes our workforce.

We have a highly successful apprenticeship and traineeship programme provided through ‘emh Academy’ and our vision for the next five years is to build on this, developing more opportunities for a wider pool of talent, leadership development and coaching.

We recognise we work in sectors (Housing and Care) where skills shortages exist and see it as one of our key drivers to ‘grow our own’ and provide greater opportunities for staff to move around within the business to find their niche.

We work closely with staff consultative bodies and recognised Trade Unions, and value the contributions they make to us remaining an employer of choice and successful social business.

We firmly believe in ensuring the health, safety and wellbeing of our employees and any other persons who are affected by our working practices. In March 2017, we refreshed our Health and Safety responsibility structure and will continue to build on this during the next five years.

## Key Strategic Goals – People and Organisational Development:

- Initiate an Organisational Development programme to develop an organisational culture that celebrates diversity, empowers staff, embraces change, and manages and values talent.
- Review our rewards and recognition frameworks to ensure we attract and retain staff.
- Refine and continue to roll out our Learning and Development Strategy, including our leadership development and coaching for performance programmes.
- Further develop our approach to talent management and succession planning.
- Expand the emh Academy, making full use of the Apprenticeship Levy, offering a range of options for people wishing to pursue work based qualifications, traineeships and apprenticeships.
- Actively promote the health and wellbeing of our colleagues.
- Refresh the skills and diversity of the Board to align to the current operating environment.

### 4.3 Housing and Neighbourhood Services

emh homes is the main body for the delivery of housing services within the Group, whilst Midlands Rural Housing provides much needed housing and development services to rural communities.

emh homes is committed to growing and developing its Property Services function, with a vision that the internal maintenance service, including emh Sharpes our gardening and landscaping service, becomes a successful, market leading business, with a reputation for excellent customer focus, service quality and value for money. We recognise that excellent repairs services are a key driver of satisfaction for our customers.

Over the last three years emh homes has undergone a full review and restructure of the way in which services are delivered and has moved to more agile working, including digital, mobile, and customer service hub methods.

Our commitment to delivering great customer housing and neighbourhood services starts with ensuring our tenants are at the centre of shaping those services. emh group's consumer regulation arrangements have been developed in partnership with active residents and provide opportunities for residents to influence service delivery and the strategic direction of the group, and to hold decision makers to account.

We have TPAS Quality Assured Scrutiny accredited tenant scrutiny arrangements that are independent from Board and staff. Our dedicated Scrutiny Panel has been trained to examine landlord performance across all areas and make recommendations directly to Board.

### Key Strategic Goals – Housing and Neighbourhood Services:

- Establish high performing and highly effective estate services and community development services.
- Maximise our impact in alleviating homelessness through the implementation of our homelessness strategy, including the roll out of our 'Housing First' pilot in Leicester City.
- Increase resident engagement and feedback opportunities, bringing the views and comments made by our customers together into meaningful learning that influences service development.
- Develop a strategy for the future of the older persons' housing stock, neighbourhood and support services, including more collaborative working between emh homes and emh care and support to provide holistic support solutions.
- Ensure the highest standards of safe working practices, ensuring our homes and communities are safe places to live and work.
- Increase the use of customer information to target and improve services in order to achieve top quartile satisfaction levels.
- Increase efficiency outputs by providing more digitally accessible customer services.
- Continue to develop our in-house maintenance service to be an effective, productive and viable business unit.

## 4.4 Care and Support

emh care and support's core client groups are services for people with learning disabilities, older people, and specialist services which includes services to support people with physical disabilities, people requiring mental health support, homeless people including mothers/fathers and babies, and people at risk of or experiencing domestic violence. We work closely with emh homes to provide some of these services and we intend to enhance this joint working going forward.

Underpinning our commitment to providing effective care and support services is our strong tradition of service user and carer involvement helping to shape our service delivery. We want this service delivery to be outstanding, judged by our service users and our regulator.

We have recently completed a review of the demand for supportive housing and this has revealed an annual shortfall of 46,771 supported housing units if current trends continue by 2024/25 across Great Britain. We know we need to respond and our growth strategy will identify ways we can do this.

