TRIDENT GROUP

BUSINESS PLAN

2019 - 2024

TRIDENT GROUP AT A GLANCE

1 Employs over 750 people

2 Works with 13 Local Authorities

3 Supports up to 8,000 people each year

4 Group Turnover £33m

5 Supports care contracts worth over £13.5m

6 Owns and manages 3424 homes

7 Invested £36.3m to create 341 new homes in five years

8 Spending £6m over 5 years on capital repairs

9 An average of 1200 lets carried out each year

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WHO WE ARE

Trident Group has been providing homes and care and support services to people in some of the most disadvantaged communities in the Midlands for over 50 years. Trident Group owns and manages over 3,400 properties and has one of the highest proportions of supported accommodation among social housing providers.

The Group employs more than 750 staff, works with over 150 volunteers and provides services to approximately 8,000 people. With an annual turnover of more than £33m and assets close to £170m, the Group is also a member of one of the country's largest development partnerships, Matrix Housing Partnership.

The Group includes Trident Housing, which provides landlord services for the Group in respect of housing management and maintenance; Trident Reach, a registered care and support charity providing services (homeless, mental health, young people, older people, BME groups and domestic violence) to people in the Midlands; and Trident Star, the Group's commercial body.

VISION

To be a beacon of hope to disadvantaged communities and individuals

MISSION

To be at the forefront of delivering integrated Housing and Care and Support Services

VALUES

People-Centred

Financially Robust

Building Sustainability

Furthering Social Justice

TRIDENT GROUP

Trident Group has over 50 years of delivering homes, services and innovation for up to 8,000 people in over 3,400 homes in some of the most disadvantaged communities in the Midlands.

TRIDENT REACH

Trident Reach is a registered care and support charity providing services to people within the Midlands. These services include homeless, learning disabilities, mental health, young people, older people, BME groups and domestic violence.

TRIDENT STAR

Trident Star is the Group's commercial body, which will play a growing role in supporting further increase in the Group's surplus.

OUR PERFORMANCE TARGETS

In addition to the financial targets set out in our forecast, and the Cost Improvement Plan, we set Key Performance Indicator (KPI) targets around our business critical activities.

Our performance goals recognise the challenging customer group we work with and the influence of external policy; we set targets that create continuous and sustainable improvement, and over the course of time achieve upper quartile performance when compared to our benchmarked peers.

We monitor progress on KPIs throughout the year and performance is reported to Group Board and its sub committees. In the first year of the Strategic Plan we have undertaken a complete review of our performance monitoring and benchmarking approach to optimise the collection, collation and distribution of performance information, so that staff and stakeholders have the best possible oversight and will be able to drive improvement more effectively.

The following table sets out stretch performance targets for the forthcoming year.

KPI	Related Risks	Annual Target 2019.20
Health and Safety and Asset Compliance		
RIDDOR reportable incidents	- Health and safety and asset compliance	<=2
Fire risk assessments up to date	- Health and safety and asset compliance	100%
% stock gas safety compliant	- Health and safety and asset compliance	100%
Wellbeing and home safety checks undertaken	- Health and safety and asset compliance - Asset management	2150
Cash		
Current tenant arrears as % of rent charged	- Cash - Poor financial performance	10.4%
Average re-let days	- Cash - Poor financial performance	24 24
Rent collected as % of revenue due	- Cash - Poor financial performance	99.5%
Void loss as % revenue due	- Cash - Poor financial performance	THA - 3.5% Reach - 13.0%
Operating margin	- Cash - Poor financial performance	THA - 32.4% Reach - 2.2%
Agency staff spend	- Cash - Poor financial performance	£300k
New business income	- Cash - Poor financial performance	£150k
EBITDA MRI	- Cash - Poor financial performance	2.08
Internal VFM reduction target	- Cash - Poor financial performance	£561k
Information technology and data management		
Data protection breaches	- Information technology and data management	0
ICO reportable	- Information technology and data management	0

