

Goram Homes

2022 Business Plan



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Introduction

1. Chair's Review

2021 has been a milestone year for Goram Homes. I am delighted to report that our first development in Lockleaze at Romney House has been granted planning permission. Our design competition for Castle Park has been launched and several other projects are in the pipeline. We are now well on the way to meet our Business Plan targets which we have agreed with Bristol City Council.

In addition to the twelve sites announced in our March 2020 Business Plan, we are delighted to be developing the Hengrove Park site. This means we can build 1,400 more homes and have an even greater opportunity to deliver much-needed affordable housing.

Goram Homes' business model allows us to work at pace, whilst our relationship with Bristol City Council and company values ensure that our work is driven by what benefits Bristol. We will only work with partners who share our values and who want to build inclusive communities in highly sustainable developments. Therefore, our Business Plan 2022 includes impact statements outlining our social, economic, and environmental commitments and ambitious stretch targets on the areas that matter most – to us and to Bristol.

With over 16,000 people on the housing waiting list and large numbers in temporary accommodation there is an urgent need for more homes in Bristol. At the same time, amid a climate and ecological crisis, we have a clear responsibility to protect the environment. The challenge of finding ways to build homes in a way that protects both people and the planet is one that Goram Homes takes seriously.

We know that this is not something we can solve alone. That is why we have been collaborating with leaders and experts across Bristol to foster a healthy, city-wide debate and find local solutions. We are also a partner, alongside Bristol Housing Festival and Bristol City Council, in the UN Habitat and **Nesta's Climate Smart Cities Challenge** - a global competition, to find new ways of building NetZero, affordable homes within a viability model that can be scaled.

While the uncertainty of how COVID-19 will impact our industry – and our lives – continues, the team at Goram Homes remains focussed on delivering more homes for Bristol.

As projected in our last **Business Plan, by the end of 2021 we are on track to have:**

- Entered into our first joint venture contract.
- Established a full development programme of over 1,700 homes.
- Established a repeatable legal joint venture template.
- Established a fully operational business.

By the end of 2022 we will have:

- Launched our first design competition and announced the winner for a new development at Castle Park.
- Completed building England's largest water source heat pump at Castle Park Energy Centre.
- Started on site building 268 homes at Romney House, Lockleaze.
- Secured an additional site, Hengrove Park, to deliver over 1,400 homes.

2. Mission, Values and Objectives

2.1 Mission

Goram Homes works in partnership to build sustainable, affordable homes that create communities, respect the environment, and contribute to the local economy.

2.2 Values

Our values, reflect who we are and who we want to be:

- We make a positive social impact
- We build partnerships with purpose
- We innovate to succeed

2.3 Objectives

Bristol City Council Objectives	Goram Homes Impact statement
1. Move at pace to increase the supply of new homes built each year across Bristol including high levels of affordable housing provision.	We will always include the highest number of affordable homes possible in our developments - giving more people the chance to have a safe and secure home. Our partnership model allows us to work with the private sector and build homes at pace. Working with experts we will adopt the most innovative approaches and methods of construction to deliver high-quality, sustainable developments across Bristol.
2. Build sustainable homes that have a net positive effect on the environment and increase biodiversity.	The climate emergency demands urgent action and leadership across the construction industry. Goram Homes is meeting this challenge head on, exceeding industry standards and policy, to create places that benefit both people and the planet.
3. Build homes and spaces that create inclusive communities where people can thrive.	Our designs will incorporate safe, public open spaces that encourage people outdoors and into nature. And wherever we build homes we will continue to support residents after work is completed to create sustainable, balanced communities.
4. Provide a commercial return to our shareholder and meet the highest standards of social and environmental accountability.	We are a commercial company with social values that generates social, financial, and environmental benefit for Bristol. We are committed to building a fairer, greener Bristol. That means we only work with those that share our values and who will deliver maximum social and environmental value.

For our Key Performance Indicators please see **Appendix A**.

3. Equality, Diversity and Inclusion

We are committed to creating a culture that celebrates diversity and welcomes difference. We're striving to provide a work and social environment free from discrimination, prejudice, intimidation, and all forms of harassment and bullying. We want to achieve this for our all our staff and for the communities we work with.

We also know that to build the right developments for Bristol – a diverse and vibrant city - we need to work closely and in partnership with all the communities we serve. That's why we are committed to ensuring that our consultation process supports and enables everyone to contribute by creating spaces for engagement – on and offline – that are safe, inclusive, and accessible.



Credit: Lifschutz Davidson Sandlilands.

4. Social Value

4.1 Supporting Bristol's goals

We are a commercial company with social values that generates social, financial, and environmental benefit for Bristol. Our work is directly aligned to Bristol City Council's [One City Plan](#) which, in turn, is mapped against the [UN's Sustainable Development Goals](#).

By building sustainable mixed developments which include high levels of affordable homes, we will help support Bristol City Council's vision that "by 2050 every person in Bristol will be able to live in a home that they can afford, and which is secure and warm".

We are committed to building a fairer, greener Bristol. That means we only work private sector partners that share our values and who will deliver maximum social and environmental value. Through these partnerships, our work will support multiple aims of Bristol's [One City Strategies](#) through the future delivery of zero carbon, inclusive developments that build communities, provide access to green space, and create active travel and liveable neighbourhoods.

We will contribute to the [One City Economic Recovery Strategy](#) by creating employment and training opportunities wherever possible and have committed to 75% of our spend going to local companies. We will retain an initial interest in the management and maintenance of all our schemes, to empower residents and remain alongside them when they move into their new home.

4.2 Measuring our Social Value

We will record and measure our Social Value using the National Themes Outcomes and Measures (TOMs) Framework. Goram Homes' TOMs, developed with the Social Value Portal, are aligned to Bristol City Council's TOMs, but focused on our activity and the National Real Estate TOM's. (See Appendix D for details of how Goram Homes is delivering social value against BCC's objectives).

Using this framework, we have challenged our partners to combine high- quality urban design with a community investment strategy that addresses local priorities, fosters social innovation, and supports economic growth. Each of the projects we work on will be measured on an annual basis and validated by the Social Value Portal.



Caption

We will focus on four key themes:

- 1. Innovation:** Promoting social innovation, investing in diverse and inclusive community networks and leveraging our skills and expertise to address local issues and facilitate social innovation.
- 2. Jobs:** Promote local skills and employment, contributing to local economic growth, by supporting local businesses, investing in infrastructure and improving employment prospects for local people e.g. by working with the South Bristol Skills academy.
- 3. Social:** Healthier, safer, and more resilient communities that have a positive impact on our residents and employees' mental and physical health and reduce inequalities.
- 4. Environment:** Decarbonising and safeguarding our world and building a resilient community that unlocks growth in the green economy, regenerates ecosystems and enables people to interact with the natural world.

Our projects that have been assessed are forecast to deliver the following social value:

Site	Committed social and local economic value
Romney House	£31,480,514
Baltic Wharf	£10,185,395
Dovercourt Road	£4,193,641
Total	£45,859,550

4.3 Working with communities

Open and honest communication is the key to effective engagement, and this will be at the heart of our approach to consultation. We know that residents often have an intimate knowledge of a location we are redeveloping, and their insight can help us deliver high-quality, mixed tenure new homes for Bristol.

We want to reach underrepresented groups and the often-silent majority to ensure that as many people as possible have a chance to contribute. To do this, we will work with specialists and our partners to identify the biggest barriers to engagement, find the most effective solutions and, where appropriate, employ new methods and technologies, to ensure our consultations are as representative of the community as possible.

4.4 Becoming a B Corp

Certified B Corporations are businesses that meet the highest standards of social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corp Certification is the only certification that measures a company's entire social and environmental performance.

Over the past year, Goram Homes has been working towards gaining Certified B Corporation status in order that our business approach is evidence-based and shows our partners and stakeholders the ways in which Goram Homes is meeting the highest standards of performance.



5. Environment

5.1 Our commitment to sustainability

In 2018, Bristol was one of the first cities to declare an environment climate emergency. At the same time our city faces a significant housing crisis. As a thriving and growing city, with leadership committed to building both a fairer and greener city, Bristol faces the challenge of limiting its contribution to climate change whilst simultaneously meeting the demand for new homes. Goram Homes is focussed on meeting this challenge head on and aims to exceed industry and policy standards to create places that benefit both people and the planet.

Sustainability underpins our approach and we will support Bristol's One City strategies on **Climate** and the **Ecological Emergency** by striving to increase biodiversity and achieve carbon neutral housing on all our projects. We have adopted the **RIBA 2030 Climate Challenge** Targets for operational energy use, embodied carbon and water use reduction and all our homes will have an **energy efficiency certificate rating of A** (most efficient). Our developments will include safe, public, open spaces that encourage people to go outdoors and into nature. All of our projects will have a biodiversity **net gain as defined by the DEFRA 3.0 metric** and, by meeting **Building with Nature Standards**, we will ensure that we create places that really deliver for people and wildlife.