We have a good reputation, particularly in the Derbyshire area. We need to expand this geography where it makes sense to do so through the development of a cohesive housing and care offer, working with emh homes.

emh care and support is redefining itself and so is in a period of self review and appraisal to determine its future strategy.

## Key Strategic Goals – Care and Support:

- Review and expand our care and support services including:
  - Appraising existing services to determine which we are best placed to support going forward
  - Expanding the range and geography of the services we provide, where this would compliment our business and growth aspirations
  - Working with emh homes to integrate our housing and care services to provide a holistic support solution for customers
- Deliver outstanding care and support services as judged by our regulator and customers.
- Actively seek opportunities to diversify our income streams across a range of care and support services.
- In line with our values and core client group, we will actively promote employment opportunities for people with disabilities.

## 4.5 Business and Financial Resilience

emh group is committed to being an effective and efficient social business, achieving strong governance and financial viability across all our activities. In early 2018, following an In Depth Assessment (IDA) by the Social Housing Regulator, we retained their highest ratings for viability and governance.

We have developed streamlined, flexible and effective skills-based Boards, adopting the National Housing Federation's Code of Governance. The emh Group Board takes a lead on setting the values and strategic direction, providing a delegated authority framework for operating Boards to deliver the highest standards of customer services and improve performance on a continuous basis. Investing in and developing our Board members is key to our success.

We aim to achieve our social and business objectives in the most cost-effective way possible. We have a wide range of activities to ensure the delivery of financially viable services:

- ✓ The Group Board has responsibility for setting strategic priorities for Value for Money;
- ✓ Customers are involved in shaping services and scrutinising how their rent is spent;
- ✓ Teams manage performance and benchmark;
- ✓ There is effective financial management including accurate and relevant financial information; clear efficiency targets reflected in budgets; and effective procurement across the Group.
- ✓ Social return on investment is measured to assess the wider social impact of services.

We are currently in year three of a four-year rent reduction directive. This has seen us need to make efficiency gains of £4m yearly since 2016 to address a shortfall in income of £11m by 2020/21. However, we continue to be a strong and viable provider with an A+ rating from credit rating agency Standards and Poor's.

We are committed to ensuring that our business systems are flexible and scalable in order to anticipate and respond to change. This includes the prioritization and delivery of our ICT strategy and digital vision, ensuring that they meet the current and future needs of the business.

ICT and digital technologies are supporting the group to transform its business.

### Key Strategic Goals – Business and Financial Resilience:

- Provide sufficient liquidity and funding to meet growth objectives whilst maintaining our financial strength with sufficient financial headroom.
- Retain our A+ rating from Standard & Poor's
- Introduce new unit cost targets for Value for Money ensuring the growth in unit costs are below the anticipated level of inflation.
- Manage and maintain our housing assets to maximise their performance.
- Review our entire approach to Risk Management and Assurance systems including our audit processes, risk map and control systems.
- Invest in digital solutions that enable us to effectively manage, shape and improve performance in key services.
- Undertake a performance information review across the business, ensuring we have appropriate systems and tools to produce highly effective reporting and performance management information to support delivery of business objectives.

## 5. Financial Projections

Our plan for 2018-2023 is included in our 30 year financial projection and has been stress tested. The summary below shows that we will maintain our strong financial position whilst providing more homes, care and support services.

