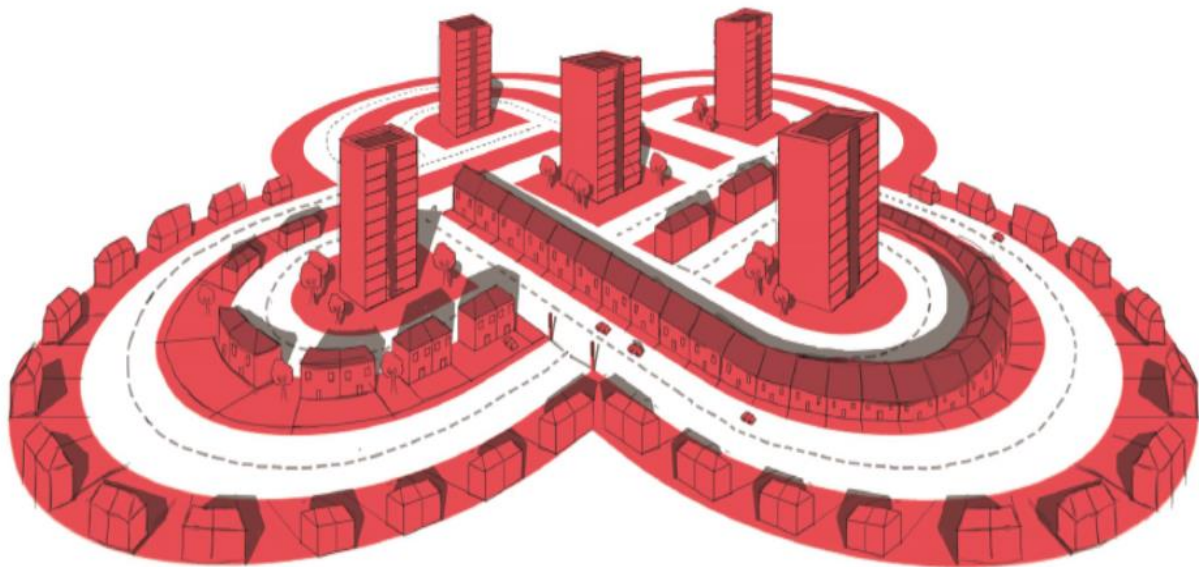




ANDIUM
— HOMES —

Strategic Business Plan 2014 – 2019



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Chairman's foreword

This is the first Strategic Business Plan prepared by Andium Homes.

The Strategic Business Plan marks the end of one journey, travelling from the review of social housing in Jersey, through the Housing Transformation Programme, to the setting up and incorporation of Andium Homes, the transfer of the States' housing stock to its new company, and the success of the bond issue by the States to fund social housing.

The Strategic Business Plan also marks the beginning of a new journey, in which Andium Homes will have the funds to bring all its stock up to the Decent Homes Standard, and to maintain the stock into the future in good condition. Andium Homes will also be able to play an active part in building new homes to meet housing need on the Island: homes not only for rent by social tenants but also a range of tenures including homes for sale in order to enable more households to realise their aspiration to own their own homes.

The Board of this new, States owned, company looks forward to working closely with Ministers in order to achieve the goals of the island's housing strategy in meeting the needs of the tenants and homeowners of Jersey.

Backdrop to the Strategic Business Plan

Our history

In recent years it was recognised that social housing in Jersey had not received sufficient financial resources. This resulted in the condition of homes falling below an acceptable standard as well as a shortage of homes to meet demand.

In May 2013, the States of Jersey considered a number of proposals to reform the provision and management of social housing. One of the key decisions made by the States was to incorporate the Housing Department as a wholly States owned housing company, to be known as Andium Homes Limited. Andium Homes Limited is a company limited by guarantee, with the States of Jersey acting through the Minister for Treasury & Resources being the sole Guarantor.

Our territory

Andium Homes is responsible for the provision and management of social housing to over 10,000 people in over 4,500 homes Island-wide. We are the largest landlord in the Island.

We manage a capital development programme to create new accommodation and improve our existing homes to meet the Decent Homes Standard.

We are also responsible for the provision of landlord services to a number of third sector partners.

Andium Homes offers an unparalleled number of services to its clients; some of which, for instance our Independent Living and Community Liaison Services, are unique to Andium Homes and ensure that clients are housed in accommodation that meets their individual needs.

Our current position

Andium Homes began to operate as a wholly States owned company under a new branding marque on 1 July 2014. All net assets, operations, tenants and staff of the previous Housing Department transferred to Andium Homes on 1 July 2014.

Andium Homes operates outside of the States of Jersey infrastructure and has its own Independent Board of Directors. Working within the strategy established by the new States Strategic Housing Unit and under direction of the Housing Minister, it has the autonomy to make its own business decisions and be agile and flexible to the changing housing needs of our Island.