Romney wildlife corridor

5.2 Collaborations, challenges, and competitions

We understand that progress towards our city's goals is reliant on action, and that timely action depends on consensus and collaboration. That is why we are working with **Bristol Housing Festival** and housing and environmental experts across Bristol to find common ground and explore new solutions to the challenges our city is facing. The outcome of this work will be published in 2022. We will also continue to be a key partner for the **Climate Smart Cities Challenge** – a competition to find a new model for delivering affordable, zero carbon homes in Bristol.

As part of our contribution to building a greener Bristol, we are working with the **Bristol Heat Network**, **Vital Energi**, and Bristol City Council to deliver a new energy centre in the centre of Bristol at Castle Park. The Energy Centre will house England's largest water source heat pump – one of the lowest-carbon solutions around – which will take water from the nearby floating harbour and use it to generate heat and hot water for local businesses and residents. In 2021 we launched **our first design competition** looking for innovative, sustainable designs for a mixed-use development to be built over the Energy Centre once it is complete.

6. Market Analysis

6.1 UK Housing Market

The housing market in 2021 was all about stamp duty deadlines, soaring transactions, and rampant house price growth. The top end of the housing market boomed while first time buyers struggled thanks to a credit crunch and renewed interest from buy-to-let investors and second home owners. The housing market now faces a supply squeeze with a lack of homes available for sale putting further pressure on house prices. But the rising cost of living and threat of increasing interest rates loom large.

The start of 2021 was dominated by the rush to beat the stamp duty holiday deadline. As 2021 started, there were record numbers of sales agreed trying to beat the March deadline, with the added complication of a lockdown constraining capacity in the house buying process. However, there was significant uncertainty about what would happen when the stamp duty holiday ended and government support for the economy was withdrawn. Many organisations forecast a correction in house prices following its end.

The late extension of the stamp duty holiday in the March Budget marked the end of the uncertainty and the housing boom continued. The Budget also saw the re-introduction of the Mortgage Guarantee Scheme. This helped reassure mortgage lenders and led to a recovery in lending to riskier borrowers, especially helping first time buyers. The roll-out of the vaccination programme also gathered pace and the economy slowly recovered. The boom continued through the summer with spikes in activity around the tax deadlines in March, June, and September.

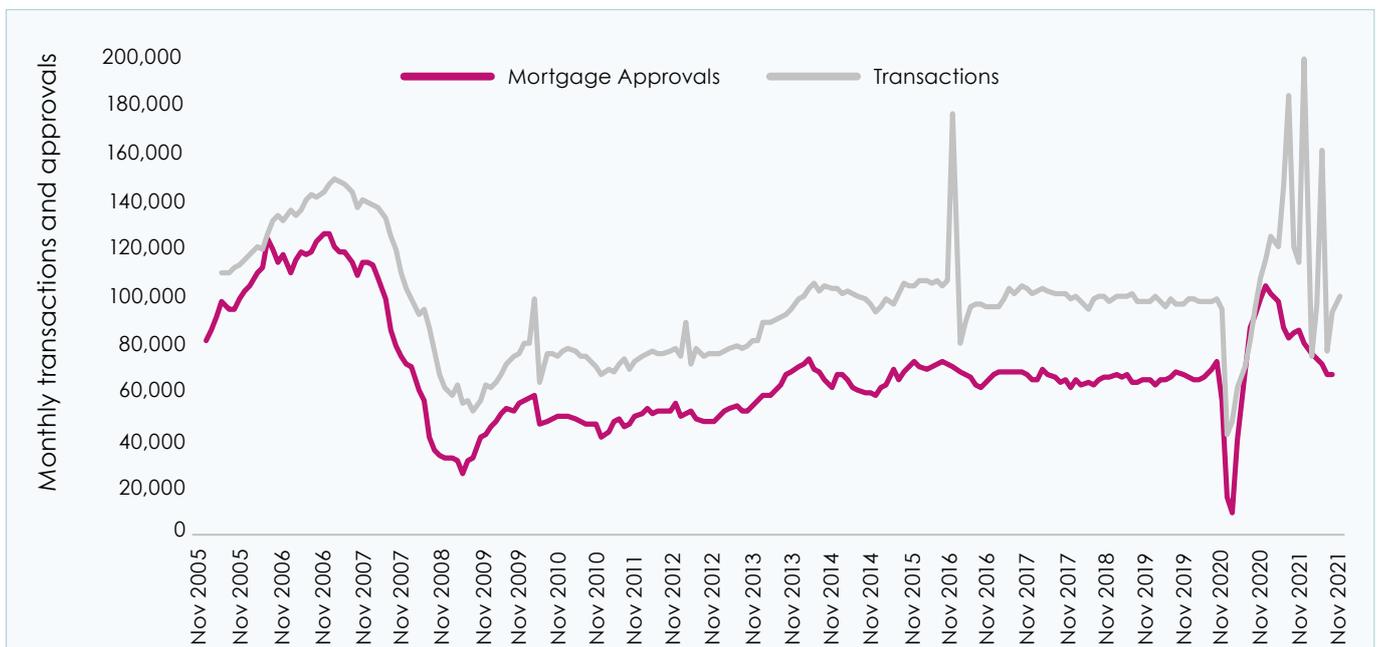


Figure 1 – Housing Market Activity - UK. Source: Bank of England, HMRC – Seasonally Adjusted.

The stamp duty holiday finally ended in September and initial data suggests the market has returned to normal pre-pandemic levels of activity. However, one of the contributing factors to the current high levels of house price growth has been a squeeze on the supply of homes available for sale. The recovery in first time buyers and purchases by investors and second

home owners have rapidly reduced the number of homes available for sale. The situation in early 2022 is severe with Rightmove, Zoopla, and RICS all warning about the low numbers of homes available for sale.

Looking ahead, it appears highly unlikely that 2022 will see a repeat of 2021 either in terms of house price growth or transaction levels. However, the outlook for 2021 this time last year was highly uncertain, and the outcome has surprised many on the upside. While the uncertainty in 2021 was around the timing of the stamp duty deadlines and withdrawal of economic support, the uncertainty for 2022 is mostly focussed on the rising cost of living and what happens to interest rates.

Although rising interest rates will cause problems for some borrowers, it is likely to be the sales market where the most stress is felt. Most existing homeowners are insulated from the immediate effects of rate rises and, unless forced to, they will sit tight rather than accept lower priced offers. Meanwhile, a smaller proportion of the public will be able to afford to borrow the necessary amount they need to buy at higher mortgage rates. That suggests the most immediate casualty of higher mortgage rates is more likely to be transactions than house prices.

6.2 Bristol Housing Market

House prices have boomed in Bristol since the housing market reopened in the summer of 2020. Average prices had stagnated in the city during the period prior to the pandemic, unchanged over the eighteen months up to March 2020 according to the ONS index. However, when the housing market reopened in the summer of 2020 Bristol recorded rapid rises in house prices. This reflected a trend seen across the country and world as the stamp duty holiday, race for space, low interest rates and a reassessment of housing preferences contributed to housing market booms. Although some cities have struggled, Bristol was no exception to the overall trend with the latest provisional data showing average prices hit a new record high of £327,000 in November 2021, 8.1% higher than one year ago.

