

Ambitions for Growth

Strategic Framework



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The foundations for growth

Established in 2008, Thrive Homes was formed by the acquisition of housing stock from Three Rivers District Council. Our remit was to invest in the homes bringing them up to a good standard, thereby securing opportunities for affordable homes within one of the least affordable areas in the country.

As we step into the second decade of Thrive Homes, our Strategic Framework sets out our ambitions for growth and diversification in our business.

During the past ten years, the operating environment for housing associations has been very changeable including a period of rent reduction for the sector. This has honed our view that Thrive requires greater scale to maximise benefit from our investment in our business model and that resilience and agility are key to our continued success.

We are immensely proud of the transformation that Thrive has undergone and are grateful to colleagues, board members and partner organisations who have been with us on our journey.



Elspeth Mackenzie
CEO, Thrive Homes

A handwritten signature in cursive script, appearing to read 'Elspeth Mackenzie'.

Our Journey

2008-2018



Increased housing stock to

4,654

Achieved G1/V2 rating



436
new homes built



£4.5m investment in new technology



£60.3m

Investment in existing homes

Achieved A+ credit rating

Decent Homes Programme planned for 5 years, completed in 2.5



Improved turnover from £17.5m to £23.9m

2018-2023

Yr. 1
(18-19)

Yr. 2
(19-20)

