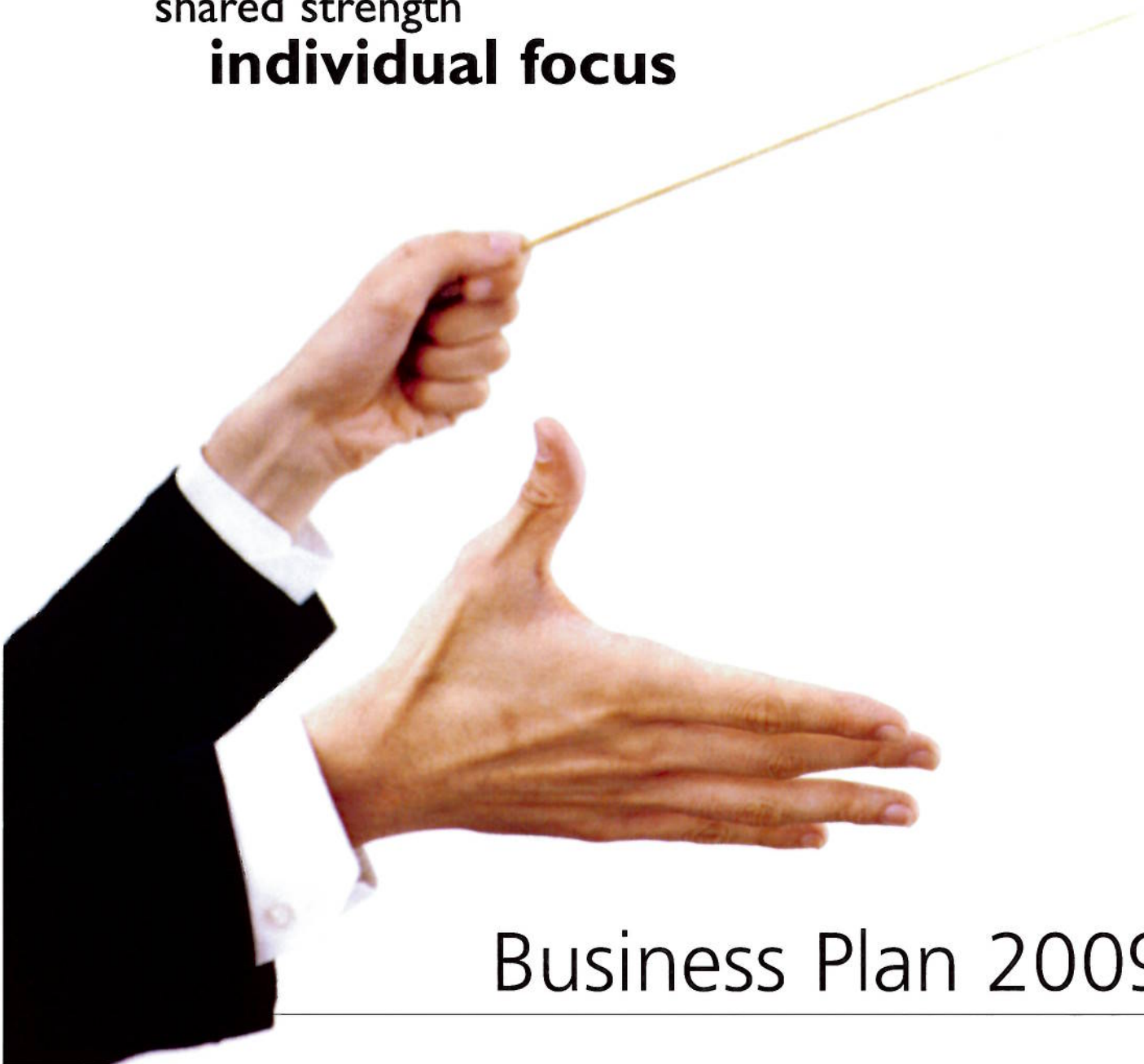


shared strength
individual focus



Business Plan 2009

'With 15,000 homes – and growing all the time – we now deliver services in close to 40 local authority areas, stretching from Herefordshire to Norfolk and from Humberside to Milton Keynes.'

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GROUP COMPANY IDENTITIES



SECTION ONE

EXECUTIVE SUMMARY

- 1-1** This Plan builds upon the new strategic direction on which we embarked in 2006. At that time we agreed to prioritise the work on improving our services and seeking excellence in what we do as a major means of achieving our growth objectives. We intend to provide excellent services to our tenants and customers and to our member companies. This new Business Plan notes the progress we have made in this regard it also heralds a major strategic change which will result in a revised Business Plan being produced later in the year.

The major strategic development we are planning this year is designed to enable us to get the best out of our whole group. We intend to build on our great strengths by ensuring that all member companies have the opportunity to benefit from progress and excellence

To do this we propose to amalgamate two member companies with overlapping areas of operation (Longhurst Homes and Havelok Homes). This will have a number of beneficial effects:-

- providing a financially stronger, single member company;
- enabling us to improve services to customers;
- freeing resources to be refocused on group wide strategies.

- 1-2** In the past year we have achieved some really positive progress in our performance. For example,

- Committing over £45million of grant funding in our 2008/09 development programme on behalf of the Blue Skies Consortium which we lead. As a result 1,048 homes have been started on site and 822 completed in our areas of activity.
- Spire Homes have been selected as preferred partner working with Rutland County Council towards the transfer of the housing stock to enable a full scale repairs and improvement plan to be put in place for 1,250 homes in Rutland.
- Longhurst Homes have won the Chartermark Award for their entire service demonstrating their commitment to excellence and to their customers.

- Havelok Homes have achieved top three star ratings for all three of their registered residential care homes. This gives residents and their families reassurance of the excellent standards being maintained for these vulnerable customers.
- The group as a whole has completed a full strategic review of its ICT services and systems with the support of NCC consultancy and is ready to embark on a consolidation strategy designed to provide consistently excellence services across the group.
- Friendship Care and Housing were recognised by Birmingham’s Supporting People Team, for delivering “excellent” support services. This followed an in depth review which considered service user and stakeholder comments, policies and procedures and a number of validation visits to the service. The excellent rating was achieved by each of the Learning Disability, Mental Health and Young People’s services. As a result, providing the services are deemed cost effective, 3 to 5 year contracts could be offered which will secure the medium term future of these services.

1-3 Our business environment has been radically changed by the recent legislation introducing the “Homes & Communities Agency” (HCA) and the “Tenants Services Authority” (TSA).

The initial signs of our development success are that work with the HCA is going well and we have been pleased with the flexible and positive approach they have taken. However, we recognise that the increased range of partners of the HCA poses greater challenge and competition for resources. We intend to meet those challenges successfully and our plans are to strengthen our resource to do this.

The TSA is currently involved in a “National Conversation” with customers and we expect the outcome to be more robust and relevant standards with an effective regulator overseeing performance. We welcome this as part of our excellence agenda and we believe we are well placed to work with the TSA in future on a shared strategy to create great services, involved customers and talented staff.

We believe that we are well placed within our area of operation to benefit from the growth agenda set out by government and from our own strategies for continuous improvement and seeking excellence as a consequence.

SECTION TWO

GOING FORWARD TOGETHER

2-1 INTRODUCTION

This is the second group-wide Business Plan which brings together the strategic planning of all Longhurst group companies with the financial data for the whole group. Our member companies continue to prepare budgets and plans for their own purposes.

As we have pursued our agenda of excellence in recent years we have concluded that the group would gain greater quality, greater value for money and be more efficient if we maximise the team work of the whole group.

2-2 “SHARED STRENGTH AND INDIVIDUAL FOCUS”

Our corporate approach has long been encapsulated in the “Going Forward Together” strategy in which we seek “to grow, to continuously improve and to communicate better”. We now emphasise the “togetherness” aspects of this strategy. This plan has been based both on the individual strategies of each member company and the emergent strategies in which companies work together whether through the parent or in direct partnerships. In short we share our strengths whilst maintaining individual focus too.

Each member company has particular objectives and strategies it must pursue. These are strategies for growth, service improvement, more efficient operations and better financial performance. All companies need to address some challenges specific to them but there are also challenges common to several or even all companies in the group. It is in these common challenges that our planning is moving to a group-wide response.

2-3 OUR GROUP WIDE VISION

Our vision is of a group of mutually supportive companies, working together to improve services to our customers, constructively challenging our results and methods, seeking economies of scale and better value for money and placing greater emphasis on delivery of high quality homes and services.

We intend to achieve this vision without eroding the character and identity of our individual member companies which we value as the bedrock of our group.

2-4 OUR VALUES

All companies share values which help to define our group and bring us together:-

2.4.1 We focus on the needs and aspirations of our customers

- we listen and understand
- we have clear service standards
- we build strong customer relationships

2.4.2 We value diversity and respect all people

- we ensure equality of opportunity in all our work
- we respond to the needs and expectations of our communities
- we build awareness of cultural diversity in our organisation

2.4.3 We seek effectiveness and efficiency in our work

- we encourage creativity and welcome different views
- we are committed to continuous improvement
- we embrace change and have a 'can do' attitude

2.4.4 We are honest, open and accountable

- we keep people informed
- we explain our actions and decisions
- we deliver on our promises

2.4.5 We invest in our people and set high standards

- we train and develop staff and Board Members alike
- we are energetic and focussed on our objectives
- we are respectful, polite and courteous

2.4.6 We value teamwork

- we have confidence and take ownership of issues
- we work together and support each other
- we earn the trust of our stakeholders and communities

2.4.7 We are committed to providing homes and services which are affordable

- we help create places where people want to live
- we value communities where people live positively together
- we know housing and care is about much more than bricks and mortar

2-5 AIMS AND OBJECTIVES

The strategic aims and business objectives of our group are as follows:-

STRATEGIC AIMS

- (1) To improve and then maintain group company performance to top quartile standards in key business areas within four years.
- (2) To seek and maintain excellence in customer service standards at all times.
- (3) To expand group member companies stock to 5,000 – 7,500 homes each within four years.
- (4) To grow the overall size of the group to over 25,000 homes within four years.
- (5) To reduce the overhead cost of managing all homes in the group by 3% in real terms by 2010.

BUSINESS OBJECTIVES

- (6) To put our customers first and focus on what they want.
- (7) Together with our member companies to seek continuous improvement through tenant involvement and best value strategies to maintain a modern, effective and respectful service.
- (8) To provide excellent communications and computer based systems to improve management and outcomes for customers.

- (9) To be innovative and forward looking in developing new services and improving existing ones.
- (10) To seek new transfers of stock to existing or new member companies.
- (11) To deliver our targets under the partnering agreement for development with the Housing Corporation for the 2008/2011 programme.
- (12) To bid for one-off management contracts in our area of activity provided they are of adequate scale and offer long-term opportunities for business growth.
- (13) To develop new retirement housing schemes and other market related development opportunities through Keystone Developments (LG) Ltd.
- (14) To seek new support service projects through Havelok Homes, Spire Homes and Friendship Care and Housing.
- (15) To seek out and admit new group member companies where consistent with this plan and group strategy.

SECTION THREE

OUR PLANS FOR THE FUTURE

3-1 GENERAL

In this section we have set out some of our plans for achieving our strategic aims and business objectives. These plans are further developed in each company so as to identify responsibilities and actions of managers and staff which will help us achieve our aims and objectives.