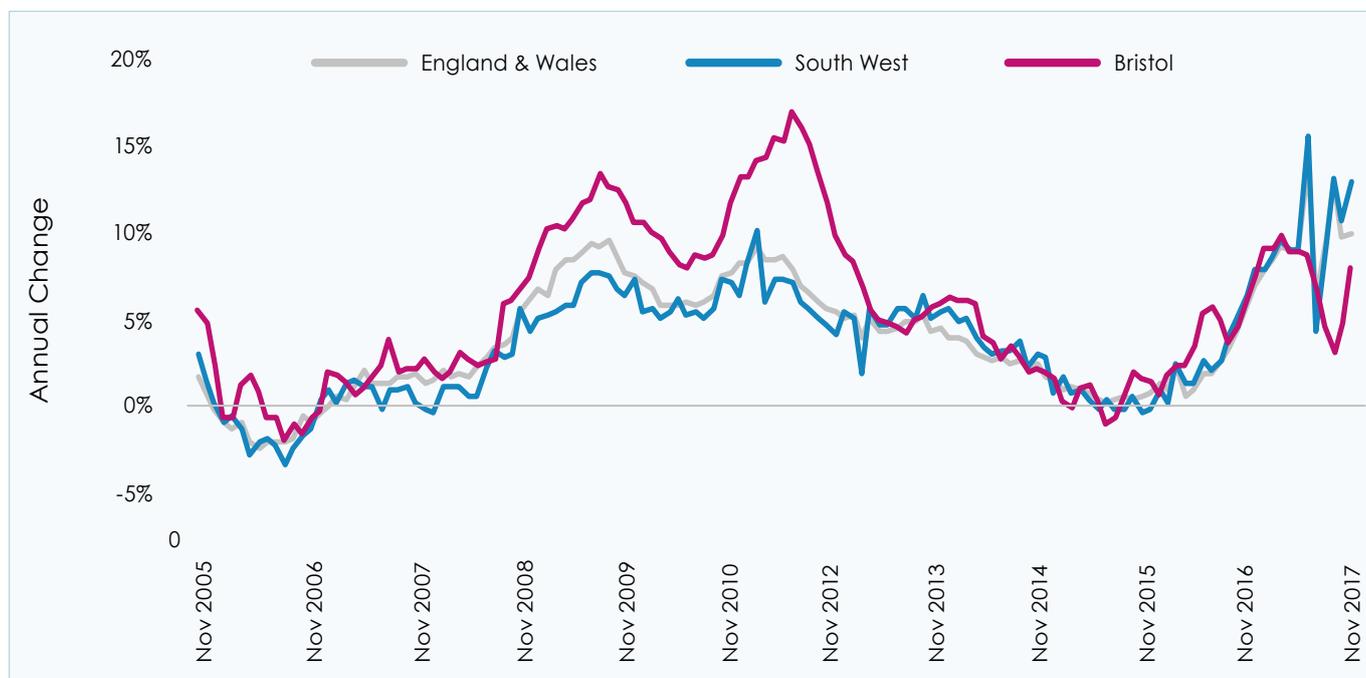


Figure 2 – Annual Change in House Prices. Source: ONS UK HPI

Though very high by pre-pandemic trends, house price growth has actually been lower in Bristol than the regional and national trends since the summer of 2021. This situation partly reflects the already stretched affordability in the Bristol market, with median house prices at 8.6 times residents' median earnings in 2020. This is because markets with stretched affordability have less capacity for lenders to stretch their own lending criteria beyond the limits set by regulation. The lower levels of growth may also reflect the higher proportions of flats in the city when compared to the regional and national markets, as the building safety crisis and consumer preferences continue to limit demand for flats relative to houses.

It's not just house prices that are unaffordable in Bristol, the rental market has also rebounded strongly in the city. The Zoopla rental index put Bristol at the top of the table with an 8.4% annual rise in private rents at the end of September.

Affordability may be stretched, and house prices are rising rapidly, but early indicators suggest new build supply is rising. The latest Energy Performance Certificate data, a useful leading indicator for net additions, recorded over 2,500 new homes in the year to September 2021. If that figure is reflected the official DLUHC data when released next year, it would be the highest number of new homes since 2009. While these figures are positive, and the underlying shortage of homes for sale should support continued new build delivery in the short-term, it will take many years of delivery at these rates and higher to have a significant impact on the affordability of homes in Bristol.

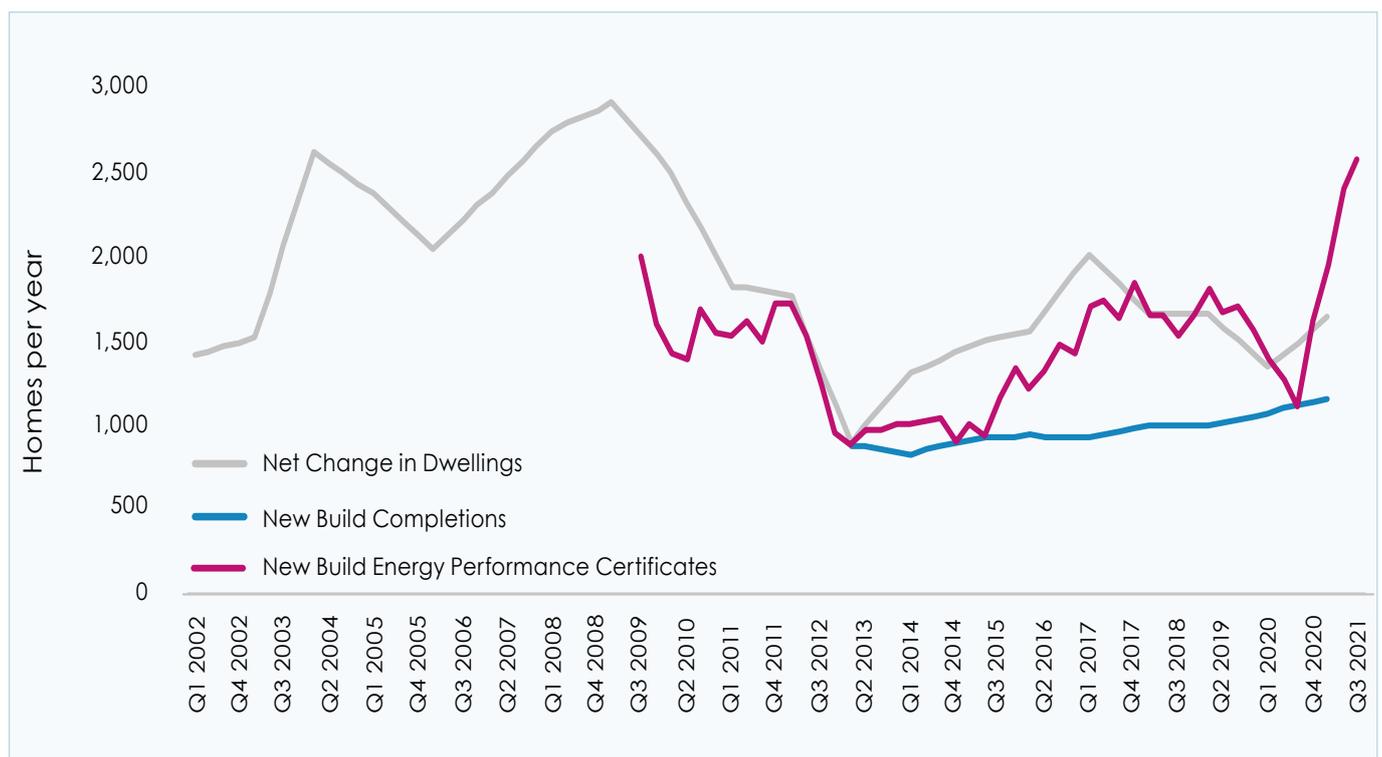


Figure 3 – New Housing Supply, Bristol. Source: MHCLG

7. Development Activity

7.1 Site identification process

Our primary source of sites is Bristol City Council. Goram Homes is one of the Council's key delivery vehicles in the fight against the housing crisis - especially for larger market facing and mixed tenure projects.

Therefore, it is critical that land flows from the Council to Goram Homes at the scale and pace that is required to meet the operational cost commitments set out in our Business Plan. The specific arrangements for the transfer of land are made on a site-by-site basis and dependent on the condition and planning status of the land/property.

Initially, any new potential sites identified will be assessed by the Goram Homes team. If the site is viable and deliverable, it will be presented to the Board for early consideration (strategic fit, social and financial returns, risks, prospects of success, etc) and to gain approval to actively pursue the site, within an agreed budget. The land purchase price is then agreed with the Council at a fair market value reflecting the fact the site will be unencumbered.

The affordable housing will be purchased at a market value by either a housing association or by Bristol City Council and agreed on a project-by project basis.



Caption

7.2 Procurement

Goram Homes has been established as a body with a commercial character, not meeting needs in the general interest. As we do not fall within the definition of a body governed by public law under the Public Contracts Regulation 2015, we do not have to adopt the procedures set out in the Public Procurement Regulations in respect of any transactions we undertake.

This means we can enter into contracts for goods, services and supplies with the most appropriate contractors or partners for each site or project, giving us a considerable commercial advantage over the Councils' procurement options.

The variety in size and complexity of our development programme means that not all projects will be delivered as a Joint Venture within a formal LLP contract. To maintain value for money within a less restricted procurement environment, we have set out our procurement principles in our procurement policy.

In summary we will:

- Ensure we obtain “value for money” whilst appointing contractors and consultants who can demonstrate the ability to deliver our demanding standards of quality and service.
- Prevent corruption or the suspicion of it by following our procurement policy.
- Ensure fairness and equality of treatment of all suppliers, avoidance of bias, favouritism and that fairness can be demonstrated through an audit trail.
- Promote social value, including the local economy and environmental sustainability, to the extent that it is legally permitted.
- Make best use of our procurement status to enable contracting work to deliver projects that include Extra Care housing or provision of a new energy centre alongside a Goram Homes project.



