

# Thrive Homes Standard & Poor's Annual Review

February 2023

**Thrive**  
Homes

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# Introduction and agenda

## Introduction

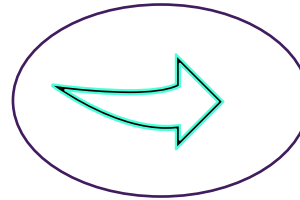
- Mark Farrar
- Jo Barrett
- Olu Oloruntuyi

- Agenda
  - Structure and Governance
  - Strategic Framework
  - Financial Update & Treasury
  - Operating Environment
  - Development and Asset Management
  - Asset Management
  - ESG
- 
- A teal triangle in the bottom right corner of the slide.

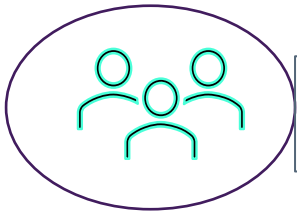
# Key facts and figures about Thrive



**5,144 (31 March 2022) Homes in Northern Home Counties area** A Leading Provider of Social and Affordable Homes in Herts, Beds and Bucks (14 LA's)



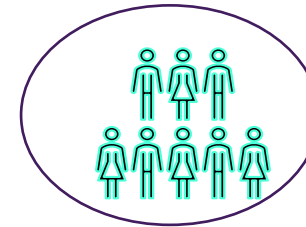
**2008 stock transfer, Community Benefit Society with Charitable aims**



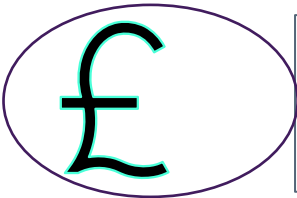
**155 staff**



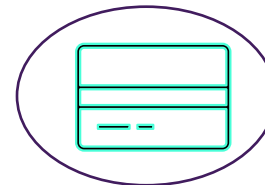
**Acquired 547 homes in Bucks from L&Q in FY 22/23 (Nov 22)**



**Our customers are mixed tenure**



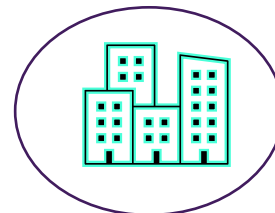
**Strong margins, VFM metrics and liquidity**



**Credit rating S&P "A" (positive outlook)**



**G1/V2 rating November 2022**



**Completed 229 new homes 31/3/22**

# Our structure and governance

# Board & Committees



Customer

Safe & Well

Great Place to Work

All Together

Resilience

Growth

Assets

# Group Structure

**Thrive  
Homes**

Registered charity  
and registered  
provider of affordable  
housing.

Registered society,  
number: 30398R

~~**Thrive  
own home**~~

~~Enables the  
development of  
homes for sale on  
the open market.~~

- Market sale not part of our strategy.
- Simplification of structure.

**Thrive  
Places**

Provides and  
manages homes for  
market rent.

Registered company  
number: 12292058

Building for  
Thrive Ltd

Our design and build  
business.

Registered company  
number: 10471305

~~SRJ  
Homes Ltd~~

~~Owner of land and  
Riverside Mill, Hemel  
Hempstead.~~

- Development SPV
- Homes now transferred to Thrive.
- Simplification of structure.

Thrive Homes  
Financial Plc

Our main funding  
vehicle, delivering  
bond financing.

Registered company  
number: 08902717

# Executive Team




# Strategic Framework and Supporting Plans





# Our Social Purpose

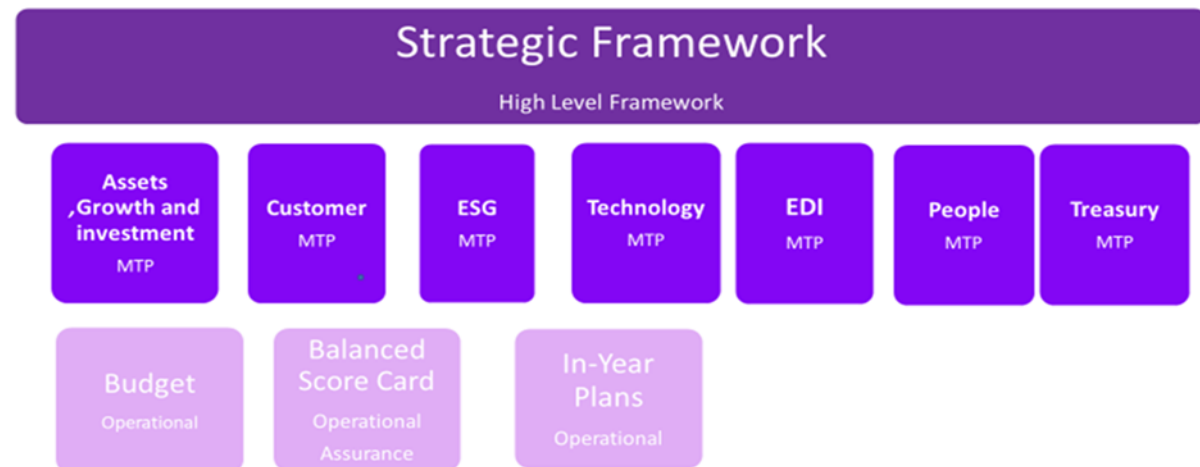
Thrive exists to provide and manage housing that helps individuals and families secure a good quality safe home they can afford



# Our Purpose & Principles

Thrive's **Strategic Framework** was developed by Board in 2018 and updated in **September 2021**

- The Board reaffirmed its commitment to the four core components:
  - A Fair Deal for Customers,
  - A Good Place to Work,
  - A Resilient business, with a strong financial base,
  - and a commitment to Growth.
- Vision & Values were refreshed with Purpose & Principles and a related set of core behaviors
- The Strategic Framework is underpinned by the Medium-Term Business Plan and a set of more detailed sub-strategic delivery plans





- **2021** Strategic Framework reviewed - re-affirmed commitment to objectives established 2018 – increased focus on ESG inc. green agenda.
- **2022** – Introduced Sub-strategic Plans enhancing the ‘golden thread’ between strategy and execution. Delivery of the plans monitored through Customer, Colleague, Governance & Business Resilience & Growth Committee that provides onward assurance to Board.

# Growth and Financial Resilience

Thrive focuses on growth because

- It is our fundamental purpose to provide good quality affordable homes for as many people as we can we operate in some of the most expensive areas to rent or buy in the UK where there is significant demand for our product range

It under-pins resilience by enabling:

- achieving a scale that makes effective use of the investments we have made in modernising our operating model – improving quality and performance
- renewal within the portfolio to strengthen the balances sheet through active asset management, making best use of homes that no longer 'perform'
- investment in the business to underpin future operating capability and customer service
- continuing as an independent organisation so that we can make choices about the future

Growth and the speed of growth is always tempered by market conditions/our ability to contain exposures

# Strategy - Progress

- To date strong progress has been made since initial strategy release in 2018

## Resilience

- Increased turnover to £41m FY 2022 (£35.7m in 2021)
- Strengthened the balance sheet – Fixed Assets c.£270m valued at EUV and c550 MV-ST(Excl. L&Q)
- Retained our G1 rating and S+P A positive
- Demonstrated our resilience through the COVID-19 pandemic
- Maintained financial covenants and golden rules
- Successfully implemented our Treasury Strategy and Plans
- Refreshed the Asset Appraisal Model and started to deliver key AMS strategies
- Thrive continues to develop its existing IT system (Project Phoenix)

## Growth

- Invested over £150m in growth
- Built an average of 125 new homes per annum
- Started managing our first homes for others
- Built a market rent portfolio of approximately 50 units
- Invested in a landbank to facilitate future growth