During the late winter and early spring of 2008/09 the Group Board and all Member Company Boards considered and approved a new Business Strategy (a copy of the Business Case Document is attached at Appendix 4). This strategy comprises six main changes for the group:-

- 3.1.1 The amalgamation of Longhurst Homes and Havelok Homes to form one new company combining the strengths of both existing companies.
- 3.1.2 The appointment of a Group Managing Director to oversee the services provided to member companies to lead the group management team.
- 3.1.3 The appointment of a new Director of Excellence in the parent company to work with member companies to drive forward performance standards, to ensure effective benchmarking and consistency on service standards and to develop services and systems across the group.
- 3.1.4 The creation of a “Chief Executive’s Office” to drive forward the strategic business and relationships of the whole group and creating new business opportunities.
- 3.1.5 To bring all finance staff across the group into one team based in the parent company under the leadership of the Executive Director of Financial Services.
- 3.1.6 To fund and support a detailed review of our Care and Support work across the group to ensure we have clear strategies for the future and can achieve excellence in service to customers.

These changes requires the approval of our Regulator to the amalgamation event. The remaining changes are dependent on the amalgamation because this restructure releases the resources to enable us to give effect to these changes. Accordingly the current financial plan is based on the current group structure and we will be producing new Business Plan financial data for the

regulator. This will supersede this plan with effect from October 2009 which is our target date to give effect to these changes.

3-2 TOP QUARTILE PERFORMANCE / EXCELLENCE

We want the pursuit of excellence in our work to be a key driver of all we do. In the year ahead we will:-

- appoint a new Director of Excellence;
- use our new key performance indicator benchmarking system for group members and report regularly to our Boards on performance across the group and against external benchmarks;
- ensure that all member companies have “improvement plans” in place which reflect best practice and identify resources and means of delivery of improved performance in our key work areas;
- continue to invest in our “Oasis” leadership and manager development programmes by giving 24 “leaders” intensive development opportunities.

3-3 GROWING OUR GROUP AND MEMBER COMPANIES

We have set ambitious growth objectives for the next four years. This reflects our view that through development and partnership we can provide more housing and care opportunities and improve our efficiency. Accordingly we will:-

- ensure we fully resource and deliver a successful ballot and plan to transfer the 1,200 housing stock of Rutland County Council to Spire Homes;
- ensure we lead our Blue Skies Consortium to deliver over 1,500 homes of social and affordable homes in the next 3 years;
- through our POD joint venture partnership with NCHA, and through Keystone our development company, deliver new schemes and services for all group member companies;
- remain open to discussion on new partnerships, transfers and contracts within our area of activity.

3-4 EFFECTIVENESS & EFFICIENCY

Our sector must improve standards and quality to meet customer aspirations, public objectives and the demands of climate change. Resourcing such improvement demands ever increasing amounts of private finance to use alongside public grants. Our primary sources of income are our sales programmes and rents. Sales are affected by market conditions and rents are controlled by regulation. We must therefore ensure that we explore all possible means of reducing our costs to enable us to resource investment in homes and services. In the plan period we will:-

- continue our new group-wide strategy on Procurement, Value for Money and Efficiency;
- provide Treasury Services to all group companies through the Parent Company including seeking tenders for a new group-wide funding facility;
- introduce further financial management modelling tools and systems across the whole group to improve reporting and planning information and to assist comparative decision making;
- provide a Home Ownership Sales service across the group through Longhurst Homes to improve sales performance and deliver economies of scale;
- provide a construction service through our in-house group-wide development service to cut the payments to external consultants and save a further £100,000 for member companies in year one of the plan;
- earn over £250,000 from services provided to other RSLs outside the group through our POD joint venture;
- assist member companies in concluding inter-group management arrangements where these produce efficiencies and free further resources for investment elsewhere;
- implement our strategy to consolidate all our main ICT applications across the group. Specifically to ensure that telephone systems are unified across the whole group; to merge Havelok's and Longhurst's systems; to integrate Rutland properties into Spire's systems, and, to introduce one new HR system across the group.

3-5 IMPLEMENTATION

The plans outlined in this section have been incorporated into the management plans of all member companies who will set further objectives and actions at all levels of their company to help us achieve our aims and objectives.

We also intend to build upon the work of the Executive Team across the group as Managing Directors take on mandates for developing group strategies and actions and monitoring our achievements.

SECTION FOUR PERFORMANCE IN 2008/2009

4-1 GENERAL

The past year was the most challenging since the group was formed. We set ourselves many objectives related to our overall objective of moving toward excellence in our services. This broad objective was concerned not only with the services we provide to our customers outside the group such as our tenants but also to the services provided within the group.

Undoubtedly, the financial crisis or the “credit crunch” and the economic recession which followed has had a significant impact on our business. In the period April to June 2008 the house building industry in the country virtually collapsed with sites closing and work coming to a standstill as sales disappeared. Several large companies laid off over 50% of their workforce and some went into administration or closed completely.

One immediate effect on us was through our development programme by the mid-year we had “lost” over 400 homes from our consortium programme due to the fact that there were “Section 106” homes which we buy from builders developing their own sites for sale and selling a proportion to us at a reduced cost. Clearly as the builders stopped work we could not acquire these homes.

The economic conditions have also affected us in other ways particularly through the volatility in the funding markets as banks changed their lending policies and indeed at times the financial institutions themselves came close to failure.

Our customers have also been affected by the crisis in particular those wanting to buy homes from us have had great difficulty in obtaining mortgages and others face problems with unemployment and income reduction. We are working hard to ensure that our customers get the financial advice and support they need.

Some specific achievements are set out below:-

4-2 LONGHURST GROUP LIMITED

Our Financial Services team have:-

- saved the group as a whole over £750,000 by enabling Keystone to act as developer of our sales schemes;

- achieved several million pounds of savings through careful treasury management and by placing long term borrowings at reduced costs;
- negotiated a new £35 million lending facility for Longhurst Homes;
- achieved a 15% saving on insurance costs across the group by consolidating all member company business into one new tender.

Our Marketing team have:-

- obtained free press coverage equated to over £200,000 of advertising space for member companies;
- re-launched our website;
- introduced new improved briefing and communications tools including three new documents for the same cost as the old Annual Report.

Our Development team have:-

- committed and annual cash grant programme for the consortium of £45million against a target of £30million (ie. 150% of target);
- started on site with 1,070 homes against a target of 788 homes (ie. 136% of target);
- completed 892 homes against a target of 765 homes (ie. 117% of target).

Our Human Resources team have:-

- managed the TUPE transfer of nearly 100 staff in the period;
- completed the first single partnership agreement in the housing sector with a Fire Authority for Health & Safety inspections and management;

Our ICT Services team have:-

- implemented a new voice and data network across 100% of the group within budget, on time and without down time to service users;
- completed a full strategic review with the support of NCC consultants.

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SECTION FIVE

THE POLITICAL AND ECONOMIC ENVIRONMENT

5-1 THE POLITICAL ENVIRONMENT

Early in 2008 our Business Plan was drafted at a time when the Government had made a considerable funding commitment to social and affordable housing and had introduced major legislation to create new institutions to both fund and regulate the whole sector. Since the entire political and economic landscape has changed.

The Government seems to have been fatally damaged by the events of 2008. People have seen their banks in dire crisis, the housing market almost stopped altogether and now jobs are under threat.

Regional government has almost been extinguished and it is clear that the political settlement of the past few years is changing. The new Homes and Communities Agency has substantial budgets available but its future is uncertain in an era of political change. In April 2010 the Tenants Services Authority will become the regulator of the whole “domain” of Local Authority housing, ALMOs, RSLs and Local Housing Companies.

As the market has been in crisis so new ideas have emerged, and some funds have been made available, so that different forms of tenure or options to rent or buy can be offered by Registered Providers. These have been successful in part but it is still not clear whether the new found flexibility of the HCA on behalf of Government will be sustained. It must also be likely that the long term prognosis for the social and affordable housing sector will be one of modest levels of activity in future.

Clearly we are now on the final run in toward a General Election and it is probable that the year ahead will be particularly sensitive in housing. The main debate is likely to be about the projected need for massive numbers of new homes to meet demand but the lack of resources to achieve the provision needed and the high level of “nimbyism” in many parts of the country where growth is proposed.

As far as Longhurst Group is concerned we work with many Local Authorities where growth is seen to be good and with many others where modest affordable schemes are also welcomed. As such we believe there is still great scope for us to play our traditional role. It is also clear that the East Midlands in particular is faced with a massive change in demand toward housing services for an increasingly large elderly population.

5-2 THE ECONOMIC ENVIRONMENT

2008 will be remembered as the year the financial system of many western economies nearly collapsed. In the end Iceland's banking system did collapse and several European countries suffered near collapse. In September and October several major British financial institutions did have to be rescued by the Public Sector and the cost of this action together with the "fiscal stimulus" packages put in place by the Government have created a public debt of unprecedented scale in peace time.

Clearly there will be difficult times ahead for public funding and this situation is likely to last for many years to come.

The higher levels of inflation experienced over recent years has been reversed by the economic recession and the speed of change has been significant. As a consequence the Government has now started to increase the money supply on top of the other measures. If we do experience a recovery later in 2009 as predicted we could find a quick return to inflation and possibly higher interest rates as a result. However, for now we have historically low base interest rates, but much higher interest rate margins on lending and very much more caution on the part of lenders. This applies to businesses and individuals. If these conditions persist as the economy starts to grow again the positive impact on the housing market of a recovery could be short lived. We therefore expect economic conditions to create strong demand for our rental services for many years to come.

We are also expecting our income from sales and other development activities to be relatively restricted and this means we need to keep costs down in future years. Where we need additional resources to meet the challenges of the future we must find these by restructuring, by greater efficiency and by creativity in new business development.

SECTION SIX

RISK MANAGEMENT IN THE GROUP

6-1 The group is comprised of not-for-profit companies which, like all well-run companies, must minimise the risks of serious financial or other failures. Our RSL members also operate in a heavily regulated but competitive environment. We invest substantial amounts of private finance loaned to us by financial institutions, we receive substantial capital grant funding from government via the Homes and Communities Agency and we handle large volumes of rent paid by our customers. In addition our 'work' involves complex areas of responsibility in looking after the needs of our customers and the custody of our property.

Since we must embrace risk in our activities we must also devise methods and strategies for managing risk.

6-2 We have developed robust systems for identifying and evaluating the risks we face. We then seek to 'map' the risks and to put in place control and monitoring mechanisms. Essentially this involves regular assessment and review. In addition to assessing the potential damage and likelihood of a risk event we now provide a "traffic light" system where 'red' indicates the need for additional methods of evaluating risk or the need to put protection in place.

During 2008/09 we reviewed and updated our risk map and the methods by which we report to the Board. This led to similar reviews in member companies. Further improvements to our risk strategy have been made and we are now trialing a new IT system for monitoring and updating risk management. The Group Board now receives a quarterly report on the 10 main risks faced by the group.

6-3 The management teams of the group and of each member company regularly review the "Risk Map" of their company. Where changes arise or new risks emerge the team is responsible for putting the necessary protection measures in place. The Board receives a regular report on risk management and an annual review of the system itself.

6-4 There is a clear process by which new areas of business or major new projects are individually risk assessed and reported to the Board in advance of the activity being commenced. In particular this process involves not only a prudent financial

assessment of the activity but also sensitivity to changed circumstances, the consideration of exit strategies and whether or not insurance or other risk reducing mechanisms are appropriate.

- 6-5** During 2008/09 the Finance Services Directorate carried out two tendering processes to select a broker and new insurance arrangements. This was highly successful and resulted in the appointment of Jardine Lloyd Thompson as brokers and then to the consolidation of all policies across the group into one insurance tender.

