



# Merlin

## Housing Society

### **BUSINESS PLAN**

2009 - 2012

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## **Appendices**

- Appendix 1 Our key objectives and corporate goals 2008 - 2012
- Appendix 2 Our 30 year Financial Plan (confidential).
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## FOREWORD

This is the third Business Plan we have produced since the transfer of South Gloucestershire's housing stock in February 2007. During the critical first two years after the Transfer the Board recognised that its plans had been over ambitious. The need for fundamental reviews of key areas of our service, reinforced by a mock inspection in 2008, combined with the need for more integrated ICT systems at a time where we were still tied to the Council's ICT infrastructure, have meant that, by the end of 2008, we have not made the progress we would have liked.

One system in which we have invested is software that enables us to develop an integrated business plan, demonstrating the clear links between our key strategic objectives and the work of teams and individuals in the business. It also links our objectives to the Audit Commission's Key Lines of Enquiry, thus enabling us to identify those areas of work that will help demonstrate our commitment to continuous improvement. A third element of the new system will help us map the risks associated with our business and ensure that as part of our work we control and manage the risks we face. In early 2009 we plan to extend the use of the software to provide a balance scorecard approach to monitoring the performance of the organisation.

This Business Plan, necessarily, builds on our earlier plans. As we now have two year's post transfer experience, it is more realistic than the previous Plans, but it nonetheless sets us challenging objectives and targets that will help ensure that we make the changes necessary to develop Merlin Housing Society as a viable and vibrant organisation capable of achieving its Vision "to be a first class provider of affordable housing and related services for communities across South Gloucestershire, with our residents at the heart of all that we do".

Our key priority over the next 3 years remains to fulfil the promises made to tenants through significant investment in improvements to their homes and improving the services we deliver to them. However the Board sees meeting those promises as only a starting point leading to opportunities to work in partnership with residents, South Gloucestershire Council and other stakeholders to develop new housing and services to meet the needs of our residents and the neighbourhoods in which they live.



**Les Good**  
Chairman, Merlin Housing Society

December 2008

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## 1. Introduction

Merlin Housing Society is an Industrial and Provident Society with charitable objectives and registered with the Housing Corporation.

Following a ballot of tenants 7900 homes were transferred from South Gloucestershire Council to the Society in February 2007. The Society is by far the largest social housing provider in South Gloucestershire and one of our key objectives will be to work constructively in partnership with the Council, other agencies, and the wider community, to establish a reputation as a provider of high quality housing and related services for local people.

The Society's aims will be achieved through a representative Board which is committed to the delivery of a high quality services. The Board is supported by an experienced Senior Management Team leading a highly motivated, qualified and well-trained workforce.

Further details about Merlin can be found at [www.merlinhs.co.uk](http://www.merlinhs.co.uk)

## 2. Our Vision, Values and Objectives

2.1 Merlin wants to be regarded as:

**“a first class provider of affordable housing and related services for communities across South Gloucestershire, with our residents at the heart of all that we do”.**

2.2 In achieving this vision there are a number of key principles, or values, that will guide and influence our work:

### **Include**

*Ensuring everyone who needs our services has the opportunity to use and contribute to them.*

### **Respond**

*Listening to our customers, communities, staff and stakeholders, ensuring they influence what we do and how we do it.*

### **Improve**

*always looking for ways to improve.*

### **Respect**

*Understanding and responding to the rights, interests and values of everyone we engage with.*

### **Empower**

*Encouraging a culture where our staff, Board Members customers and communities can achieve their full potential.*

- 2.3 In order to deliver its vision and values, Merlin has the following key business objectives:
- To be a first class provider of value for money housing and related services
  - To put residents and customers at the heart of everything we do
  - To be a viable, influential and respected organisation
  - To be recognised as a good employer, encouraging staff to achieve their potential
  - To invest in our communities and their environment
- 2.4 These key business objectives provide a framework for the corporate goals for this Plan which are set out in Appendix 1
- 2.5 These goals are further broken down into a series of projects and each project has a list of tasks. This programme of projects and tasks will form the basis of objectives for individual staff that, collectively, will be part of our performance monitoring processes.