## A Fair deal for Customers

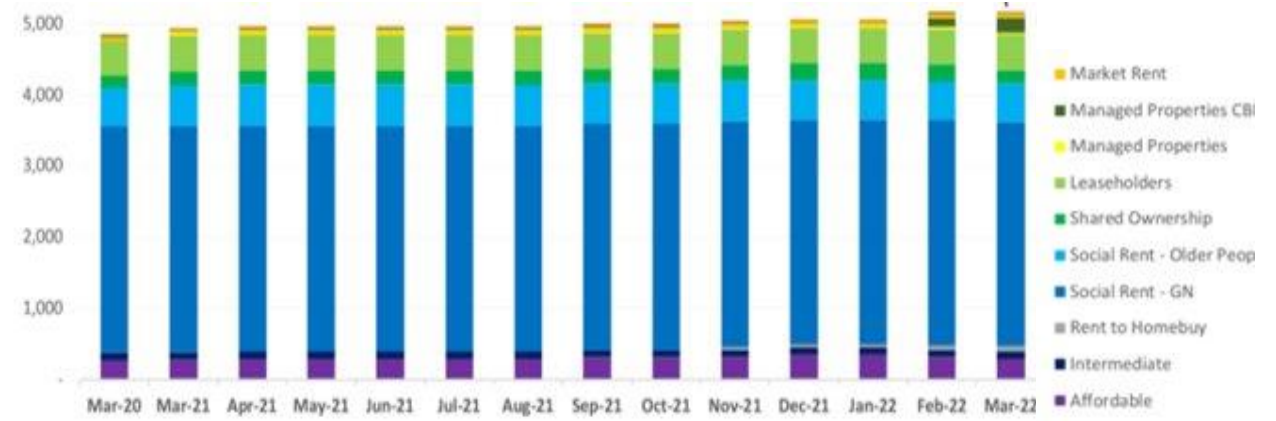
- Launched new digital tenancies and 'Thrive Deal' setting out a clear service offer for customers
- Annual home plan visits to 27% of rented customers
- Invested on average £4m pa in our stock
- Our customer portal – myThrivehub – has seen registrations continue to increase with over 50%
- Ongoing investment in technology will ensure that we continue to be accessible to our customers
- Continued to deliver safe compliant homes and a good responsive repairs service

## A Good Place to Work

- Embraced agile working
- Invested in Lumina Spark
- Best companies and IIP results improved
- Focused on the Health and wellbeing of colleagues
- Provided opportunities for volunteering
- Been awarded Planet Mark accreditation

Operating environment

# Current Geography and Tenure mix – Pre L&Q

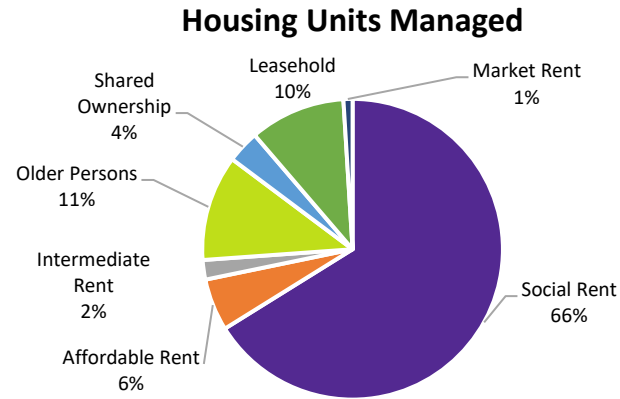


Tenure	Mar-20	Mar-21	Mar-22
Affordable	270	281	285
Intermediate	101	100	100
Rent to Homebuy	-	-	72
Social rent – General Needs	3,182	3,188	3,163
Social rent – older people	547	571	544
Shared Ownership	168	199	182
Leaseholders	496	499	504
Managed Properties	1	27	233
Market Rent	47	47	61
Units taken out of rent debit	35	33	30
<b>Total</b>	<b>4,847</b>	<b>4,945</b>	<b>5,174</b>

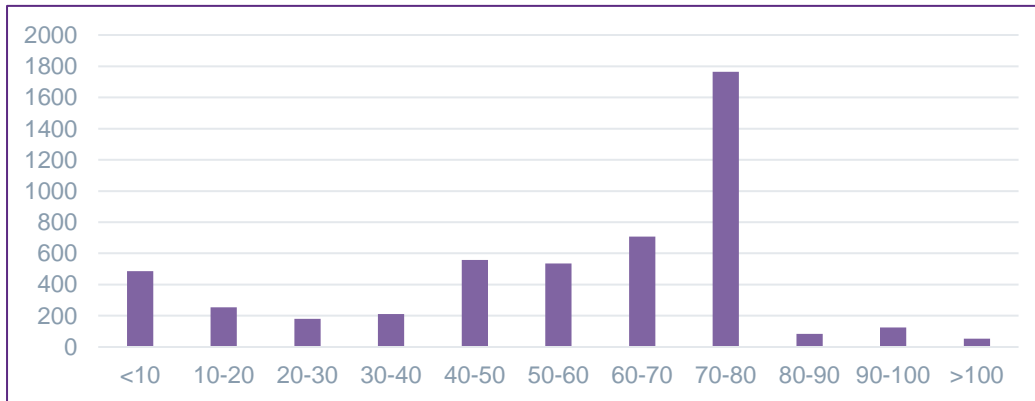
# Thrive's stock profile

- We offer no care services & 2 high-rise units (new), with no cladding issues
- 96% of our income is from Social Housing activities

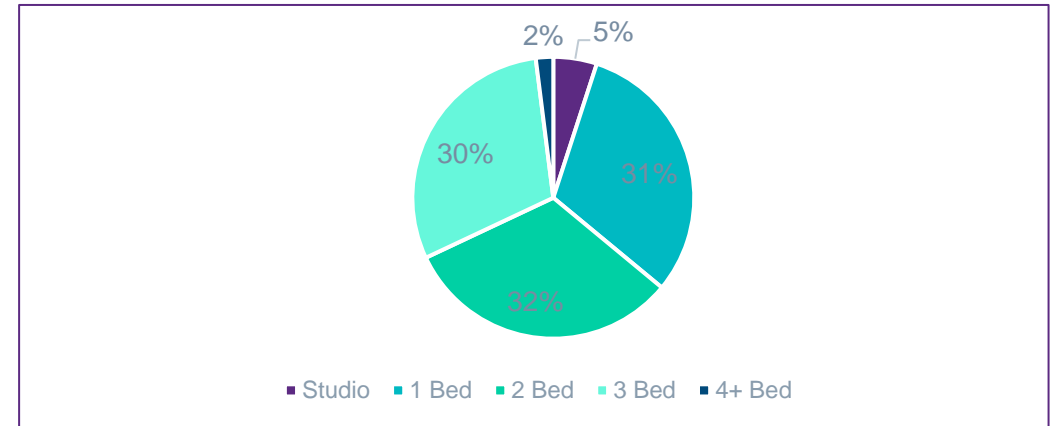
## Tenure



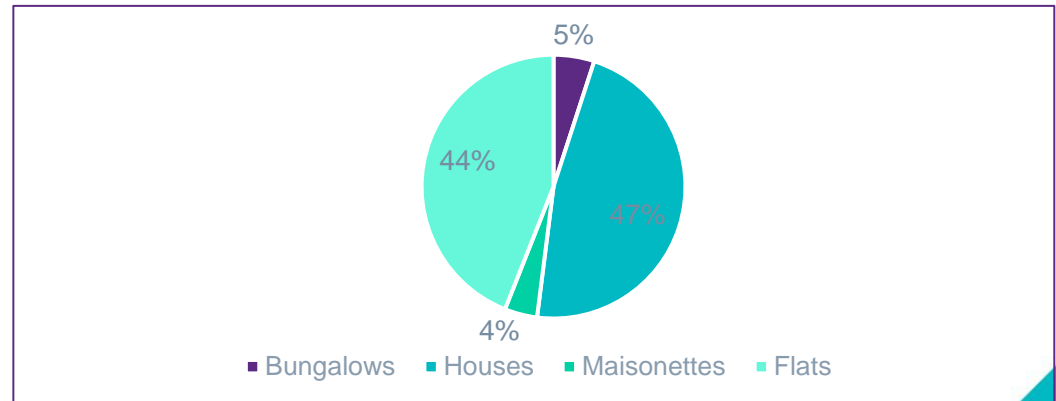
## Stock Age



## Number of Bedrooms



## Property Type





# Area of strong demand

- We operate in areas of high average property & rental prices which helps ensure strong demand and customer retention
- High demand for housing in and around the areas that Thrive operates in
- **Demand** - continues to be high – currently achieving 38% first tranche sales
- Ease of Letting:
  - Low levels of rent loss through voids – 0.70%
  - High demand for our properties
  - Households on the waiting list : Central Beds – 1,449 Bucks -4927 and TRDC – 1,100(Areas where we have the largest stock)
  - Approximately 200 voids per year (FY 22 182)
  - Local housing demand – 1 &2 beds is the most popular and over 60% of our stock are 1 & 2 beds

