

James Elliman Homes Limited

Business Plan

April 2025 to March 2026

Updated January 2025

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1. Introduction

James Elliman Homes (JEH) was incorporated in 2017 with the primary objective of supporting the Council in its aim to improve affordable housing supply and provide good quality affordable accommodation for key workers, as well as homeless families and individuals.

The decision to establish JEH was underpinned by a Business Plan, prepared by Savills in November 2016. The Business Plan assumed that JEH (then referred to as Slough Homes) would acquire a property portfolio over a five-year period and that properties would be rented at a mix of market rents (60% of properties) and Local Housing Allowance (“LHA”) rent (40% of properties). On this basis, the Business Plan was financially viable. The Business Plan did not consider alternative strategies in relation to rental mix. The original Business Plan assumed substantial property valuation increases.

Cabinet approved the JEH Business Plan in December 2016 and agreed to the creation of JEH. It also approved the provision of a £65.9m loan facility from the Council to JEH, to be used to acquire JEH properties.

JEH does not employ any staff, and all services are provided by the Council under the terms of a Service Level Agreement (SLA). This includes the management of all tenancies rent collection, debt and court recovery, financial and budgetary controls and the management and maintenance of properties.

The proportion of JEH properties rented at a discounted rent level is significantly higher than the 40% envisaged in the original Business Plan and this has had an impact on the financial performance of the Company. JEH has 168 street properties and 46 temporary accommodation units (including Pendean Court and 81-88 High Street). It is important that we draw a distinction between the 168 street properties and the 46 designated Temporary Accommodation (TA) properties, particularly how they are allocated, managed and rental levels.

Under the terms of the SLA, JEH housing placements should be determined on a case-by-case basis by the Council following an assessment of housing need and affordability and in line with the Business plan rental streams. The allocation policy which was followed has resulted in JEH predominantly being used to support the Council in discharging its homelessness duty and has resulted in an increased proportion of lower rents.

Whilst JEH currently reports an operating profit (before depreciation), this does not cover the annual interest costs on the Council loan of c. £1.6m. This in turn means that it does not generate enough cash to cover the interest payments required under its loan documentation.

JEH budgeted a break-even position for Financial Year (FY) 24/25, ie operating profit will cover interest costs giving a profit after interest (but before depreciation) of £nil. However, due to higher-than-expected maintenance costs the current expected outturn is an operating profit of c£1.1m, which results in a £0.5m deficit after the £1.6m of interest costs owed under the Council loan are taken into account. The company is therefore expecting to be unable to meet its interest costs in the year.

JEH is not financially sustainable in its current form with the underwriting by the council and therefore an options appraisal is being undertaken to assess future company direction. The company has no debt repayment strategy and it is not meeting its primary objective; it has mainly focused on the Council’s homeless duty. In 2022, external consultants, Local Partnerships were commissioned by the council to undertake a review of options for JEH and a further options appraisal has been prepared by the Directors and presented to the Council. This will be further refined and developed in Q4 FY 24/25.

In the interim, the governance of the business and the flow of management and financial information to the Board has been improved. This includes introducing monthly reports to work alongside the quarterly Board meetings. As a result, the Board is able to make more informed decisions on a real time basis. This in turn creates a more positive view on the actions and improvements to both operational and financial performance and the future of the Company.

This Business Plan is an interim document to allow the ongoing operation and financial stabilisation of the company whilst the options appraisal work is completed and the longer-term strategy for JEH is identified. It covers a period of 12 months from 1 April 2025 and has been prepared on the basis that the company will continue in its current form but will take action to return to a financially sustainable position. Actions include:

- letting street properties at market rent when they become available for new tenancies – with a target of street properties being let at market rent until the 60% proportion envisaged in the original business plan is reached. The current business plan assumes that this proportion will be achieved over a two-year horizon (ie by March 2027);
- setting new rent levels for 2025/26 to reflect the lost income from previous years to move the rents over a two-year period to market rent levels.
- letting Temporary Accommodation properties at a minimum of LHA rental levels when they become available
- undertaking a legal review of the tenancy agreements on the street properties to ensure that they are fit for purpose
- uplifting rent on existing TA lets to LHA 2024 rates as the anniversary falls
- disposing of void properties where repair costs are prohibitive and the company is therefore unable to bring them up to lettable standard (subject to Shareholder approval)
- Review of the rent arrears position
- A full review of the SLA, with the existing terms being implemented, including costs and actions initially, while work continues on the revised agreement.
- A full review of the TA blocks and their use.

2. Strategic Aim and Objectives

2.1 Strategic Aim

The strategic aim of JEH is to provide good quality accommodation on terms that are affordable to the household, either as temporary accommodation, or as a permanent solution to their housing needs.

2.2 Strategic Objectives

The strategic objectives of JEH, all of which support its strategic aim, are as follows:

- operate commercially and be financially sustainable;
- support the Council to provide Temporary Accommodation across the Borough;
- support the Council in the discharge of its homelessness duties;
- provide good quality PRS accommodation
- align shareholder and company objectives; and
- improve the loan to value ratio of the company.

3. Key Activities

A summary of the key future activities relating to JEH for the Business Plan period is included in the table below:

Activity	Description/Target Outcome	Target Completion Date
Finalise the options appraisal including agreement on a preferred option and way forward	<p>A detailed options appraisal model has been developed and has been discussed with the Council. This needs to be further developed and an Options Paper prepared for approval by the Council which sets out the longer term strategy for JEH.</p> <p>Further legal, financial and tax advice may be required to implement the outcome of the Options Paper.</p>	Q4 FY 24/25
Uplift rents in short to medium terms	<p>As tenancies end, rent on properties will be uplifted to a minimum of LHA rates for 24/25 (to be increased to 25/26 levels for tenancies post April 2025). Where possible, properties will be rented at market rents.</p> <p>Over the FY 25/26 and FY 26/27 period, properties will be relet at market rents until the split envisaged by the original business plan (ie 60% of properties at market rent).</p>	Q4 FY 26/27
Complete a skills audit of the Board	<p>A review of the Board composition and identification of any gap in skills will be conducted. JEH currently has a sole director, and the skills audit will consider the desired skills of any additional directors to be recruited. This will also need to reflect the outcome of the options appraisal.</p>	Q1 FY 25/26
Review JEH resource requirements	<p>Review the operational resource requirements for JEH alongside the SLA review. This may be external support (eg legal and professional advice) or interim appointments to deliver statutory requirements not covered by the revised SLA</p>	Q1 FY 25/26
Dispose of void properties (dependent on options appraisal outcome)	<p>Given the Council's wider financial objectives, JEH non-payment of interest charges and no debt repayment plan, the Directors have agreed that properties which have been identified as needing significant maintenance spend to bring them up to lettable standard should be considered for disposal.</p> <p>Additional tax advice will be required.</p> <p>As other properties become void, consider the case for disposal.</p>	Q1 FY 25/26
Reduce rent arrears	<p>Historically rent arrears have not been well managed, and significant arrears have arisen on some properties. Improved reporting to the Board on arrears has improved oversight but improved management of arrears and agreement of an arrears policy needs to be instilled in the JEH operations.</p> <p>The JEH Board has instructed SBC housing to outsource the collection of Former Tenant Arrears.</p>	Q4 24/25
Repairs and maintenance management	<p>There are several properties requiring significant maintenance spend. Careful management of repairs and maintenance will be needed to allow JEH to meet its statutory obligations within its cashflow constraints.</p>	Q4 24/25