Credit: Lifschutz Davidson Sandlilands.

7.3 Design and quality standards

Goram Homes wants to deliver developments that provide a great place to live, for those who buy and rent the new homes on offer. As well as placemaking of the highest order we want to achieve schemes that are robust and look fantastic for many years to come.

This will be achieved through a combination of good design and the use of low maintenance details and materials. We aim to achieve compliance with council policy wherever possible and will always work to achieve appropriate levels of affordable housing.

We will assess every project individually to ensure the design is aligned to our values and ethos. Our Board will not apply generic design and quality standards to all its projects. They recognise that each project will be unique and sit within differing local communities and a 'one size fits all' approach would not be appropriate.

We will however be mindful of important standards such as Nationally Described Space Standards (NDSS) that we aim to achieve on all homes delivered. Goram Homes will always deliver tenure blind housing where both the affordable and market element provides new homes with a generous living space, suitable private amenity space and good quality design. Wheelchair units will, as a minimum, comply with Part M of the Building Regulations and all projects will achieve Secure by Design. We are also open to considering modern methods of construction (MMC) on our schemes. This will range from simple panelised systems through to volumetric pre-assembled structures.

Any solution would be assessed on its suitability to the proposed site. As a result, every project will be individually appraised by the team prior to board approval, at mid-development point and at the end of the development using the quality criteria in our policies.



Caption

7.4 Development programme

Goram Homes' development programme is our main activity. We have a strong working relationship with Bristol City Council's Housing Delivery team and together, we have established a process to release land for sale to Goram Homes as quickly as possible. There is currently a positive land supply available.

The development programme uses estimates for the purposes of building our financial plan, and to forecast completions over the plan period. This 2022 plan will vary from the estimates in the 2021, as the programme is constantly evolving as more work is completed by the team on each project.

The below table shows the first three projects as italics to indicate that these are at a more advanced state, with volumes and dates that are more fixed. The remaining projects in the programme have an estimated time allowance prior to starting on site. This is a prudently cautious estimate in order not to overstate revenue in the financial plan.

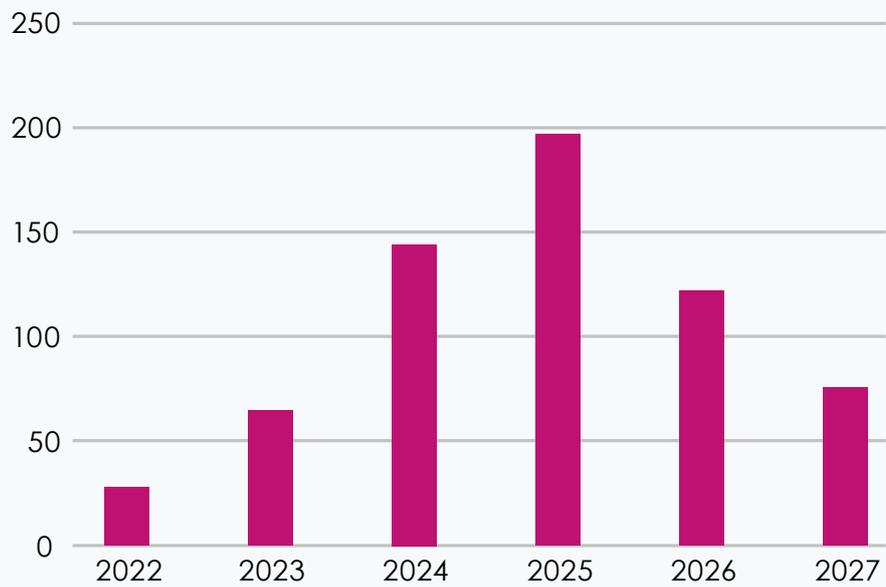
Monthly performance management updates are provided to the Council during the year so each project can be tracked in detail.

Scheme	Potential Units	No of AH Units	minimum % affordable	Start on site
Baltic Wharf*	166	66	40	2022
Romney	268	147	55	2022
Dovercourt Rd*	141	70	50	2023
Castle Park	80	32	40	2024
SS Great Britain Car Park	110	44	40	2024
A Bond	96	38	40	2026
B Bond	96	38	40	2026
Spring St	130	52	40	2024
Hengrove Park *	1,435	717	50	2024
Novers Hill	70	21	30	2024
New Fosseyway	190	106	55	2023
Portwall Lane Car Park	110	44	40	2024
St Ursula's	40	12	30	2024
Blake Centre	60	60	100	2023
	2,992	1,447		

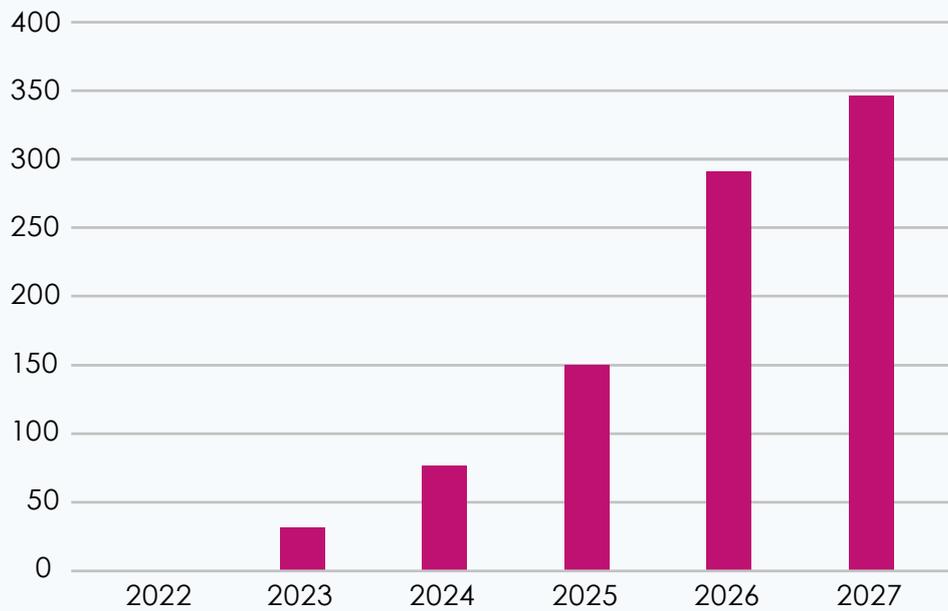
* Hengrove Park SoS will be in multiple phases, the first phase will be earlier than shown in the plan circa 2023. Due to the scale of the project the first SoS has been moved for prudence to 2024.

*Start on site dates estimated and subject to planning.

Affordable Homes Completions



Market Homes Completions



8. Financial projections and Risk Management

8.1 Summary of financial projections

Our Developments will be, in the main, joint ventures with the value of the land forming a large proportion of the initial investment by Goram Homes.

Our pipeline of sites feeds into the company's financial planning process to make projections as to the level of planned investments, expenditures and returns expected. Each element of the overall financial projection is summarised in the detail below.

This 2022 business plan, both operating costs and project investment, is fully funded from previously agreed loan facilities. There are two current loan facilities:

- Loan facility one – £3.5m covers the first two projects (Romney House and Baltic Wharf).
- Loan facility two – £10m to fund Pipeline 2.

This business plan has assumed that loan facility two can be flexibly used to support both Pipeline 2 (as set out in the 2021 business plan) and all other projects such as Hengrove Park for the period of the 2022 business plan.

Each year we will review the development programme to assess funding requirements to meet any future variations.

8.2 Project approval

Given the evolving status of projects, they will each be approved by Bristol City Council at key trigger points. These trigger points will be on approval of the Limited Liability Partnership (LLP) deal structure (and associated legal agreements) and approval of any land loan note, and any cash investment requests.

Once sites are agreed for development by Goram Homes and Bristol City Council, we will acquire them from the Council at a fair market rate, using the most suitable funding structure for the site.

8.3 Project funding

All borrowing will be site/project specific and subject to an individual loan agreement. Revenue for each scheme takes the form of sales receipts from private housing, affordable homes, and any commercial property. In general, the gross profit margin hurdle for developments is approximately 15% profit on Gross Development Value for the scheme.

Some schemes, such as a flatted scheme, will require considerable investment before sales revenue is received, often resulting in the project requiring funding in excess of the initial partner contributions. Where this occurs, it is assumed to be provided through third party funding. Third party funders operate lending parameters which may in exceptional circumstances require the partners of the LLP to top up their investment to fully fund the development. This event, should it arise, would form part of the project appraisal presented to the Council for approval and would be funded from within the existing loan facilities.