The Treasury and Resources Minister has facilitated an innovative £250m bond which has been approved as part of the States' Budget. This bond secures, for the first time, the funds necessary to allow Andium Homes to focus wholly on the improvement, growth and realignment of its portfolio along with the delivery of a range of quality housing management services.

Andium Homes is results driven and dedicated to running an efficient and viable company able to guarantee the provision of a significant financial return to the States of Jersey year on year.

Andium Homes' services

Andium Homes provides landlord services for over 4,500 affordable homes and over 10,000 residents.

Andium Homes also provides landlord services to a number of "third sector" agencies such as the Shelter Trust and the Women's Refuge.

✚ Client services

✚ Client services team

Providing an efficient and effective client service, a welcoming first point of contact for callers and visitors to Andium Homes.

✚ Allocations service

Appropriately allocating properties to applicants who have qualified through the Affordable Housing Gateway.

✚ Independent living service

Providing appropriate accommodation to clients and new applicants who have complex needs, ensuring that support is offered to assist them to maintain independent lives with full access to appropriate services.

✚ Community liaison service

Encouraging the development of resident groups and dealing with issues that disrupt the community, such as anti-social behaviour.

✚ Rent collection and arrears management service

Proactively managing client accounts to ensure effective prevention and management of rent arrears.

Andium Homes' services continued

✦ Property & Asset Management services

✦ Asset management

A holistic approach to asset management which regularly assesses the make-up of the portfolio and its condition to ensure that investment decisions are made in a timely manner to deliver the right homes at the right time to meet changing housing needs.

✦ Response repair service

Providing a responsive maintenance service including a 24 hour service for emergency maintenance issues.

✦ Planned maintenance services

Providing a comprehensive maintenance and facilities management service designed to deliver great homes and places and provide peace of mind to clients.

✦ Refurbishment projects

Carrying out major capital refurbishment works, sympathetically decanting tenants where necessary.

✦ New build projects

The planning, procurement and development of new homes.

✦ Sales

Selling homes through a deferred payment scheme to those qualifying through the Affordable Housing Gateway, enabling home ownership.

Challenges and opportunities ahead

Andium Homes has been established as a specialist affordable housing provider. A number of tasks lie ahead; to ensure all homes previously owned by the States of Jersey are brought up to the Decent Homes Standard; to provide enhanced services to its clients and to develop a number of sites previously owned by the States. In Andium Homes the States has created a housing organisation with the values, expertise, financial means, freedom to act and agility, and as such it intends to play a significant role in helping to deliver innovative solutions to Jersey's housing challenges. However, this will not be at the expense of ensuring that all of its homes meet the Decent Homes Standard within 10 years. In addition, Andium Homes will also fully meet its obligations in respect of the contractual payments to the States as detailed in the Transfer Agreement.

Jersey is a unique place with its own culture and environment. However, in housing terms the Island faces many of the same challenges experienced by other jurisdictions where changing demographic trends are leading to increasing numbers of smaller households alongside an ageing population. In a small Island there can be additional pressures, not least that land is a finite resource and therefore has a higher value placed upon it; construction costs can be comparatively high and generally higher income levels have led to an expensive housing market. As a result many people in Jersey need some assistance to meet their housing needs.

Access to affordable housing and social housing in particular has been heavily constrained because of that limited supply. One of the main drivers for Andium Homes' additional development programme must be to allow the States to consider widening the eligibility criteria for affordable housing. This will enable all those qualified Island residents who need affordable housing, to have it. Indeed, the establishment of the Affordable Housing Gateway as the single waiting list and access point for affordable housing has been a key step in allowing the States to ensure that the limited supply of affordable housing currently available is targeted at those in greatest need. There remains a challenge for the States in ensuring that all land developed for affordable housing is preserved for the use of those qualifying through the Affordable Housing Gateway in perpetuity. Andium Homes already operates its own affordable home purchase scheme and is committed to continuing and expanding on this important initiative, with an appropriate number of sales highlighted in this business plan.

As well as making some of its own surplus land available, the States historic response to the need to provide affordable homes has been to specifically rezone and develop former agricultural land. Understandably, this is generally not a popular approach and the States has directed that further attempts to rezone land in the green zone will be resisted. Notwithstanding this, Andium Homes expects to play a key role in their development of the small number of redundant former glasshouse sites which have recently be rezoned for affordable housing.

These proposed rezoned sites aside, current policy implies that the development of the additional homes which Jersey needs will principally have to be within the existing built up area, particularly around the Town of St Helier where Andium Homes already has more than half of its portfolio and where there appears a strong desire for significant regeneration as businesses begin to migrate to newer and more efficient office space. This is probably most

evident in the North of St Helier which is capable of taking new and more intense residential development, providing important new communities which will enjoy St Helier's new amenity spaces such as the Millennium Town Park.