| <b>Consolidated Statement of Comprehensive Income</b>  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>EMH Group Consolidated Financial Plan - 2018-19</b> |                  |                  |                  |                  |                  |
| <b>Period: 01 April 2018 - 31 March 2023</b>           |                  |                  |                  |                  |                  |
|  | <b>2018-19</b>   | <b>2019-20</b>   | <b>2020-21</b>   | <b>2021-22</b>   | <b>2022-23</b>   |
|  | £000's           | £000's           | £000's           | £000's           | £000's           |
| <b>Income From Lettings</b>                            |                  |                  |                  |                  |                  |
| Total Rent Receivable                                  | 74,107.9         | 75,715.8         | 79,956.9         | 84,324.1         | 89,107.9         |
| Service Charge Income                                  | 9,610.9          | 9,827.1          | 10,048.2         | 10,274.3         | 10,505.5         |
| <b>Gross Rental Income</b>                             | <b>83,718.8</b>  | <b>85,542.9</b>  | <b>90,005.1</b>  | <b>94,598.4</b>  | <b>99,613.4</b>  |
| Less Voids   | (1,429.5)        | (1,459.2)        | (1,528.3)        | (1,599.3)        | (1,677.1)        |
| Management Charge Income                               | 28.9             | 29.5             | 30.2             | 30.9             | 31.6             |
| <b>Net Rental Income</b>                               | <b>82,318.2</b>  | <b>84,113.2</b>  | <b>88,507.0</b>  | <b>93,030.0</b>  | <b>97,967.9</b>  |
| Other Revenue Grants                                   | 66.0             | 68.0             | 69.9             | 71.7             | 73.7             |
| Grant Amortisation                                     | 2,297.5          | 2,389.5          | 2,504.1          | 2,605.9          | 2,734.2          |
| First Tranche Sales Income                             | 13,729.6         | 13,160.1         | 12,238.8         | 12,259.2         | 14,103.8         |
| Care And Support Income                                | 13,485.2         | 13,788.6         | 14,098.9         | 14,416.1         | 14,740.4         |
| Other Income   | 1,615.7          | 1,672.2          | 2,354.1          | 2,401.0          | 1,819.0          |
| <b>Total Turnover From Social Housing Lettings</b>     | <b>113,512.2</b> | <b>115,191.6</b> | <b>119,772.8</b> | <b>124,783.9</b> | <b>131,439.0</b> |
| <b>Total Operating Costs</b>                           | <b>83,374.4</b>  | <b>85,695.3</b>  | <b>88,192.4</b>  | <b>90,892.1</b>  | <b>96,313.5</b>  |
| Efficiencies   | 0.0              | (257.5)          | (264.6)          | (271.9)          | (279.3)          |
| <b>Surplus (Deficit) On Social Housing Lettings</b>    | <b>30,137.8</b>  | <b>29,753.8</b>  | <b>31,845.0</b>  | <b>34,163.7</b>  | <b>35,404.8</b>  |
| Lifeline I&E   | 13.6             | 13.1             | 12.5             | 11.9             | 11.2             |
| Surplus Deficit On Sale Of Properties                  | 1,129.2          | 1,542.9          | 1,593.5          | 1,280.2          | 1,313.8          |
| Contingencies  | (1,027.9)        | (667.1)          | (851.6)          | (873.8)          | (896.5)          |
| <b>Surplus Before Interest and Tax</b>                 | <b>30,252.7</b>  | <b>30,642.7</b>  | <b>32,599.4</b>  | <b>34,582.0</b>  | <b>35,833.3</b>  |
| Interest Collected                                     | 3.4              | 3.3              | 3.2              | 3.1              | 3.0              |
| Interest Payable                                       | (20,153.9)       | (21,440.7)       | (21,578.0)       | (21,706.6)       | (22,749.8)       |
| <b>Surplus Before Tax</b>                              | <b>10,102.2</b>  | <b>9,205.3</b>   | <b>11,024.6</b>  | <b>12,878.5</b>  | <b>13,086.5</b>  |