8.4 Performance management

Projects are often delivered via LLPs in which Goram Homes has a 50% shareholding. Two directors are appointed to the LLP by Goram Homes and two from our partner. The Board of the LLP oversees the operational & financial performance of the development with actions being taken to address or mitigate any shortcomings.

The Goram Homes Board oversees performance of all LLPs against the business plan and detailed financial appraisals. Reporting of our performance is then provided to the Council's strategic client and Bristol Holding, who in turn advise our shareholder, Bristol City Council.

8.5 Operating risk environment

Housing market price movements are one of the most common risk factors to impact on organisations such as Goram Homes. The resulting risks of a housing market price movement are contained within the Business Plan risk assessment. The traditionally cyclical housing market sees prices increasing and declining over a period of years often linked to economic shocks or improvements in the wider economy.

Our business model has sought to contain risk events, such as house price movement or project level cost increase. Each project is often established as a separate LLP. As the LLPs do not call on guarantees from the parent company and are separate and independent in their operation, any cost and revenue risks are contained at the LLP level.

The financing of developments will regularly use third party funding. This is money invested by a financial institution and will be secured on the land asset during the development period. The money is lent to the LLP, not Bristol City Council, and no guarantees are given against these loans by the Council.

Health & Safety (H&S) risks will not always be contained within these LLPs and could pass up through the LLP into Goram Homes. For this reason, we operate a zero-tolerance stance on poor H&S practice, and this is reflected in our performance management targets and partner selection.

8.6 Risk management

Effective risk management is critical to our success and so we have put in place, a robust risk management and audit system across the business. We operate a risk register which identifies key risks, giving each risk an inherent score without mitigating controls. Mitigations are then applied, giving the current risk score.

The management team review the risk register on a regular basis and the top risks are reviewed by the Goram Homes Board at our quarterly meetings. Risk materialisation is reported to the Board when it occurs on an "as required" basis so we can appropriately manage risks should they occur outside of the Board cycle.

For our assessment of key Business Plan risks see **Appendix B**.

8.7 Building the Financial Plan

Our Financial Plan demonstrates the anticipated outturn of our activities through to 2027 and is based on the programme activity outlined in our development programme. Each project in this programme has either a latest 'Financial Model' (if an agreed LLP) or an estimated Development Cash Flow (if a pipeline site).

All sites have been prepared as cash flows reflecting the anticipated structure of a 50% share of both capital and profits. Where significant, additional cash investment is required, this has

been assumed to be through third party provision. A set of additional headline assumptions have been made that:

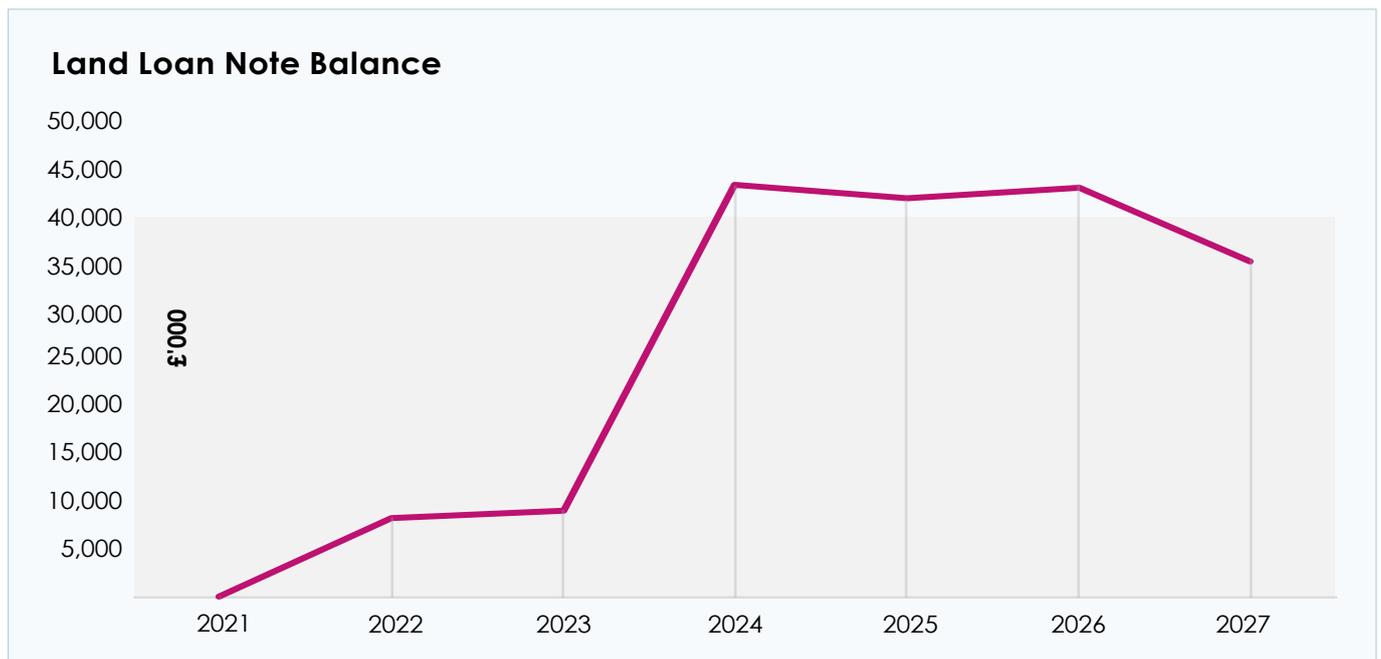
- a) The land cost is inclusive of 'capital and interest', until negotiated specifically.
- b) The lease sales value to the partnerships is inclusive of 'capital and interest', until negotiated specifically.
- c) All cash generated from profits will be retained within Goram Homes pending decisions by the Council as to its future use.

For the flow of funding between the Council and Goram Homes for the period of the plan see **Appendix C**.

8.8 Land purchase funding

The Land transaction is facilitated by the provision of a loan note to Goram Homes from Bristol City Council. After the land sale, the Council no longer holds the land asset but holds a debtor asset, being the loan note with Goram Homes. The table below shows a forecast of the outstanding value of land loan notes through the period of the Business Plan.

The peak land loan note balance owing to Bristol City Council is forecast to be £44m, based on developments proceeding as programmed in this plan. The total estimated value of land purchased by Goram Homes from Bristol City Council, and hence Loan Notes taken over the period of the Busins Plan, is forecast to total £67m. Over the same period, we are forecasting to repay £32m of the Loan Notes taken.



Land Purchase Funding £'000 at 31st March	2021	2022	2023	2024	2025	2026	2027
Land Lone Notes added in year	-	(12,861)	(5,169)	(41,660)	(5,385)	(2,355)	-
Land Lone Note repayments in year	-	4,504	4,350	7,233	6,508	1,229	8,134
Land Lone Note balance	-	(8,357)	(9,176)	(43,603)	(42,480)	(43,606)	(35,472)

8.9 Profit and loss

The trading performance of Goram Homes is assessed by considering:

- Our annual running costs.
- Management fees earned.
- Our share of profit earned from the LLPs.
- Interest receivable and payable on various loan note instruments.
- Working capital financing from the Council.

We have forecast the profit earned by each development and recognised profit at point of sale of the properties.

As shown below, losses are incurred through to the year ending 31st March 2024 with profits being generated thereafter, as results from the LLPs flow through into Goram Homes' results. Whilst the Business Plan reporting period is to 2027, several of the development LLPs formed during the period of the plan will be delivering homes and financial returns beyond this timeframe.

Cumulative profit and loss reserves become positive in the year to 31st March 2026.

Profit & Loss Account £'000 Year to 31st March	2021	2022	2023	2024	2025	2026	2027
LLP Participation							
Share of LLP Profit/ (loss) before Tax	-	(229)	624	870	4,192	11,049	16,246
LLP Management Fees charged	-	-	-	163	82	-	-
Land Asset management							
Purchase of land	-	(12,861)	(5,169)	(41,660)	(5,385)	(2,355)	-
Sale of Build Leases	-	12,861	5,169	41,660	5,385	2,355	-
Contract Business							
Revenues - Energy Centre	554	4,150	-	-	-	-	-
Costs - Energy Centre	(520)	(4,100)	-	-	-	-	-
Contract Business Margin	34	50	-	-	-	-	-
Operating Costs (£'000)	(736)	(944)	(1,433)	(1,591)	(1,356)	(1,361)	(1,323)
Profit before Interest & Tax (EBIT)	(702)	(1,123)	(809)	(559)	2,836	9,688	14,923
LLP Loan Account interest receipts (signed LLPs)	-	251	240				
BCC Land Loan interest payments (signed LLPs)	-	(251)	(240)				
WCF Interest charges	(68)	(134)	(288)	(411)	(384)	(234)	(63)
Profit before Tax	(770)	(1,257)	(1,097)	(970)	2,534	9,454	14,860
Corporation Tax	-	-	-	-	-	(2,006)	(3,715)
Profit After Tax	(770)	(1,257)	(1,097)	(970)	2,534	7,448	11,145
Cumulative Profit & Loss Reserves	(1,590)	(2,848)	(3,944)	(4,914)	(2,380)	5,068	16,213

8.10 Operating costs

Operating costs have been contained to approximately £1.5m p.a. for the Business Plan period. These costs incorporate all the costs of partner procurement and delivering Development LLPs for each development site in our programme.