Customer Roll Out

Digital Tenancies

150

360

Home Plan

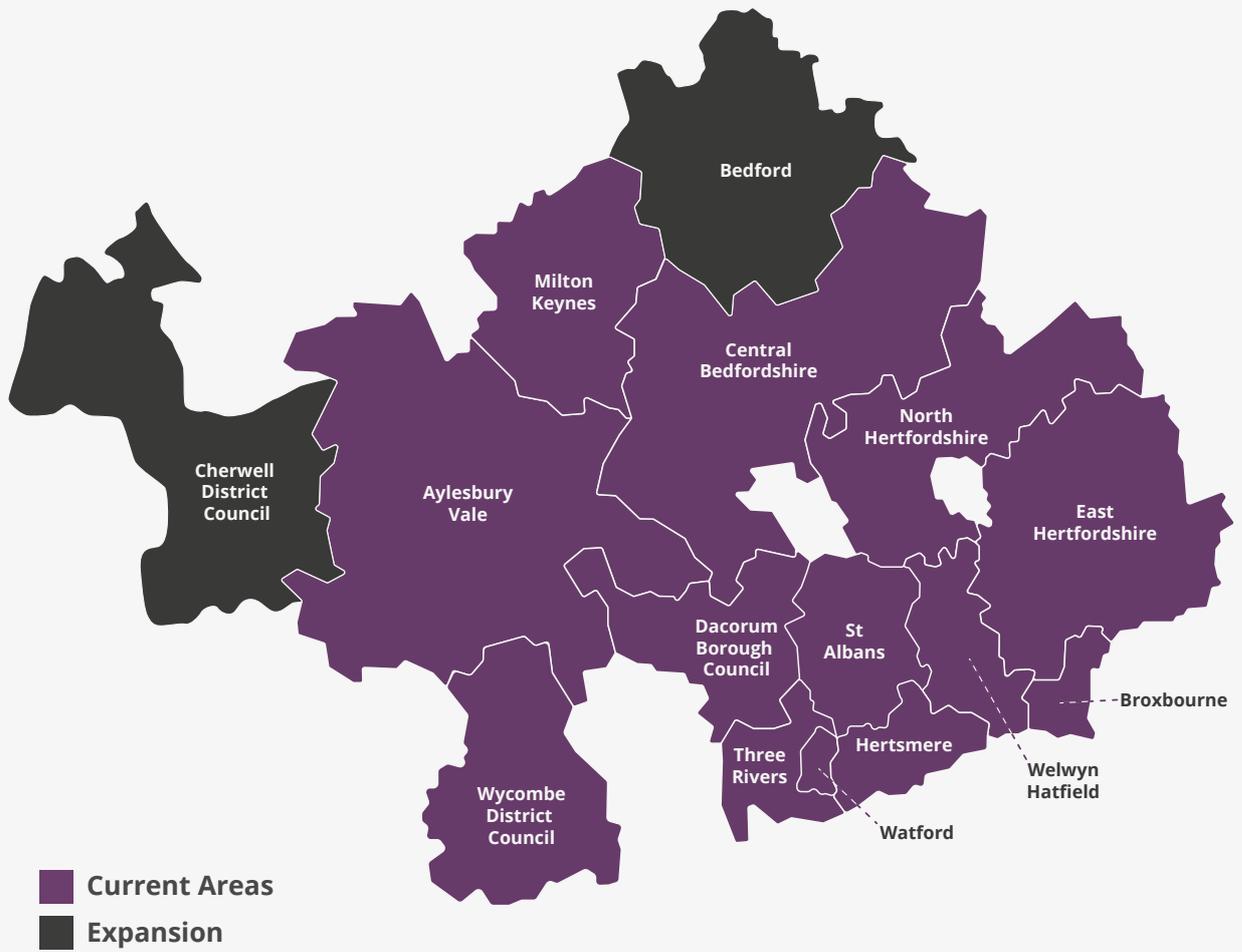
182

982

New build units

112

150



Yr. 3
(20-21)

Yr. 4
(21-22)

Yr. 5
(22-23)

620

890

1140

2038

3234

4452

225

200

200

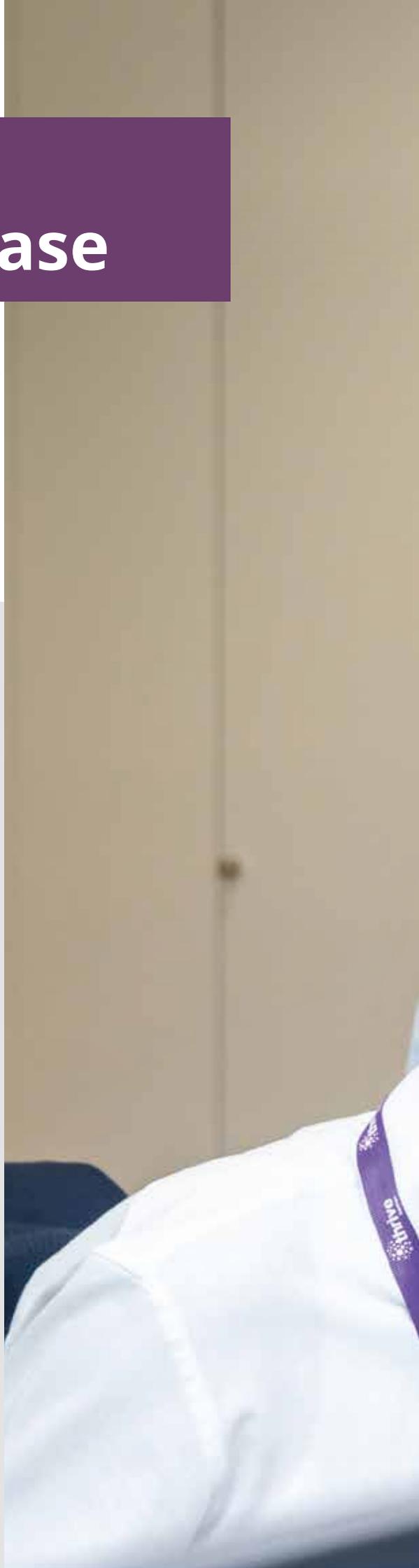
Resilient with a strong financial base

Continued strong financial management is key to our future resilience.

Thrive's core skills are being a landlord and managing property, so we have invested in systems and processes to support this focus. Our investment has created capacity to utilise these core skills outside of the affordable and social rented sector, which will increase turnover and maximise returns on the investment we have made in transforming our business.

Our focus is on:-

- **Governance** – maintaining regulatory and credit ratings through effective governance.
- **Value for Money** – maximising efficiency whilst maintain delivery.
- **Finance** – maintaining strong financial performance.
- **Assets** – understanding our assets and what is required to improve and sustain portfolio performance and value.
- **Technology** – developing the role of technology to improve operational efficiency and effectiveness.



Governance

Thrive Homes is rated G1/V2 by the Social Housing Regulator, with V2 reflecting the challenges faced by organisations of our scale when increasing the delivery of affordable homes.

In 2017, Thrive conducted an external governance review and has implemented recommendations to ensure that we're 'fit' to support the developing organisation. Areas addressed include:

- **Committee structure** - bringing development and resources into the same committee to ensure that growth and financial plans are aligned.
- **Size and configuration of our Board** - including the reservation of places for customers.
- **Continual development of reporting and assurance** - reflecting the changing organisation and associated risk profile.



Value for Money

Thrive aims to operate efficiently, maximising value for money (VfM).

Our performance, relative to sector averages, is impacted by:

- Scale and location of operation.
- Operating model.
- Significant investment (new technology, change programmes).
- Costs we have limited ability to change.