County	Average Property Price £k
Herts.	470
Bucks.	493
Beds.	392
Oxon.	446
National	294

No of Bedrooms	Social Rent	Private Rent	Ratio to Market
Studio/Room	88.65	154.98	57.20%
1 Bedroom	100.25	282.37	35.50%
2 Bedroom	116.64	346.94	33.62%
3 Bedroom	137.04	432.69	31.67%
4 Bedroom	150.22	598.71	25.09%

# Managing Housing & Universal Credit

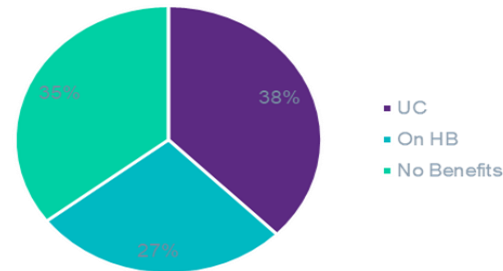
- We are managing the impact of Universal Credit well and have Trusted Partner Status with DWP
- Rent arrears as a % rent due in Jan 23 was 3.36%

## Payer Profile

### All Tenants

Benefit Class	Count
UC claimant	1,566
HB claimant	1,133
No Benefit	1,478
<b>Grand Total</b>	<b>4177</b>

Type of Payer

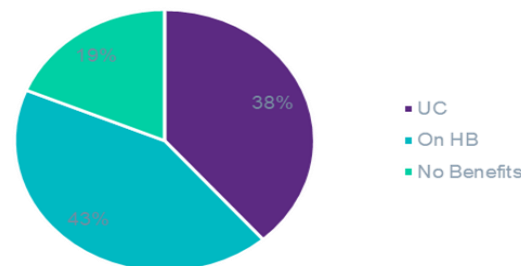


Around 65% of tenants rely on help from benefit agencies to pay their rent.

### Tenants in Arrears

Benefit Class	Count	Balance
UC claimant	700	£691,499.24
HB claimant	774	£274,578.41
No Benefit	339	£231,519.67

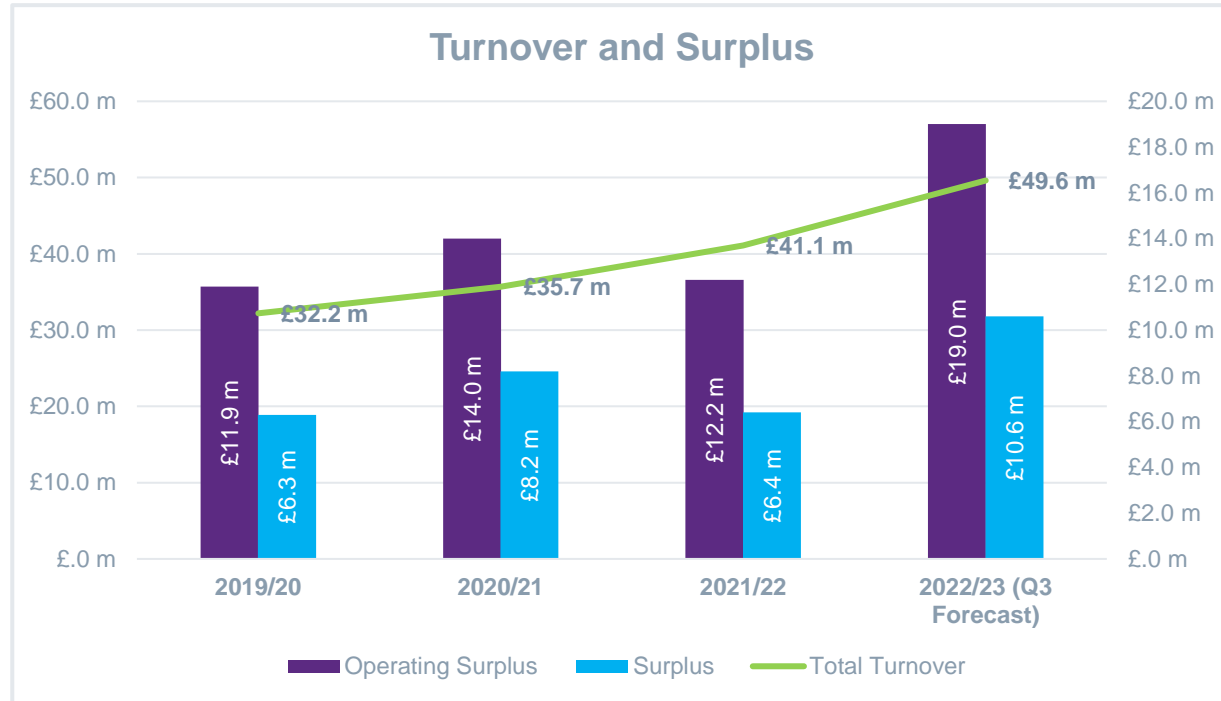
Arrears By Benefit Class



Those on benefit owe 81% of all arrears.

# Finance Update

# Year end financials



- Continued strong performance in a year we continued to prepare for and progress our strategic growth ambition
- Metrics showed continued resilience despite the Economic Climate
- Business performance and secured funding provide resources to invest in growth and our existing homes
- V1 rating (as at November 2022 V2)
- S&P moved outlook to positive in 2022
- Turnover has been growing with increased demand for shared ownership
- Key challenges in 22/23:
  - Manage performance through emerging uncertain economic climate whilst maintaining our strategic ambitions (where possible)

# 2022/23 Performance

- Strong financials and on track to deliver this year’s expectations
- % of turnover is from our social housing lettings

Metric	Actual	Sector	Sector	Actual Audited Financial Statements	Forecast Q3	Budget	Golden Rules	Actual
	31-Mar-20			31-Mar-22	31-Mar-23	31-Mar-23		Dec-22
Reinvestment %	17.0%	7.2%	5.8%	15.8%	43.9	22.9%		@YE
New supply of Social housing units delivered %	2.3%	1.5%	1.3%	4.4%	9.0%	0.7%		@YE
New supply of non-Social housing units delivered %	1.0%	0.0%	0.0%	0.3%	0.0%	0.0%		@YE
Gearing %	75.8%	44.0%	43.9%	73.3%	69.3%	63.1%	Maximum 85%	68.4%
EBITDA MRI Interest Cover %	187%	170%	183%	167%	159%	144%	Minimum 110%	169.2%
Headline Social Housing cost per unit	£3,660	£3,834	£3,731	£4,368	£4,675	£4,863		£4,674
Landlord Operating margin %	37.1%	25.7%	26.3%	27.9%	22.4%	27.8%		23.7%
Operating margin (overall) % **	35.6%	23.1%	23.9%	28.9%	30.2%	33.8%		28%
EBITDA MRI Margin					31.4%	33.4%	Minimum 27%	33.4%
Return on Capital Employed	4.5%	3.4%	3.3%	4.1%	4.8%	5.2%		@YE

# VFM Process and Areas of Focus

Principle: VFM is a golden thread throughout the organisation and the way it operations. It is prominent in the development of plans and decision-making processes starting with our Strategic Framework ‘Foundations of Growth’ and works through out our Medium term plan

Process	Focus Areas
<ul style="list-style-type: none"> <li>• Board awayday – Principles Agreed</li> <li>• VFM metrics reported each month as part of Management Accounts</li> <li>• Strategy progress to BR&amp;G twice a year</li> <li>• Reported vs target, sector and peer group in the Annual Report</li> <li>• Business Plan include VFM metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Develop our Capabilities               <ul style="list-style-type: none"> <li>• Efficient Cost of Capital</li> <li>• Treasury Sub-Strategy</li> <li>• Project Phoenix – project to improve our technology capability, data quality and reporting capability</li> </ul> </li> <li>• Develop ‘The Thrive Deal’</li> <li>• Seek ways to support an effective cost to homes managed ratio</li> <li>• Grow and Manage the portfolio in cost effective ways</li> </ul>