Activity	Description/Target Outcome	Target Completion Date
	The JEH Board should receive 12 months data on planned repairs and maintenance. To date this has not happened, which means that the Board is not sighted on significant spend.	
Continued focus on high risk areas (see Section 5)	The JEH Board reviews the risk register for JEH each month. There are several risks categorised as High on the register. There continues to be focus on actions to mitigate high risks	Q4 FY 24/25
Service Level Agreement	The Service Level Agreement needs to be reviewed and updated as required. It then needs to be instilled operationally and SBC Finance needs to ensure that JEH charges are in line with it.	P12 FY 24/25
Review of Articles of Association	To be agreed with the Council and signed.	Q4 FY24/25
Conflicts of interest	Evidence of any conflicts of interest to be submitted to the Council.	P12 FY 24/25

4. Governance

The governance structures in place for JEH are as follows:

- **Board of Directors** – the Board of JEH meets on a quarterly basis to review the operational performance of JEH and the current financial position of the company. The Board meeting is attended by the JEH Directors and core members of the Council’s Housing Team that lead on service delivery for JEH. Designated shareholder representatives also attend these meetings. This forum allows the Company to keep its shareholder up to date on performance, key actions, risks and the financial position of the Company;
- **Operational Meetings** – JEH Directors and key members of the Council’s Housing Team providing services under the SLA will attend a monthly Operational Meeting. These meetings will commence from Q3 FY24/25; and
- **Service Level Agreement** – the company has a Service Level Agreement with the Council for the provision of housing management, repairs and maintenance and company secretarial and financial support services.

4.1 Board of Directors

The Board of Directors are responsible for:

- managing the day-to-day business activities and finances of JEH in accordance with the Companies Act and the Articles of Association;
- acting in the best interest of the company and promote the success of the business;
- undertaking legal responsibilities including preparing annual accounts, tax returns and company records;
- updating the Business Plan and report to shareholders;
- reviewing monthly income and expenditure and manage the financial position of the company;
- working with the shareholders on internal and external audits;
- reviewing and understanding the organisations risk profile and regularly review the risks and risk appetite; and
- undertaking a skills audit and review ongoing training requirements.

The Company’s sole Director is Neil Euesden

A skills audit needs to be completed on the Board, and suitable support should be put in place. This is likely to complete by 31st March 2025.

4.2 Council as Shareholder

JEH is a separate, distinct legal entity from the Council. However, the Council retains control through the ownership of all shares in the company. These shares, along with the reporting and governance structures in place give the Council the necessary means to exercise appropriate levels of control. As sole shareholder, the Council has the ultimate sanction of either removing the Board Members and appointing replacements or, ultimately resolving to wind up the company.

The relationship with the Council is primarily be governed by the following:

- **the Articles of Association** – the Articles of Association sets out the rules governing the company agreed with the Shareholder and Directors;
- **the Loan Facility Agreement** – the loan agreement sets out the obligations of JEH in servicing the loan it has received from the Council, including the interest due relating to the loan.
- **the Service Level Agreement** – the Service Level Agreement sets out the services provided to JEH by the Council in order to provide transparency in relation to the use of the Council’s staff and facilities in support of the company. This was approved in FY 22/23. A review is planned in Q4 24/25 to update prior to the agreement being instilled operationally and financially.

5 Key Business Risks

A detailed risk register for JEH is maintained and updated monthly by the Board of Directors. Risks currently categorised as High include:

Description	Risk Category	Mitigation
A lack of future strategy for JEH results in a failure to address the financial viability and operational issues faced by the company.	High	A detailed options appraisal has been undertaken and is being further developed to inform final decisions regarding the future options for JEH. Following the initial options work, a decision has been taken that JEH should start to address the deficit in rental income by letting street properties at market rent as they become available.
The company governance structures are unclear and not sufficiently documented. This leads to a lack of clarity on decision making and restricts the ability of the company to take action.	High	The company has a signed SLA and loan documentation with SBC. However, further work is required to establish a full suite of governance documentation, including a signed Shareholder Agreement and Scheme of Delegation. In addition, the SLA needs to be reviewed and fully implemented.
The Council has inadequate financial, legal and technical resources to support the day to day administration and management of the Company.	High	Financial and technical services are covered under the SLA between JEH and SBC. JEH can procure legal services directly as required. The company now has an identified Finance Business Partner in place and producing financial reports. Turnover in the roles has been high in the past, and this will continue to be monitored. Strengthening of the finance reports to be developed to facilitate decision making by the Board.
There is a delay in allocating tenants to vacant properties, which leads to financial losses for JEH	High	Void analysis, turnaround times, etc. are being monitored and managed at board meetings. However, improvements are still required.
There is limited financial information available to the Board, including a lack of transparency of costs incurred under the SLA and no visibility on future projected spend, including capital budget for major repairs. There is a risk that the Board is unable to make decisions due to a lack of financial information.	High	The SLA includes the charging arrangements for services rendered. This includes an annual amount for staff time, and then the ability to recharge costs incurred by SBC on JEH's account. This will feed back into the budgeting process and any variances against budget will then be picked up at the monthly Board meetings. The process for establishing recharge costs and presenting for Director approval still needs to be developed.

6. Financial Performance

6.1 Current Financial Position

The profit and loss account for JEH shows the following performance:

£m	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Draft	F'cast
Turnover	2.30	2.46	2.55	2.48	2.40
Operating costs	(2.43)	(1.27)	(0.89)	(1.66)	(1.35)
Operating profit/(loss)	(0.13)	1.19	1.66	0.82	1.05
Interest payable to the Council	(1.47)	(1.55)	(1.56)	(1.55)	(1.55)
Net profit/(loss) post interest	(1.60)	(0.36)	0.1	(0.73)	(0.50)
Depreciation	(1.02)	(1.09)	(1.10)	(1.10)	(1.10)
Net profit/(loss)	(2.62)	(1.45)	(1.00)	(1.83)	(1.60)

The reasons for the poor financial performance of JEH include a sub-optimal rental mix, lower rental levels compared to the Company's original Business Plan, high level of rental arrears and ongoing building repair and compliance costs. It should be noted that there was no rent increase applied for financial years 2022/23 and 2023/24. The rent increase in 2023/24 should have been 11.1%. This has exacerbated the low income position of the Company.

The Company has taken steps to stabilise its financial position. In particular, the governance of the business and the flow of management and financial information to the Board has been improved. As a result, the Board has been able to make more informed decisions. This includes, for example, letting a significant number of voids in the Temporary Accommodation units.

6.2 Forecasts

The forecast income and expenditure account for the 12 months ending March 2026 is shown below:

£m	2025/26
Rental income	2.93
Void allowance (5%)	(0.14)
Net rental income	2.79
Council subsidy	1.31
Operating costs	(1.39)
Operating profit/(loss)	2.71
Interest payable to the Council	(1.54)
Operating profit/(loss) post Council interest	1.17
Depreciation	(1.21)
Profit/(loss) on asset disposal	(0.43)
Profit/(loss) before tax	(0.47)

JEH is therefore forecasting a retained loss of £0.47m for FY 25/26.

It should be further noted that this does not include any allowance of any financial outcome from an ongoing legal matter on some Company properties relating to Fire Safety works. The Shareholder has been briefed on this matter including financial estimates on possible outcomes.