KPI	Related Risks	Annual Target 2019.20
Refinancing and Access to Available Fund		
Debt serviceability	- Refinancing and access to available funds - Poor financial performance - Cash	54%
Net debt per unit	- Refinancing and access to available funds - Cash	£24.9k
Drawn loan balance	- Refinancing and access to available funds - Brexit	£76,930k
Fixed debt %	- Refinancing and access to available funds	57.80%
Variable debt %	- Refinancing and access to available funds	42.20%
Cash at bank	- Refinancing and access to available funds	THA - £4,224k Reach - £1,708k
Brexit		
Inflation rate	- Brexit	2.00%
Interest rate (LIBOR)	- Brexit	1.50%
% Of staff EU27 nationals	- Brexit - Staff and Board Member retention	Info only
Securitisation (headroom) (£)	- Brexit	Nationwide - £23,064k Barclays - £2,715k
Net debt per unit (headroom) (£)	- Brexit	£29,659k
Asset Management		
Stock condition surveys undertaken	- Asset management - Health & safety and asset compliance	25%
Poor Financial Performance		
Average performance on PBOs (SP contracts)	- Poor financial performance - Cash	85%
% of care and support contracts meeting contract utilisation	- Poor financial performance - Cash	92.85%
Staff and Board Member Retention		
Workforce stability factor	- Staff and Board Member retention	>=70%
Staff turnover	- Staff and Board Member retention	<30%
Supported Services and Accommodation		
% contract to be reviewed within 6 months (care and support)	- Supported services and accommodation	Info Only
Development (No Market Sales)		
Number of units developed (affordable rent)	- Development (no market sales)	0
Number of units developed (Market rent)	- Development (no market sales)	0

OUR FINANCIAL STRATEGY

FINANCIAL VIABILITY

Trident Group is committed to ensuring we have sufficient financial capacity to meet all of its key objectives. All surpluses are retained for reinvestment in the organisation, to develop housing for those in need, or to meet our social aims, and nothing is distributed to shareholders.

We maintain a minimum cash balance whilst ensuring sufficient loan facilities are available and immediately accessible to finance all contractual commitments. Short and long term cash projections are regularly reviewed to assess future borrowing requirements.

OUR BUSINESS PLAN

The Business Plan represents the consolidated view of the three entities within Trident Group: Trident Housing Association, Trident Reach the People Charity and Trident Star. We refresh our Business Plan each year and this is reflected in the following pages.

FINANCIAL AND OPERATING ASSUMPTIONS

The Plan incorporates the following assumptions:

Group Assumption	2019.20	2020.21	2021.22	2022.23	2023.24	Long Term
Base inflation - CPI (Source: Savills Financials Business Plan Assumptions)	2.10 %	2.10 %	2.00 %	2.00 %	2.00 %	2.00 %
Retail price index - RPI (Source: Savills Financials Business Plan Assumptions)	2.70 %	3.00 %	2.80 %	2.75 %	2.75 %	2.75 %
Rental inflation / (deflation) (Source: Government policy / actual run rate)	0.13 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
LIBOR (Source: Savills Financials Business Plan Assumptions)	1.50 %	2.00 %	2.50 %	3.00 %	3.50 %	4.00 %
Voids (Source: Group Board Approved Targets)	-3.90 %	-3.00 %	-2.70 %	-2.60 %	-2.50 %	-2.50 %
Bad debts (Source: Group Board Approved Targets)	-3.60 %	-3.50 %	-3.40 %	-3.40 %	-3.40 %	-3.40 %
Employment cost (Source: Group Board Approved Targets)	2.70 %	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %
Cost improvement target (Source: Group Board Approved Targets)	-1.90 %	-0.75 %	-0.50 %	-0.25 %	-0.25 %	-0.25 %

PROPERTY DEVELOPMENT AND ASSET INVESTMENT

Alongside the investment in out of management units, Trident Group will be maintaining significant capital and revenue investment in current properties. This will be driven by the information gathered in a comprehensive independent stock condition survey programme undertaken in early 2018-2019.

The following table demonstrates our asset investment plans:

	2019.20 £000's	2020.21 £000's	2021.22 £000's	2022.23 £000's	2023.24 £000's
Revenue maintenance	1,585	1,606	1,630	1,659	1,688
Capital investment	1,310	1,475	1,650	1,820	1,944

***NB** although we have included the loss of units through the Voluntary Right to Buy in our stress testing, and have thereby made financial allowances for the potential impact on income, since our modelling suggests the impact is minimal, and the roll out and operating detail of the scheme is as yet uncertain, we have opted to exclude this from our current development and disposals plan.*

Development:

- The business plan assumes a Group Board committed development of 20 affordable rented units in 2021/22.
- The cost of development; including land purchase is assumed at £2,734k.
- The grant allocated to this development is assumed at £680k (£34k per unit).