Treasury

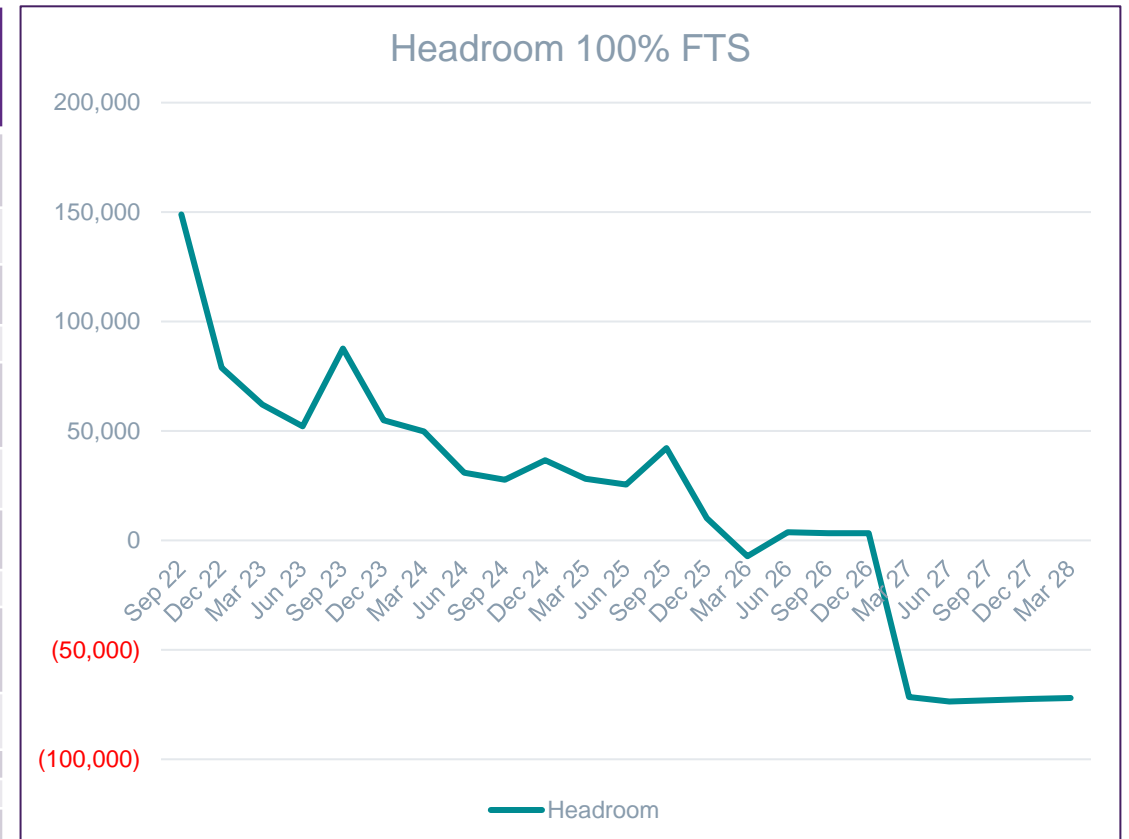
# Treasury Management Policy

- Thrive has a Treasury Management Policy (TMP) that meets best practice
- TMP is approved by Board every 2 years, but reviewed on a regular basis to ensure its fit for purpose
- The Treasury Sub-Strategy includes areas of focus over the next 3 years – Security, ESG Funding

## Covenant compliance

	Q4 21/22	Q1 actual 22/23	Q2 actual 22/23	Q3 actual 22/23	Budget 22/23	Q3 Forecast @ 31 Mar 23
<b>Interest cover Ratio</b>				110%	111%	111%
<b>Net Annual Income - 100%</b>	106%	108%	111%	169%	144%	150%
<b>EBITDA MRI - 100%</b>	174%	102%	156 %	207%	198%	210%
<b>EBITDA to Net Interest Payable-130%</b>	230%	144%	199 %			
	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Budget 22/23)	
<b>Gearing Ratio</b>						
<b>Net Debt to Historic property cost 85%</b>	74%	71%	61%	68%	63%	69%
<b>Net Debt to Historic property cost 85%</b>	NA	71%	61%	68%	63%	69%
	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Budget 22/23)	
<b>Asset Cover Ratio</b>						
<b>EUV-SH (105%) MV-ST (115%)</b>	124%	174%	168%	168%	168%	168%
<b>EUV-SH (105%)</b>	121%	130%	135%	135%	135%	135%
<b>MV-ST (115%)</b>	136%	144%	144%	173%	144%	144%
<b>105%/125% (EUV-SH/MV-ST) SO 125%</b>	NA	NA	42%	42%		

## Liquidity





# Debt Portfolio

- Thrive has a relatively simple and diverse portfolio of bank debt, capital markets issuance and a loan with MorHomes
- Total portfolio is made up of 71% fixed debt and 29% variable debt. Drawn debt is currently 100% fixed.
- New funding was secured at strong rates and covenants from capital market and a bank RCF

Loan Facilities:						
Lender	Total Facility £m's	Facility Drawn £m's	Fixed / Variable Rate	Interest Rate %	Repayment Date(s)	Comments / Notes)
THF Bond	200	200	Fixed	4.68%	24th March 2039/43/47/51	This includes recent Bond tap.
Lloyds	25	25	Fixed	Margin 1.20+2.612%	16th Oct 2025	Term loan
Lloyds	25	0	Variable	Margin 0.75%+SONIA	16th Oct 2023	RCF available to draw
MorHomes	25	25	Fixed	3.594%	19th Feb 2038	
Santander	75	0	Variable	SONIA + 1.00%	4th Feb 2027	Revolving credit facility - part secured not yet drawn
<b>TOTALS:</b>	<b>350</b>	<b>250</b>				

# Security

- Thrive currently has 5,723 (5,174 as 31/3/2022) units which includes the L&Q 547 units acquired in November 2022
- 74% are charged for security and 26% are unencumbered at a total indicative estimated EUV-SH valuation of £113m
- The expectation would be to maximise security by utilising MV-ST where possible

Lender	Facility	Units	Value EUV-SH	Value MV-ST	Security Value
Allocated	298	3,701	114	479	593
Santander in progress	52	522	32	65	97
<b>Total</b>	<b>350</b>	<b>4,223</b>	<b>145</b>	<b>544</b>	<b>690</b>
Unallocated (est) **	-	1,492	113	-	113
<b>Total stock</b>	<b>350</b>	<b>5,715</b>	<b>258</b>	<b>544</b>	<b>802</b>

Development and sales

# How we grow

At Thrive we are open to all forms of growth, provided it delivers against our Purpose and Principals, examples include:

Land acquisitions & organic growth opportunities.

Management opportunities – Rosewood & Consillo.

Stock acquisitions – Moat (2017) L&Q (2022)

Strategic Partnerships – CBRE (2021)

# Organic Growth Pipeline



Delivering 65 new build units and 58 conversion in FY23/24.  
Development spend for the year is £41m



Opportunities within current and investment land portfolio which will release circa 500 homes.



Thrive's landbank gives Board the ability to both secure the future development programme and control the spend on development when managing risk both in development and in the wider organisation.



Fully funded development programme through a secured Bond Tap and RCF facilities - Board has considered the extent of exposure to variable interest rates.