As well as achieving substantial financial savings of over £200,000 for the group we were able to improve cover in a number of areas and to introduce new risk management techniques and advice from our broker.

As well as seeking prices from the market annually we also review all our insurance cover to ensure that it is up to date, provides the cover we need and represents value for money. Our brokers advise us on the state of the market and seek alternative prices where necessary but also assist us with the risk assessment in relation to excess premiums and other insurance management techniques. We also review our risks in the light of new activities, new responsibilities and where necessary seek cover in respect of these.

A full report is made to the Board and the annual review is timed so as to enable all insurances to be in place prior to finalising the budgets of the organisations in the group. Review meetings are carried out through the year with our brokers and advisors to ensure that best practice and good claims handling is managed on both sides.

- 6-6** Our business clearly involves areas of risk which are not necessarily related directly to insurable risks. These include damage to reputation through events occurring such as poor performance or serious lack of delivery or other failings. Our approach to handling these circumstances is not only reflected in the risk mapping evaluation and control measures we put in place but also to develop a culture within our businesses of risk awareness and the importance of good systems of management.

One of the clear areas of risk of modern business is the management of health and safety through the organisation. This is reflected in recent changes in the law to introduce a higher standard of care from the board right through the organisation. Longhurst Group provides a service to all member companies of advice and health and safety management. This is provided through the

employment of skilled and experienced officers whose knowledge of the housing risks that we face is very good. We develop training schemes and put in place audit systems for managers and employees to give effect to these policies.

In our business we are particularly aware of risks which surround the building industry and maintenance work carried out in areas where the public and our customers may be present. We are also aware of risks attached to staff working arrangements, - for example, loan working, both in our offices and in the communities we serve. It is important to us not only to observe good practice but to have a positive health and safety culture running through the organisation recognising our responsibilities to our people and to the public at large.

For example, during 2006 we introduced a new driver training course for all persons who drive in the course of their employment with us. This was designed to reduce one of the highest risks of injury our staff face whilst at work. In 2008 we have reviewed all our Health & Safety policies and strategies in the light of recent legislation and the introduction of new more onerous Health & Safety responsibilities.

6-7 This Business Plan inevitably envisages changes in activity and new areas of development for the group. We recognise that this brings with it the duty to assess these responsibilities and activities for the purposes of risk management.

In the light of this in the year ahead we will, in particular, look to carry out further risk assessments in the following areas of activity:-

- We recognise that the volume of institutional and legislative change in the sector brings new risks. We will have to manage relationships with new powerful bodies (HCA & TSA) as well as with more powerful local government interests. We shall look to our Relationship Management strategies to address this.
- The continued volatility of the financial markets will bring increased cost and uncertainty.
- Housing sales strategies have already been reviewed and we have created a group-wide Home Ownership service to focus our resources and maintain the excellent performance to date. We will also review our financial strategies to cope with potential costs.
- Keystone Developments will carefully review all pipeline schemes and reassess each project in the light of market conditions.

- 6-8** The Board of the group and of each member company intends to ensure that our businesses remain risk aware and proactive in management of risks but also that we continue to have a culture of effective development and service delivery. We seek to strike the right balance between being prepared to take on new business, and therefore new risks, with a culture of effective management of these risks as our corporate response.

SECTION SEVEN

FINANCIAL DATA FOR THE GROUP

7-1 **EXECUTIVE SUMMARY**

The financial information on the following three pages represents the consolidated projected Business Plans of Longhurst Homes, Spire Homes, Havelok Homes and Friendship Care & Housing. The Business Plan of the parent company is not included within the consolidated projections shown over the next three pages.

The assumptions that underpin the projections made within the Business Plan have been based on information from a number of key areas:- for example, the information we know about our businesses at this time; economic and market conditions; and, our aspirations for growth. The growth assumptions within the plan, reflect what we reasonably expect to develop through a traditional development programme. Whilst we might also expect to grow our business through further stock transfers or mergers, we have at this stage decided against specifically modelling this within our plans.

The uncertainty and turmoil within the Financial Markets and general slowdown of the housing market has clearly had an influence on the way we have prepared our financial forecasts this year. Our Group Treasury Management Strategy is based on holding a portfolio of short, medium and long term debt.

Overall we believe the Group's Business plan targets to be challenging but achievable. We have reviewed our key development assumptions in light of the current economic conditions. Our targets and assumptions for new developments are still in our view realistic. We have fully considered the impact of a slowdown in the sale of our shared ownership properties and have ensured there is sufficient headroom to cope with such a slowdown.

7-2 **KEY ASSUMPTIONS**

The Plan assumes:-

- Baseline RPI at 2.5% over the five years of the plan
- Rent increases at RPI + 0.5% where target rents have been achieved.

- Repairs and Maintenance inflation at between 0% - 1% over RPI for the period of the plan
- Build and land cost inflation at between 0.5% - 1% over RPI for the period of the plan
- Conservative interest rate assumptions across all Group Companies for variable rate debt and debt maturing during the life of the plan
- Developing over 1000 General Needs, Supported Housing and shared ownership properties over the next five years

7-3 CONSOLIDATED GROUP INCOME AND EXPENDITURE ACCOUNT

Our total turnover from Social Housing Lettings is projected to increase from £56.8m to £68.4m over the five years of the plan. After taking account of inflationary increases, the upward movement in rental income, reflects the increase in stock size through our development programme and the move towards target rents by 2011/2012.

Within operating costs, our management costs continue to be the biggest single area of expenditure. As a group we are committed to achieving efficiencies and economics of scale in the way that we manage our stock. There are a number of projects that we are working on that we hope will contribute towards reducing in real terms our average management cost per unit. Over the last three years we have experienced a general increase in expenditure on routine maintenance across the whole group. The base year budgets set by our member companies for 2009/10 reflect the increased expenditure on reactive repairs over the last year.

The combined investment in major repairs expensed through the Income and Expenditure Account is actually forecast to go down over the next five years. This is directly as a result of the final programme of improvement works completing at Spire by 2010. Overall, the Group's combined operating costs are projected to increase from £45.1m to £47.8m over the next five years.

Net interest payments are projected to increase from £13.5m in 2009/10 to £17.1m during 2013/2014. The increase in interest payments over this period directly reflects the increased borrowings required to deliver the number of new units identified within the key assumptions. The combined results for LH,SH, HH and FCH project a deficit in 2009/10 of £1m, moving to a position of surplus the

following year and thereafter. The projected deficit in 2009/10 reflects the stock final schedule of improvement work being undertaken at Spire. We are not projecting to make any corporation tax payments throughout the period from 2009/10 – 2013/14.

7-4 CONSOLIDATED GROUP BALANCE SHEET

The two main areas of movement on the consolidated Group balance sheet, is on the carrying value of the Group's Housing Assets and the outstanding Loan Balance. The Net Book Value of the Group's Housing assets is forecast to increase from £244.3m to £310.5m over the five year period. The Group's Housing Assets are recorded at historical cost, as such the carrying value of these assets do not reflect the true value of our stock for loan security purposes.

Total Group borrowings are forecast to increase from £247.6m at the end of 2009/10 to £301m at the end of 2013/14. Group reserves are forecast to increase from £6.4m in 2009/10 to £18.9m in 2013/14. The low value of the Group's reserves in 2009/10 is due to the high level of accumulated losses resulting from the stock improvement works at Spire over the last 8 years.

7-5 CONSOLIDATED GROUP CASHFLOW STATEMENT

The total increase in loan debt over the five year period is projected to increase by £74.7m. This is made up of £94m of new loans and repayments on existing facilities of £19.3m. All Group companies have loan facilities in place to cover cashflow requirements for the next 12 months.

Longhurst Group & Member Companies – Business Plan 2009
**Consolidated Group
Income & Expenditure Account
2010-2014**

	2010 £'s	2011 £'s	2012 £'s	2013 £'s	2014 £'s
Income From Lettings					
Rent Receivable	48,278,300	50,852,630	53,895,838	56,040,948	58,466,889
Service Charge Income	3,460,618	3,708,020	3,990,455	4,291,275	4,591,773
Charges for Support Services	350,135	352,395	354,712	357,087	359,520
Gross Rental Income	52,089,053	54,913,045	58,241,005	60,689,310	63,418,182
Less Voids	(917,094)	(961,311)	(1,014,386)	(1,051,191)	(1,091,214)
Management Charge Income	-	-	-	-	-
Net Rental Income	51,171,959	53,951,735	57,226,619	59,638,120	62,326,968
HC Grants for Major Repairs	999,984	1,274,080	1,267,166	995,586	1,012,114
Other HC Revenue Grant	-	-	-	-	-
Other Revenue Grants	2,635,687	2,701,579	2,769,119	2,838,347	2,909,305
Other Income	1,993,618	2,043,458	2,094,545	2,146,908	2,200,581
Total Turnover from Social Housing Lettings	56,801,248	59,970,852	63,357,449	65,618,961	68,448,968
Management Costs	10,377,622	10,727,960	11,147,818	11,454,922	11,769,712
Service Costs	11,126,593	11,404,328	11,690,675	11,984,739	12,292,604
Care & Support Costs	766,468	785,630	805,271	825,403	846,038
Routine Maintenance	8,319,632	8,647,812	8,952,831	9,253,873	9,562,195
Planned Repairs	2,746,738	2,842,312	2,939,069	3,040,168	3,140,907
Major Repairs	8,634,280	7,179,553	6,768,406	6,884,535	6,527,921
Bad Debts	770,639	807,507	853,255	883,454	916,046
Lease Charges	299,445	279,748	276,706	259,848	223,362
Depreciation of Housing Properties	1,890,299	1,993,955	2,088,952	2,220,608	2,374,684
Impairment of Housing Properties	-	-	-	-	-
Other Costs	155,321	159,204	163,184	167,264	171,445
Total Operating Costs	45,087,037	44,828,009	45,686,167	46,974,814	47,824,914
Surplus/(Deficit) on Social Housing Lettings	11,714,211	15,142,843	17,671,282	18,644,147	20,624,054
Other Activities	(456,112)	(539,073)	(406,825)	(447,838)	(772,713)
Surplus/(Deficit) on Sale of Properties	1,167,159	1,541,970	1,618,157	1,381,396	1,258,612
Surplus Before Interest and Tax	12,425,258	16,145,740	18,882,614	19,577,705	21,109,953
Interest Receivable	86,431	74,779	82,056	80,059	78,419
Interest Payable	(13,511,913)	(14,679,935)	(15,571,479)	(16,173,103)	(17,042,462)
Surplus Before Tax	(1,000,224)	1,540,584	3,393,191	3,484,661	4,145,910
Corporation Tax	-	-	-	-	-
Surplus After Tax	(1,000,224)	1,540,584	3,393,191	3,484,661	4,145,910
Interest Cover					
Surplus before interest and tax	12,425,258	16,145,740	18,882,614	19,577,705	21,109,953
Depreciation of housing stock	1,890,299	1,993,955	2,088,952	2,220,608	2,374,684
	14,315,557	18,139,695	20,971,566	21,798,313	23,484,637
Net Interest	13,425,482	14,605,156	15,489,423	16,093,044	16,964,043
Interest Cover	106.63%	124.20%	135.39%	135.45%	138.44%