Operating Costs (£'000) Year to 31st March	2021	2022	2023	2024	2025	2026	2027
People costs	445	634	756	775	794	814	834
Recruitment fees	11	15	5	5	5	5	6
Meals, Travel & Accommodation	-	9	18	27	36	46	57
IT Support	18	19	19	19	20	20	21
Office Expenses	11	21	33	34	35	36	36
Professional Services	113	107	397	521	251	219	142
Pre LLP at risk e.g Architects, Surveys	-	470	2,080	696	-	-	-
LLP chargedown (Balance sheet)	-	(470)	(2,080)	(696)	-	-	-
PR & Advertising	28	20	20	21	21	22	22
Bristol Holding Ltd Management Fees	96	105	85	87	89	92	94
Contingency/Misc	14	14	100	103	105	108	110
Operating costs (£'000)	736	944	1,433	1,591	1,356	1,361	1,323

Financial extracts (£'000) Year to 31st March	2021	2022	2023	2024	2025	2026	2027
Cumulative Retained Profit/(Loss) after Tax	(1,590)	(2,848)	(3,944)	(4,914)	(2,380)	5,068	16,213
Cumulative Realisation of land value paid to BCC	-	4,504	8,854	16,087	22,595	23,824	31,958

8.11 Cash flow

The Business Plan shows a closing cash balance in 2027 of £6m. Any distribution of profits will be decided by Bristol City Council as shareholder.

Cash Flow (£'000) Year to 31st March	2021	2022	2023	2024	2025	2026	2027
Opening Cash Balance	50	16	90	43	204	337	3,427
Inflow	714	1,833	3,840	2,737	3,830	7,659	8,635
Working Capital funding received	680	1,520	3,600	500	1,000	-	-
Decrease in non cash current assets	-	12	-	-	-	-	-
Interest received on Loan Notes (signed LLPs)	-	251	240	-	-	-	-
LLP distribution	-	-	-	2,074	2,748	7,659	8,635
Margin on Contracting	34	50	-	-	-	-	-
Outflows	(748)	(1,759)	(3,888)	(2,576)	(3,696)	(4,569)	(5,663)
Operating costs of Goram (EBIT)	(702)	(944)	(1,433)	(1,591)	(1,356)	(1,361)	(1,323)
Interest paid on Working Capital Funding	-	(94)	(134)	(288)	(411)	(384)	(234)
Interest paid on Loan Notes (signed LLPs)	-	(251)	(240)	-	-	-	-
Corporation Tax paid	-	-	-	-	-	-	(2,006)
Repay working capital funding	-	-	-	-	(2,399)	(3,600)	(2,100)
Increase in non cash current assets	(46)	(470)	(2,080)	(696)	470	776	-
Dividend Distribution	-	-	-	-	-	-	-
Operating flows	(34)	74	(47)	161	133	3,090	2,973
Build Lease Receipts		4,504	4,350	7,233	6,508	1,229	8,134
BCC land loan repayments		(4,504)	(4,350)	(7,233)	(6,508)	(1,229)	(8,134)
Closing Cash Balance	16	90	43	204	337	3,427	6,400

8.12 Balance sheet

The Balance sheet below shows Retained Reserves at the end of 2027 of £16m. This Business Plan is subject to further refinement when a more detailed assessment of the development pipeline evolves, and projects move forward.

Balance Sheet (£000) at 31st March	2021	2022	2023	2024	2025	2026	2027
Fixed Assets	-	-	-	-	-	-	-
Current Assets	721	8,688	12,164	46,244	46,229	53,059	55,508
Debtors	705	-	-	-	-	-	-
Capitalised Pre LLP costs	-	470	2,550	3,246	2,776	2,000	2,000
LLP Build Leases	-	8,357	9,176	43,603	42,480	43,606	35,472
Share of LLP Retained Reserves	-	(229)	395	(809)	636	4,026	11,637
Bank & Cash	16	90	43	204	337	3,427	6,400
Current Liabilities	(2,311)	(11,535)	(16,108)	(51,158)	(48,609)	(47,991)	(39,295)
Corporation Tax	-	-	-	-	-	(2,006)	(3,715)
Creditors & Accruals	(738)	(45)	(45)	(45)	(45)	(45)	(45)
Working Capital Funding Obligation	(1,479)	(2,999)	(6,599)	(7,099)	(5,700)	(2,100)	-
Working Capital Funding interest	(94)	(134)	(288)	(411)	(384)	(234)	(63)
BCC Land Loan Notes	-	(8,357)	(9,176)	(43,603)	(42,480)	(43,606)	(35,472)
Net Assets	(1,590)	(2,848)	(3,944)	(4,914)	(2,380)	5,068	16,213
Shareholders' Funds							
Retained profits	(1,590)	(2,848)	(3,944)	(4,914)	(2,380)	5,068	16,213

8.13 Stress testing

The financial plan has been modelled with construction cost and house price inflation excluded. The nature of Goram Homes' business model is that variations in unit cost or sales value will only have an impact on projects that have commenced.

We have updated our approach and we will be stress testing the financial plan based on the Bank of England (BoE) multi-variant stress test with the addition of a cost escalator on top of Consumer Price Index.

The scenario as set out by the BoE creates the following outcomes for the economy to which the business plan is tested.

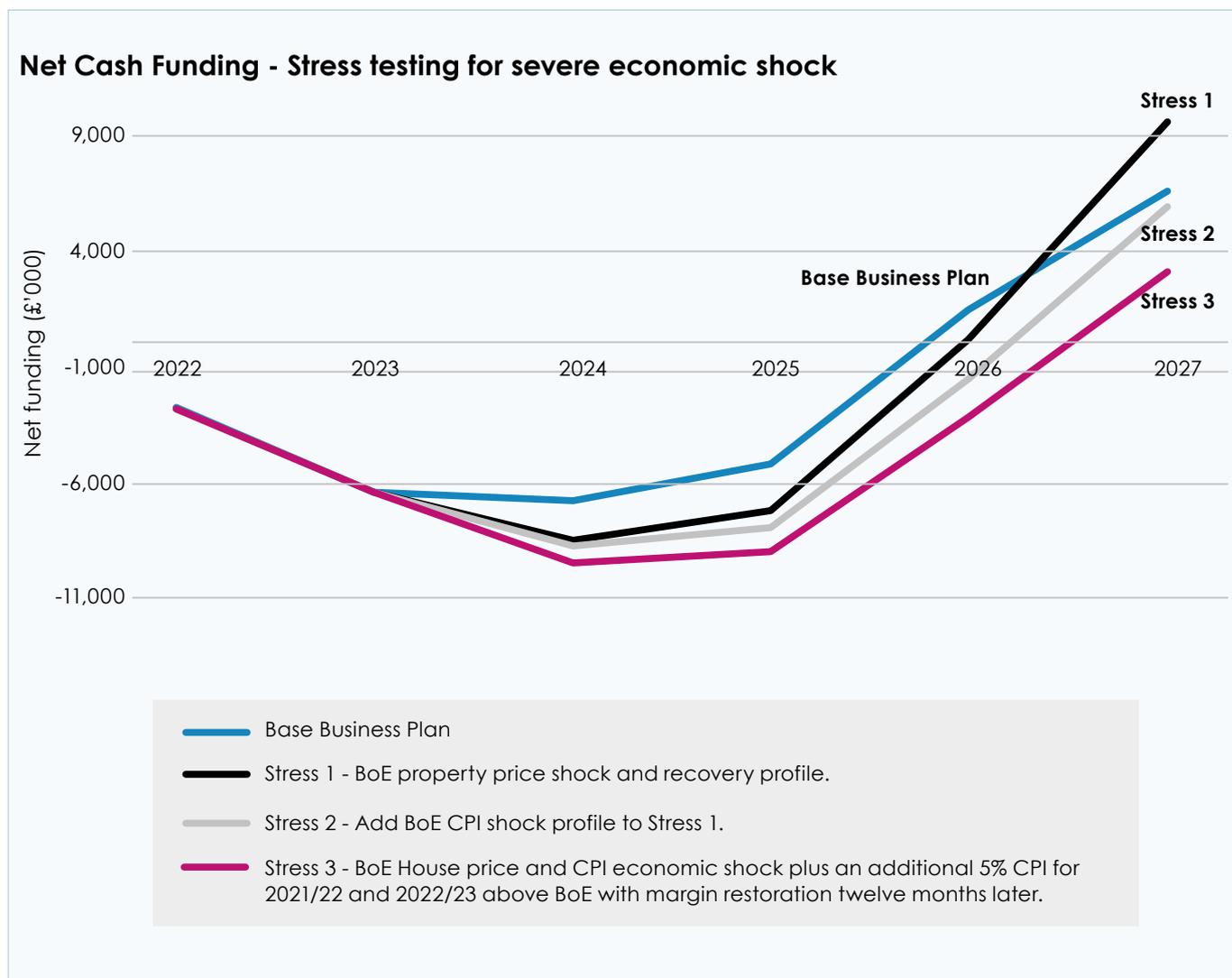
- Represents an intensification of the macroeconomic shocks seen in 2020. When combined with the economic shocks already seen in 2020 it implies a cumulative three-year loss (with respect to the pre-Covid baseline) of 37% of 2019 UK GDP and 31% of 2019 world GDP.
- On a start-to-trough basis, UK residential property prices fall by 33% in the stress scenario and UK unemployment rises by 5.6 percentage points to peak at 11.9%.
- The UK's major trading partners experience severe and synchronised slowdowns. Protectionist tendencies become entrenched and world trade is very weak in the first two years of the scenario..... a further decline in equity prices and a rise in bond spreads. A persistently low interest rate environment.
- The stress scenario incorporates an intensification of the structural changes embodied in the MPC's most recent central forecast of November 2020, which assumes a weaker path for UK GDP in the longer term, driven by changes to consumer habits and production decisions.