# Development and Investment

- 47% of our development over the next year is contractually committed
- 53% are approved and owned schemes not yet contractually committed

Developm BP Development Dates			Social	Aff	Inter	RTHB	S/O	Conv	Market	Total	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	2028-2031	Total
<b>Committed &amp; Contracted</b>																	
WIP	23-Oct		8				23			31	11	20					31
	22-Jun	23-Jul		11			31			42		42					42
	22-Oct	24-Apr				44				44		22					22
	23-Oct	25-Apr				83				83			105				105
	22-Sep	24-Apr		10		27	3			40			40				40
RTHB						1				1		1					1
Shared ownership conversion								208		208		58	25	25	25	75	208
			<b>8</b>	<b>21</b>	<b>0</b>	<b>155</b>	<b>57</b>	<b>208</b>	<b>0</b>	<b>449</b>	<b>11</b>	<b>143</b>	<b>170</b>	<b>25</b>	<b>25</b>	<b>75</b>	<b>449</b>
<b>Uncommitted and Approved</b>																	
	23-Jul	25-Jan		18			24			42				42			42
	23-Jan	24-Jul	TBC	7			28			35				35			35
	23-Apr	24-Oct	TBC	10			23			33			33				33
	23-Apr	25-Apr		13			5			18			18				18
			<b>0</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>128</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>128</b>
<b>Uncommitted Aspirational</b>																	
	23-Sep	25-Mar		8			18			26				26			26
	23-Dec	01-Dec		17			50			67				67			67
	24-Jul	26-Jan		10			31			41			20	21	22		41
			<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>113</b>	<b>21</b>	<b>22</b>	<b>134</b>
			<b>8</b>	<b>104</b>	<b>0</b>	<b>155</b>	<b>236</b>	<b>208</b>	<b>0</b>	<b>711</b>	<b>11</b>	<b>143</b>	<b>221</b>	<b>215</b>	<b>46</b>	<b>97</b>	<b>711</b>

A purple decorative triangle in the top-left corner of the slide.

# Sales assumptions

- Sales (Shared Ownership) Demand strong
- Appraisal
  - Appraisal Assumption = 35% initial tranche sale
  - Actual = 40%+ initial tranche sale
  - Payback expected in 36 years (no staircasing)
  - Strong sales off-plan
  - 3 weeks average time between marketing and reservation
- Sales & Development parameters will be updated prior to the end of this financial year.



# Asset Management and ESG

Jo



# Asset Management Strategy

Management of our assets is a key responsibility to ensure homes are safe, well maintained and meet the Decent Homes Standard.

To support this we:

Plan cyclical repairs and major works

Deliver responsive repairs primarily through Thrive Homes Services (THS)

Develop an investment journey for every home

Support Thrive Deal through HomePlan, the programme through which we update & collect data

Carry out stock condition surveys

Use an asset appraisal tool to assess the performance of each home



# Asset Management Data

Thrive uses Keystone as our asset management and major works planning tool.

Asset management data is used as part of our business planning process. Routinely reviewed to ensure the investment requirements are understood by the business and the Board.

Asset Appraisal model (AAM) assesses performance of individual homes in the portfolio, using financial and non-financial measures.

## **Keeping the data upto date**

Refreshed with SCS – this year 800 external surveys and a further 500 (blocks and sheltered schemes) by the in-house team

Regular comparison between actual costs for component replacements and rates held in the database.

Introduced Intelligent Energy software in 2022 to collect our energy data and use it to support developing our delivery approach so all homes meet EPC-C by 2030 - BP includes £9m investment for EPC-C by 2030 (currently 75% homes meet EPC-C)

## **Board Assurance**

Balance scorecard is used to demonstrate delivery of investment, including Decent Home compliance.

Annual Dashboard on the portfolio

Board Awayday, to talk about delivery of the Asset sub-strategy, challenges and priorities such as energy efficiency EPC-C, building safety needs and environmental works to our blocks

# Asset Management - Existing Stock Investment

FY 22/23 as end Dec 22

Typical spend of £5m – £5.5m across:

- Decent Homes Plus work – typically 1,000 – 1,300 component renewals per year
- This year has introduced large energy efficiency program of grant assisted energy efficiency work
- We also spend circa £350k per annum on cyclical decoration as part of our 8-year cycle and £1.1m on compliance – gas, electrical, water, asbestos and fire safety

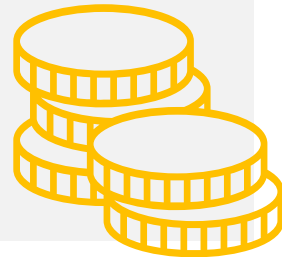
**6,663**

Components installed  
in last 5 years



**22.7m**

Spent in the  
last 5 years



**26**



Bathrooms

**169**



Boilers

**47**



Kitchens

**118**



Windows

**124**



Roofs

**199**



Doors

# Environmental Commitment

## Thrive aims to:

In 2023, measure our organisation's carbon footprint across scopes 1, 2 & 3 and to set reductions targets based on this

Ensure that every new home built (not reaching EPC-A) can reach EPC-A using standard recommended improvements

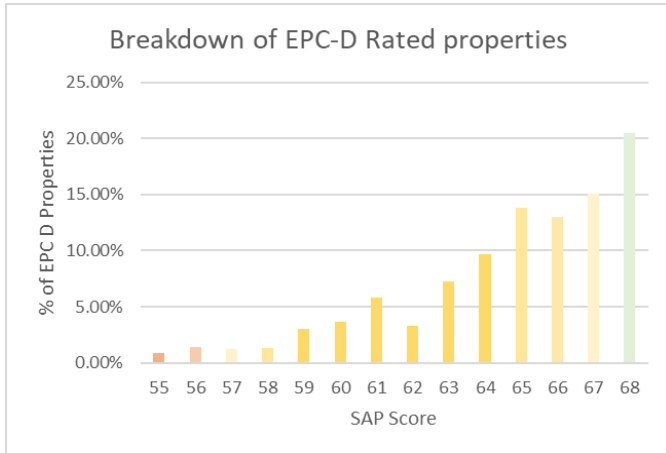
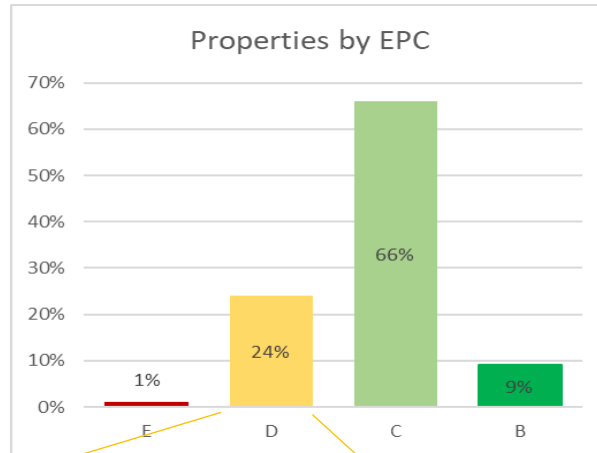
Promote tree planting & conservation, for every new home we build

Save water, energy and waste

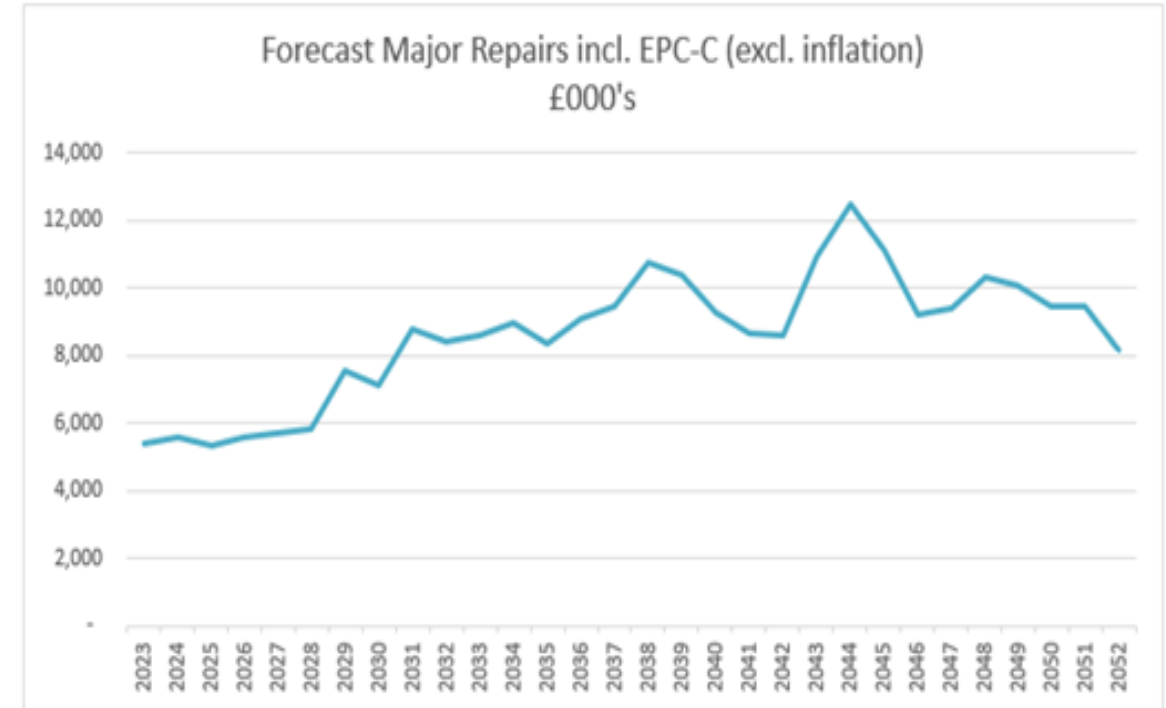
Reduce our operating impact, for example through new electric vehicles