**Consolidated Group
Balance Sheet
2010-2014**

	2010 £'s	2011 £'s	2012 £'s	2013 £'s	2014 £'s
Housing Assets					
Housing Properties at cost	505,923,691	533,499,601	559,271,107	591,985,812	627,912,215
Social Housing Grants	(248,213,107)	(259,985,763)	(271,282,936)	(282,901,611)	(295,274,063)
Depreciation	<u>(13,428,604)</u>	<u>(15,435,782)</u>	<u>(17,537,222)</u>	<u>(19,766,903)</u>	<u>(22,149,353)</u>
Net Book Value of Housing Assets	244,281,980	258,078,056	270,450,949	289,317,298	310,488,800
Other Fixed Assets	<u>13,546,790</u>	<u>13,193,731</u>	<u>12,697,737</u>	<u>12,167,899</u>	<u>11,655,877</u>
Total Fixed Assets	257,828,770	271,271,787	283,148,686	301,485,197	322,144,677
Cash	2,243,028	2,412,711	2,448,536	2,013,311	2,120,459
Other Current Assets	<u>7,216,700</u>	<u>8,173,235</u>	<u>8,215,947</u>	<u>8,245,924</u>	<u>8,276,801</u>
Total Current Assets	9,459,728	10,585,946	10,664,483	10,259,235	10,397,260
Current Liabilities	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>
Total Current Liabilities	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>	<u>(11,388,525)</u>
Net Current Assets Excluding Pension Asset	(1,928,797)	(802,579)	(724,042)	(1,129,290)	(991,265)
Pension Assets	-	-	-	-	-
Net Current Assets Including Pension	<u>(1,928,797)</u>	<u>(802,579)</u>	<u>(724,042)</u>	<u>(1,129,290)</u>	<u>(991,265)</u>
Total Asset Less Current Liabilities	<u>255,899,973</u>	<u>270,469,208</u>	<u>282,424,644</u>	<u>300,355,907</u>	<u>321,153,412</u>
Creditors due after one year					
Outstanding Loan Balance	247,623,276	260,844,323	269,636,611	284,211,500	301,019,247
Loan Fees	(500,363)	(460,922)	(421,480)	(382,039)	(342,597)
Other Long Term Creditors	<u>2,292,729</u>	<u>2,076,950</u>	<u>1,823,793</u>	<u>1,672,395</u>	<u>1,493,128</u>
	<u>249,415,642</u>	<u>262,460,351</u>	<u>271,038,924</u>	<u>285,501,856</u>	<u>302,169,778</u>
Capital and Reserves					
Designated Reserves	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained Surplus	5,484,333	7,008,856	10,385,722	13,854,051	17,983,633
	<u>255,899,975</u>	<u>270,469,207</u>	<u>282,424,646</u>	<u>300,355,907</u>	<u>321,153,411</u>
Gearing	97.61%	97.70%	95.73%	95.77%	96.09%

**Consolidated Group Cashflow Statement
2010-2014**

	2010 £'s	2011 £'s	2012 £'s	2013 £'s	2014 £'s
Operating Activities					
Surplus from Operating Activities	12,900,721	15,006,244	18,783,793	19,949,042	22,013,618
Returns On investments and Servicing of Finance					
Interest Payable and similar charges	(8,589,322)	(9,137,422)	(9,495,554)	(10,078,166)	(10,934,198)
Interest Receivable	(5,214,335)	(5,650,923)	(6,352,054)	(6,642,401)	(6,828,139)
	<u>(13,803,657)</u>	<u>(14,788,345)</u>	<u>(15,847,608)</u>	<u>(16,720,567)</u>	<u>(17,762,337)</u>
Investing Activities					
Purchase of other Fixed Assets	(387,881)	(391,166)	(345,865)	(306,887)	(327,971)
Development Expenditure	(41,131,511)	(27,302,153)	(25,984,154)	(32,057,967)	(35,498,104)
Social Housing Grant	10,505,666	12,826,707	12,306,684	12,458,812	13,201,702
Sale of Assets	2,662,007	2,744,816	3,506,600	2,872,699	2,907,442
Capitalised Major Repairs	(896,969)	(1,137,750)	(1,166,194)	(1,195,349)	(1,225,232)
	<u>(29,248,688)</u>	<u>(13,259,546)</u>	<u>(11,682,929)</u>	<u>(18,228,692)</u>	<u>(20,942,163)</u>
Financing					
Loans Drawn down	23,060,963	15,599,146	12,883,723	19,505,713	22,955,833
Loans Repaid	(1,729,187)	(2,387,815)	(4,101,152)	(4,940,542)	(6,157,805)
	<u>21,331,776</u>	<u>13,211,331</u>	<u>8,782,571</u>	<u>14,565,171</u>	<u>16,798,028</u>
Cash Balance Brought Forward	<u>9,862,876</u>	<u>1,043,028</u>	<u>1,212,712</u>	<u>1,248,539</u>	<u>813,493</u>
Cash Balance Carried Forward	<u><u>1,043,028</u></u>	<u><u>1,212,712</u></u>	<u><u>1,248,539</u></u>	<u><u>813,493</u></u>	<u><u>920,639</u></u>

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APPENDIX ONE

INTRODUCTION TO THE GROUP

A1-1 INTRODUCTION

Longhurst Group Limited is a Registered Social Landlord (RSL) and the parent company in a group of dynamic, not-for-profit housing services organisations. The group companies are:-

- Longhurst Group Limited (RSL)
- Longhurst Homes Limited (RSL)
- Spire Homes (LG) Limited (RSL)
- Havelok Homes Limited (RSL)
- Friendship Care and Housing (RSL)
- Keystone Developments (LG) Limited
- Home from Home (Lincs) Limited
- Friendship Homes Limited (dormant)
- Hollymoor Village Property Company Limited

Together we own and/or manage over 16,000 properties and have a development pipeline of 1,026 new homes. In addition we provide services to elderly and disabled homeowners through Care and Repair projects and work with others to provide specialist housing services to vulnerable people. Havelok Homes and Friendship Care and Housing provide substantial supported housing and care services in their respective areas. They meet the needs of very diverse communities helping people who are in need of residential care or support for reasons of age, mental health problems and learning difficulties.

Our Corporate strategy is encapsulated in the concept of “Going Forward Together” in which we plan to grow, to continuously improve and to communicate better.

The mission of Longhurst Group Limited as parent within the group is:-

“To lead and inspire growth based on excellence in service provision”.

The group also owns 50% of a Limited Liability Partnership business known as POD (Partnership Opportunity Development). The other joint venture owner is Nottingham Community Housing Association (NCHA). POD will provide development services to the consortium we jointly lead with NCHA.

A1-2 FORMATION AND GROWTH OF THE GROUP

Longhurst Group Limited was formed in the year 2000 with the assistance of the Board of Longhurst Housing Association Limited, now Longhurst Homes. This represented the culmination of Longhurst's strategy to form a group structure so as to effectively respond to its business environment. This 'group' enabled the formation of East Northamptonshire Housing Limited, now Spire Homes, to take place in partnership with East Northamptonshire Council. In a highly successful ballot (75% voted and of these 92% were in favour) tenants voted to transfer from East Northamptonshire Council to East Northamptonshire Housing, a not-for-profit housing company, and this process was completed in February 2001.

With effect from February 2001 staff transferred from Longhurst Homes to both Longhurst Group and Spire Homes making the formal structures fully operational.

Home from Home (Lincs) Ltd (HfH) is a direct subsidiary of Longhurst Homes and part of the group structure. HfH owns a property in Lincoln and this is used for temporary letting to elderly and disabled customers. It also looks after several Almshouse properties in Ruskington.

During 2001 the Group took the decision to form a further company as a new Group member. Keystone Developments (LG) Ltd (Keystone) was formed to provide a critical link between the companies in the group. It is a Company Limited by Guarantee which is intended to carry out various forms of housing development for sale which other group members are unable to operate. In this way it complements the activities of other group members and extends the range of housing services the group can offer. For example, the development of the first private retirement scheme for sale began in 2004.

Negotiations were completed in 2003 for Havelok Housing Association, now Havelok Homes to join the group as our newest member company. The formal resolutions were agreed by Havelok's Board and wider membership in July 2003. Subsequently the necessary changes of rules took effect and they joined the group on 1st October 2003. Havelok has provided housing services in the North of Lincolnshire and areas around the Humber since the early 1970s. Today Havelok provides not only rented housing but also residential care for elderly people and supported housing services to

vulnerable persons in the community. As such they have brought new skills and a strong heritage of excellent service in the community to our group.

In January 2005 East Northamptonshire Housing changed its name to Spire Homes (LG) Limited. This change reflected a very important stage in the company's development. Having reached the end of the initial 5-year plan Spire has fulfilled the promises made to its customers at the time it was created. This led to the company broadening its services outside the district of East Northamptonshire. It was also agreed that a new name would reduce confusion between the East Northamptonshire Council and the company. Northamptonshire is known as the County of Spires and hence a new name was found.

Later in 2005 both Longhurst Housing Association and Havelok Housing Association consulted with their members, staff and tenants on a similar change of name. The organisations decided to change to "Longhurst Homes" and "Havelok Homes" in order to reflect the nature of their work better and to adopt a more contemporary name.

During 2005 work progressed in discussions with FCH Housing and Care of Birmingham about the possibility of them joining our group. Fifty years ago, FCH Housing and Care was officially founded as Birmingham Friendship Housing Association on 31st January 1956 "to extend the hand of friendship" and to provide "...hostel accommodation and other amenities in the Birmingham District for immigrant workers and those associated with them".

An excerpt from Friendship's first Annual Report told readers:-

"In November 1955 a group of friends with a concern for immigrant workers and their families living in this City met to discuss the possibility of acquiring a house to be used as a hostel".

"It was an attempt to tackle two of the problems that confront immigrants: that of finding somewhere to live, and of adjusting to a society very different from the one they have left. The Association ... is based on the belief that people of different race and colour can live together in friendship".

The language used has changed a lot since 1956, but the principles endure. From very early on, the Association went beyond renting out accommodation to providing what would nowadays be called Supported Housing. For example – the first Mother and Baby home was opened in 1958.

Friendship grew slowly as a volunteer-based organisation until the introduction of Housing Association Grant in 1974 brought an increasingly

professionalised workforce and a big expansion through acquisition and development.

Meanwhile in the East Midlands, the local Loughborough Council and a local developer, William Davis Ltd, had been exploring ways to provide social and specialist housing. The result was Loughborough & District Housing Society which became a Housing Association under the 1974 act and continued to develop thereafter in the East Midlands changing its name to Charnwood Forest HA in the early 1990's.

For Friendship the late 1980's saw a slow down in housing development, and increasing diversification into care and support services. This expansion continued through the 1990's, with a considerable portfolio of services in North Warwickshire complementing our registered care and supported housing in Birmingham.

In 1999, Friendship merged with Charnwood Forest to form FCH Housing and Care. The two associations are now fully integrated, and after a period of consolidation, it is again in a period of business expansion.

The business aims of FCH today are “to carry on for the benefit of the community.... the business of providing housing, accommodation, and assistance to help house people and provide associated facilities and amenities.” The Association is still extending the hand of friendship through support, care and accommodation, and it is fully committed to equality and diversity in everything it does.

Since joining the Longhurst group FCH have now changed their name to Friendship Care and Housing.

In 2006/08 the development activities of the group formed the basis of a new partnership consortium. Together with Nottingham Community Housing Association we led a consortium of 14 RSLs bidding successfully for grant support from the Housing Corporation. A programme of 1300 homes and £120million of development resulted. We also decided to form a new Limited Liability Partnership on a 50:50 ownership basis with NCHA. The organisation is called POD (Partnership Opportunity Development). The formal Agreement was signed in late 2007 and POD was officially formed in April 2008 to begin trading.

In August 2007 Longhurst Homes was registered under Charitable Rules as an exempt Industrial and Provident Society formally changing its status to a Charitable Housing Association.