| <b>Consolidated Statement of Financial Position</b>    |                   |                   |                   |                   |                    |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>EMH Group Consolidated Financial Plan - 2018-19</b> |                   |                   |                   |                   |                    |
| <b>Period: 01 April 2018 - 31 March 2023</b>           |                   |                   |                   |                   |                    |
|  | <b>2018-19</b>    | <b>2019-20</b>    | <b>2020-21</b>    | <b>2021-22</b>    | <b>2022-23</b>     |
|  | £000's            | £000's            | £000's            | £000's            | £000's             |
| <b>HOUSING ASSETS</b>                                  |                   |                   |                   |                   |                    |
| Housing Properties at cost                             | 934,399.0         | 993,112.6         | 1,044,270.9       | 1,116,028.5       | 1,197,561.1        |
| Depreciation   | (131,996.8)       | (147,578.9)       | (164,163.1)       | (181,808.5)       | (200,569.4)        |
| <b>Net Book Value Of Housing Properties</b>            | <b>802,402.2</b>  | <b>845,533.7</b>  | <b>880,107.8</b>  | <b>934,220.0</b>  | <b>996,991.7</b>   |
| Other Fixed Assets                                     | 12,228.3          | 12,391.0          | 12,471.1          | 12,462.5          | 12,783.3           |
| <b>Total Fixed Assets</b>                              | <b>814,630.5</b>  | <b>857,924.7</b>  | <b>892,578.9</b>  | <b>946,682.5</b>  | <b>1,009,775.0</b> |
| <b>Current Assets</b>                                  |                   |                   |                   |                   |                    |
| Cash   | 5,000.0           | 23,153.0          | 5,000.0           | 5,000.0           | 5,000.0            |
| Other  | 18,690.0          | 19,026.3          | 19,699.6          | 20,391.6          | 21,067.6           |
|  | 23,690.0          | 42,179.3          | 24,699.6          | 25,391.6          | 26,067.6           |
| <b>Current Liabilities</b>                             | <b>(17,712.9)</b> | <b>(17,758.1)</b> | <b>(17,897.9)</b> | <b>(18,187.0)</b> | <b>(18,644.7)</b>  |
| <b>Net Current Assets</b>                              | <b>5,977.1</b>    | <b>24,421.2</b>   | <b>6,801.7</b>    | <b>7,204.6</b>    | <b>7,422.9</b>     |
| <b>Total Assets Less Current Liabilities</b>           | <b>820,607.6</b>  | <b>882,345.9</b>  | <b>899,380.6</b>  | <b>953,887.1</b>  | <b>1,017,197.9</b> |
| <b>LONG TERM LIABILITIES</b>                           |                   |                   |                   |                   |                    |
| Outstanding Loan Balance                               | 405,097.9         | 451,822.5         | 449,736.9         | 480,234.1         | 518,684.2          |
| Loan Fees  | (3,678.3)         | (4,009.7)         | (3,846.0)         | (3,682.5)         | (3,518.8)          |
| Deferred Government Grants                             | 227,061.4         | 233,265.9         | 241,251.6         | 252,488.9         | 264,425.6          |
| Pension Provisions                                     | 11,100.1          | 10,796.6          | 10,503.7          | 10,233.8          | 9,907.5            |
| RCGF   | 3,251.6           | 3,490.5           | 3,729.5           | 3,729.5           | 3,729.5            |
| <b>NET ASSETS</b>                                      | <b>177,774.9</b>  | <b>186,980.1</b>  | <b>198,004.9</b>  | <b>210,883.3</b>  | <b>223,969.9</b>   |
| <b>Capital and Reserves</b>                            |                   |                   |                   |                   |                    |
| Restricted Reserves                                    | 2,939.2           | 2,939.2           | 2,939.2           | 2,939.2           | 2,939.2            |
| Retained Surplus                                       | 174,835.7         | 184,040.9         | 195,065.7         | 207,944.1         | 221,030.7          |
|  | <b>177,774.9</b>  | <b>186,980.1</b>  | <b>198,004.9</b>  | <b>210,883.3</b>  | <b>223,969.9</b>   |

