Thorngate Churcher Trust

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Go for it!

How one small housing provider proved it is possible to pursue their ambitious aspirations despite the economic headwinds

Anne Taylor

CEO Thorngate Churcher Trust

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In an ideal world how many people would like to do more?

- Net zero
- obtaining sponsorship licence for our care home staffing
- or developing new homes

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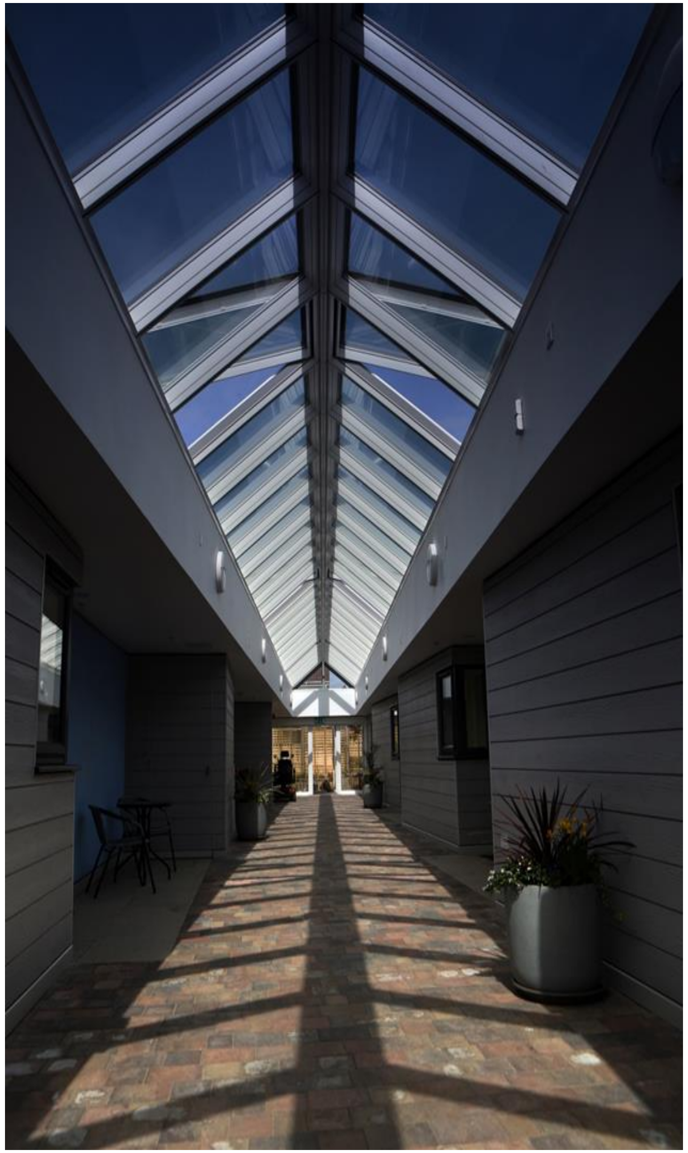
What did I do?

1. **Clear board strategy**
2. **Find land, with architect & QS calculate units, cost & viability**
3. **Option land, understand planning & acquire**
4. **Tender & put scheme on HE radar through consortium, repeatedly value engineer**
5. **Build relationships with key HE people & funders**
6. **Once grant approved, loan processes & pre-contract negotiations**
7. **SOS Hurrah!**



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Three key messages:

1) Build relationships

2) Don’t let perfect be the enemy of good

3) Hold your nerve & don’t take no for an answer

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Development Viability

Andrew Markham

Overview

The Housing Association sector methodology

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Here to help your teams build more homes!

Land and Scheme Appraisal

Development Benchmarking

Training & Coaching

Full Development Policy & Procedures Manual

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The Housing Association sector methodology

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Investing for the long-term, using rent over time, to pay off the development costs

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Private House Builders areTraders

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Private House Builders areTraders

Housing Associations are Investors

The principle of Affordable Housing viability is the long-term **Net Rent** paying off the **Long-Term Loan**

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Financial Evaluation and Risks

Ensuring a positive **Net Present Value** (NPV)

Long-Term Business Plan (LTBP)

Regular “stress-testing of the (LTBP) required by Regulator

The main Financial Result drivers in the sector are;

NPV

IRR

Loan Payback Year

Net Present Value (NPV)

NPV provides an evaluation of the projected future monies, determined by the:

NPV Discount Period
&
NPV Discount Rate

All depending on your RISK appetite

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Assessing Development Viability

“The Tale of Two Cashflows” or periods

Development Cashflow

&

Long-Term Cashflow

Short Term Development Period

Assess the Total Scheme Costs, resulting loan to be paid off
Account of the Total Scheme Costs (TSC)

Development Capital Costs

\+ Land
\+ Build
\+ Fees
\+ Contingencies
\+ Interest (Short Term Dev Interest)

= Total Scheme Costs
\- Sales (private or SO)
\- Grant or Internal Subsidy

= Loan left on Scheme

Long Term Management Period

Focuses on whether Income will pay off the Loan (Expenditure) over time

Gross Rent less “Management & Maintenance” Allowances

\+ Gross Rent
\- Management Costs
\- Responsive Maintenance
\- Major Repairs / Planned Maintenance Costs
\- Voids and Bad Debts
\- Service Costs / Service Charges