APPENDIX TWO

BOARD AND EXECUTIVE TEAM OF LONGHURST GROUP

A2-1 THE BOARD

The Board of Longhurst Group comprises four independent members and two representatives of each of the RSL member companies (Longhurst Homes, Spire Homes, Havelok Homes, and Friendship Care and Housing) plus one co-opted member. Membership of the Board is as follows:-



Barrie Gosling
Chairperson & Independent Member
Retired Engineer and Businessman



Roger Rudd
Independent Member
Chairperson of Audit Committee
Retired Public Servant



John Robson
Independent Member
Retired Chief Executive of a Housing Association



Tina McEwen
Independent Member
Chief Executive, Local Company



David Armes
Representative of Longhurst Homes
Retired Commercial Manager - East Midlands Electricity



Elizabeth Bowers
Representative of Longhurst Homes
Retired Litigation Clerk for Local Solicitors



John Farrar
Representative of Spire Homes
Retired Environmental Health Officer

Michael Dodson
Representative of Spire Homes
Retired Businessman and Justice of the Peace



Derek Young MBE JP
Representative of Havelok Homes
Retired Chief Executive

Lynda Bowen
Representative of Havelok Homes
Senior Local Government Manager



Terry Oldham
Representative Friendship Care & Housing
Retired Aerospace Engineer

Rosie Weaver
Representative Friendship Care & Housing
Retired Senior NHS Manager
Now Workplace Mediator



Julie Reader-Sullivan
Independent Co-opted Member
Director of HR & Training Consultancy

A2-2 THE EXECUTIVE TEAM

Longhurst Group has a highly skilled and well experienced senior executive team. This comprises of officers fulfilling the following roles:-

- Group Chief Executive
- Deputy Chief Executive & Managing Director of Spire Homes
- Group Executive Director of Financial Services
- Managing Director of Longhurst Homes
- Managing Director of Havelok Homes
- Managing Director of Friendship Care and Housing

This team meets regularly to lead the professional staff teams, to advise the Board and to oversee the implementation of strategy and operations. A brief biography of each Longhurst Group Executive Member is noted below:-



**BOB WALDER B.Sc. F.C.I.H.
GROUP CHIEF EXECUTIVE &
COMPANY SECRETARY
LONGHURST GROUP**

Bob joined Longhurst in 1989 following a career in the housing association movement which began in 1977 in Moss Side, Manchester. Bob also spent five years in the Potteries where he was Development Manager and Deputy Chief Executive of an Association. Having graduated from Bristol University then qualifying by examination for Membership of the Chartered Institute of Housing he went on to gain valuable experience in all aspects of housing association work. He has been a Fellow of the Chartered Institute of Housing since 1990.

Bob was Chairman of the National Housing Federation (NHF) in the East Midlands from 2001 to 2005 (having also held this post from 1993-1996). In addition he is Chairman of the Regional Housing Group and a member of the Regional Assembly. He is an Executive Member of Lincolnshire Housing Forum and a Director of the Boston Area Regeneration Company.

From 1989 to 2001 Bob, as Chief Executive Officer, led the staff team of Longhurst through a period of growth from (approx) 800 homes in ownership to the launch of the Longhurst Group of companies with nearly 8000 homes in ownership and management. Today Longhurst Group has six member companies, over 16,000 homes in management and a development pipeline of just over 1,000 homes. The group also provides services to several companies outside of group membership.



**JULIE DOYLE DMS M.B.A. M.C.M.I.
DEPUTY CHIEF EXECUTIVE &
MANAGING DIRECTOR OF SPIRE HOMES**

Julie joined Longhurst in April 1995 to set up and lead a Contract Services Department. She is the Managing Director of Spire Homes and reports directly to the Board of Spire Homes in that role. As Deputy Chief Executive she works with the Chief Executive on the Business Development Strategy of the whole group.

Between 1995 and 2001 she led our response to the challenges of tendering for housing management services and directed the Housing Contract between Longhurst Housing Association and East Northamptonshire Council. She led our transfer team and the shadow Board of East Northamptonshire Housing through the tenant consultation process which led to the successful Large Scale Voluntary Transfer which eventually created East Northamptonshire Housing in 2001. The name was changed to Spire Homes in January 2005.

Julie previously held several posts in Local Authority Housing Departments and completed her M.B.A. qualification by study and examination in 1997. She is a member of the East Midlands National Housing Federation Executive Committee and has been a member of the National Housing Federation's national "sounding board" panel on the key "Housing's Better Future" project and is actively involved in the NHF's transfers group.

Julie also acts as Chairperson of the Northamptonshire Local Strategic Partnership, which is called "Enable".



**MIKE HARDY B.A. (Hons) F.C.I.H. M.B.A.
MANAGING DIRECTOR
LONGHURST HOMES**

Mike obtained his Bachelor of Arts Honours degree in Geography at Sheffield University in 1980. He commenced his career in housing with Bolton Metropolitan Borough Council and moved to North British Housing Association in 1983 as a Housing Assistant working primarily in the Blackburn area.

He obtained the Professional Qualification of the Chartered Institute of Housing in 1984 having won the Housing Corporation's prize for best third year exam results. He was elected to Member of the CIH in the same year and has been a Fellow of the Institute for several years.

Mike took up the position of Housing Manager at Longhurst in 1986, became Director of Housing Management in 1994 and Executive Director of Operational Services in 1998. He was appointed as Managing Director in 2000 in preparation for the formation of the new group structure and took over full operational control of Longhurst Housing Association in February 2001. Longhurst Housing Association changed its name to Longhurst Homes in December 2005.

Mike undertook the Runge Effective Leadership programme with the Industrial Society in 1995, and completed his M.B.A. qualification, passing with distinction, at the University of Nottingham in 1999.



**PETER OSBORNE
MANAGING DIRECTOR
HAVELOK HOMES**

Peter joined Havelok Housing Association in August 2002 as Managing Director looking for a new challenge following a career with Marks and Spencer which began in 1977. Peter feels strongly that both sectors work under the same principle of offering the best possible service whatever the customer circumstances. The 25 years spent with Marks and Spencer covered a varied career including: store manager, auditor divisional systems manager, and menswear sales development. Peter also spent 3 years working for Bovis Construction in London and holds a degree in building administration.

Peter has led Havelok Housing Association (now Havelok Homes) through a period of change and growth since partnering with Longhurst Group. He sits on the North East Lincolnshire Local Strategic Partnership Committee and on the Lincolnshire Supporting People Committee.

Peter and his Board led Havelok to achieve the two star/promising prospects result of the Audit Commission's independent inspection in 2007.



**JONATHAN DRIFFILL BA (Hons), MSc, MRTPI, ACIH
MANAGING DIRECTOR
FRIENDSHIP CARE AND HOUSING**

Jonathan joined Friendship in 1996 from Walsall City Challenge, with previous experience in economic development and urban regeneration with various local authorities. He was appointed Managing Director in

March 2004, having previously been Corporate Director, Housing and Neighbourhoods where he was responsible for managing Friendship's locality based housing services, neighbourhood renewal and strategy and regeneration. He currently chairs the Derby Social Housing Forum and is a Board Member of the City Housing Partnership in Birmingham. He previously chaired Birmingham CAN!, the city's innovative SRB4 funded community capacity building programme; is Vice Chair of Birmingham Voluntary Service Council and is a Board Member of Birmingham Race Action Partnership.



**ROBERT GRIFFITHS FCCA CMS
GROUP EXECUTIVE DIRECTOR OF FINANCIAL
SERVICES
LONGHURST GROUP**

Rob joined Longhurst Housing Association as a Finance Assistant in July 1994 having just completed his 'A' levels. He embarked on a four-year home study programme for the ACCA qualification, which he completed in June 1998 gaining Associate Membership in October 1998 and becoming a Fellow in 2003.

Following the formation of the Group structure, Rob was promoted to the position of Financial Services Manager within Longhurst Homes in September 2000, with responsibility for the main day-to-day finance function of the organisation. In April 2002 Rob became Head of Financial Services.

Rob was appointed as Executive Director of Group Financial Services (Designate) in January 2006 and following a transitional period took over as Executive Director on the retirement of Alan Saxton on 1 April 2007.

He obtained his Certificate in Management Studies in 2002.

Rob is the current chair of the East Midlands Finance Forum and served on the National Housing Federation Finance Committee from April 2004 until the Committee was stood down in May 2006. In September 2006 Rob was appointed to the Statement of Recommended Practice (SORP) working party as a representative of the National Housing Federation.

APPENDIX THREE MEMBER COMPANY INFORMATION



Chairperson:

David Armes



Managing Director:

Mike Hardy



Mission Statement:

‘To be a leading provider of good quality, affordable homes with a customer focussed housing service’

Total properties owned and managed:

Rented Properties	LSE	S/O	Hostel accommodation	Managed Properties	Total
3,656	783	605	20	519	5,583

Total number of staff:

The organisation employs an experienced and well-qualified team of 128 staff.

Area of operation:

Throughout Lincolnshire,
North East Lincolnshire,
North Lincolnshire,
Nottinghamshire, and
Kings Lynn and West Norfolk.

With Leasehold schemes in
Nottinghamshire, Leicestershire,
Derbyshire and Staffordshire

Turnover for the year ended 31-03-09:

£19,725m

Development pipeline:

The Business Plan for 2009/10 has 97 new rented units and 54 new shared ownership units coming into management.

Range of services:

Housing management; repairs and maintenance; Almshouse management;
Financial Services;

Leasehold management and sales of affordable home ownership
(Leasehold schemes for older people and shared ownership for first time
buyers and older people);

Supported Housing (primarily Sheltered housing for rent, with a small number
of hostel units managed by managing agents).



Chairperson

John Farrar



Managing Director

Julie Doyle



Mission Statement

“Inspired by the communities we serve...

- to be the first choice for quality homes and services
- to make a positive difference to people’s lives.”

Total properties owned and managed

General Housing	Sheltered Housing	Supported Housing	Leasehold	Shared Ownership	Managed Properties	Total
2,352	985	16	75	101	1,322	4,851

The organisation also owns and manages around 1,000 garages.

Total number of staff

The organisation employs an experienced and well-qualified team of 124 staff.

Area of operation

The organisation currently operates in East Northamptonshire, Wellingborough, Milton Keynes and Rutland. Ideally located in the heart of the South Midlands growth area, the intention is to expand this area of operation in the years ahead. New developments are already planned in Rutland and Northamptonshire.

Turnover

The estimated turnover of Spire Homes for 2009 to 2010 is £15,162,179.

Development pipeline

The current four year development programme will provide a further 240 homes. This includes 200 properties for rent, 6 properties for intermediate rent and 34 for shared ownership in schemes across Northamptonshire, Rutland, Milton Keynes and Cambridgeshire.

Range of services

Spire Homes provides a range of services to meet the differing housing needs of its customers. This includes:

- General housing for families, single people and the elderly;
- Managing 1,275 properties in Rutland;
- Shared ownership properties;
- Leasehold properties;
- Supported housing services for the elderly and people with disabilities, including 14 sheltered housing schemes and a mobile visiting service to around 1,000 homes; and
- Supported housing services for:
 - People recovering from a mild brain injury;
 - People with addiction problems (through the Council on Addiction Northamptonshire);
 - Via Lifelines, women and children who have experienced domestic violence (through Women's Aid);
 - Care and Repair services for elderly or disabled homeowners.