To achieve value for money - we'll continue to:

- Grow the number of units managed without significant staff increases and other related costs, whilst maintaining the service standards for our existing customers.
- Implement the Thrive Deal encouraging greater self-service and reducing demand for services.
- Review Thrive Home Services (direct labour organisation) to confirm its efficiency.
- Seek ways to improve or stabilise costs; through procurement, mobile working, office relocation.
- Challenge ourselves to critically examine activities and identify areas for further improvement.





Finance

To maintain regulatory and credit ratings, we have considered financial parameters we will operate within:

- **EBITDA-MRI margin:** 27% minimum (target: 30%).
- **EBITDA-MRI interest cover:** 110% or more.
- **Net cash inflows** (excluding development): £5m or more over every three-year window.

We continue reviewing these and are introducing parameters to help manage sales risk.

Assets

Thrive recognises the importance of asset management to support our wider ambitions to grow.

Our growth ambitions aim for a more balanced and mixed tenure base across shared ownership, market rent and affordable housing. This will enable us to better meet the requirements for all those across our communities who can't access housing without help.

Our up to date asset and liability register sets out the stock we own, the properties that are secured against loans and any liabilities associated with different property and tenure types.

We understand the importance of Active Asset Management (AAM) that effectively plans and delivers responsive, cyclical and planned major works to maintain the value of our existing stock. Thrive's objective is to keep our customers safe in their homes by meeting all statutory Health & Safety requirements and those of the Home Standard¹.

Active Asset Management

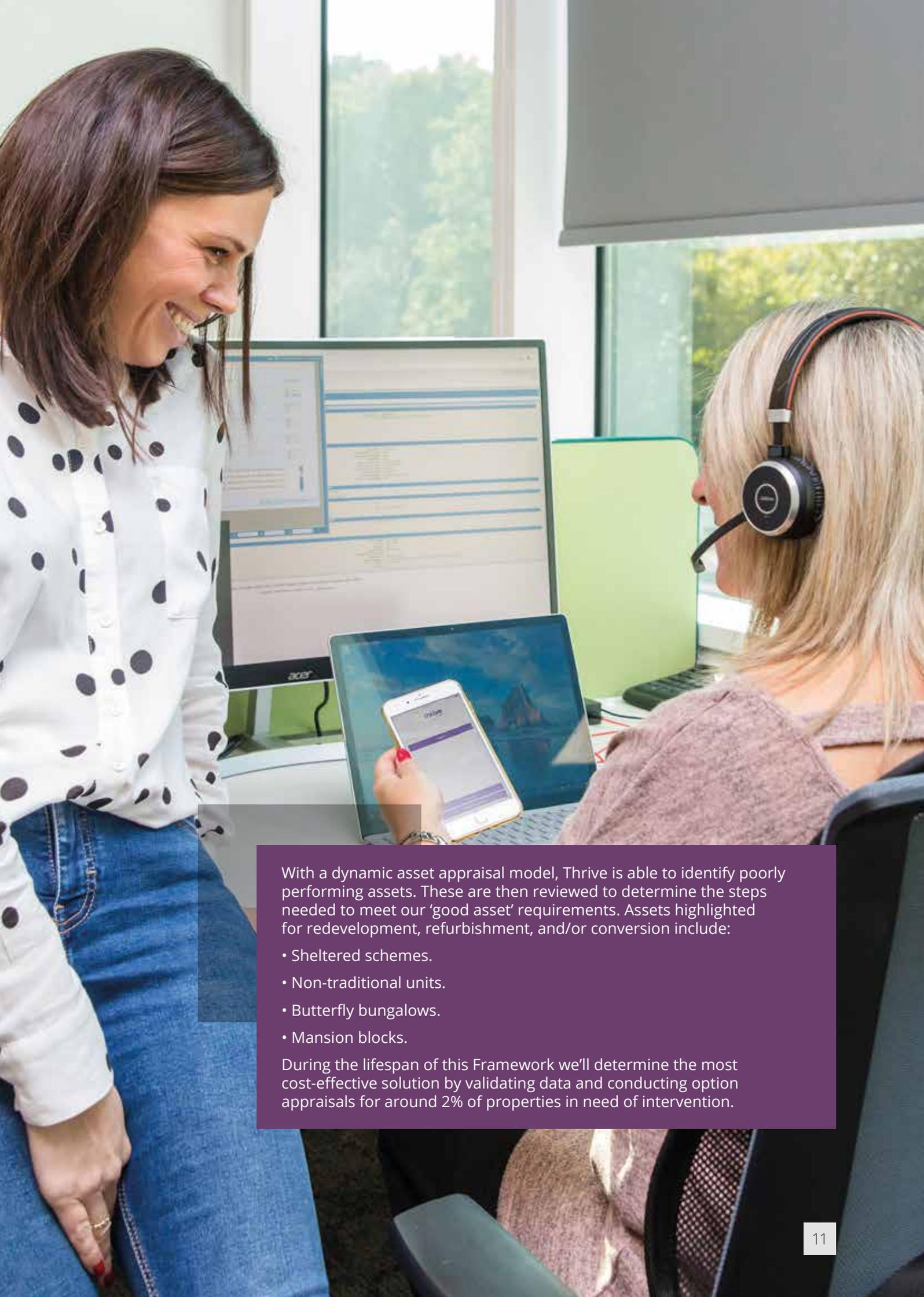
Our Active Asset Management (AAM) system defines 'good assets' using assessment and scoring criteria.