| <b>Consolidated Statement of Cash Flow</b>               |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>EMH Group Consolidated Financial Plan 2018-19</b>     |                   |                   |                   |                   |                   |
| <b>Period: 01 April 2018 - 31 March 2023</b>             |                   |                   |                   |                   |                   |
|  | <b>2018-19</b>    | <b>2019-20</b>    | <b>2020-21</b>    | <b>2021-22</b>    | <b>2022-23</b>    |
|  | £000's            | £000's            | £000's            | £000's            | £000's            |
| <b>Operating Activities</b>                              |                   |                   |                   |                   |                   |
| Cash Received From Customers                             | 96,290.5          | 98,598.2          | 103,830.0         | 108,561.6         | 113,080.8         |
| Cash Paid To Suppliers                                   | (27,323.2)        | (28,244.4)        | (29,082.1)        | (29,939.0)        | (30,886.8)        |
| Cash Paid To Employees                                   | (26,891.5)        | (27,950.1)        | (28,870.9)        | (29,667.9)        | (30,487.6)        |
| <b>Net Cash From Operating Activities</b>                | <b>42,075.8</b>   | <b>42,403.7</b>   | <b>45,877.0</b>   | <b>48,954.7</b>   | <b>51,706.4</b>   |
| <b>Returns On Investments &amp; Servicing of Finance</b> |                   |                   |                   |                   |                   |
| Interest Collected                                       | 3.4               | 3.3               | 3.2               | 3.1               | 3.0               |
| Interest Paid  | (20,866.3)        | (22,800.5)        | (22,084.0)        | (22,583.6)        | (23,894.1)        |
| <b>Net Cash From Investment Returns &amp; Finance</b>    |                   |                   |                   |                   |                   |
| <b>Servicing</b>   | <b>(20,862.9)</b> | <b>(22,797.2)</b> | <b>(22,080.8)</b> | <b>(22,580.5)</b> | <b>(23,891.1)</b> |
| <b>Provisions for tax</b>                                | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        |
| <b>Investing Activities</b>                              |                   |                   |                   |                   |                   |
| <b>Acquisition And Construction Of Properties:</b>       |                   |                   |                   |                   |                   |
| New Development  | (66,568.2)        | (63,931.6)        | (55,760.4)        | (74,904.2)        | (84,179.0)        |
| Capitalised Maintenance                                  | (9,276.1)         | (8,680.0)         | (8,937.8)         | (9,203.2)         | (11,536.9)        |
| Purchase Of Other Fixed Assets                           | (2,013.7)         | (1,634.5)         | (1,671.4)         | (1,708.7)         | (2,293.8)         |
| Grants   | 8,550.8           | 9,047.6           | 10,728.8          | 13,843.1          | 14,671.0          |
| Sales Of Properties                                      | 19,179.0          | 17,030.1          | 15,710.8          | 14,841.1          | 16,746.0          |
| <b>Net Cash From Investment Activities</b>               | <b>(50,128.2)</b> | <b>(48,168.4)</b> | <b>(39,930.0)</b> | <b>(57,131.9)</b> | <b>(66,592.7)</b> |
| <b>Net Cash Before Financing</b>                         | <b>(28,915.3)</b> | <b>(28,561.9)</b> | <b>(16,133.8)</b> | <b>(30,757.7)</b> | <b>(38,777.4)</b> |
| <b>Financing</b>   |                   |                   |                   |                   |                   |
| Debt Draw Down   | 0.0               | 75,000.0          | 0.0               | 0.0               | 0.0               |
| Capital Repayments                                       | (2,967.9)         | (8,321.2)         | (6,942.5)         | (8,986.4)         | (21,122.2)        |
| Loan Working Capital                                     | 19,964.1          | (19,964.0)        | 4,923.4           | 39,744.1          | 59,899.6          |
| <b>Net Cash From Financing</b>                           | <b>16,996.2</b>   | <b>46,714.8</b>   | <b>(2,019.1)</b>  | <b>30,757.7</b>   | <b>38,777.4</b>   |
| <b>BALANCE BROUGHT FORWARD</b>                           | <b>16,919.1</b>   | <b>5,000.0</b>    | <b>23,152.9</b>   | <b>5,000.0</b>    | <b>5,000.0</b>    |
| <b>INCOME LESS PAYMENTS</b>                              | <b>(11,919.1)</b> | <b>18,152.9</b>   | <b>(18,152.9)</b> | <b>0.0</b>        | <b>0.0</b>        |
| <b>CLOSING BANK POSITION</b>                             | <b>5,000.0</b>    | <b>23,152.9</b>   | <b>5,000.0</b>    | <b>5,000.0</b>    | <b>5,000.0</b>    |

## Appendix 1 – emh group Overview

emh group is a social housing and care provider operating across the East Midlands since we were established in 1946. The Group describes itself as “profit for purpose”, signifying our commitment to demonstrating an increasingly commercial mindset, with a focus on efficiency, value for money and sweating assets in order to deliver our social purpose.