Caption

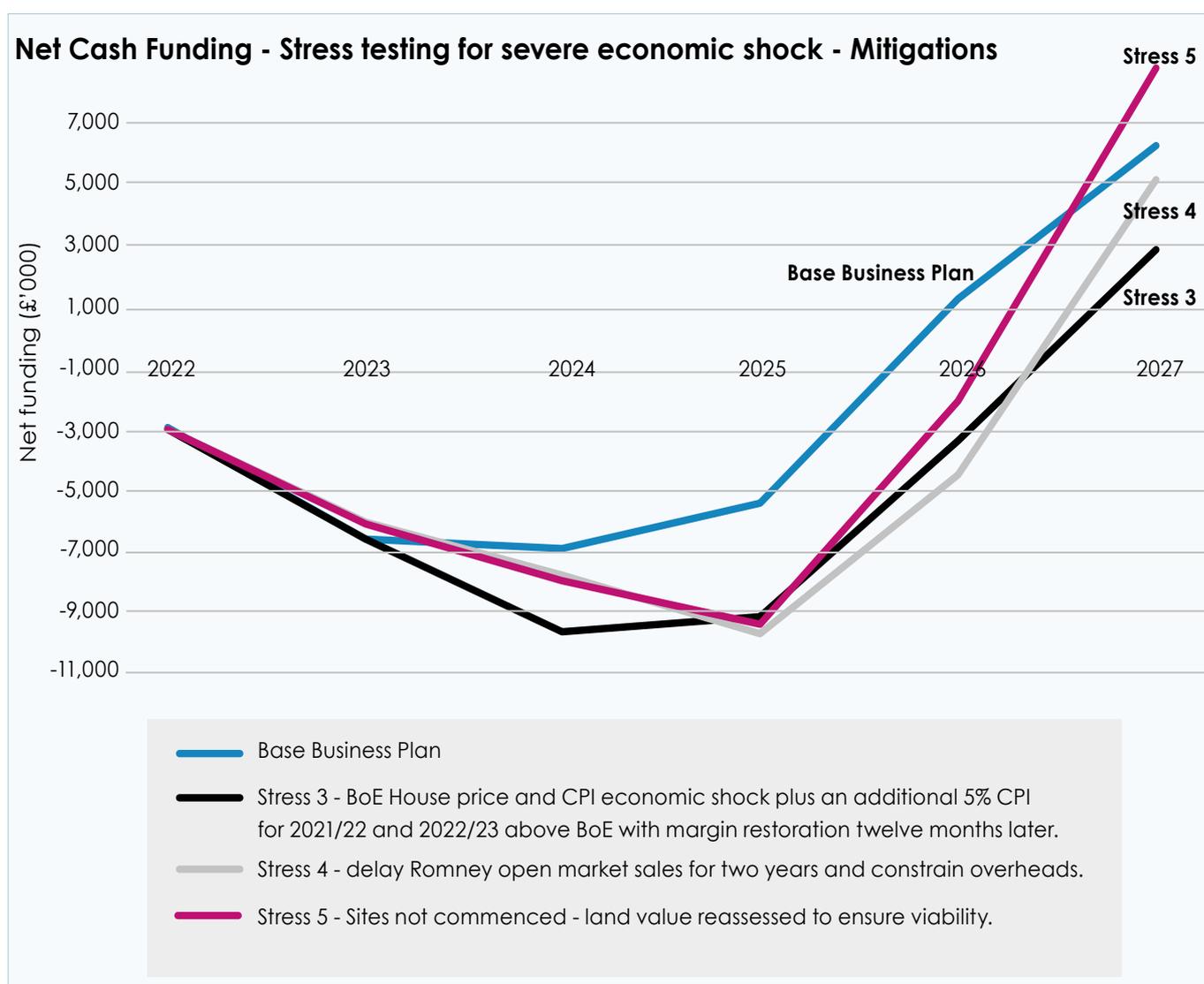
The stress testing graph below reflects the cumulative impact on the business of the BoE's extreme shock scenario for residential property sale prices (Stress 1), CPI on construction costs (Stress 2). In addition to the BoE extreme economic shock outcomes we have added a more extreme shock that applies an additional 5% CPI on construction costs in 2021/22 and then a further 5% in 2022/23 on top of the BoE extreme economic shock scenario with a delay to market restoration of margins by 12 months (Stress 3). This stress testing in no way refers to any measure of likelihood of specific events occurring, but is to test resilience of the plan to an accumulation of shocks.

This produces a scenario (Stress 3), against which we test mitigating actions.



To conclude the stress testing, we will apply a series of management controls and then re-test the financial plan.

Status	Management controls
Sites started and land value fixed - (Stress 4)	<ul style="list-style-type: none"> • Pause Romney Market Sale build out to avoid losses • Maintain affordable build out to deliver forecast volumes (price unaffected by market movement) • Constrain overheads
Sites not started – (Stress 5)	<ul style="list-style-type: none"> • Land value would be re assessed to ensure required viability • Projects delayed if unviable



The application of stress 4 and 5 mitigations demonstrate that Goram Homes can continue to deliver its Business Plan for the Business Plan period and can, with some flexibility on repayment dates to match programme movements, do so within the funding levels approved by Cabinet to date.

9. Appendix

Appendix A - Strategic Business Plan level KPI's (SB)

	KPI	Stretch KPI
Delivery	To have delivered at least 500 new homes by March 2025.	To have delivered at least 500 new homes by March 2024.
	To have an identified pipeline of projects by March 2025, which, in total, will deliver a further 2,000 homes.	To have an identified pipeline of projects by March 2024, which, in total, will deliver a further 2,000 homes.
	To deliver a policy level of affordable homes across our programme.	To deliver 50% of the homes built to be affordable homes on each of our projects.
Financial	To deliver a 15% gross return on commercial activity.	To deliver a 17% gross return on commercial activity.
	To be generating a cumulative net profit by April 2025	To be generating a cumulative net profit by April 2024
Environmental	All new homes to have an EPC rating of A.	All new homes to be zero carbon in use.
	All projects to have a biodiversity net gain as defined by the DEFRA 3.0 metric.	All projects to have a plus 20% biodiversity net gain as defined by the DEFRA 3.0 metric.
	Meet 'Building with Nature' standards.	Exceed 'Building with Nature' standards.
	Meet 'RIBA 2030 Climate Challenge' targets.	Meet 'RIBA 2030 Climate Challenge' targets ahead of target dates.
Place	All new projects to meet at least 10 out of 12 on the 'Building for a Healthy Life' (BfL12) score.	All new projects to meet at least 12 out of 12 on the 'Building for a Healthy Life' (BfL12) score.
Procurement	Social value impact to be 10% key success criterion in all procurement awards over £1m	Social value impact to be 20% key success criterion in all procurement awards over £1m