BUSINESS PLAN PROJECTIONS

Income and Expenditure	2019.20 £000's	2020.21 £000's	2021.22 £000's	2022.23 £000's	2023.24 £000's
Income	**34,049**	**34,946**	**35,837**	**36,980**	**37,874**
Operating expenditure	(27,985)	(28,526)	(28,853)	(29,492)	(29,915)
Operating surplus	6,064	6,420	6,984	7,488	7,959
Operating surplus % of income	17.8%	18.4%	19.5%	20.2%	21.0%
Interest cost	(3,311)	(3,181)	(3,100)	(3,120)	(3,333)
Net surplus	**2,753**	**3,239**	**3,884**	**4,368**	**4,626**
Net surplus % of income	**8.1%**	**9.3%**	**10.8%**	**11.8%**	**12.2%**

CASH FLOW

Cashflow	2019.20 £000's	2020.21 £000's	2021.22 £000's	2022.23 £000's	2023.24 £000's
Net cash flow from operating activities	7,335	7,572	7,784	8,196	8,400
Interest paid	(3,180)	(3,105)	(3,054)	(3,075)	(3,287)
Development expenditure	(89)	0	(2,734)	0	0
Grants receipts	0	0	680	0	0
Other fixed assets payments	(780)	(452)	(353)	(360)	(367)
Loan repayments	(3,394)	(3,261)	(3,050)	(14,909)	(3,135)
Loan draw downs / RCF repayments	0	0	0	10,087	(1,561)
Cash flow b/f	**6,142**	**6,034**	**6,788**	**6,061**	**6,000**
Cash flow c/f	**6,034**	**6,788**	**6,061**	**6,000**	**6,050**

BALANCE SHEET

Balance Sheet	2019.20 £000's	2020.21 £000's	2021.22 £000's	2022.23 £000's	2023.24 £000's
Fixed assets	157,431	155,878	157,313	156,113	155,186
Current assets	6,450	7,250	6,478	6,417	6,446
Creditors amount falling due less than one year	(8,691)	(8,364)	(20,208)	(9,995)	(8,921)
Total Assets less current liabilities	**155,190**	**154,719**	**143,583**	**152,535**	**152,731**
Creditors amount falling due greater than one year	130,905	127,194	112,173	116,757	112,326
Income and expenditure reserve	23,171	26,411	30,296	34,664	39,291
Revaluation reserve	1,114	1,114	1,114	1,114	1,114
Total Assets less current liabilities	**155,190**	**154,719**	**143,583**	**152,535**	**152,731**

COVENANT COMPLIANCE

Covenant Compliance	Required	2019.20	2020.21	2021.22	2022.23	2023.24
Debt per unit	<£35000	£25,871	£24,593	£23,735	£22,223	£20,703
EBITDA MRI	>110%	208%	225%	239%	247%	239%
Debt serviceability	<70%	54%	53%	52%	51%	50%
Risk management key						

All covenants monitored by lenders reflect a compliant position with considerable headroom.

FUNDING REQUIREMENTS

The financial model reviews the funding requirements of the Group over the five year period.

The £20,000k revolving credit facility (RCF) with Barclays was refreshed prior to 31 March 2018. The new facility extended the period of financing by 60 months and demonstrated a cost saving to the business plan finances of £400k over the period of the facility. The business plan assumes the £20,000k RCF being refreshed in 2023 up until 2031 as part of the Group's risk mitigation.

All other facilities are on an amortising basis and phased within the plan in accordance to the loan maturity ladders.

RISK MANAGEMENT AND STRESS TESTING

Our Strategic Plan has been subject to extensive scrutiny under our Risk Management Framework and our stress testing. The two are fundamentally linked, with stress testing forming the basis of the the scoring of identified risks.