Maximise uptake of grant and other funding opportunities to support our customers directly, and improve the homes they live in

# Portfolio energy performance and SCS



- Average SAP = 72.0
- 75% of stock at EPC-C or above
- SHDF funding Wave 1 target 82 properties
- Band D – majority score high Ds – tackle 2023-24
- ECO4 bid being prepared (low Ds and Es)



- £63m invested in the existing stock since 2008
- Investment has kept pace with SCS, kept stock in good order
- Forecast expenditure – stock transfer promises ‘cycling’, EPC-C costs pre 2030 increase pressure in early years.
- Full provision for forecast expenditure included within business plan.

# Journey to Carbon Neutrality

- Adopted the Sustainability Reporting Standard for Social Housing – to measure and report against the ESG requirements
- Board agreed additional funding to start our journey to Net Zero Carbon. The MTP includes £8.6m to reach EPC C by 2030.
- Intelligent Energy system implemented, initial analysis supports provision approved for EPC-C.
- Successfully bid for Wave 1 Social Housing Decarbonisation Funding (SHDF), securing £826k to install external wall insulation to 82 homes. Bid for second phase (£1.32m in funding) submitted with result expected March 2023.
- Energy Company Obligation funding (ECO 3) - fully funded more than 300 cavity wall installations (plus low energy light bulbs for the whole home). Further bids planned ECO 4 for fully funded external wall, cavity wall and loft insulation in 23-24
- A one-year programme of ‘bang-for-buck’ energy efficiency improvements for 23-24 in development, aimed at high volume of improvements.
- A roadmap for each home developed over next 12 months to reach EPC-C by 2030, enabling major works programmes to dovetail with energy efficiency aspirations.
- Initial estimates to achieve Net-Zero have been shared with the Board and equate to circa £75m (indexed included as scenario in the latest plan).

# Safe Homes

Thrive is committed to customers being and feeling safe in their homes, we deliver this through:



Close management and reporting on the Big 6 H&S and Building Safety Risks



A positive H,S & W culture



HomePlan visits



Safe Developments inline with new and emerging Building and Fire Safety Legislation, Regulations & Guidance



Fire Risk assessments, Fire Door replacement programme, Fire Door inspections (flat blocks 11m+)

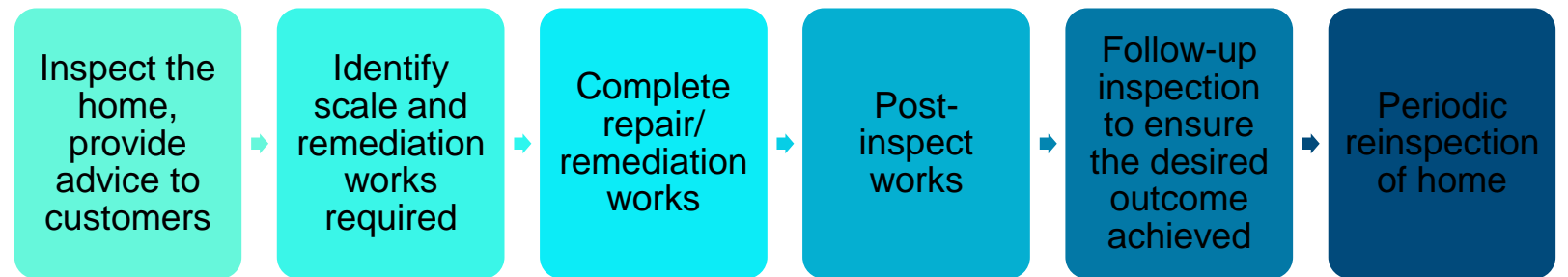


# Damp & Mould

Thrive uses a variety of methods to identify and report cases of damp and mould:-

- ❖ Annual Home Plan visit
- ❖ Landlord compliance checks
- ❖ SCS
- ❖ Routine repair completions
- ❖ Repairs and works by third-party contractors
- ❖ Customer direct reports

**Following a report of damp and mould Thrive will:-**



The last 2 actions were added following the HOS spotlight report on damp and mould.

ESG

**Thrive**  
Homes

# ESG - Social and Governance

- ESG: A co-ordinated framework that minimises the impact on the environment and promotes positive social outcomes
- Thrive already meets the criteria and has built ESG into its strategic framework. A working group led by the Resources Director has been set up to agree how to best report our performance internally and externally
- Thrive has adopted the ESG reporting Standard to measure its performance and provide data to stakeholders in ways that enable them to compare Thrive to other businesses. Published our first ESG report on our website in October 2022.

## Social

- Rents capped at the LHA and affordability checks completed before letting
- In 2021/22 we donated over £50,000 to good causes supporting our customers and communities.
- Our community grant application scheme – Thrive GIVE – provides funding to locally based charities and community groups, enabling them to deliver projects and services that make a real difference to our customers and the wider community.
- Introduced Thrive Customer Voice. This allows customers to engage with us as much or as little as they choose
- we conduct several surveys to measure customer satisfaction, these include; contended customer, repairs and lettings

## Governance

- Board manages Governance within the NHF 2020 Governance Framework
- 100% of Board are NED
- Board members are allocated to Committees based on Skills Matrix
- G1/V2 grading
- In January 2020, Thrive Homes was the Investors in People (IIP) Health and Wellbeing Award alongside our Gold accreditation, which is reviewed on a three-yearly basis

Gender Balance  
64% male | 36% female

Average age  
53

BME profile  
9%

% with a disability  
0%

Average tenure  
2.52 years

Board turnover in last two years  
25%

# Risk Management and Business Plan Stress Testing

# Strategic Risk Register

Risk	Residual	Target	Appetite	Deep Dives
Customer Service and Experience	9	6	Balanced	July-22
Business Plan & Funding	10	6	Balanced	Feb-23
Business Transformation	6	6	Balanced	Nov-22
Development & Sales	6	6	Balanced	May-22
IT Infrastructure & Security	6	6	Adverse	July-22
Liquidity & Covenants	6	4	Cautious	Feb-23
Health, Safety and Wellbeing	6	6	Adverse	May-22
Portfolio Growth & Performance	4	4	Open	June-22
Risk Management	4	4	Balanced	Oct-22
Thrive People	4	4	Balanced	Nov-22
Strategic Enablers/ Partners Risk	4	4	Balanced	Apr-22
Corporate Governance	4	4	Cautious	June-22
Legal and Regulatory Compliance (Includes Governments Policy)	4	4	Adverse	Feb-23