Special information

Spire Homes was formed in February 2001 (formerly as East Northamptonshire Housing) specifically for the purpose of accepting a transfer of properties from East Northamptonshire Council. The main objective of the organisation has always been to keep the promises that were made to tenants prior to the transfer, namely:

- to improve services;
- to undertake extensive improvements to homes;
- to fully involve tenants in its work; and
- to provide affordable new housing for the future.

Spire Homes has been extremely busy, working hard to fulfill the promises made to tenants and plan for the future. Excellent progress has been made across all areas, and since transfer, over £46 million has been spent on improving homes. Tenant Involvement has gone from strength to strength and impressive progress has been made in bringing affordable new housing to the region.

With the majority of Spire Homes main improvement promises now complete the organisation has set ambitious plans for the future, signalling a new era of growth and development. Key objectives include:

- dramatically increasing the development programme over the next five years, recognising the considerable opportunities within the Southern Growth Area;
- driving forward the community development agenda to move beyond the bricks and mortar of housing;
- developing the business into new areas, both geographically and potentially new service provision; and
- driving service excellence across the organisation and consolidating a ‘can do’ staff culture.

In summary, Spire Homes has made strong progress since it was formed in 2001 and there is great confidence that the organisation will continue to grow, develop and achieve success as it responds to the challenges and opportunities ahead.

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Chairperson

Derek Young



Managing Director

Peter Osborne



Vision

“Striving to improve people’s housing options through the development and provision of excellent affordable housing.”

Total properties/bed spaces owned and managed

General Housing	Supported Housing	Care Homes (bed spaces)	Sheltered Dwellings	Total
1415	66	105	179	1,765

Total number of staff

The organisation employs an experienced and well-qualified team of 220 Staff (not including vacant posts)

Area of operation

The Association operates in six Local Authority areas:

North East Lincolnshire,
North Lincolnshire,
West Lindsey,
East Lindsey,
Hull,
Lincoln.

Turnover

The estimated turnover of Havelok Homes for the year 2009/2010 is £10,063,425

Development pipeline

The current development programme is:

North East Lincolnshire	29 units
North Lincolnshire	14 units
West Lindsey District Council	39 units

The bid round for 2009 to 2011 is for 94 units with a grant of £3,798,067

Range of services

Havelok Homes is a diverse organisation offering the following services:

General housing for Families, single people and the elderly.

Supported housing for ;

- Young people
- Those suffering severe and enduring mental health issues
- Those who have experienced homelessness
- Those with addiction problems (drugs, alcohol etc)
- Care Homes, Sheltered accommodation and preventative services for the elderly
- Care Home for young adults with physical disabilities.



Chairperson

Rosie Weaver



Managing Director

Jonathan Driffill



Mission Statement

“Friendship helps people live fuller lives. Our homes and support meet individual needs and create better neighbourhoods to live in.”

Total properties/bed spaces owned and managed

Rented Properties	Leasehold / Right to Buy	Shared Ownership	Managed (HAMA)	Supported	Total
3,051	163	177	29	223	3,643

Total number of staff

FCH has a full time equivalent staff of 333.

Area of operation

The Association operates in the following areas:

West Midlands,
Derbyshire,
Leicestershire,
Nottinghamshire,
North Warwickshire,
and Worcestershire.

Turnover

The estimated turnover of Friendship Care and Housing for the year 2008/2009 is £20,090,000.

Development pipeline

The current pipeline: approximately 61 properties.

Range of services

Housing management:- rented properties; repairs and maintenance; stock renovation; tackling anti-social behaviour.

Leasehold management:- affordable home ownership (shared ownership schemes).

Supporting People services:- supported accommodation; women's services; young persons' services; voice advocacy; community support for individuals with mental ill-health or learning difficulties; elders services; culturally-dedicated services; tenancy support.

Registered Care:- homes for individuals with mental ill-health; learning difficulties or frailty due to age.

Community regeneration:- capacity building; community safety; Neighbourhood support; financial inclusion; Sure Start.

APPENDIX FOUR

BUSINESS STRATEGY CASE

THE BUSINESS CASE FOR STRATEGIC CHANGE WITHIN LONGHURST GROUP 2009

SECTION

1-0 INTRODUCTION

2-0 EXECUTIVE SUMMARY

3-0 STRATEGY

4-0 FINANCIAL ASSESSMENT

**5-0 CUSTOMER BENEFITS OF THE AMALGAMATION
OF HAVELOK HOMES AND LONGHURST HOMES**

6-0 RISK ASSESSMENT

7-0 CONCLUSIONS

8-0 APPENDICES

Appendix 1 - Communication Strategy Synopsis
Appendix 2 - Vision and Values

1-0 INTRODUCTION

- 1-1 The purpose of this document is to describe Longhurst Group's proposal to make changes to our existing structures. The proposed changes have been developed to assist the group in achieving and sustaining excellence in service provision whilst building an even stronger and more successful future for the Longhurst Group of companies.
- 1-2 Building on the existing group strategies, we want to work together even more effectively in future and ensure that we are fully prepared for the new challenges that the Tenant Services Authority (TSA) and Homes and Communities Agency (HCA) will set for the sector. We want to be even more focused on customer service and performance expectations and we feel that a new structure to our business will enable us to deliver these objectives.
- 1-3 Strong and dynamic groups will have a successful future, and we want to ensure we have sufficient resources to seize opportunities and take advantage of our record and reputation in this challenging business environment. Essentially, we want to make better use of our existing resources (financial, technology and people) to ensure we remain 'fit for purpose', providing high quality services to all our customers and at the same time, having the strategic flexibility to create or take on new opportunities as they arise.
- 1-4 This document has therefore been developed to outline our proposals to key stakeholders and explain how the proposed changes will enable us to meet our objectives and provide not only improved services for tenants but help Longhurst Group become an even stronger, flexible and dynamic group in the future.

2-0 EXECUTIVE SUMMARY

- 2-1 To ensure that we make the most of our existing resources and continue to lead within the region, a number of changes to the structure of the group are being proposed. These form the backbone of our strategy which will ensure that we are able to perform well in a changing environment, whilst meeting our corporate objectives of striving for excellence in service provision and providing a structure that enables future growth. These changes represent a strengthening of the entire group creating an opportunity to deliver greater efficiencies through sharing services and rationalising operations, at the same time as creating new opportunities. The group members share a common vision of innovating to help people live fuller lives, and see the changes in our structure as an integral component of delivering cost effective, responsive, quality services.
- 2-2 The strategic response we are proposing includes the following key elements, each of which is interlinked and necessary for the strategy to work as a whole:
- Longhurst Homes and Havelok Homes amalgamate to form a new member company;
 - Longhurst Group will appoint a Managing Director to lead the Human Resources, ICT, Development, and Marketing Teams as well as a new Business Excellence service area;

- Also within Longhurst Group, a post of Director of Business Excellence is created;
- Freeing up the Group Chief Executive's team to enable them to re-focus on Group-wide strategy and governance;
- All operational finance functions are centralised within Longhurst Group under the leadership of the Executive Director of Financial Services;
- Over the next 12 months, the group completes a review of all Care and Support business within the group to determine how best to achieve our continuing commitment to customers.

2-3 We recognise that the success of our strategy will, in part, be reliant upon effective communication both internally and externally. Therefore a comprehensive Communication Strategy (see strategy synopsis - appendix 1) has been developed to ensure that all stakeholder groups are fully informed about our objectives and how our strategy will assist us in meeting them.

2-4 The proposed changes offer a number of key benefits:

For customers:

- A dedicated focus on excellence in core service provision across the whole group delivered through joint working, benchmarking, sharing best practise and a new focus on developing a high performance culture;
- Enhanced services, drawing on the group's combined expertise and increased flexibility in service provision, in particular within the newly formed group wide finance function;
- Excellent accessibility to services and a range of well developed opportunities for resident involvement;
- Increased resources to invest in service improvements.

For stakeholders:

- The group will continue to be a major provider of homes and services in Central England and represent a key partner for stakeholders engaged in delivering sustainable communities;
- The proposed structural changes will enable us to grow further in the future and our new structure will ensure that we are prepared to take advantage of the business opportunities likely to arise from the challenges faced by other companies.

For the organisation:

- Improved ability to attract and retain the best staff and share specialist staff skills throughout the group;
- Greater negotiating ability and influence in key areas;
- Cost efficiencies through re-organising staff teams; shared and central services and extending cost effective procurement arrangements across the group;
- Savings of £213K p.a in year one, rising to £413K p.a over two years on a prudent basis.

For staff:

- Access to wider career development and training opportunities as the organisation prepares itself for future growth;
- Security of employment within a growing, learning organisation.

2-5 The proposed changes also assist us in maximising the organisation's potential through:

- the streamlining of services and capacity building;
- more formalised structures to ensure we are continually learning and in touch with the needs of our customers; providing us with a sustainable structure that will facilitate future growth;
- assisting us in achieving excellence across all functions provided by the group and its member companies;
- Improving our ability to play a key role in local area based strategies both now and in the future.

3-0 VISION AND STRATEGY**3-1 Vision and Values**

3-1-1 The Longhurst Group of companies together manage and own one of the largest stocks of any Registered Social Landlord (RSL) based in the Midlands. As such we recognise our leading role in the region and seek to build upon this solid foundation in the future. Longhurst Groups corporate strategy is summarised in our vision and values as outlined in our Business Plan (see appendix 2) and our 'Going Forward Together' statement which is based upon three core objectives:

- To grow
- To continuously improve
- To communicate better

3-1-2 Our group was founded on the principle of enabling member companies to flourish by gaining from sharing central service costs while continuously steering their own business and retaining their autonomy. Back in 2007 we recognised that this strategy had been achieved and that the group needed to develop further ideas and plans.

3-1-3 We concluded that the pursuit of "excellence at an affordable price" offered us further opportunities to grow. Our potential customers want value for money and we are working toward that goal. By focussing on excellence we also hope to achieve growth as others choose to work with us, attracted by the excellent services we provide and the ethos that runs through the entire group. Our strategic planning this year has opened up the opportunity to further improve services and cut costs by greater collaboration across the group and our plans outlined in this business case support this objective.

3-1-4 We want the pursuit of excellence in our work to be a key driver of all we do. This year we have committed to:

- Ensuring that all member companies participate in the ‘Housemark’ industry standard benchmarking scheme;
- Developing our own key performance indicator benchmarking system for group members and reporting regularly to our Boards on performance across the group and against external benchmarks;
- Ensuring that member companies have “improvement plans” in place which reflect best practice and identify resources and the means of delivery of improved performance in our key work areas;
- Continuing to invest in our leadership and manager training programmes this year by giving 24 “leaders” intensive training opportunities and all staff full strategic briefings.

3-1-5 The decision to move our organisation forward in this way reflects an important stage in the development of the group. In the past our group stressed the importance of member company autonomy and the provision of services and strategic leadership from the parent. Whilst we still recognise the importance of member company autonomy and the ability for individual member companies to respond to local needs, more recently we have considered that our excellence objective would be maximised by increased team work across the whole group. As we develop this strategy the pursuit and achievement of excellence will be a clear golden thread running through the group and this will ensure that all of our business objectives are achieved.

3-2 Our Aims and Objectives

The strategic aims and business objectives of our group are as follows:

Strategic Aims

- 3-2-1 To improve and then maintain group company performance to top quartile standards in key business areas within four years.
- 3-2-2 To seek and maintain excellence in customer service standards at all times.
- 3-2-3 To expand group member companies stock to 5,000 – 7,500 homes each within four years.
- 3-2-4 To grow the overall size of the group to over 25,000 homes within four years.
- 3-2-5 To reduce the overhead cost of managing all homes in the group by 3% in real terms within two years.