Appendix B – Assessment of Key risk

Risk Name	Risk ID	Risk Description	Current score	Trend	Target	Narrative
Business Growth	2	Failure to deliver growth / profit targets in line with Business Plan assumptions	12	unchanged	12	The pipeline management approach to accelerate all projects mitigates delays, which stress the financial plan.
Legal failure	12	Failure to comply with miscellaneous legislation	8	unchanged	6	Goram Homes are advised by external legal advisors and all key legal areas are reviewed by the board.
Taxation liabilities	13	Taxation liability is greater than planned	8	deteriorating risk	8	Prudent Tax liability is assumed in the business plan, ex-pert external advise is provided on any detailed tax matters.
Leadership	4	Failure of board to give capable leadership, control, and strategic direction and/or inappropriate governance ar-rangements and structures	9	unchanged	8	The team is now established to deliver the current pipeline. The addition of Hengrove Park is covered by growth included in the costs shown in the financial plan.
Business continuity	15	Business continuity / Disaster re-recovery failure	9	unchanged	8	The Covid-19 pandemic has allowed us to test the business continuity plan with full operation.
Demand failure	38	Loss of demand for property sales	8	unchanged	9	The market assessment section of the business plan covers our forecast for changes in the housing market.
Governance failures	19	Failure of the Board and the management team to set an appropriate strategic direction and exercise appropriate over-sight	8	unchanged	12	The board are well placed to oversee the company with the right skills and competency as recently as-sessed by the governance review conducted by Bris-tol Holding.
Senior Leadership Failure	5	Failure of the Senior Leadership Team to demonstrate effective leadership and management	8	unchanged	8	The Managing Director and Finance Director are sub-ject to robust supervision and performance by the board and line managers.

Appendix C - Funding forecast between Goram Homes & the Council

Overall Funding relationship with BCC Year to 31st March	2021	2022	2023	2024	2025	2026	2027
Cash Flows							
Loan Note repayments to BCC	-	4,504	4,350	7,233	6,508	1,229	8,134
Working Capital Funding (WCF) from BCC	(680)	(1,520)	(3,600)	(500)	(1,000)	-	-
WCF repayment to BCC	-	-	-	-	2,399	3,600	2,100
Interest paid to BCC on Land Loan Notes (signed LLPs)	-	251	240	-	-	-	-
Interest paid to BCC on WCF Loan	-	94	134	288	411	384	234
Net cash paid to / (borrowed from) BCC	(680)	3,329	1,125	7,021	8,318	5,213	10,468
Cumulative net cash payments to BCC	(1,479)	1,850	2,974	9,995	18,313	23,526	33,994

Appendix D – How Goram Homes is delivering social value against BCC's Policy

Bristol City Council Social Value Objectives	How Goram is addressing them
<p>1. Support the creation, sustainability and growth of local micro, small and medium sized enterprises</p>	<p>Goram Homes is committed to 75% spend with local businesses helping to support Bristol's local micro, small and medium sized enterprises.</p>
<p>2. Support the creation and retention of high-quality, sustainable jobs for local people which pay at least the living wage</p>	<p>Goram Homes is committed to 75% spend with local businesses helping to support Bristol's local micro, small and medium sized enterprises. In addition, where appropriate we will support businesses via our social value commitment.</p> <p>Example: Get set for growth - at Romney House we are working YTKO to deliver free business support fully funded by Bristol City Council and West of England Combined Authority under Universal Business Support.</p>
<p>3. Support local people with opportunities for life-long learning, skills development and experiences of work</p>	<p>Social value impact is a key success criterion in all Goram Homes' procurement awards over £1m. As a result, all our projects will deliver social value to the area we are working in. Where appropriate this will include opportunities for training and work experience.</p> <p>Example: At Romney House, Lockleaze we will build a Skills Academy - an innovative training programme designed to create opportunities for local people to gain work experience and vocational qualifications, including NVQs and CSCS cards – a crucial first step into the construction industry. The academy is being delivered in partnership with City of Bristol College and Partners in Bristol, and it will combine classroom and practical learning, with participants gaining live site experience on the Romney House project.</p>
<p>4. Support the creation, sustainability and growth of local community groups, voluntary groups and social enterprises, in alignment with the VCSE strategy</p>	<p>Social value impact is a key success criterion in all Goram Homes' procurement awards over £1m. As a result, all our projects will deliver social value to the area we are working in. Where appropriate this will include supporting local groups and social enterprises.</p> <p>Example: At Romney House we have set up the One Lockleaze Community Fund - a fund for direct investment into local community groups. Other groups we are supporting include:</p> <ul style="list-style-type: none"> ■ Fixer café: The Lockleaze Fixer will provide opportunities for local engineers and crafts people to advertise their wares and share their skills with members of the community. ■ Groundwork & The Vench

Bristol City Council Social Value Objectives	How Goram is addressing them
<p>5. Promote the involvement of local people and organisations in active citizenship such as volunteering and foster caring</p>	<p>Social value impact is a key success criterion in all Goram Homes' procurement awards over £1m. As a result, all our projects will deliver social value to the area we are working in. Where appropriate this will include supporting active citizenship and volunteering.</p> <p>Example: At Romney House we will deliver “Green Gyms - the Conservation Volunteers” - fun and free weekly outdoor sessions across the site where volunteers are guided in practical activities such as:</p> <ul style="list-style-type: none"> ■ planting trees ■ sowing wildflowers ■ litter picking ■ creating & maintain footpaths ■ installing wildlife hibernacula
<p>6. Promote the mental and physical health and well-being of local people</p>	<p>Goram Homes will promote the mental and physical health of local people through the provision of mixed developments of sustainable homes. We will always include the highest number of affordable homes possible in our developments - giving more people the chance to have a safe and secure home.</p> <p>Our designs will incorporate safe, public open spaces that encourage people outdoors and into nature. And wherever we build homes we will continue to support residents after work is completed to create sustainable, balanced communities.</p>
<p>7. Support the creation of high quality, affordable and sustainable homes and inclusive public spaces</p>	<p>Goram Homes will work in partnership with Bristol City Council and the private sector to build mixed developments of sustainable homes. We will always include the highest number of affordable homes possible in our developments - giving more people the chance to have a safe and secure home.</p> <p>Our designs will incorporate safe, public open spaces that encourage people outdoors and into nature. And wherever we build homes we will continue to support residents after work is completed to create sustainable, balanced communities.</p>
<p>8. Support the creation of high quality, affordable and sustainable homes and inclusive public spaces</p>	<p>Goram Homes will work to reduce air pollution and greenhouse gases via the delivery of increased biodiversity and carbon neutral housing on our developments. We have adopted the RIBA 2030 Climate Challenge Targets for operational energy use, embodied carbon, and water use reduction. We will also adopt the Building with Nature Standards – a framework of standards for good green infrastructure which encourages developers to create places that really deliver for people and wildlife.</p>

Bristol City Council Social Value Objectives	How Goram is addressing them
<p>9. Reduce and reuse waste, particularly waste that is harmful and/or sent to landfill</p>	<p>Goram Homes will work with partners to reduce waste in the construction of new homes, and with Bristol Waste ensure all new homes are designed to encourage residents to recycle and reuse wherever possible.</p> <p>Example: At Baltic Wharf our Site Waste Management Plan aims to stop up to 95% of non-hazardous construction and demolition waste from going to landfill.</p>
<p>10. Support Bristol becoming a more ecologically resilient and biodiverse city</p>	<p>Goram Homes is committed to delivering increased biodiversity and carbon neutral housing on all our developments. We have adopted the RIBA 2030 Climate Challenge Targets for operational energy use, embodied carbon, and water use reduction. We will also adopt the Building with Nature Standards – a framework of standards for good green infrastructure which encourages developers to create places that really deliver for people and wildlife.</p> <p>Example: Our Baltic Wharf development has been designed to encourage sustainable lifestyles for residents and include a range of sustainable features that will help lower their carbon footprint:</p> <ul style="list-style-type: none"> ■ Designed from a fabric first principle, incorporating high levels of thermal insulation ■ 64 Photovoltaic panels mounted on the roof to deliver 20% renewable energy for the benefit of all residents ■ Low carbon heating by means of either onsite Air Source Heating or a future proofed connection to the proposed Bristol district heating network ■ Electric vehicle charging points for cars ■ Energy-efficient LED lighting throughout the site ■ Smart energy meters will be installed in every home, empowering residents to monitor and manage their own energy usage ■ Indoor spaces have been designed with natural light and ventilation in mind, with floor-to-ceiling glazing and rooms with multiple windows ■ Design details including projecting eaves, balconies, and solar shading to keep residents cool in summer ■ Efficient water fittings and dual flush toilets to cut down water consumption ■ Permeable paving, soakaway crates and rainwater gardens to reduce the risk of downstream flooding ■ 37% carbon emission improvement on current building regulations