Extract from Risk Register

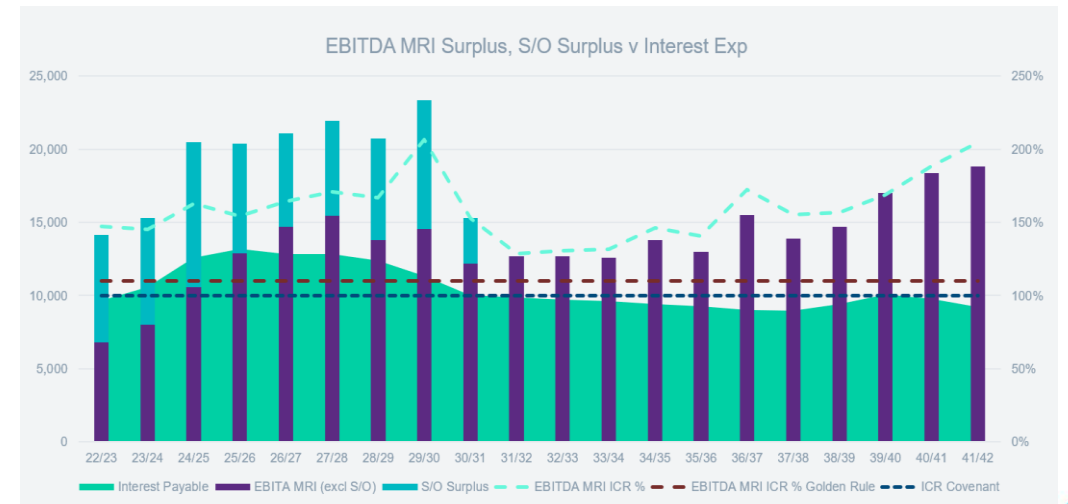
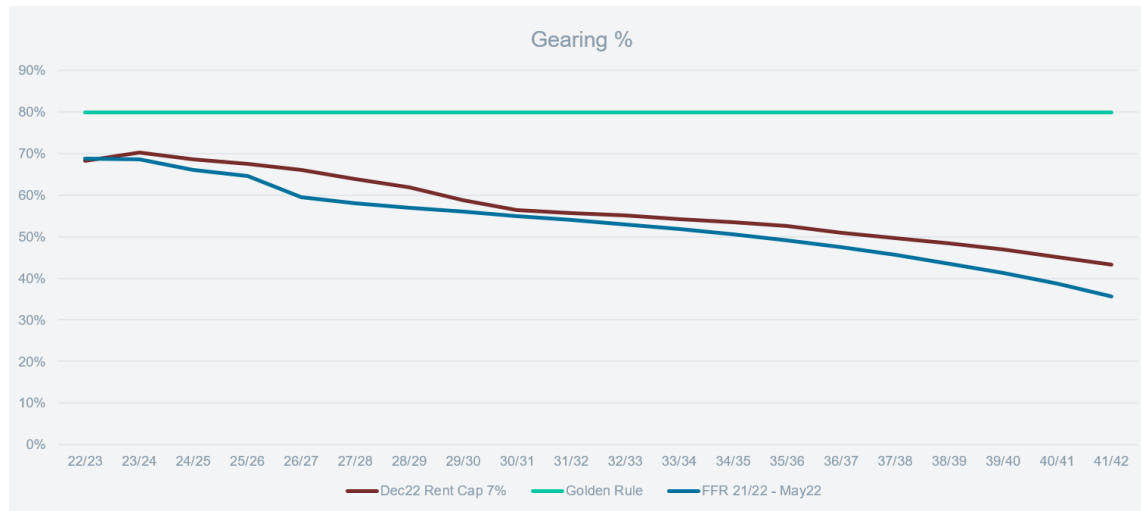
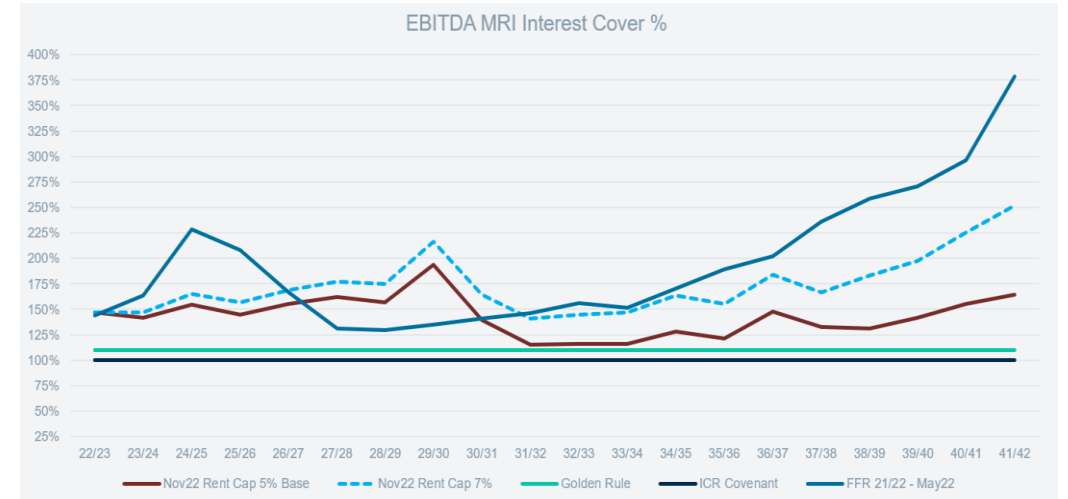
- Risk and Assurance Framework was signed of by RAC at Jul-22 meeting and at the Board Away day – Sept-22
  - Reports provided to every RAC and Board meeting
  - Monitored Monthly
  - Risk Management Audit completed – Jan-22
- Reasonable Assurance**

# Business Plan Process and Stress Testing

Annual Business Plan (FFR)	Recommended to Board from BR&G Committee (May/June)
Medium Term Plan	Twice yearly updates to Business Plan (April/November)
Economic Assumptions	Provided by Centrus (Treasury Advisors)
Thrive Inputs	Approved by appropriate Executive Director
Stress Tests – Single and Mult Variant	Centrus propose and discuss core set of stress tests and advise on content also feedback taken from BR&G
Stress Tests on Key Metrics	Metrics ‘stressed’ are: Golden Rules, Covenants and Value for Money Metrics
Mitigations	Recent focus on the emerging economic outlook and Thrive’s; Sales and Development/Major Repairs investment
Scenario Modelling (for example: Sustainability investment)	Provided by Centrus (Treasury Advisors) and Feedback from BR&G
Business Plan provides:	<ul style="list-style-type: none"> <li>Guidrails for Budget</li> <li>Basis for Treasury sub-Strategy</li> <li>Funding requirements</li> <li>Basis for key decision making</li> </ul>
More frequent Updates	Business Plan discussed at monthly Executive Meeting, updates on mitigations (what, how and when levers are pulled). Business plan updated appropriately, for example: significant changes to the economic outlook, decisions made/to be made by Thrive

# Medium Term Plan outputs

Test	Covenant	Budget 22/23	BP 22/23	BP 23/24	BP 24/25	BP 25/26	BP 26/27
Bond Asset Ratio	> 100%	123%	168%	177%	186%	195%	205%
Bond (secured assets) Net rental Income Cover	> 100%	106%	111%	113%	115%	116%	118%
Lloyds Asset Ratio	> 105%	116%	135%	141%	148%	156%	164%
Lloyds Interest Cover	> 100%	183%	147%	145%	163%	154%	164%
Lloyds and Santander Gearing	< 85%	75%	68%	70%	69%	68%	66%
Santander Asset Ratio	> 130%						
Santander Interest Cover	> 130%						
MORhomes Asset Ratio	> 105%	128%	139%	146%	153%	161%	169%
<b>Golden Rule</b>							
EBITDA MRI Margin	27%	37%	34%	38%	41%	43%	43%
EBITDA MRI Interest Cover	110%	183%	147%	145%	163%	154%	164%



# Stress test and Mitigation Process

Stress Tests are determined by checking against Thrive's Risk Register, Centrus (specific and sector) guidance and BR&G Committee Feedback

Through the Business Plan Process these are modelled and impacts on key metrics published and reviewed

Mitigations are updated and developed to ensure plans to bring cash and covenants back in line

Mitigation Section in all Business Plans  
Mitigations papers updated regularly and included in the Risk Register