The AAM informs the balance of outputs like development, acquisitions, redevelopment, dispersals and investment impact.

We regularly update the dynamic system, source data and assessment criteria so they align with strategic objectives, changing market conditions and significant legislative changes.

¹<https://www.gov.uk/guidance/regulatory-standards>





With a dynamic asset appraisal model, Thrive is able to identify poorly performing assets. These are then reviewed to determine the steps needed to meet our 'good asset' requirements. Assets highlighted for redevelopment, refurbishment, and/or conversion include:

- Sheltered schemes.
- Non-traditional units.
- Butterfly bungalows.
- Mansion blocks.

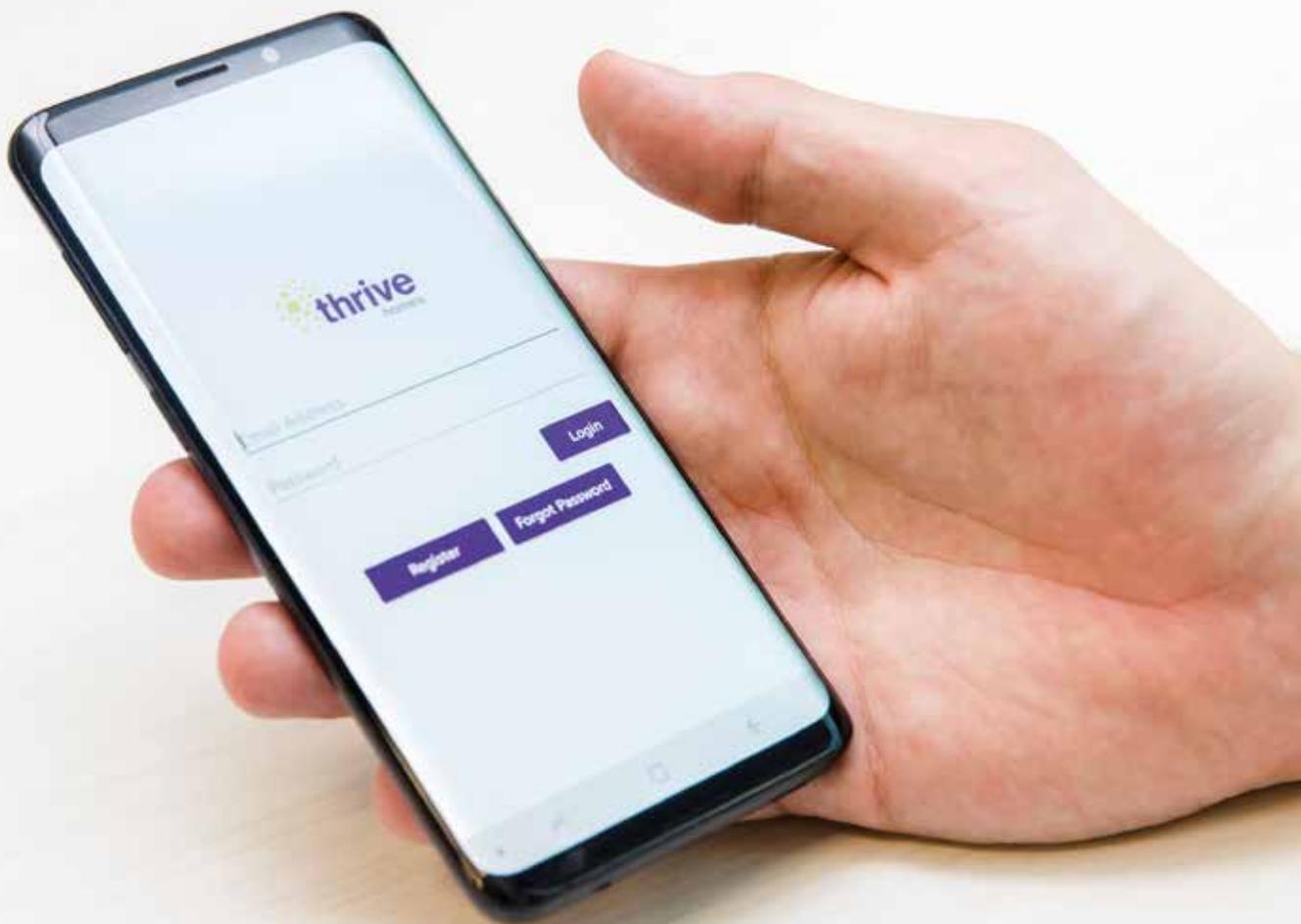
During the lifespan of this Framework we'll determine the most cost-effective solution by validating data and conducting option appraisals for around 2% of properties in need of intervention.