Business Objectives

- 3-2-6 To put our customers first and focus on what they want.

- 3-2-7 Together with our member companies to seek continuous improvement through tenant involvement and best value strategies to maintain a modern, effective and respectful service.
- 3-2-8 To provide excellent communications and computer based systems to improve management and outcomes for customers.
- 3-2-9 To be innovative and forward looking in developing new services and improving existing ones.
- 3-2-10 To seek new transfers of stock to existing or new member companies.
- 3-2-11 To deliver our targets under the partnering agreement for development with the Housing Corporation (now HCA) for the 2008/2011 programme.
- 3-2-12 To bid for one-off management contracts in our area of activity provided they are of adequate scale and offer long-term opportunities for business growth.
- 3-2-13 To develop new retirement housing schemes and other market related development opportunities through Keystone Developments (LG) Ltd.
- 3-2-14 To seek new support service projects through Havelok Homes, Spire Homes and Friendship Care and Housing.
- 3-2-15 To seek out and admit new group member companies where consistent with this plan and Group Strategy.

3-3 Strategic Context

- 3-3-1 The group recognises that the affordable housing sector is undergoing major transformation. The Housing and Regeneration Bill has led to significant changes in the sector, not least with the creation of the new HCA and the new TSA. These changes herald the disappearance of the Housing Corporation, English Partnerships and parts of the Communities and Local Government department all of which will have all transferred functions to the new agencies.
- 3-3-2 The separation of regulation from investment is particularly significant for RSLs such as us. We understand this indicates not only the emphasis on investment through the new HCA but also a challenge to associations on the regulation front. Whilst we will no doubt be expected to stretch our assets as far as possible in providing maximum numbers for the new investment agency it is also apparent that the quality standards and requirements of a separate regulatory body have also become greater. We will therefore find our business under much greater pressure in both directions.
- 3-3-3 The Longhurst Group of companies has consistently tried to balance the resource demands of new investment with that of high performance and quality outcomes. This has been reflected in positive results at inspection and regulatory audit and we believe this should stand us in good stead for the future. Nonetheless we do not underestimate the impact that the changing

political and economic environment is likely to pose for us and the sector as a whole and by implementing the changes outlined within this document we feel that our group will be better able to rise to these challenges whilst strengthening the organisation as a whole.

3-3-4 As already discussed in this document, our response to the changing agenda and the growth of the organisation is to devise a strategy which will not only ensure that we are able to continue to be a successful contributor to the affordable housing sector, but can grow and improve in a climate where others may find it difficult to survive. The key elements of our strategy are outlined below along with some of the main benefits.

3-3-4-1 Longhurst Homes and Havelok Homes amalgamate to form a new member company. Through the amalgamation of the two organisations a significant number of benefits can be gained including:

- Reduction in operating costs;
- Increased borrowing capacity;
- Removing geographic overlaps as stock is managed under one organisation;
- Both organisations coming together and building on each others strengths e.g. Longhurst Homes (Charter Mark), Havelok Homes (2-star Inspection).

3-3-4-2 Longhurst Group will appoint a Managing Director to lead the Human Resources, ICT, Development and Marketing Teams as well as a new Business Excellence service area.

The benefits that this role will bring include:

- A more focused role to ensure the delivery of excellent services to member companies;
- Increased capacity enables the Group Chief Executive role to focus on business strategy and growing the business.

3-3-4-3 Also within Longhurst Group, a post of Director of Business Excellence is created.

- This role will provide a group wide resource to drive service improvement, promote good practice and challenge benchmarking both internally (across the group) and externally.

3-3-4-4 The Group Chief Executive's team is freed up to lead on Group-wide strategy and governance

The Chief Executive's team will have the capacity to:

- Be a specific resource to facilitate improved governance on behalf of the Group;

- Research, develop and create growth across the group.

3-3-4-5 All operational finance functions are centralised within Longhurst Group under the leadership of the Executive Director of Financial Services;

The new centralised function will:

- Provide more focused and flexible service which will enable resources to be designated more effectively across the group;
- Integrate systems across the group;
- Enable a group wide financial approach to be developed;
- Create longer term efficiency savings as services can be provided to more than one company from each location.

3-3-4-6 Over the next 12 months, the group will complete a review of all Care and Support business within the group to determine how best to achieve our continuing commitment to customers

- A thorough review to ensure that the group can continue to provide high quality services to the most vulnerable of our customers;
- An innovative approach to respond to the changing financial environment for care and support services.

4-0 FINANCIAL STRATEGY

4-1 Financial drivers and benefits

4-1-1 The group is aware of a number of significant financial challenges which are likely to arise in the financial year 2010/11 for all RSLs. For example, the expectation is that inflation will fall to very low levels or even become negative (deflation) in the autumn of 2009. This will impact upon rent increases in 2010/11 and could result in a nil rent change which will make any increase in costs much harder to meet. We also know that we will have to pay a levy to the TSA and the suggestion is this could be as much as £10 per unit managed which would mean about £160,000 extra cost across the group.

4-1-2 Furthermore, there are some other cost increases which we know are likely for our group members. Particularly relevant is the fact that Havelok Homes would need to make substantial investment in new computer systems by 2010/11. On present data it is likely that new systems for Havelok Homes could cost in the region of £600,000 and would also require considerable staff training, planning and implementation costs.

4-1-3 These facts alone suggest that the financial challenges ahead, regardless of changes in activity levels, will be substantial and we need to plan ahead carefully.

4-1-4 The vision and strategy outlined in section 3-0 proposes a strengthening of our parent company resource to meet the service excellence and growth aims of the whole group. Given the expected financial challenges in 2010/11 and beyond it does not make sense to address the need for extra resource in the parent company simply by recruiting more staff and thereby adding further to the cost burden of member companies.

4-1-5 The financial strategy set out below is intended to provide the resource needed to meet our vision for the future without increasing our costs. Furthermore, through managed change over a two year period we believe we can achieve reductions in costs through the amalgamation of Havelok Homes and Longhurst Homes whilst meeting the locally based strategic commitments each organisation has been engaged with and provide essential resource in the Parent Company.

4-1-6 The following table indicates how this financial strategy would work expressed as full year costs/savings in 2010/11.

Item	Definition	Saving £k per annum	Added Cost £k per annum	One-off costs £k 2009/10
1.	Loss of MD post & Director post	173		
2.	Estimated efficiency savings as a result of the amalgamation of Longhurst Homes and Havelok Homes, e.g. establishment costs	240		
3.	Reduced Board costs	20		
4.	Annualised saving on non-acquisition of computer system	150		
5.	Cost of new posts in Group company		200	
6.	Cost of consultancy for review of Care & Support service			50
7.	Increased cost of Parent Company Board		30	
8.	Financial centralisation strategy (from 2011)	60		
9.	Possible redundancy provision			50
10.	Set up costs (consultants, interim staff etc)			100
	TOTALS	643	230	200

- 4-1-7 In addition to these changes in operational costs the strategy will produce other significant financial benefits. In particular the financial strength of amalgamating Havelok Homes and Longhurst Homes will produce much greater borrowing capacity for the new organisation. We anticipate that the additional resource created could increase the development programme of the new company by at least 25%. The capacity to fund works to existing properties would also be increased.
- 4-1-8 We intend that in 2009/10 the centralisation of the finance staff into one team will be cost neutral as we are planning neither further recruitment nor reductions in establishment. However, we do expect improved efficiency and capacity utilising existing staff and integrated systems across the group which will enable us to absorb additional work (for example, the planned transfer of stock in Rutland). From 2010 onwards with some staff retiring and financial services being shared across group company locations we expect to see greater efficiencies and greater capacity.
- 4-1-9 During 2008/09 we reviewed our ICT strategy across the group. One result of this was to move, over a three year period, to harmonisation of all group systems. We are currently restructuring the ICT staff team to deliver this strategy. This strategy will help us to hold down our costs in this service area because the level of staff numbers, training and support necessary to maintain common system applications is much less than for the diverse systems previously in place. The amalgamation of Havelok Homes and Longhurst Homes will speed up the move to common systems and hence reduce costs more quickly. We acknowledge that there will be a need to provide training and support to staff migrating to the new harmonised system but this would have been necessary even if Havelok Homes had directly acquired separate systems in 2009/10.
- 4-1-10 Substantial further savings will be made through such efficiencies as the longer term reduction of hardware and management costs as organisations move to common systems; we also anticipate further back office savings, etc. However, these savings are not yet quantifiable.
- 4-1-11 It should be noted that the overlapping geography of Havelok Homes, Longhurst Homes and Longhurst Group means that there is no need to acquire further office space to implement this strategy and, if anything, the slightly reduced establishment will provide the opportunity to reorganise office use.
- 4-1-12 Finally, for reasons of prudence, we have not included any estimate of increased revenue which will be generated by the many initiatives and opportunities we expect to be created by freeing up the strategic team in the parent company. Nonetheless, it is clearly the case that all companies in the group will benefit by the increased resource available to seek out and win new business.

5-0 CUSTOMER BENEFITS OF THE AMALGAMATION OF HAVELOK HOMES AND LONGHURST HOMES

5-1 Service Improvement

5-1-2 Through the amalgamation of Havelok Homes and Longhurst Homes a large number of opportunities will be created for further improving the delivery of excellent services to customers. This is particularly the case in the following areas:

- Accessibility to services and a range of well-developed opportunities for resident involvement;
- Contribution to ‘place-shaping’ and well-being through engagement with local authorities and other agencies in strategies to improve ‘places’ i.e. ‘housing-plus’ activities and community development initiatives;
- Promoting choice to the customer by providing excellent services that offer value for money;
- Provision of a good local approach to complaints management.

Through the amalgamation the services detailed below will be made available to all residents of the new amalgamated company; taking the best of what Longhurst Homes and Havelok Homes each provide now and delivering these services to everyone.

5-2 Quality Assurance

5-2-1 Quality Assurance including the standard and consistency of the services provided are of high importance, and both organisations bring with them a range of experience of delivering quality services.

5-2-2 Both organisations have:

- IIP (Investors in People) status – both organisations are accredited ensuring staff are appropriately trained, supported and developed to provide and deliver good standards of service to customers;
- The Respect Standard – this aims to ensure that local agencies tackle unacceptable behaviour and its causes to improve quality of life for residents. The Standard is built around six core commitments including empowering and reassuring residents, prevention and early intervention, and support to tackle causes of anti social behaviour. Longhurst Homes signed up to this in 2007 and have implemented their action plan and Havelok Homes are working to achieve full accreditation in March 2009.

5-2-3 Havelok Homes has:

- Undergone an Audit Commission Inspection in the summer of 2007 which saw them achieve 2 stars and promising prospects for improvement. The Audit Commission were very complimentary about the range of services provided by the organisation and recognised the

quality of the services provided to customers across the whole organisation;

- Achieved CSKI 3 star accreditation for all three Care Homes demonstrates Havelok Homes commitment to quality care for older people;
- Achieved a B rating for their supported housing projects under the Quality Assessment framework.

5-2-4 Longhurst Homes has:

- Been awarded the Charter Mark for Customer Service Excellence in December 2008. The Charter Mark criteria includes:
 - Setting standards and performing well
 - Actively engaging customers and staff
 - Being fair and accessible to everyone and promoting choice
 - Continuously developing and improving
 - Using resources effectively and imaginatively
 - Contributing to improving opportunities and quality of life in the communities we serve
- Longhurst is also working towards the Environmental Campaign's (ENCAMS) 'Cleaner Safer Greener Neighbourhood Kite mark', and will be applying at the middle level standard, where the housing provider is working with a range of partners and can evidence improvements making a visible difference to the Quality of Life within specific neighbourhoods.