One of the historic hurdles to the development of affordable housing in the built up area has been the existing value of development land which could not be met from social housing rents as they were significantly behind market levels. The States has taken steps to redress that position through the decision in 2013 to return to its previous policy of social housing rents being set at 90% of their market equivalent. This will allow affordable housing providers such as Andium Homes to consider significant urban regeneration activities without the need to find capital subsidies to meet additional land costs.

The States owns a considerable property portfolio which is due to undergo significant changes in the coming years as major projects such as the refurbishment and development of the General Hospital and Overdale are commenced. It is also anticipated that other sites presently in use by the States will become available over time as the States rationalizes its use of property. Some of these sites are ideal for the provision of additional affordable housing and Andium Homes stands ready to partner with the States to ensure that these sites deliver maximum value to the wider community.

A key outcome from the recent change in the way that social housing is organized has been the development of a Strategic Housing Unit to deal with housing policy and to set a long term housing strategy for Jersey. This strategy will undoubtedly have to look at broad issues of affordability across all tenures but will also need to consider more specific issues such as how the Island will meet the needs of the ageing population, the housing needs of key workers and how the Health Service can be supported in maximising opportunities for individuals to live independently for as long as they reasonably can or desire. The housing challenges facing Jersey and the States are broad and very significant and can only be met with strong political leadership from the Council of Ministers, with the support of the Planning Minister, and through coordination between existing providers such as Andium Homes, the Housing Trusts and the Parishes.

The range of activities that Andium Homes can become involved in and the pace at which those activities are initiated will be dictated to a large extent by the States and its approach to setting its long term housing strategy. Subject to the availability of development sites and access to appropriate borrowing, Andium Homes with its existing expertise and resources will be able to develop and acquire a significant number of new homes to support the States in meeting its housing objectives. Indeed, as an established landlord with a range of specialist resource within its business, Andium Homes is capable of providing property management services to others which will generate income and reduce business overheads, allowing it to invest the additional income in providing more homes.

Andium Homes will deliver for its clients, an outstanding product, with real choice and quality services. Underpinned by solid financial management, the 'Andium Homes Standard' will set the bar for all providers of affordable homes in Jersey.

The Andium Homes' vision, core values and key strategic objectives

Our vision statement

- ✦ "Changing lives and inspiring communities through great homes and services"

Our values

- ✦ **Client obsessed:** We are obsessed with delivering a renowned, consistent client experience – every time!
- ✦ **Results driven:** We are action-orientated and results driven. We work hard to make a real, tangible and sustainable difference to our clients' lives
- ✦ **Passionate:** We are passionate, dynamic and proud to be part of Andium Homes
- ✦ **Resilient:** We are resilient, positive and self-motivated when working in a fast paced and ever-changing landscape
- ✦ **Courageous:** We are courageous, pro-active and enjoy 'pushing the boundaries'
- ✦ **Acting with integrity:** We act with integrity and honesty to build mutual trust...to be the landlord of choice

Our key strategic objectives

- ✦ Great homes and places;
- ✦ Providing happy, safe neighbourhoods;
- ✦ A renowned client experience;
- ✦ Delivering more homes and services;
- ✦ Financial strength and stability;
- ✦ Provider, Employer, Investment.....of choice.

Andium Homes' key strategic objectives and deliverables

Objective 1 – Great homes and places

The underinvestment in social housing in the past has resulted in the condition of social homes falling below an acceptable standard with only 75% of States owned homes currently meeting the minimum "Decent Homes" standard. Furthermore, the condition of our open and communal areas is not at a standard that we consider acceptable.

The supply of new homes in recent years has been insufficient to meet the growing demand of the Affordable Housing Gateway. Numbers on the Affordable Housing Gateway currently exceeds 1,200

The housing stock needs to be aligned to meet the current and future demands for affordable housing. This requires the delivery of more new homes and the sale of homes to provide the opportunity to tenant's whose financial circumstances have improved.

Jersey, predominantly, has an ageing population and so the demand for lifelong homes has increased. More lifelong homes are required which, in turn, will free up family homes for those who need larger properties.

Deliverables

- ✦ Continue to invest in our homes so that they meet the Decent Homes Standard in line with targets.
- ✦ Invest in our external open spaces and internal communal areas to achieve the "Andium Homes Standard" across the stock.
- ✦ Realign our stock so that homes meet clients' needs through:-
 - ✦ Disposing of or redeveloping properties which are no longer viable.
 - ✦ Providing more opportunity for home ownership in line with targets.
 - ✦ Developing new homes already identified and funded.

Stock condition

Andium Homes is committed to achieving the Decent Homes Standard within ten years.