### 3 Our Capacity

- 3.1 In the two years since the transfer of the Council's housing stock we have had ambitious plans to achieve cultural change and major improvements, both to the homes in which our residents live and the services which we deliver to them.
- 3.2 We have recognised that shortcomings in our basic business infrastructure and our capacity to cope with the pace of change we face has hampered our success, although in the latter part of second half of 2008/9 we have implemented major changes to the way we deliver ICT, supported housing and housing management services.
- 3.3 For 2009/10 our plans are more realistic in what we can achieve. We have identified key priority projects on the basis of those that will have the most impact on the services we deliver to residents and address the business infrastructure issues we face. We have also created a projects and performance team to help ensure that we deliver projects on time and on budget.
- 3.4 In addition we plan to make the necessary resources available to ensure that we deliver the improvements our residents deserve as we focus, in particular, on improvements to our repairs service and the financial support service within Merlin.

## 4 Our Finances

### 4.1 Our Funding

4.1.1 In order to purchase the Council's housing stock and fund the significant investment needed in that stock to bring it up to the promised Merlin standard, the Society has secured a loan facility of £100m with Lloyds TSB limited.

### 4.2 Our 30 year financial Plan and Operating Budget

4.2.1 The Society has developed detailed cash flow projections based upon its planned business activities over the next 30 years. These projections (set out in Appendix 2) show that as a result of the significant sums being invested in the repair and improvement of the housing stock in the early years the Society will incur deficits for the first 12 years until 2018/19. After 2019 however, it will achieve annual cash flow surpluses that will be sufficient to enable all borrowing to be repaid within the 30-year life of the cash flow projections.

4.2.2 Nearly all of the Society's income is derived from the rents it charges its tenants. The rent charged to tenants transferring from the Council was based initially on the rent under their Council tenancy. Subsequently, rents for all tenants will be set at a level that will seek to ensure that all rents are in line with the Government's target rents by 2012.

4.2.3 Income arising from Preserved Right to Buy (PRTB) receipts included in the cash flow projections have been based on projections prepared by Savills.

4.2.4 Predicted expenditure on repairing and maintaining the stock is based on the stock condition survey prepared by Savills as updated to reflect the promises made to residents.

4.2.5 A detailed Operating Budget for 2008/9, in line with the cash flow projections is included at Appendix 3.

### 4.3 Taxation

4.3.1 Merlin Housing Society has adopted charitable status and will manage its tax affairs accordingly. Under current legislation Merlin is exempt from paying Corporation Tax and this has been reflected in the Society's cash flow projections.

4.3.2 The Society benefits from savings in VAT through a VAT shelter scheme that has been developed together with South Gloucestershire Council. Savings achieved through the scheme are shared equally between Merlin and the Council. The 30 year financial plan does not currently take account of the anticipated vat savings.

## 4.4 Assessment of Financial Risk

4.4.1 The financial projections contained within the business plan are sensitive to changes in key assumptions. However, the degree of risk is limited by a number of different factors:

- The rental income stream is relatively certain and a very small increase in rent will increase the income significantly and, in an emergency, could be used to counteract unfavourable changes in other assumptions;
- The estimate of expenditure on major repairs and improvements is backed by an independent surveyor's report;
- Experience suggests that Merlin Housing Society will be able to arrange its future borrowings at interest rates that are below the interest rates assumed within its business plan;
- If absolutely necessary the Society could seek the consent of the DCLG to dispose of vacant dwellings at open market value to preserve its financial viability.

## 4.5 Sensitivity Analysis

4.5.1 As part of the process of preparing and refining the financial plan, it is essential that the base assumptions be tested to ascertain what impact any variance from these would have on the Society's plans. This not only shows how sensitive the plan is to various factors but also demonstrates the overall rigour of the plan.