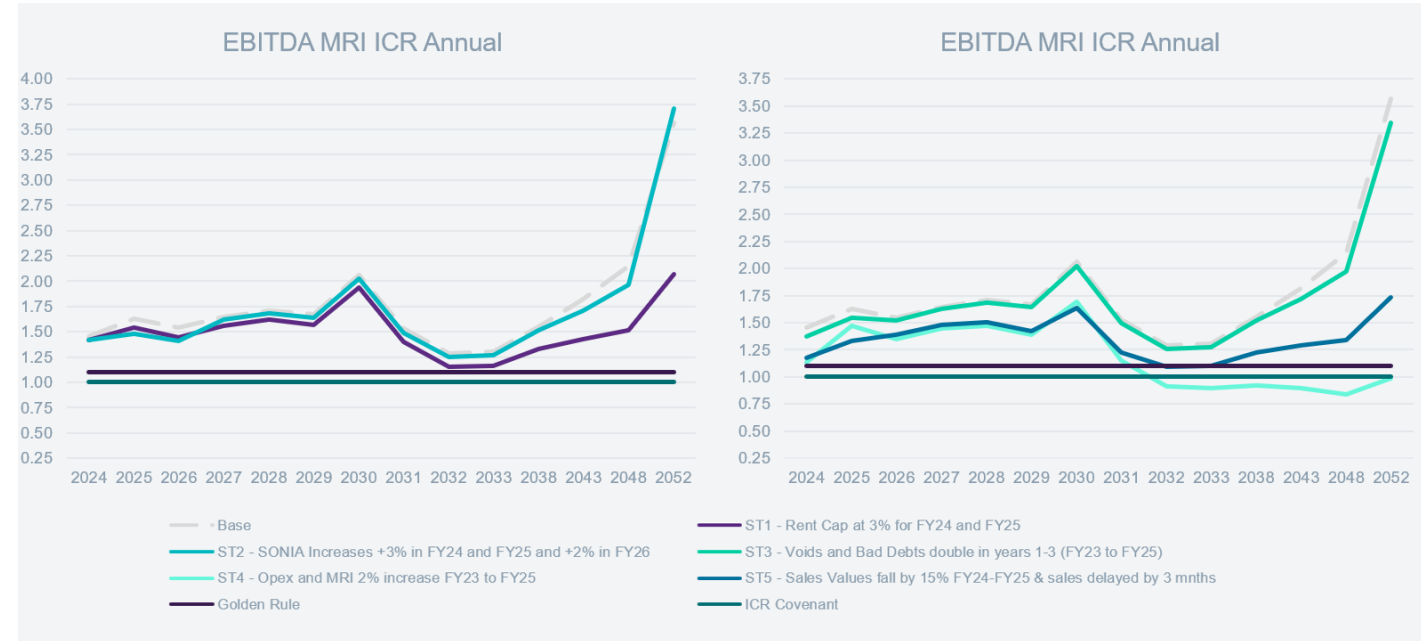
Many of the stresses (i.e. interest rates and inflation) have materialised to a degree therefore status on stresses and mitigations are continually modelled and discussed in the Business Plan item at EMT and when appropriate at Committee

The economic environment Thrive is operating within requires that modelling and stress testing becomes part of our Business as Usual




# Stress test and Multi variant test

Stress / Scenario	Scenario	Description
1	Rent Increase Cap	<ul style="list-style-type: none"> <li>Rents increase capped at 5% for 2023 and 2024</li> <li>CPI flat thereafter</li> </ul>
2	Interest Rates	<ul style="list-style-type: none"> <li>Sonia +3% 2023-2024</li> <li>Sonia +2% 2025</li> <li>Base thereafter</li> </ul>
3	Voids and Bad Debts	<ul style="list-style-type: none"> <li>Voids and bad debts double for the first 3 years</li> </ul>
4	Operating Costs	<ul style="list-style-type: none"> <li>All cost inflation increases by +2% for first 4 years</li> <li>Opex and MRI 2% increase 2023-2026</li> </ul>
5	Sales Impact	<ul style="list-style-type: none"> <li>Sales values fall by 15% for 2 years (2024 – 2025)</li> <li>Sales delayed by 3 months</li> </ul>
MV1	Weak Economy, High Inflation, Supportive Government	<ul style="list-style-type: none"> <li>S1</li> <li>S2</li> <li>€1m additional costs year 1 and 2</li> <li>Sales fall 15% in yr. 1 recover over next 2 years</li> <li>Sales delayed by 3 months</li> <li>Repairs &amp; maintenance and build costs increase by 1% for first 4 years</li> <li>Inflation increases 1% in years 2 and 2.5% in years 3 and 4 before returning to base</li> </ul>
MV2	Weak Economy, low Inflation, Supportive Government	<ul style="list-style-type: none"> <li>Sonia falls by 1% for the first 4 years</li> <li>S2</li> <li>€1m additional costs year 1 and 2</li> <li>Sales fall 15% in yr. 1 recover over next 2 years</li> <li>Sales delayed by 3 months</li> <li>Repairs &amp; maintenance and build costs increase by 0.5% for first 4 years</li> <li>Inflation levels reduced by 1% in years 2-5 before returning to base</li> </ul>
MV3	Weak Economy, High Inflation, Hostile Government	<ul style="list-style-type: none"> <li>S1</li> <li>S2</li> <li>€1m additional costs year 1 and 2</li> <li>Sales fall 15% in yr. 1 recover over next 4 years</li> <li>Sales delayed by 3 months</li> <li>Repairs &amp; maintenance and build costs increase by 2% for first 4 years</li> <li>Social rents -1% for year 2-6</li> <li>Inflation increases 1% in years 2 and 2.5% in years 3 and 4, 1% in year 5 before returning to base</li> </ul>
MV4	Weak Economy, low Inflation, Hostile Government	<ul style="list-style-type: none"> <li>Sonia falls by 1% for the first 4 years</li> <li>S2</li> <li>€1m additional costs year 1 and 2</li> <li>Sales fall 15% in yr. 1 recover over next 2 years</li> <li>Sales delayed by 3 months</li> <li>Repairs &amp; maintenance and build costs increase by 1.5% for first 4 years</li> <li>Social rents -1% for year 2-6</li> <li>Inflation levels reduced by 1% in years 2-5 before returning to base</li> </ul>




Mitigations –  
Recent  
Changes

## What have we done/have in place:

- Golden Rules set above Covenants
  - 2 risks on Risk Register
  - Strengthened Treasury Team and Centrus as Treasury Advisors (Board Webinars)
  - TMP includes a £5m (from £2m) minimum cash balance, Headroom Policy (currently £30-40m of headroom)
  - Strong relationships with financial stakeholders and clarity on security position – ability to renegotiate
  - Cash and Headroom weekly meetings with FD
  - Prudence in the Business Plan – assumptions on grants
  - Moved mitigation section to the forefront of paper
  - Took the opportunity to sell a site which no longer meets our strategic aims
  - Business Plan used to model all types of scenario and decisions
- 

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# Sales Risk Mitigations

- Schemes appraised for either product enabling tenure change if necessary
  - No reliance on uplifted valuations or staircasing receipts
  - 21/22 increased level of business cash holding to mitigate under performance in the sales programme
  - Regular updates between teams to recognise emerging issues and deploy wider business level mitigations
- 
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# Appendix

We are proud to provide people with a quality, safe and affordable place to call home in some of the most expensive parts of the UK. We want our customer to:

Be and feel safe in their home.

Have a clear understanding of what Thrive provides as a landlord and what is expected in return.

Easily access our services through a variety of ways.

Feel empowered to engage with us and influence how we operate.

Have an open and honest relationship with us, trusting that we will do what we can to put things right where we have fallen down

feel that they can trust us, that we are open and honest and will put right....



Working together, we are a forward-thinking employer creating a culture in which everyone feels valued. We will:

Welcome people with diversity of thought, experience and background.

Support continued learning and personal development.

Trust our colleagues to make good decisions and influence how the business operates.

Support our colleagues to take care of their physical and mental wellbeing at work

Work in a smart way to encourage a positive work life-balance.


In partnership with others, we will contribute to the wellbeing of the communities we work within by:

Enhancing/Increasing housing opportunities.

Maintaining the appearance of our homes to positively impact the local area.

Supporting organisations that benefit the customer or, the environment that benefits customers through Thrive GIVEs grants and volunteering programmes.

Buying from local businesses and organisations where we are able to do so.

A teal triangle graphic in the bottom right corner of the slide.

We are committed to minimising our impact on the environment and actively:

Invest in our homes to improve energy efficiency.

Operate in a sustainable way, developing a pathway towards achieving Net Zero.





# Development and Investment

Burnham Court – Shared Ownership (Turnkey)





# Development and Investment

## Summerhouse Way – Land Led



## Graham Court & Taylor Point – Land Led