Other assumptions are as follows:

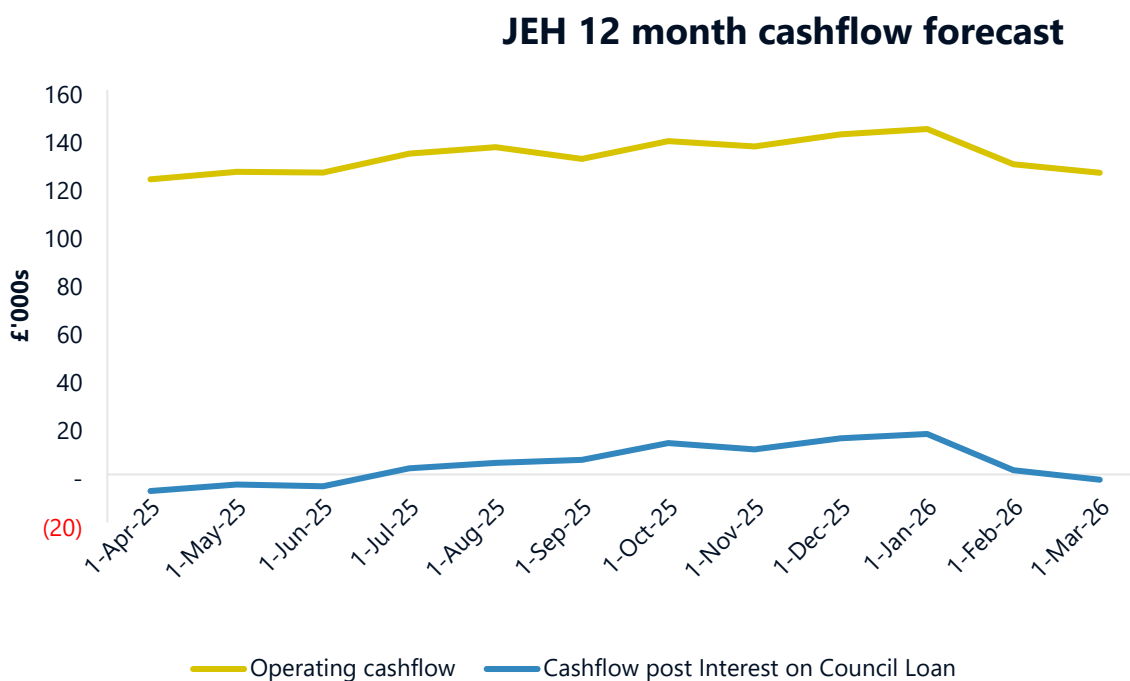
- Rental values are based on FY 2024/25 rentals, with increases applied as follows:
 - On the anniversary of the tenancy start date, all street properties increase to LHA rates. The rates are based on FY 24/25 rates plus an uplift allowance of 3% (based on CPI + 1%);
 - In addition, c30% of properties move to market rent levels. This is to reflect the drive to adjust the rental mix to reflect 60% of properties at market rent levels within two years.
- Void losses are assumed to be 5% of rental income, reflecting the adjustment period for the rental mix.
- Administration costs include financial and commercial support, as well as company secretarial services, aligned with the costs outlined in the SLA.
- Property costs and maintenance are based on the current property expenses and adjusted for inflation, assumed at 2%.
- Interest is charged at a rate of 5% per annum.
- Those void properties forecasting significant repair work to bring them to lettable standard are disposed of in their current condition. Disposal has been assumed to occur on 30th September 2025, although this should be accelerated where possible. This is subject to the outcome of the options appraisal
- Receipts from property disposals are immediately paid to the Council to reduce the Council loan.

6.2 Cashflow and funding

In 2018 the Council approved a loan of £65.9m to JEH for the acquisition of properties in line with the original Business Plan. JEH was informed in FY 21/22 that no further drawdowns would be permitted under the loan facility. To date, £51.7m has been drawn against the loan. 60% of the loan attracts interest of 5.0% per annum and annual interest payable to the Council is £1.6m. The 60% of the loan which attracts interest is based on the debt:equity split (60:40) assumed in the original 2016 business plan.

A loan repayment strategy has not been agreed and falls outside of the period of this interim business plan. It will be developed as part of the longer-term options appraisal which will inform the future strategy for JEH.

A 12 month cashflow for JEH has been developed and the graph below:



The graph above excludes the catch up element of the subsidy payment from the Council.