Spend on asset management is one of the largest areas of financial commitment for the business so we will continue to challenge how we achieve value.

Thrive's stock condition survey includes various aspirational and desirable works that could be more effectively managed through responsive and cyclical programmes. During this Framework's lifespan, we'll work to remove these from business plan budgeting and review component lifecycles by property and occupancy type.

We are working towards the minimum Standard Assessment Procedure (SAP) targets of 55 for all properties by April 2020.





Technology

Thrive's operating model relies on technology to:

- Facilitate a self-service customer offer enabling better customer insights and reactive feedback.
- Enable mobile working, maximising resource use and controlling premises costs.
- Embed skill in processes where possible focusing most costly resources on more complex issues.
- Embed reporting and Quality Assurance in processes providing assurance for management, Board, and customers.

Thrive invested in a housing management and finance system (QL/QLF) in 2016. Further investment into Office 365 and the Cloud migration will increase resilience, reduce impacts of operating system upgrades and manage loss of data and responsive scalability risks.

We will continue to review and update our systems so that they support our growing organisation and secure our data, whilst maximising value from current investment.

Thrive is working towards:

- 100% staff agility.
- 80% of automated standard transactions.

Further development of our **'myThrive app'** will enhance our customer-facing offer and encourage self-service options.

Risk

Effective risk management is central to maintaining a resilient business.

This Framework sets out our ambition to grow and signals the Board's changing risk appetite through increased scale and commerciality of the development programme, associated increase in debt and willingness to develop an operating model that is fit for the future. It is recognised that these changes require committing to upfront costs and an internal transformational change programme.

The Board recognises these combined factors could impact Thrive adversely and are confident of managing this risk effectively.





Over the Framework's life, we'll maintain and evolve:

- **appropriate skills and experience within our Board and staff** to understand and manage the business we are becoming.
- **our risk map** including annual dialogue on the impact of strategy delivery and risk appetite.
- **reporting and other assurance measures** enabling Board and management to understand performance and respond to emerging crystallisation of risks.
- **analysis of the external operating environment**, maintaining Advisor relationships to assist interpretation.

A fair deal for customers

We want all our customers - irrespective of tenure to;

- Have a home that is safe, affordable and enables them to plan for their future.
- Be clear about what Thrive Homes will deliver and what they need to do to continue to enjoy their home – creating a relationship based on mutual respect.
- Find Thrive approachable as a landlord and property manager with systems and processes that are easy to use and accessible.
- Be treated with respect.
- Be content that they have experienced what we set out to deliver and have been heard if they feel we have fallen short of this.



The Thrive Deal

In 2017-18, we introduced the Thrive Deal for affordable and social rent, which outlines the responsibilities of Thrive (as landlord) and the customer.

The Deal aims to manage demand for services and help customers use self-service digital channels at a time that is convenient to them.

Implementation of the Deal is being monitored through customer metrics that are reported to Thrive's Customer Engagement Panel, which then feeds into the Board.

New ways of reporting have resulted in a move away from traditional customer satisfaction measures to focus on whether service received was 'good' or 'not good enough' compared to the service standard. This makes it clearer why failure has occurred and what can be done to resolve it.

Further development of this approach will include a sustainable service to provide temporary support for customers who are having trouble maintaining their tenancies.



Customer Involvement

We value customer feedback and their involvement in service delivery and development, which benefits them and Thrive.

By working closely with our customers and testing individual responses, we can better understand how the business is performing and what improvements may be required. We recognise that many of our customers only want to engage when directly affected by an issue or when a topic is of interest to them, so our options for involvement reflect this.