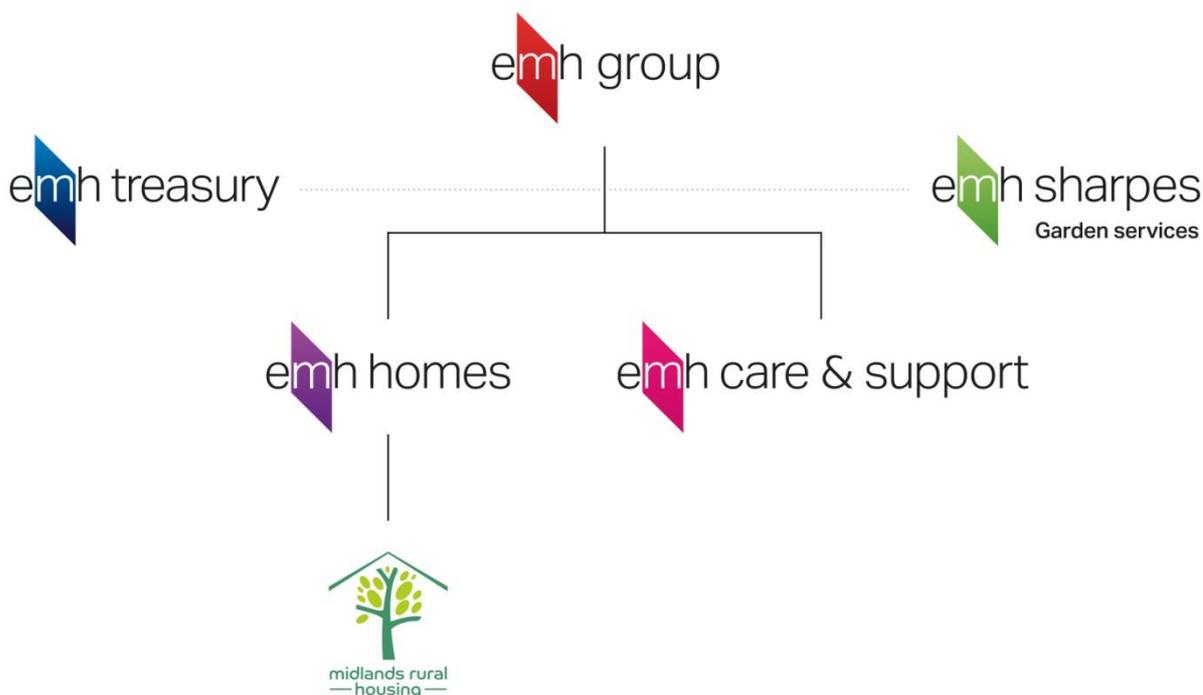
Our group structure comprises of:

- emh group – a registered Provider under the Co-operative and Community Benefit Society Act 2014 – non-charitable;
- emh homes – a registered provider under the Co-operative and Community Benefit Societies Act 2014;
- emh care and support – a company limited by guarantee and registered with the Charities Commission.

The Group also includes three specialist legal entities:

- EMH Treasury PLC, a special purpose vehicle established primarily to raise funds through the Debt Capital Markets;
- Midlands Rural Housing provides management and development services to four rural housing associations, managing around 1,500 homes around the East and West Midlands. It also provides specialist rural consultancy services and campaigns for more investment in rural affordable housing, brings rural development opportunities to the Group and is a non registered provider under the Co-operative and Community Benefit Societies Act 2014;
- emh Sharpes is an in-house landscape maintenance company which acts as a social enterprise within the Group.

## Appendix 2 – Group Structure from September 2013



### East Midlands Housing Group Limited (trading as emh group)

*Group Parent*

*Registered Provider under the Co-operative and  
Community Benefit Society Act 2014 - Non-charitable  
Registered Provider 30476R*

*Registered Provider L4530*

Sets the strategic direction for the Group and provides a range of support and development services to subsidiary companies.

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### emh Care & Support Limited

*Subsidiary of EMH Group*

*Company Limited by Guarantee – company number  
02488821*

*under the Charities Commission – charity number  
1001704*

Provides landlord and day care services to adults with learning disabilities. Delivers circa 10,000 hours of care and support each week within a supported living, registered care and nursing home environment.

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### East Midlands Housing and Regeneration Limited (trading as emh homes)

*Subsidiary of emh group*

*Registered Provider under Co-operative and  
Community Benefit Society Act 2014 – Charitable  
Registered Provider 32198R*

*Registered Provider 4775*

Formed in 2013 as the result of the amalgamation of four independent housing associations. Provides landlord services to circa 19,000 mixed tenure properties across the region. Also leads the Quantum Development Consortium which is an investment partner with the Homes and Communities Agency.