	2014	2015	2016	2017	2018	2019
% of homes meeting the Decent Homes standard	81%	84%	87%	89%	90%	92%
% of open areas meeting* the "Andium Homes Standard"	TBD	TBD	TBD	TBD	TBD	TBD

*The "Andium Homes Standard" initiative has just been launched and base figures for those areas meeting the standard are yet to be determined. Once this base is established, annual targets will be set.

Major refurbishment projects

Projected budgets and timescales for major capital refurbishment projects.

	Units refurbished	Status	Tender	PC*	Total budget**	2014-2019 budget**
					£000	£000
Jardin De Carreaux	50	Complete			254	19
Pomme D'or Farm	-	Complete			1,515	27
La Collette High Rise	56	Complete			4,559	356
Osborne Court	21	Construction	N/A	2014	1,864	764
De Quetteville Court High Rise	32	Construction	2014	2015	4,656	4,059
Nicolle Close	20	Feasibility	2014	2016	2,655	2,655
Hampshire Gardens	39	Procurement	2014	2016	2,430	2,352
Victoria Cottage Homes	63	Feasibility	2015	2016	4,857	4,857
Caesarea Court	70	Feasibility	2015	2016	7,573	7,573
Convent Court	95	Feasibility	2015	2017	7,816	7,816
Hue Court High Rise	90	Pre-feasibility	2017	2020	13,501	12,373
Final costs of other projects					830	79
	536				52,510	42,930

*PC - Practical completion.

**Total budget and 2014-2019 budget figures differ if there are costs incurred prior to incorporation or completion is beyond the business plan period.

Sales of existing properties

Estimated sales of existing properties on an affordable or open market basis.

half year period	Total	2014	2015	2016	2017	2018	2019
Number of sales	82	7	15	15	15	15	15
Proceeds – gross - £000	32,270	2,850	5,409	5,571	5,849	6,142	6,449
Proceeds – net of bonds granted - £000	26,865	2,373	4,503	4,638	4,869	5,113	5,369

Sales will predominantly be from the following areas/estates:

- ✚ Grasett Park (up to 59 properties)
- ✚ Oak Tree Gardens (up to 54 properties)
- ✚ Bashfords (up to 28 properties)
- ✚ Gorey Village (up to 10 properties)

In addition to the above, there are a number of miscellaneous properties which could be sold as they have potentially high value or are no longer suitable or viable.

New build and redevelopment projects

Projected budgets and timescales for new build redevelopment projects.

	Units added	Units lost	Net new units	Status	Tender	PC*	Total budget ** £000	2014-2019 budget ** £000
Journeaux Street	9	-	9	Complete			1,300	24
Le Squez phase 2c	24	-	24	Construction		2014	4,530	260
Langtry Gardens	50	-	50	Construction		2014	8,000	1,283
Lesquende 1 (Belle Vue)	35	-	35	Construction		2015	5,714	2,905
Former Le Coin site	23	-	23	Construction		2015	4,573	3,849
Le Squez phase 3	21	-21	-	Procurement	2014	2015	5,850	5,531
Lesquende 2	44	-	44	Procurement	2014	2016	11,000	10,638
Le Squez phase 4	117	-84	33	Feasibility	2015	2017	27,000	27,000
La Collette – low rise	161	-59	102	Feasibility	2015	2019	55,579	55,579
Summerland site	87	-	87	Awaiting Transfer	2017	2019	17,604	17,174
Ambulance Station site	65	-	65	Awaiting Transfer	2019	2021	18,565	7,430
Final costs of other projects	-	-	-	N/A			491	22
	636	-164	472				160,206	131,695

* PC - Practical completion

**Total budget and 2014-2019 budget differ if there are costs incurred prior to incorporation or completion is beyond the business plan period. Results include assumed inflation of 2.0% pa in 2014 and 2.5% pa thereafter.

If there are delays in the programme noted above, for example, delays in sites being handed over to Andium Homes from States of Jersey ownership, we may re-order the programme or substitute the above noted projects with other projects. Any such changes will be managed within the £207m borrowing facility and in accordance with the requirements of the memorandum of understanding with the States of Jersey.

Objective 2 – Providing happy, safe neighbourhoods

Key responsibilities for Andium Homes include the provision and maintenance of landlord services to over 10,000 people in over 4,500 properties, the management of a capital programme to create new homes and upgrade existing homes to meet the Decent Homes Standard, and the provision of property solutions and landlord services to third sector organisations.

Following years of underinvestment in the housing stock, limited funds have been prioritised for keeping communal areas and open spaces to a standard which clients deserve and expect. Increased investment is required to reach the “Andium Homes Standard” and generate pride for residents living in our communities.

Andium Homes works closely with other agencies but needs to further strengthen partnership arrangements to ensure that homes are suitably adapted to make them safer for those with poor mobility and disability.