Moving forward our focus will be on;

- Strengthening the line of sight from our Board to our customers.
- Making sure we develop wider customer involvement and insight across all customer groups.

- Creating a greater understanding of the value of customer involvement across the business and increasing engagement.
- Understanding and quantifying the impact of customer involvement.
- Exploring the role of technology in this aspect of our work.



Customer Experience Panel

In 2015, Thrive Homes established an independently chaired and remunerated Customer Experience Panel (CEP) representing a cross-section of our customers. The Chair attends two Board meetings a year and has direct access to Thrive's Chairman.

Their responsibilities include; reviewing service delivery, customer experience, meeting the consumer standards and they are a focus group for new ideas.

By getting involved with Thrive, customers benefit from:

- **Being able to challenge and hold Thrive to account** - combining their experiences, views, and judgement with wider customer insights.
- **Helping us gauge what's most important to them** - accurately capturing experiences and helping co-design services and resolution of service failures.
- **Receiving early and ongoing consultation on issues** affecting their home and tenancy.



As a business, effective customer involvement;

- **Helps us to better understand our customer base by**
 - Gauging reaction to decisions affecting homes and our development as a business
 - Shaping services and new products that reflect what is valued by customers, enabling us to target resources effectively
 - Understanding when customer expectations change and where expectations of customer groups differ so that we manage these and respond appropriately
- **Forms part of our 'assurance'** and as such Thrive wants to ensure that there is a clear line of sight for management and Board of the quality of the service offer and the way that homes are maintained.



Health & Safety

A safe home is key to Thrive's offer.

Thrive will continue to review and evolve our annual audit programme providing reassurance around **gas, electrics, water hygiene, fire and asbestos** practices in our homes.

A key element of the Thrive Deal is our 'Home Plan', a property management approach that will be rolled out over the next five years. The 'Home Plan' ensures clear records of internal property condition are maintained providing us with a better understanding of how people are living in their homes. This knowledge helps us address issues affecting the wellbeing of our customers.

To further improve our services, we are investigating how to:

- Enhance openness around compliance inspections and assure customers remedial work will be undertaken.
- Use technology to support the delivery of Home Plan.
- Provide a customer hotline to report health & safety concerns that bypass normal channels.

Community

Our greatest contribution to communities is providing affordable homes that enable people to start and sustain good lives.



Thrive continues to invest in our homes to ensure that they continue to provide this opportunity over the economic life of this asset.

- We work in partnership with community agencies such as the CAB that can provide support for our customers when issues arise.
- Our community grants for local support agencies are cost-effective whilst offering valuable benefits to customers and the wider community.
- Thrive GIVE (Generating Income for Voluntary Enterprises) uses our procurement process to secure social value – matching suppliers to local agencies for practical help or monetary support.
- Our colleagues can volunteer a day a year for community projects, which we often support with material costs. This helps them to 'give something back' and gain insights into our communities.

We're committed to maintain these relationships over the life of this Framework but have no plans to increase how much resource we allocate.

Variety of Tenure

Providing good quality rented homes at a range of price points.

Thrive's rents are controlled through regulation and the majority of our existing customers enjoy rents that are 40% of the market rate.

Affordable rent

To help us build more homes, new property is set at 80% of the market rate and capped at Local Housing Allowance (LHA) levels – unless a specific subsidy attached to the scheme allows for lower rent.

Homes aimed at the intermediate market are set at 80% of market rate, increased by CPI + 1% (subject to LHA caps).

Shared ownership

Rents start at 2.75% of unsold equity, typically inflated by RPI + 0.5% (individual lease terms may vary).

We'll continue reviewing this approach to ensure affordability for target customers.

Market rent

We also plan to develop a market rent portfolio that will - over time - help us continue to maintain affordability for our sub-market offer and provide good quality rented homes at a range of price points reflecting need within our communities.