4.5.2 The sensitivity tests combine a number of possible scenarios in order to establish the impact of a combination of events taking place, rather than just one in isolation.

4.5.3 There are three key areas that are monitored for each of these scenarios. These are the amount of the peak debt, the year in which this occurs and the year in which repayment of the debt occurs.

4.5.4 The detailed results of these tests are included within appendix 4.

4.5.5 The assumptions that have the greatest impact upon the financial plan are:

- Real interest rates;
- Future inflation;
- Future rent increases;
- The cost of the improvement programme.

4.5.6 The Society has begun and will continue to develop strategies to mitigate risks in these areas.

## Our Key Objectives and Corporate Goals

*Merlin Housing Society - Corporate Goals by Objective*

	<i>Start Date</i>	<i>Target Date</i>
<b>1. <i>To be a first class provider of value for money housing and related services</i></b>		
a) Achieve 2* inspection rating, with promising prospects for improvement from inspection by the end of 2010.	01/04/2008	31/03/2010
b) Deliver the promises to residents as contained in "Monitoring The Promises" by 2012.	01/04/2008	31/03/2012
c) Establish a comprehensive asset management strategy by 2008, which achieves the Merlin Homes Standard by 2013.	01/04/2008	31/03/2013
d) Deliver good value supported housing services, achieving performance that satisfy the SP Commissioning body.	01/04/2008	31/03/2012
e) Deliver good value central support services (IT, HR, Legal, Finance, Communications, Admin, Audit) supporting delivery of business plan objectives and achieving median performance, across range of indicators to be determined, by 2010.	01/04/2008	31/03/2010
<b>2. <i>To put our residents and customers at the heart of everything we do</i></b>		
a) Achieve an increase in overall resident satisfaction from 75% to 85% (or top quartile SW Housemark benchmark group) by 2010 as measured by the STATUS survey	01/04/2008	31/12/2009
b) Be a customer-focused organisation, evidenced by the staff survey (from 45% to 64% in 2009) and STATUS 'satisfaction with final outcome of enquiry' from 67% to 76% by 2010)	01/04/2008	31/03/2009
c) Develop and deliver a resident involvement framework to ensure resident satisfaction with opportunities to participate increases from 65% to 72% (or top quartile SW Housemark benchmark group) as measured by the STATUS survey in 2010	01/04/2008	30/06/2009

## Our Key Objectives and Corporate Goals

### **3** *To be a viable, influential and respected organisation*

- |    |   |            |            |
|----|---|------------|------------|
| a) | Maintain a good rating (four green lights in Governance, Management, Development and Viability) in the Housing Corporation Assessment (HCA) after assessment in 2007/08 | 01/04/2008 | 31/03/2012 |
| b) | Outperform financial business plan by delivering efficiencies and meet funder's covenants annually  | 01/04/2008 | 31/03/2012 |
| c) | Actively participate in ten and lead in two local partnerships and external forums  | 01/10/2009 | 31/03/2011 |

### **4** *To be recognised as a good employer, encouraging staff to achieve their potential*

- |    |   |            |            |
|----|---|------------|------------|
| a) | Maintain the IIP standard, after assessment in 2008   | 01/04/2008 | 31/03/2012 |
| b) | Achieve an increase in overall staff satisfaction from 41% to 63% (top quartile SW Housemark benchmark group) by 2010 | 01/04/2008 | 31/03/2009 |

### **5** *To invest in our communities and their environment*

- |    |   |            |            |
|----|---|------------|------------|
| a) | Develop or fund two new community services or facilities, that make a contribution to South Gloucestershire's Strengthening Communities Strategy, by 2010 | 01/04/2008 | 31/03/2010 |
| b) | Develop or acquire 100 new homes by March 2012  | 01/04/2008 | 31/03/2012 |