Although a dedicated Independent Living Service exists, all staff need to be familiar with safeguarding procedures to ensure appropriate referrals are made to partner agencies to reduce instances of abuse and neglect.

Deliverables

- ❖ Develop a Client Strategy, with emphasis on maximising engagement opportunities and increasing the number of client focus groups that engage with Andium Homes.
- ❖ Provide a named “Andium Homes colleague” for each home, as a point of contact and reference.
- ❖ Undertake targeted ‘Andium Homes Road Shows’ to capture wider engagement opportunities and to take our services directly to the client.
- ❖ Encourage communities to take collective decisions by increased use of the Community Grant Scheme.
- ❖ Tailor our homes and services to the individual’s needs, including medical adaptations, to enable our clients to live as independently as possible.
- ❖ Develop our safeguarding policy and procedures, ensuring that an appropriately robust approach is taken to safeguarding adults and children.
- ❖ Provide safe communities by acting swiftly and firmly to resolve issues of anti-social behaviour, including developing an improved partnership with the States of Jersey Police.
- ❖ Develop and implement an Operational Excellence Strategy, with emphasis on refocusing services from client feedback.

Objective 3 – A renowned client experience

Andium Homes currently operates from a building which does not provide an acceptable client service area. The reception is small and offers little in the way of private space for clients to discuss what are often very sensitive situations.

Andium Homes has inherited a number of outdated IT systems which do not integrate with each other, resulting in processes which are duplicative and inefficient for clients, staff and contractors. An IT Strategy is therefore required.

Whilst proud of the Tenants Forum and a number of existing residents groups, it is acknowledged that clients' views and wishes require a far greater emphasis. A Client Strategy and Operational Excellence Strategy are therefore required.

Deliverables

- ❖ Develop and implement a Client Strategy, with emphasis on maximising engagement opportunities. Without exception, listen to and take into account the expectations of our broad range of clients, supporting the most vulnerable and understanding their needs and retaining their loyalty.
- ❖ Restructure services to foster greater collaborative working opportunities and tailor operational services to align with client's wishes and expectations.
- ❖ Modernise our services and make them more convenient to access by:-
 - ❖ Developing and implementing an IT Strategy, delivering both efficiencies and the best possible client experience. On-line services and web-site developed as a primary source of communication and supported by social media interaction.
 - ❖ Purchasing and refurbishing a more appropriate Andium Homes office with ease of access for all clients.
 - ❖ Developing the Andium Homes brand and a Marketing & Communications Strategy, focussed on client service.
 - ❖ Partnering with contractors to ensure that services are delivered in an efficient manner, avoiding unnecessary administration and delivering better services to clients.
- ❖ Launch the 'Andium Homes Academy' to improve client understanding of our business and the services we offer.*

* The "Andium Homes Academy" will offer tenants the opportunity to become proficient in the social housing sector by offering a programme of training sessions which will equip residents with a range of skills and knowledge that will enable them to get fully involved in their housing issues and help steer the future direction of Andium Homes.

Objective 4 – Delivering more homes & services

Numbers on the Affordable Housing Gateway currently exceeds 1,200. Therefore, after delivering the additional 472 net new units committed to (outlined in objective 1), there will still be unmet demand for affordable homes. Further growth is therefore required.

There is an opportunity to more closely align Andium Homes' strategies with those of the Health and Social Services Department by enabling our clients to remain in their homes for longer. This will include delivering more lifelong homes and looking for opportunities to provide Sheltered and Supported Housing.

Andium Homes will provide a full range of landlord services which is unique in Jersey. These services can also be provided to other landlords, such as the Parishes, which will provide more income to invest in more homes.

Traditionally, the Affordable Housing Gateway has limited its applicants to those meeting a relatively narrow set of criteria. This set of criteria excludes many lifelong renters on low incomes who would benefit from the security of tenure that can be offered by Andium Homes. Should the Strategic Housing Unit look to expand the criteria to other groups, Andium Homes stands ready to respond to such an increased demand.

Deliverables

- ❖ Develop or acquire new affordable homes on any rezoned, windfall or urban sites in order to deliver 100 new unit starts per annum from 2015 in addition to plans as set out in objective 1.
- ❖ Take opportunities to generate income by providing property management services to others by providing external management services.
- ❖ Explore options for the provision of Sheltered and Supported Housing services in relation to older and/or vulnerable people.
- ❖ Respond to policies emerging from the Long Term Housing Strategy and explore opportunities for new forms of tenure and the extension of housing services to groups currently excluded from the Affordable Housing Gateway.

Additional unit starts and completions

The additional unit starts and completions are projected as follows:-

Number of units	2014	2015	2016	2017	2018	2019
	£000	£000	£000	£100	£000	£000
Commenced in year	-	100	100	100	100	100
Completed in year	-	-	-	100	100	100

Identified projects will undergo a viability assessment. Those identified as viable will be presented for the approval of the Board, and the Guarantor in accordance with the Memorandum of Understanding and the loan agreement. Costs incurred in the performing the viability assessment will be funded from existing operational budgets.