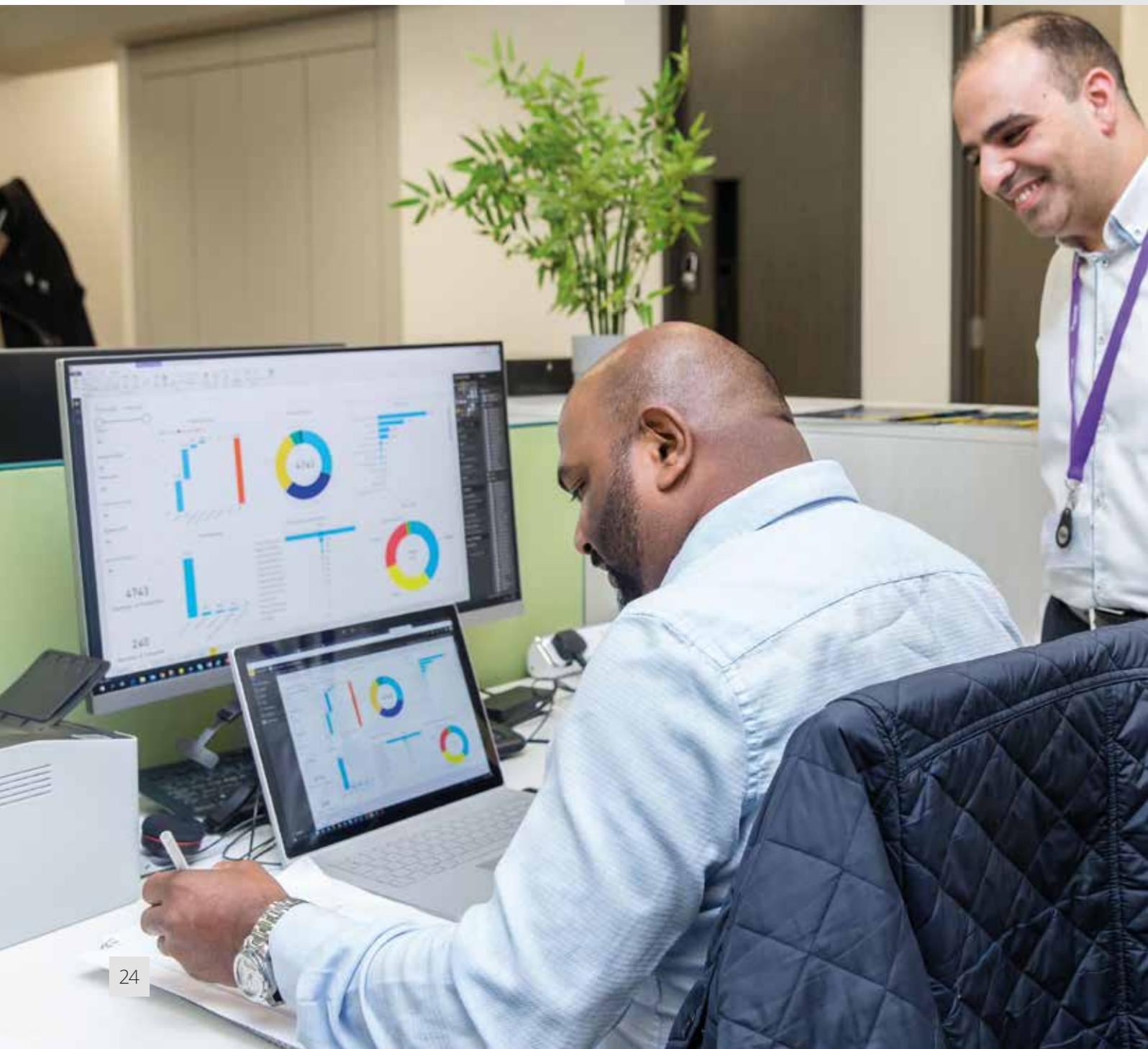




Growth

Thrive has four objectives in growing its business:

- 1.** Increase the availability of affordable homes in the areas we operate. Thrive covers some of the UK's most expensive areas to rent or buy, so there is significant demand for our products.
- 2.** Increase the value of our portfolio through active asset management.
- 3.** Achieve a scale that makes effective use of the investments we have made in modernising our operating model.
- 4.** Survive as an independent organisation so that we can make choices about the future.



Scaling up

Our operating model can be scaled to accommodate Thrive's organic growth and to absorb organisations wanting to benefit from an established model supported by an effective technology platform.

To date, our growth targets have increased incrementally. We recognise – as a more mature business – that we need to envisage the scale we want to achieve, then explore how we'll achieve this so we operate in a way that supports this ambition.



We aim to double in size over the next 10 years and believe that there is a strong demand for rented and shared ownership homes to support this ambition.

To achieve this, we will consider opportunities that:

- Use our core landlord and residential property management skills in regulated or unregulated sectors.
- Are based in our core operating areas of Hertfordshire, Bedfordshire and Buckinghamshire or within one hour of our offices.
- Increase Thrive's portfolio value and turnover or generate projects to provide cross subsidy.

The business will obtain appropriate advice and employ people with the skills required to manage these opportunities and ensure that its viability and affordable housing assets are not placed at risk.