= Net Rent

(All subject to the follow over the long-term)

Inflation on costs and allowances
NPV Rate and NPV Discount Period

Management & Maintenance (M&M's)

Management and Maintenance Allowances are usually averaged from the providers' existing activities/stock, **or** from the integrated budgets and long-term business plan (LTBP) **and** included in an annual report approved by the Board as **'Development Appraisal Assumptions'**

We provide a robust review of your current assumptions v. the sector and trends

Overall Viability in Development

The development appraisal provides a financial view of a scheme and typically assists in determining its long-term financial viability.

The longstanding principle of Affordable Housing viability is the Long-term Net Rent paying off the Long-term Loan.

There are usually **two main** evaluation journeys going on inside a robust appraisal assessment

1) **What year after First Handover will the Net Rent pay off the Long Term & Interest**

2) **What is the Net Present Value of Project Income vs Project Cost over a chosen period of time (Net Rent + Capital Receipts – Loan)**

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However, other non-financial considerations an organisation should review before giving approval

We generally view a scheme as viable when

- ❑ It meets the Development Strategy
- ❑ The Cost to Value relationship is acceptable*
- ❑ It can repay its Loan*
- ❑ It adds Value to the organisation*
- ❑ Any Internal Subsidy required is acceptable*
- ❑ The necessary Grant/Subsidy is available
- ❑ It does not adversely upset the Business Plan
- ❑ The Risks are acceptable

***Only these can be answered by the financial appraisal**

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Free team Health Check

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Acuity Benchmarking Conference

Carolyn Sims

18th April 2024

About Us

We exist to support, strengthen and grow social sector organisations

- The loans and savings bank for charities, social enterprises and people who want to make the world a better place
- Our vision is for a society that fosters vibrant communities and a healthy planet, giving every individual the opportunity to thrive
- Over 1,100 loans made for over £500 million since our inception
- 100% owned by charities and social purpose investors

Owned by the social sector, for the social sector

ALTERNATIVE BANK SCHWEIZ

bank workers charity
Supporting the banking community

Baring Foundation

Barrow Cadbury Trust

BIG SOCIETY CAPITAL

CAF Charities Aid Foundation

THE CLOTHWORKERS' FOUNDATION

The Community Foundation for Northern Ireland

CUMBRIA COMMUNITY FOUNDATION

THE DRAPERS' COMPANY 1364

Esmée Fairbairn FOUNDATION

Frederick Mulder Foundation

Garfield Weston FOUNDATION

THE HELP FOR ALL TRUST

IGEN TRUST

Lankelly Chase

NCVO

Nuffield Foundation

THE PHILLIPS FUND

Places for People

RBS SOCIAL & COMMUNITY CAPITAL

Samworth Foundation

the Tudortrust

Vodafone Foundation

wates foundation

What makes Charity Bank different?

A committed partner

A social sector specialist

Patient and supportive

Loans tailored to you

Our loan terms

- £50,000 up to £10million+ (larger loans delivered in partnership)
- We provide bespoke debt structures
- Terms up to 25 years
- We provide development finance
- No early repayment penalty on variable rate loans unless re-financed with another lender in the first five years

What lenders look for

- Evidence of demand for your services
- Well developed plans
- Timely and accurate financial accounts
- Evidence of affordability
- Good governance
- Security as secondary source of repayment
- Internal risk assessment/register
- Significant tangible Social Impact

What else should you look for from your lender?

- A fast and efficient process
- Process and costs set out at the outset
- Social sector expertise
- Supportive approach
- More than money: ethics, values and ethos

Risks & Issues Associated With Development

- **Planning**
- **Costs/Funding/VAT**
- **Board & Management Capacity**
- **Dealing with lenders**
- **Dealing with contractors**
- **Lawyers**
- **Disruption**
- **Utilities**
- **Uncertainty**
- **Dealing with grant providers/regulators**
- **CQC Registration**
- **Sales/Letting**
- **Staffing**

Important Information

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Nothing within this document should be deemed to constitute advice or a recommendation. If you are in any doubt about the action you should take or whether you can adhere to our terms of business or your obligations under any loan agreement, you should seek the advice of your solicitor, accountant or other professional adviser before any course of action is taken.

Loan applications are subject to a credit assessment, which does not impact your credit score. There is no guarantee that you will receive any funds following the submission of a loan application. Rates/fees depend on individual/business circumstances.

By entering into a loan agreement, you are putting any property and/or assets secured on the loan at risk should you default and cannot make repayments in accordance with the terms and conditions of the loan provided to you and some or all of the funds lent to you may become repayable immediately.

The Reach Fund is a grant programme which is funded by Access – The Foundation for Social Investment and is open to organisations based in and operating in England. Charity Bank is an Access Point – a social investor who can refer charities and social enterprises to the Reach Fund so that they are able to apply for a grant. For full details and eligibility criteria visit: www.reachfund.org.uk

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