Objective 5 – Financial strength & stability

Social housing has historically faced underfunding which has resulted in the condition of social housing properties falling below an acceptable standard and the waiting list for social housing being at an unacceptably high level.

Due to rent increases being restricted, States owned social housing rents have unintentionally fallen significantly behind the private rental market and currently stand at, on average, 75% of the private market. The revised rent policy will see rents on new tenancies being set at 90% of private market rent levels.

Ring-fenced long term financial planning is required. It is important that the condition of and the demand for our homes is understood. Where appropriate, borrowing should be available to fund stock development.

“Best practice” governance is required to provide oversight and strategic direction to ensure sound financial practices and the delivery of an appropriate social housing provision. Governance must be free from actual or potential conflicts of interest and so Andium Homes must be governed by a Board that includes a number of non-executive Directors.

Financial strength and stability is essential to the success of Andium Homes and the delivery of social housing in Jersey.

Deliverables

- ✿ A robust business plan, updated annually.
- ✿ Deliver value for money by minimising costs through efficient procurement and effective budget management.
- ✿ Maximise income through the implementation of the rent policy and minimising of void times.
- ✿ Provide the agreed financial return to the States of Jersey on a quarterly basis.
- ✿ Meet borrowing requirements as set out in the loan agreement with the States of Jersey.
- ✿ Operate a “no surprises” approach to communications with the States of Jersey such that the Guarantor is kept fully informed of key business decisions in accordance with the Memorandum of Understanding.
- ✿ Deliver “best practice” Governance led by the Board of Directors, including independent non-executive Directors.

Balance sheet

Projected balance sheet position for each year of the plan.

	2014	2015	2016	2017	2018	2019
	£000	£000	£000	£000	£000	£000
Social Housing stock:						
Brought forward	644,647	687,801	737,253	795,262	852,675	899,682
New build costs	7,993	23,431	30,898	32,296	22,369	14,708
Refurbishment costs	3,387	12,457	10,879	6,537	4,847	4,823
Finance costs	637	1,461	3,305	4,623	4,887	4,262
Disposals	-2,850	-5,409	-5,571	-5,849	-6,142	-6,449
Depreciation	-3,695	-7,942	-8,514	-9,167	-9,796	-10,296
FV adjustment	37,682	25,454	27,012	28,973	30,842	32,477
Social housing value	687,801	737,253	795,262	852,675	899,682	939,207
Office Replacement	3,000	3,000	3,000	3,000	3,000	3,000
IT upgrade	-	500	500	500	500	500
Debtors and creditors	6,967	7,906	9,059	10,670	12,403	14,266
Cash	12,507	7,605	8,334	9,533	10,936	15,344
Borrowing*	-43,420	-74,149	-117,710	-159,594	-189,356	-209,572
Net assets	666,855	682,115	698,445	716,784	737,165	762,745

*Peak debt modelled at £213.5m in year 7. This will be managed to come within the £207m facility by managing projects as they progress.

Income statement

Projected income statement for each year of the plan, with 2014 being a 6 month period.

	2014**	2015	2016	2017	2018	2019
	£000	£000	£000	£000	£000	£000
Rental income	21,354	43,813	46,808	49,794	52,607	57,402
Other income	1,079	1,845	1,892	1,941	1,987	2,038
Maintenance	-5,904	-10,181	-12,363	-13,702	-13,807	-12,083
Staff costs	-1,624	-3,716	-3,817	-3,922	-4,033	-4,141
Other expenses	-2,812	-4,112	-4,314	-4,455	-4,600	-4,754
Finance costs	-1,745	-1,704	-1,664	-2,108	-3,146	-4,720
Return to States of Jersey	-13,716	-28,532	-29,246	-29,977	-30,726	-31,494
Operating surplus/deficit*	-3,368	-2,587	-2,704	-2,429	-1,718	2,248
Depreciation	-3,695	-7,942	-8,514	-9,167	-9,796	-10,296
Accounting deficit	-7,063	-10,529	-11,218	-11,596	-11,514	-8,048
Fair value adjustments:						
Stock revaluation	37,682	25,454	27,012	28,973	30,842	32,477
Property bond revaluation	79	335	536	962	1,053	1,151
Net movement in reserves	30,698	15,260	16,330	18,339	20,381	25,580

*Operating deficits in the early years arise through increased maintenance expenditure to meet the Decent Homes Standard, rent losses on properties undergoing major refurbishment, finance costs and the gradual implementation of the rents policy on new tenancies. In the longer term the rent policy and the new build programme generate increased rental income which sees the Company generating operating surpluses from 2019 which will be used to provide more and better homes.