We have identified a number of potential future risk areas that could materially impact the sustainability of the organisation, these include:

- Consumer and retail price increases.
- Rental deflation whether that be indirect effects of Welfare Reform or a continuation of a regulated rent decreases.
- The external threat of interest rate rises.
- Bad debts and void loss increases.
- Contract cuts within Trident Reach.
- Increase in material and labour costs within the development program and a general increase in repair costs due to an ageing stock.
- Efficiency savings not being met.
- Impact of Voluntary Right to Buy.
- Over reliance on agency usage.
- Brexit.

The stress testing looks at each risk in isolation and also considers a combination of threats all impacting at the same time.

Stress testing then applies additional tranches of cost or income reduction and informs the impact to the net surplus and cash holding within the Group.

The five year plan already has a number of assumptions contained within, linking back to the stress testing and identified risk categories.

The chart that reflects the impact to the stress testing parameters is linked back to the impact descriptor within the risk management framework, i.e. if EBITDA MRI were to decrease below the moderate risk appetite of 159% then this would be scored as an unacceptable level of risk that would require constant active monitoring.

Each area of stress testing has been reviewed to assess the impact to the organisation, and as part of our Risk Management Framework appropriate remedies have been explored and applied to alleviate the impact of the risk.

The Group Board and Executive Team have taken additional assurance in respect of key risks such as interest rate rises whereby Savills, our external treasury advisors, have reviewed the level of fixed and variable debt contained within the organisation and advised this is an acceptable level.

The following stress testing scenarios remain a high focus within the organisation and are actively monitored:

- Interest rate rises; whilst the plan assumes LIBOR increases long term to 4.0% further increases beyond this could materially impact the sustainability of the organisation, the remedy here would be to fix the interest rate within the debt portfolio and accept a higher level of interest cost however it would be consistent and therefore the risk would have been transferred.
- Supported People contract cuts within Trident Reach; these remain a high focus due to the nature of local authority cuts. The stress testing parameters assume if there were cuts to contracted income then the organisation would need to sustain the costs for one month whilst it sympathetically went through the required steps. The remedy that has already been put in place is a reserves policy which states that a required level of reserves and cash are held within Trident Reach to cover this set of circumstances.
- Whilst the organisation is in a stage of development then there is increased risk in respect to material and build cost rises. Contracts are in place with contractors via our development partners; The Matrix Housing Partnership mitigating this impact to the organisation, further remedies would be to dispose of unencumbered assets in order to accommodate the development cost rises.
- Voids and bad debts continue to be actively monitored through key performance indicators. Steps have already been taken to mitigate rises within this area such as a review of the referrals policy, strengthening of tenancy administration and a review of the income management process.
- Staff agency cost has been modelled assuming all staff leave and are replaced with agency staff. Agency staffing cost is heavily monitored by the Group Board due to it appearing within the top three Strategic Risks. The main impact would be to the care contracts which Trident Group could hand back and convert the accommodation into general needs rented accommodation.
- Brexit also remains a high risk due to a combination of scenarios crystallising at the same time, these impacts could be as follows:
  - Deteriorating housing market conditions
  - Interest, inflation and currency risk
  - Access to finance
  - Availability of labour
  - Access to materials and components
  - Access to data

Trident Group is well positioned to mitigate these risks by holding a minimum of £6,000k cash at any one time and an additional £8,152k unutilised RCF to support the risk mitigation.

The following table reflects the extent of the stress testing within the Plan.