Over the lifetime of this Framework, opportunities for growth may include:

Mergers and acquisitions

Home or property business acquisitions from landlords and mergers with organisations wanting to benefit from our business model. Our Board has established ground rules to evaluate merger opportunities.

Joint ventures

We'll leverage Thrive's resources and maximise the use of existing assets. Proposals require a business case that includes an evaluation of risks and impacts to the business.

Land

In the main, land acquisitions will be considered on a 'with planning' or 'subject to planning' basis.

However, it is recognised that ready to build sites are in short supply in the areas in which Thrive operates so limited acquisitions of sites where there is potential to bring these forward for housing through the local plan and planning process is key to generating future development opportunities. Options agreements may also form part of this approach to securing supply.

Our Board will carefully oversee holding land for the future, ensuring it generates income if possible to off-set holding costs and maintain value in the event that we dispose without developing the site.

Management opportunities

Managing for others or sharing resources may allow us to spread costs or enter different rental markets.

Active Asset Management

In 2018 4% of Thrive's portfolio was assessed as being a 'poor performer'. Some of these properties offer opportunities to:

- Intensify use of land through redevelopment.
- Improve returns or offset future costs through tenure diversification.
- Dispose and invest in new homes (subject to the Stock Transfer Agreement clawback provision that attaches to much of Thrive's portfolio).

Before proceeding, Thrive will undertake a detailed appraisal to ensure that improved performance is achievable and the downsides or business impacts, such as temporary loss of income, have been considered.

Golden Mede, near Aylesbury





St John's Road, Watford

Impacts of the Growth Agenda

Scale to support

Thrive will continue to develop and refine its operating model to ensure that we continue to derive 'value' that can be returned to the business.

This means that Thrive will staff to 'run-rate' activity and buy in additional temporary resources and expertise as required, giving clarity around operating costs versus business development. Greater resource or capability is likely to be needed for:

- Reporting and business intelligence.
- Treasury.
- Financial management and business planning.

Tenure diversification

To achieve scale, we recognise that market rent is likely to become part of our portfolio. This will impact staffing to ensure there are appropriate skills, experience and reporting in place to make sure that tenures perform positively for our business.

Customer perspective

While prospective customers directly benefit from our growth plans, our existing customers also have a stake. Growth gives us drive and resources to maintain services, investment and value in our portfolio, while potentially increasing choice and opportunities to transfer or move into homeownership.

In line with customer wishes, confirmed by our Customer Experience Panel, we remain committed to maintaining a fair balance in the allocation of resources between business growth and caring for existing homes and customers.

A good place to work

We recognise the importance of attracting and retaining the right talent to deliver both what the business needs today and to ensure that it continues to develop.



The definition of 'a good place to work' will evolve during this Framework as more of our people work remotely and we recognise that a 'one size fits all' model doesn't meet the expectations of different generations.

Thrive is an exciting place to work where we:

- Challenge ourselves.
- Deliver results.
- Think differently.
- Share positive stories and messages.
- Respect our customers and our colleagues.

Moving Forward

Following an external review, Thrive has identified the following areas of focus to support our target culture and deliver our growth plans:

- Develop a clear management approach with a people-centric style.
- Transition to a mobile/flexible workforce with new working styles that include scheduling for most frontline colleagues.
- Meaningful and relevant rewards for individuals and teams.
- Develop our 'Positive Resilient People' programme to support colleagues – ensuring that colleagues have the right tools for their job, are equipped to use them, have meaningful work relating to our objectives, understand what is required and are fairly rewarded.
- Rebalance our approach to recruitment – giving attitude, skills and experience equal weighting.



Health & Safety and Wellbeing

We'll continue investing to give colleagues a safe working environment and access to external services that support wellbeing.





Giving Everyone A Voice

To engage colleagues, opportunities to influence must exist.

In addition to team meetings and 'One Thrive Briefings', we actively support:

- **The Staff Voice Group**

Comprising of colleagues from business leads and frontline tiers, it is supported with a devolved budget and time to participate.

The Group has a direct line to the Chief Executive to raise issues and, as a stakeholder, is involved in and consulted on various business issues.

- **Health & Safety Committee**

Chaired by the Resources Director, it focuses on workplace health and safety, primarily from a colleague perspective.

- **Whistleblowing**

We maintain direct lines of communication so colleagues may contact the Chair of Risk & Audit if they feel unable to raise issues internally.

Measuring Engagement

We'll keep using Best Companies and Investors in People to evaluate staff satisfaction and our people practice.



Thrive Homes

Westside

London Road

Hemel Hempstead

HP3 9TD