**The deficit in 2014 is predominantly due to an underspend in the first half of 2014, the value of which will be paid to Andium Homes on 1 July 2014.

Cash flow statement

Projected cash flow statement for each year of the plan, with 2014 being a 6 month period.

	2014	2015	2016	2017	2018	2019
	£000	£000	£000	£000	£000	£000
Operating cash flows	12,093	27,649	28,206	29,656	32,154	38,462
Return to the States of Jersey	-6,737	-28,363	-29,073	-29,799	-30,544	-31,308
Net cash flow after Return to the States of Jersey	5,356	-714	-867	-143	1,610	7,154
New build and refurbishment costs	-11,380	-35,888	-41,777	-38,833	-27,216	-19,531
Proceeds from the sale of existing properties	2,850	5,409	5,571	5,849	6,142	6,449
Other cash flows	-25,357	-1,273	-790	-827	-862	-898
	-28,531	-32,466	-37,863	-33,954	-20,326	-6,826
Finance costs	-2,382	-3,165	-4,969	-6,731	-8,033	-8,982
Net cash flow before borrowing	-30,913	-35,631	-42,832	-40,685	-28,359	-15,808
Borrowing drawn/(repaid)	43,420	30,729	43,561	41,884	29,762	20,216
Net cash flow*	12,507	-4,902	729	1,199	1,403	4,408
Cash brought forward	-	12,507	7,605	8,334	9,533	10,936
Cash carried forward	12,507	7,605	8,334	9,533	10,936	15,344

*Capital projects will be funded by Housing Department budgets that will be paid to Andium Homes from the States of Jersey on 1 July 2014 (approximately £14m) and borrowing from the States of Jersey. Operating deficits impact the cash balance in 2014 and 2015 but cash will be managed to retain a healthy cash float.

Impact on the construction industry

Maintenance and capital spend included in the business model, with 2014 being a 6 month period.

	2014	2015	2016	2017	2018	2019
	£000	£000	£000	£000	£000	£000
Maintenance expenditure	5,904	10,181	12,363	13,702	13,807	12,083
Major refurbishment projects	3,387	12,457	10,879	6,537	4,847	4,823
New build projects	7,993	23,431	30,898	32,296	22,369	14,708
Total*	17,284	46,069	54,140	52,535	41,023	31,614

*The Andium Homes capital and maintenance programme will provide stimulus to the construction industry in Jersey. Capacity in the market will, however, need to be monitored and managed. As a comparator, the capital and maintenance spend of the Housing Department was £25,790k in 2013.

Source of funds

The table below re-analyses the cash flow statement to demonstrate how the capital programme will be funded, and how other cash flows will be utilized.

	2014	2015	2016	2017	2018	2019
	£000	£000	£000	£000	£000	£000
Capital cash flows						
New build and refurbishment costs	-11,380	-35,888	-41,777	-38,833	-27,216	-19,531
Finance costs capitalised	-637	-1,461	-3,305	-4,623	-4,887	-4,262
Previous advances payable to States of Jersey	-38,489	-	-	-	-	-
Cash outflows on capital programme	-50,506	-37,349	-45,082	-43,456	-32,103	-23,793
Funded by:						
Net borrowing*	43,420	30,729	43,561	41,884	29,762	20,216
Unspent Housing Department capital budgets paid to Andium Homes	14,880	-	-	-	-	-
Direct funding for capital programme	58,300	30,729	43,561	41,884	29,762	20,216
Net capital cash flows**	7,794	-6,620	-1,521	-1,572	-2,341	-3,577
Other cash flows						
Net cash flow after Return to the States of Jersey	5,356	-714	-867	-143	1,610	7,154
Unspent Housing Department revenue budgets paid to Andium Homes	1,896	-	-	-	-	-
Finance costs expensed	-1,745	-1,704	-1,664	-2,108	-3,146	-4,720
Gross proceeds from the sale of existing properties	2,850	5,409	5,571	5,849	6,142	6,449
New office and IT system	-3,000	-500	-	-	-	-
Other cash flows	-644	-773	-790	-827	-862	-898
Net other cash flows***	4,713	1,718	2,250	2,771	3,744	7,985
Total net cash flows						
Net cash flow	12,507	-4,902	729	1,199	1,403	4,408
Cash carried forward****	12,507	7,605	8,334	9,533	10,936	15,344

*Net borrowing is entirely derived from the £207m loan facility provided by the States of Jersey. Cash flow will be managed to stay within this facility.

**Capital is funded by borrowing and unspent Housing Department capital budgets paid to Andium Homes on incorporation. The surplus in 2014 is due to the whole amount of unspent Housing Department capital budgets being paid to Andium Homes on incorporation, but being spent over a number of years. Deficits in years 2015 to 2019 are funded by cash generated from operations or property sales.