5-3 Customer Service and Accountability

5-3-1 Havelok Homes and Longhurst Homes have historically had a clear commitment to the provision of excellent customer service and ensuring that their services are easily accessible to all.

5-3-2 Both organisations:

- Provide locally based offices throughout the area of operation with a local management presence in Grimsby, Lincoln, Boston and Nottingham;
- Enable multi-agency, community based services at a neighbourhood level and focused on the Quanbeck Centre and Greenlands Centre.

5-3-3 Havelok Homes has:

- A comprehensive Access to Services Strategy in place to ensure consistent delivery of all services to customers across the organisation;
- Partnership arrangement with the North East Lincolnshire Homeless Team, private rented landlords and the Citizens Advice Bureau (CAB) whose services are delivered from the local Havelok Homes Supported Housing office which is based in an area of high deprivation. This office base offers a generic but comprehensive advice service and was highly praised during the 2007 Audit Commission Inspection;

- Networks in place which allow them to provide out-reach services through local Doctors' surgeries and other community based centres.

5-3-4 Longhurst Homes has:

- The Longhurst Homes Community Vehicle which is used extensively to improve resident involvement, community engagement, partnership working and provide housing management services. The vehicle provides the organisation with the flexibility to deliver services where they are needed and gives the opportunity to go into communities and reach the widely dispersed customer base. The vehicle is wheelchair accessible and is very popular with residents and partner organisations as it offers many residents the opportunity to access services more easily and become involved with the organisation;
- A Customer Service Centre which has now been established for eight years and has a dedicated and skilled team to deal with all calls coming into the organisation with extended opening hours – 8am-6pm and a free phone number;
- A centralised income team who are trained to deal with all rent enquiries and manage rent arrears, again with a free phone number and extended opening hours 8am - 6pm;
- Just Rewards (Tenant Loyalty Scheme) which has been extremely successful and is well liked by Longhurst Homes' tenants. The scheme was established in 2004 and membership is open to all tenants who fulfil the criteria. It encourages and rewards a positive landlord/tenant relationship with Bonus Bonds, hampers, access to community and educational grants and competitions available. Tenants were heavily involved in establishing the scheme and are very keen to retain and develop it further;
- The 'Opening Doors' project which looks at mainstreaming access to social housing for refugees and migrant workers. To date good links have been developed with migrant worker groups, an advice leaflet has been developed for Lincolnshire, and a survey of needs has also been undertaken.

5-4 **Resident / Community Involvement**

5-4-1 It is acknowledged that for some providers meaningful resident involvement still represents a cultural and practical challenge. However both Longhurst Homes and Havelok Homes have a culture whereby residents are at the centre of their service provision, not just through engagement with the organisation but also through influencing and driving service improvement. Both organisations have properties spread over a wide geographical area and have worked hard to develop initiatives to ensure inclusion despite the breadth of their areas of operation.

5-4-2 Both organisations have:

- Developed decision-making models for resident involvement at all levels and stages of decision-making;
- 'Opportunities for Involvement' have been developed, providing a range of ways in which residents can be involved across all areas of activity;

- Community development initiatives including Neighbourhood Walkabouts and involving residents in local policing are helping them to ensure resident involvement at the local community level;
- Both companies use 'The Leadership Factor' to carry out STATUS type tenant surveys, and therefore the new organisation will benefit from a common approach to the learning and improvements that the information from the surveys provide.

5-4-3 Havelok Homes has:

- A Community Involvement Officer developing excellent links with resident groups and the wider community;
- Engaged in partnership working arrangements with Shoreline Housing Services (NELC) in joint community involvement projects such as 'Neighbourhood Days'.

5-4-4 Longhurst Homes has:

- A Community Vehicle strategy focused in part on engaging hard to reach groups, including young people, families and geographically 'hard to reach' communities;
- Systems in place whereby the Customer Service Centre contacts customers to obtain general feedback and opinions about the immediate customer experience following delivery of service;
- The Groundwork Project where residents identify local problems or issues and agree and Implement solutions;
- Established Partnership working arrangements, not only with residents but also with the police, environmental health, SureStart and other partners linked through the use of the community vehicle and Neighbourhood Walkabout projects.

5-5 The Preventative Agenda

5-5-1 It is increasingly important for registered providers to become involved in the sustainable community agenda and to provide services that enhance opportunities for work and well-being. In contributing to this agenda, both organisations are actively involved in a number of initiatives.

5-5-2 Both organisations have:

- Homelessness champions working positively and proactively with LA Partners;
- Financial Inclusion Strategies working with the LA's and other partners (CAB, Credit Unions, Community Developed Financial Initiative - CDFI) to provide tailored services to our customers;
- A dedicated income management resource – providing signposting, advice, and links to the credit union;
- Pre tenancy procedures to help support sustainable tenancies through an emphasis at pre tenancy (and start of tenancy) on promoting the organisation and the services available;
- The use of local lettings policies and introductory tenancies.

5-5-3 Havelok Homes:

- Has established partnership working with key agencies in areas of high deprivation to tackle the worklessness agenda by encouraging people into work, through the provision of housing, advice and personal support;
- Has staff members on the Management Board of the CDFI (Community Developed Financial Initiative) based in Grimsby to drive forward the financial inclusion agenda at a local level;
- Has an Anti-Social Behaviour (ASB) Lead established to liaise with the Safer Community Partnership for specific advice and action on escalated cases;
- Also has Key Partner status in the development and delivery of a sub regional common register and Choice Based Lettings scheme.

5-5-4 Longhurst Homes:

- Is developing a Financial Inclusion Strategy with the City of Lincoln Council for the City;
- Is working closely with the Lincoln Credit Union and have established a joint contract with Supporting People (SP) to develop services and extend membership of Credit Union (CU) for vulnerable people across the county;
- Has in post an ASB Co-ordinator. This post has improved and extended the skills, knowledge and emphasis on dealing with ASB across the organisation. Officers carry out all court cases, providing a more efficient, cost effective service and reducing court costs for residents and providing an improved and more responsive service in-house.

6-0 RISK ASSESSMENT

6-1 This strategy carries a number of risks which need to be managed. In our view, these risks fall into the following categories:

- Under achieving financial cost savings
- De-motivating staff or boards
- Inadvertently breaching procedures or employment law
- Damaging brands or reputation

6-2 In order to manage these risks we have already taken the following steps:

- We have carefully planned the strategy and allowed for extensive debate within the group and with stakeholders to ensure our ideas are tested and clarified. We will also be developing a comprehensive integration plan so that the bringing together of the two organisations and the associated efficiencies and benefits can be monitored and reported to Board;
- We have engaged suitably qualified and knowledgeable advisers including legal advisors for employment matters, corporate governance and regulatory advice. We have also consulted auditors and Training Advisors at an early stage;
- We have consulted financial stakeholders at a very early stage and will formally consult with partner organisations and other stakeholders and customers;

- We will produce costed plans and full Business Plans and will prudently calculate cost savings produced by the strategy;
- We will fund set up costs from suitable reserves set aside for the purpose.

6-3 Our basic case and assessment is that the risk of not implementing this strategy is far greater than the risk of doing so. If we were not to implement the strategy our operational costs would certainly be higher in future, our capacity for growth would certainly be less and our ability to seize opportunities would be impeded.

6-4 In implementing the strategy we can manage the risks and our exposures to procedural problems through the mechanisms outlined above. However, should some of these risks crystallise they are unlikely to have very serious financial implications and it is likely they could be rectified in the short term. In the event that very serious unforeseen risks emerge in the process we always have the option to delay or suspend the process while suitable management strategies are put in place.

7-0 CONCLUSION

7-1 Unlike many change strategies, this proposal is not driven by concerns over financial instability or failing performance. Rather, it is motivated by a shared commitment of the whole group to continuous improvement and future growth and development.

7-2 The amalgamation strategy offers benefits to the entire group, but most of all to our customers. There are many customer service initiatives in place, which are either common to member companies, or which have been developed by each organisation separately. Where separate initiatives exist in Longhurst Homes or Havelok Homes, they are easily extendable over the combined area of operation for the proposed new company because of the shared geography. Therefore customers of both organisations can quickly benefit from a wider range of services, which have not previously been available to them, making what we believe is a clear case for enhanced customer service benefits for all.

7-3 Whilst financial savings can be achieved through this strategy, they will not be achieved at the expense of delivering the desired quality of service. The newly formed organisation will be able to engage with the on-going locally based strategies and partnerships to which we are already committed.

7-4 Group wide there are significant benefits to be gained by the implementation of the whole strategy. Increased capacity, better use of resources and a more focused approach to performance management, including our drive for excellence will ensure that Longhurst Group can continue to grow and succeed, and be a front runner in the affordable housing sector for many years to come.

Appendices

Appendix 1

Communications Plan Summary

Introduction

A communications plan has been drafted providing the framework to manage the content and flow of information for the proposed Longhurst Group Business Strategy 2009 – 2014.

Aims

The aim of the communications plan is to define who, what, how and when information will be exchanged during the various stages of consultation, to ensure that all the various stakeholder groups affected by, or interested in the Group's business are consulted in a consistent and well managed manner.

Objectives

The objective is to embed the proposed business strategy into the day to day lives of those involved in the business using as much as possible existing communications channels already familiar with the various stakeholders.

Proven Methodology

A similar style of plan has been successfully used on a number of occasions where high profile and often complex activity is involved. It is a well proven method of ensuring the necessary attention to detail is given to the different needs of the various stakeholder groups. Key messages which really do address the circumstances of the affected parties underpin the effectiveness of the plan. They help avoid adverse comments which may harm the reputation of the organisation or cause unnecessary distress to the people involved.

Continuous Improvement

This communications plan is regularly updated and circulated to the Executive Team with approved statements prepared in advance ready for release in the most appropriate manner at the most appropriate time.

Feedback received from the various stakeholders is incorporated to help improve future communications. In just a short amount of time, there is a sizeable questions and answers section developing which clearly evidences the level of engagement already achieved with the various stakeholders involved in the process to date.

Appendix 2

Longhurst Group Business Plan 2008-2013 - Vision and Values

- 1-1 Our Vision - is of a group of mutually supportive companies, working together to improve services to our customers, constructively challenging our results and methods, seeking economies of scale and better value for money and placing greater emphasis on delivery of high quality homes and services.
- 1-2 Our Values - All companies share values which help to define our group and bring us together:-
- 1-2-1 We focus on the needs and aspirations of our customers
- we listen and understand
 - we have clear service standards
 - we build strong customer relationships
- 1-2-2 We value diversity and respect all people
- we ensure equality of opportunity in all our work
 - we respond to the needs and expectations of our communities
 - we build awareness of cultural diversity in our organisation
- 1-2-3 We seek effectiveness and efficiency in our work
- we encourage creativity and welcome different views
 - we are committed to continuous improvement
 - we embrace change and have a 'can do' attitude
- 1-2-4 We are honest, open and accountable
- we keep people informed
 - we explain our actions and decisions
 - we deliver on our promises
- 1-2-5 We invest in our people and set high standards
- we train and develop staff and Board Members alike
 - we are energetic and focussed on our objectives
 - we are respectful, polite and courteous
- 1-2-6 We value teamwork
- we have confidence and take ownership of issues
 - we work together and support each other
 - we earn the trust of our stakeholders and communities
- 1-2-7 We are committed to providing homes and services which are affordable
- we help create places where people want to live
 - we value communities where people live positively together
 - we know housing and care is about much more than bricks and mortar