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### Emh Treasury PLC

*Public Limited Company of emh group*

A special purpose vehicle set up primarily to raise funds through the Debt Capital Markets.

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**Sharpes Garden Services Limited**

*Subsidiary of emh group*

*Limited by Guarantee (non-charitable)*

*Company no. 03653423*

Provides garden maintenance and landscaping services within the Group. Acts as social enterprise with profits generated to support the provision of apprenticeships for young local people across the Group.

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**Midlands Rural Housing and Village Development Association Limited (trading as Midlands Rural Housing)**

*Subsidiary of emh homes*

*Not registered with HCA*

*Non-registered Provider under the Co-operative and Community Benefit Society Act 2014 - Non-charitable Registered Provider 24278R*

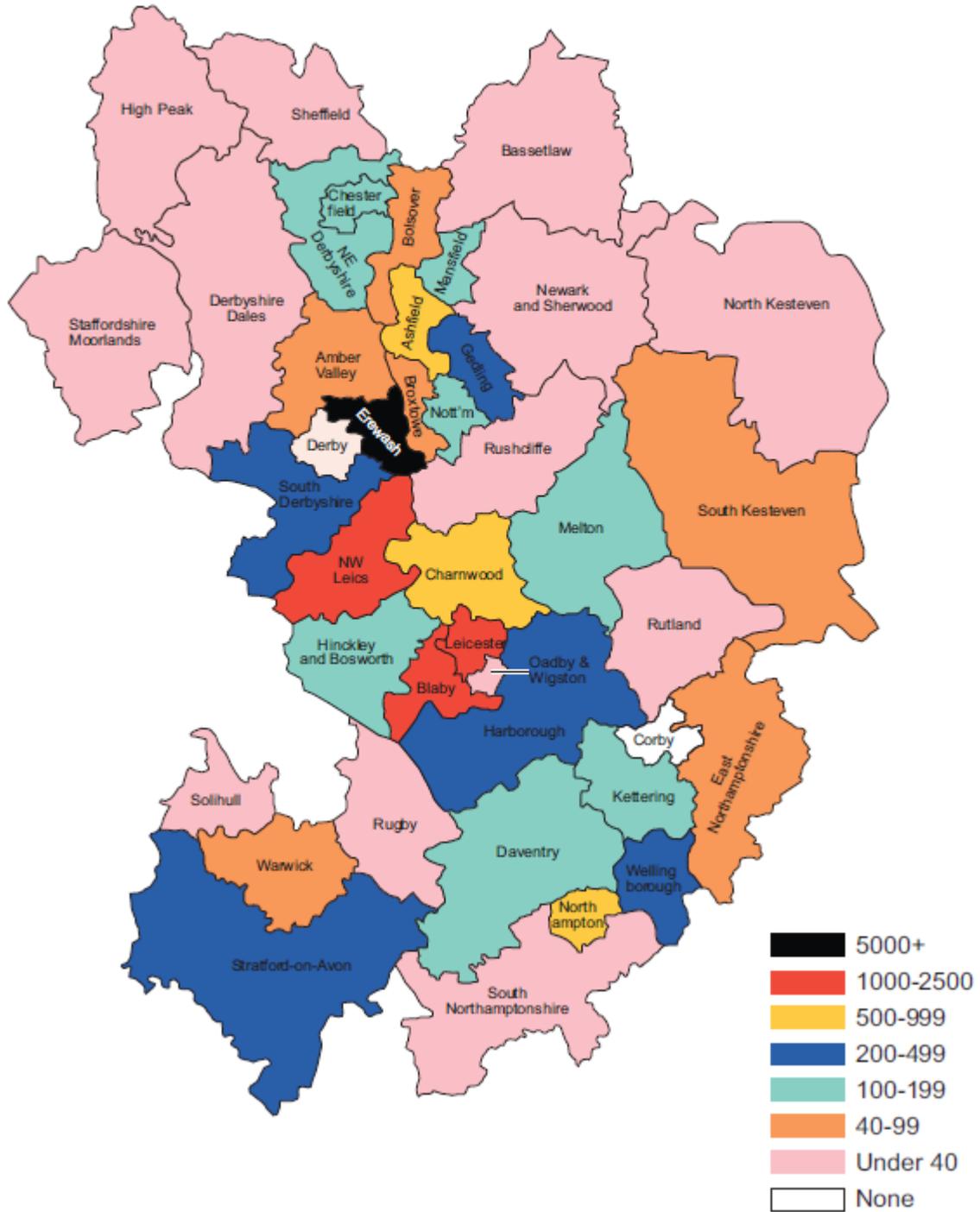
Provides specialist management services to four independent rural housing associations.