***Net other cash flows are predominantly generated from operations and property sales. These are used to part fund the capital programme and other cash out flows such as the new office and IT system.

****Initially the cash float is generated by the unspent Housing Department capital budgets paid to Andium Homes on incorporation which is spent on capital projects over a number of years. Cash floats are maintained over this period by the cash surpluses generated from operating cash flows and property sales. From 2018, the cash float can be maintained by cash generated from operations and so proceeds from property sales can be used to fund further capital development. Cash will be managed to maintain a healthy cash float.

Objective 6 – Provider, employer, investment...of choice

Andium Homes has a wide and diverse group of stakeholders, including tenants, the States of Jersey, staff, contractors, partners in other agencies and the wider general public. Communications to all stakeholders need to be clear, consistent and appropriate to each audience. A Marketing and Communications Strategy is therefore required.

Vital to the success of the new company will be the commitment of staff to embrace the changes and opportunities ahead, to live the Andium Homes core values and deliver their services to a high standard. A People Strategy is key to bringing colleagues on this exciting journey and to ensure that the company is suitably resourced to perform at the highest level.

Andium Homes has contracted to deliver an agreed annual financial return to the States of Jersey. Financial strength and stability must be maintained to meet the requirements of this contract, and to meet all objectives set out in this Strategic Business Plan.

Deliverables

✦ Provider of choice:

- ✦ Manage and develop the Andium Homes brand and reputation in order to attract future clients and be first choice for affordable housing solutions in Jersey, recognised for clear communication of the products and services we offer now and in the future.
- ✦ Build strong relationships with partners and ensure a reputation for working effectively and delivering on promises.
- ✦ Develop and define the "Andium Homes Standard" across the organisation which drives a high performance culture for colleagues and contractors and improved standards from clients.

✦ Employer of choice:

- ✦ Unlock performance & potential, through developed business skills, values & behaviours and put in place appropriate talent, succession and retention plans.
- ✦ Build a robust, transparent and simplified reward framework aligned to the Andium Homes values.
- ✦ Develop and implement a People Strategy, with key strategic deliverables in organisational development, recruitment, maximisation & retention and reward & remuneration.
- ✦ Develop and implement a bursary scheme to attract graduates to the sector and Andium Homes

❖ Investment of choice:

- ❖ Maintain strong governance compliance and financial strength, ensuring the agreed ongoing financial return is delivered to the States of Jersey in accordance with the Transfer Agreement and borrowing is repaid in line with loan agreements.
- ❖ The Board has established a “best practice” governance structure.

Key Performance Indicators

We have set annual targets to be achieved by 31 December to enable us to meet our strategic objectives and manage the financial risks to the business.

	2014	2015	2016	2017	2018	2019
Great homes and places						
% of homes meeting the Decent Homes Standard	81%	84%	87%	89%	90%	92%
% of open areas meeting the "Andium Homes Standard"	TBD*	TBD*	TBD*	TBD*	TBD*	TBD*
Major refurbishment of existing properties	21	91	133	-	95	-
Deliver net new homes on existing sites	41	-19	-23	117	28	161
Net proceeds from property sales	£2m	£5m	£5m	£5m	£5m	£5m
Providing happy, safe neighbourhoods						
Clients Satisfaction with their neighbourhood as a place to live	65%	70%	77%	80%	85%	85%
A renowned client experience						
Client Satisfaction with overall services	70%	75%	80%	83%	86%	86%
Client satisfaction with the way a complaint is handled	60%	63%	66%	69%	72%	74%
Delivering more homes and services						
Deliver further growth (completions)	-	-	-	100	100	100
Financial strength and stability						
Rent charged as a % of market rent	73%	74%	76%	77%	78%	80%
Rent arrears as a % of rental income and charges	1%	1%	1%	1%	1%	1%
Average rent days lost due to properties being void (excluding capital projects)	25	25	25	25	25	25
Provider, employer, investment.....of choice						
Agreed financial returns delivered to the States of Jersey (subject to actual RPI levels)	£14m	£29m	£29m	£30m	£31m	£31m
Level of colleague turnover	3.5%	7%	7%	7%	7%	7%
Bursary Scheme Graduates employed	-	-	-	-	-	1
Colleague sickness levels (maximum days average over 12 month period)	5	5	5	5	5	5

*The "Andium Homes Standard" initiative has just been launched and base figures for those areas meeting the standard are yet to be determined. Once this base is established, annual targets will be set.

We will set targets annually to monitor progress against our key performance indicators and monitor actual results against that budgeted in the financial plan.

Andium Homes will demonstrate operational efficiencies through regular communications with the Board. Cash generated from efficiency savings will be reinvested in to the business which will enable homes to be brought up to Decent Homes Standards more quickly.