Trident Group Stress Testing		Breach												Mitigation		
Test	Scenario	Increase on Base	Tightest Point (Year)	Breach Year Cash	Cash Balance at Breach	Breach Year EBITDA MRI	EBITDA MRI at Breach	Year of Lowest EBITDA MRI	Lowest EBITDA MRI	Breach Year Net Debt Per Unit	Net Debt Per Unit at Breach	Year of Peak Net Debt Per Unit	Peak Net Debt Per Unit	Form of Mitigation	Year of Peak Mitigation Required	Peak Mitigation Required
1	RPI cost increase	3.00 %	11	12	£1,767,000 *	-	-	6	167.26%	-	-	1	£25,313	Cash	19	£8,783,000 *
2	No rental inflation	-3.10 %	7	12	£1,972,000 *	-	-	13	113.71%	-	-	1	£25,313	Cash	32	£24,460,000 *
3	Rental inflation at CPI only	-1.00 %	7	12	£1,972,000 *	-	-	6	184.12%	-	-	1	£25,313	Cash	16	£2,784,000 *
4	Rental deflation by 1%	-4.10 %	7	12	£1,972,000 *	8	106.59 %	40	- 9.38 %	24	£35,846	40	£79,868	Cost / MRI	40	£12,712,900
5	LIBOR increase	2.70 %	9	12	£1,972,000 *	-	-	6	138.10%	-	-	1	£25,313	Cash	15	£2,546,000 *
6	Voids increase	8.25 %	8	12	£1,972,000 *	-	-	6	158.77 %	-	-	1	£25,313	Cash	16	£3,222,000 *
7	Bad debt increase	8.25 %	8	12	£1,972,000 *	-	-	6	158.77 %	-	-	1	£25,313	Cash	16	£3,222,000 *
8	Development expenditure increase	275 %	7	12	£1,972,000 *			6	187.60 %	-	-	3	£25,951	Cash	14	£1,823,000 *
9	Major capital repairs increase	60 %	9	12	£1,972,000 *	-	-	6	153.67 %	-	-	1	£25,313	Cash	17	£3,989,000 *
10	Efficiency savings not met	-0.50 %	12	12	£2,063,000 *	-	-	1	207.98 %	-	-	1	£25,313	Cash	12	£437,000 *
11	Increase in VRTB	552	7	12	£1,972,000 *	-	-	6	122.17 %	-	-	3	£29,066	Cash	20	£6,616,000 *
12	Vods & bad debts increase	4.10 %	8	12	£1,972,000 *	-	-	5	159.06 %	-	-	1	£25,313	Cash	16	£3,222,000 *
13	Voids, bad debt & LIBOR increase	1.83 %	8	12	£1,972,000 *	-	-	6	143.79 %	-	-	1	£25,313	Cash	16	£3,222,000 *
14	Staffing cost increase (agency usage)	25 %	2	2	(£796,000) **	-	-	6	180.63 %	-	-	1	£25,313	Cash / Cost	40	Ongoing
15	Supported contract loss - 1 month lag in employment costs	-£8,751,000	3	3	(£1,057,000) **	-	-	1	207.98 %	-	-	1	£25,313	Cash / Cost	20	£12,036,000 **

* Nb THA cash and RCF
** Nb Reach cash position

REMEDIES

If any of the scenarios materialised the remedies modelled are:

- The Group has planned to maintain a minimum of £6,000k of cash at bank throughout the 30 year business plan.
- Further liquidity is assumed within the business plan by refreshing the £20,000k revolving credit facility up until 2031; this will give a minimum of £8,152k risk mitigation in addition to the £6,000k cash at bank.
- Trident Housing is in the process of refinancing the Nationwide debt, currently standing at £61,000k with over securitisation of £10,000k assuming an asset cover of 115% and a current EUV valuation of £81,880k, these properties could be disposed or utilised to secure further facilities enhancing the liquidity of the Group by a further £10,000k.
- In addition to the refinance of Nationwide Trident Group is looking to defer capital repayments on its facilities (this has not been assumed in the financial forecast return), if we assumed this principle for a minimum of five years and across all providers this would add an additional £16,200k.
- Further mitigations involve the disposal of non revenue generative offices such as Holliday Street which is unencumbered; this would create a capital receipt that could further mitigate risk.
- In the event of risks crystallising that were out of the control of the Group Board and Executive Team, mitigations could extend to the suspension of the development program enhancing cash flows by £2,054k.
- A further risk mitigation, which would be the last resort, could extend to the reduction of major repairs having a maximum impact to cash flow over the first five years of the plan of £8,199k as well as other fixed asset investment of £2,312k over the same period.
- Indirect employment costs could also be rationalised to mitigate risk further, whilst this is difficult to estimate a prudent reduction of £1,000k could be assumed as part of the mitigations.

A bridge of these mitigations is reflected below:

	£000's
FFR Cash at Bank	**6,000**
FFR RCF Headroom	**8,152**
FFR Risk Mitigation	**14,152**
Additional Mitigations	
- Refinance nationwide	10,880
- Loan capital repayment holiday	16,200
- Holliday Street office	2,000
- Delay in development	2,054
- No major repairs	8,199
- Other fixed assets	2,312
- Staff rationalisation	1,000
Revised Risk Mitigation	**56,797**

TRIDENT GROUP

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