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Appendix 3 – Geographical Spread of emh Stock Profile



**emh group**  
Homes owned and homes where management services are provided.



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## Appendix 4 – Strategic Risk Map Summary 2018/19

| Business theme ref                              | Risk  | Cause & Effect  |
|---|---|---|
| <b>1. Growth &amp; Development</b>              |   |   |
| 1.1   | <b>Unable to deliver development programme</b>  | Lack of affordable land, increasing building costs and a market downturn ultimately reduces our ability to meet development programme objectives  |
| <b>2. Business &amp; Financial resilience</b>   |   |   |
| 2.1   | <b>Economic Conditions threatening financial viability</b>                              | Weak economic conditions with high inflation and interest rates causing increases in operating costs. Ultimately leading to breach of covenants.  |
| 2.2   | <b>Treasury risk leading to lack of funding and liquidity</b>                           | Brexit impact leading to a funding crisis, which increases the cost and reduces availability of funding.  |
| 2.3   | <b>Non compliance with H&amp;S requirements</b>   | Diverse business activities and a dispersed workforce mean that there is a wide range of complex H&S requirements that need to be met across the group.   |
| <b>3. People &amp; organisation development</b> |   |   |
| 3.1   | <b>Ineffective governance</b>   | Inability to recruit or retain Board Members with the diverse range of skills and perspectives needed to meet the ongoing requirements of a growing and diversified business.                           |
| 3.2   | <b>Unable to attract/ retain skills to meet business objectives</b>                     | Restricted capacity within business plan to keep pace with wage inflation in a competitive jobs market with skills shortages and low unemployment rates.  |
| <b>4. Care &amp; support</b>                    |   |   |
| 4.1   | <b>Inability to provide effective, compliant and viable care &amp; support services</b> | Significant breach of Regulation with CQC leading to reputational damage.<br>Reduction in commissioning income leading to loss of viability.<br>Retrospective payments relating to sleep-in provisions. |
| <b>5. Housing &amp; neighbourhoods</b>          |   |   |
| 5.1   | <b>Deterioration in Housing Assets</b>  | Lack of robust Asset management Strategy and delivery of maintenance programmes leading to deterioration of stock and lowering of customer satisfaction.  |
| 5.2   | <b>Unable to deliver effective Customer &amp; Neighbourhood Services</b>                | Poor customer satisfaction levels that lead to reputational damage and higher turnover of properties.   |
| 5.3   | <b>Adverse impact of welfare reform on income streams</b>                               | Lower levels of income collection and financial inclusion activities which have an adverse impact on the financial viability of the organisation as well as customers.                                  |

## Appendix 5 – Vision Metrics

In order to deliver our vision to be the best housing and care organisation in the country, it is our aim that by 2023 we will:

- Establish 6 Local Authority homelessness partnerships
- Have Good or Outstanding Care Quality Commission ratings on all our services
- Deliver care and support services to 1000+ service users across 4 Counties
- Develop at least 2,500 new homes
- Help 1000 households into home ownership
- Develop 3 new extra care schemes
- Have 90% staff engagement rates
- Deliver 250 traineeships and apprenticeships
- Have 100% of our leaders trained as coaches
- Have 90%+ customer satisfaction
- Have 90%+ satisfaction with the condition of our homes, and with their neighbourhoods
- Have doubled the number of actively involved tenants, to a minimum of 100 (note this is in addition to other feedback received from tenants such as surveys and comments)
- Have top quartile performance on rent arrears and void management
- Have commenced 2 comprehensive regeneration schemes
- Retained our A+ Standard and Poors' rating
- Have 65%+ of customers accessing our services digitally
- Have achieved Investors in People Gold across the Group
- Have achieved BS ISO 45001:2018 Occupational Health and Safety Management Systems
- Have workforce and board membership demographics that reflect the communities we serve