

# SIMPLIFYING FINANCE

## Appraisals bound

Development Appraisals

Asset Review

Mixed Tenure Modelling

Financial Lead on Bids

Reducing Homelessness Costs

Business Plan Creation



## Simplifying Finance

### HELLO AND WELCOME TO APPRAISALS ABOUND

With almost 20 years' experience in the house building industry spanning developers, housing associations, contractors and local government, we are confident that by working with us you will be completely satisfied with our services in helping you to achieve your business plan objectives.

Utilising our expertise and experience in the development process and by not passing the work 'down the line', we will work with you on your sites to ensure that the site is fully optimised and that viability is tested to the full.

We offer a range of services throughout the whole development process that include:

- Mixed tenure land bids
- Site review and viability testing
- Mixed tenure regeneration project modelling
- Leading the financials on land bids
- Bespoke business planning and improving the management reporting of the business
- Training and mentoring of staff in the development process

We pride ourselves on our honesty and integrity and will tell you if we believe you are taking the wrong approach and give you advice in how to change.

We have worked with a variety of clients in the past few years including several Councils, such as Ealing, Newham, RBKC, Barnet and Mid Sussex. Furthermore, we have undertaken work for Council Development Companies such as Broadway Living, Future New Home and Red Door Ventures. Our client list in the private sector includes Baily Garner, Cornerstone Assets, F3 Group, Lambert Smith Hampton, United Living and Wates Living Space. We have also undertaken work for a variety of Housing Associations such as Catalyst Housing, Thames Valley and Metropolitan Housing.

The projects have included leading the financial element of bids, business planning modelling, due diligence on developments for potential mergers and reviewing homelessness costs.

We hope you enjoy reading some of our case studies included here and we believe that by employing us we will help you improve your business performance and not compromise your overall objectives.

# John Hall

Operational F/C of various house builders

Mixed tenure financial modelling

Financial lead on bids for sites

Lead negotiator on legal agreements



## Training

Land and VAT

Advanced Excel

Strategic Leadership skills

Providing excellent customer service

Team working and project leadership

## Expertise

John is an experienced Finance Director/Controller with almost 20 years' experience in house building and a further 10 years in the public sector. He was promoted from a temporary employee to Finance Director within 2½ years of joining Laing Homes.

He has recently expanded his consulting business offering services to Housing Associations, Local Authorities and small to medium developers in respect of market rent business plans, development appraisals, bidding for large regeneration sites, management reporting for development companies and advising on reducing costs of homelessness for Local Authorities.

Other areas of expertise include:

- Creating mixed tenure models for viability purposes to ensure that all hurdle rates are met.
- Running a Finance Department within a house building environment ensuring that all deadlines are met.
- Creating/Improving management reporting for developers to ensure an informed decision is made in relation to sites.
- Bringing practical experience/expertise to the appraisal process and questioning all assumptions contained in it to ensure viability is met.

## Recent Experience

### Business Planning

Working with Future New Home, the affordable housing company for LB Newham, we have created various business plans for the purchase of several sites and also created all the management reports for the business going forward. We advise the Directors on the performance of the sites in production and attend monthly Board meetings of the business.

### Financial Lead on Bids

We have recently assisted LB Newham in their bid to the GLA to obtain potential grant funding for their ambitious development programme, which will develop over 1,000 affordable units in the next 5 years. We acted as a 'critical friend' to the Council to ensure that the bid submission was robust and deliverable.

We created a bespoke financial model and led the financials with United Living in their successful bid to the GLA DPP2 developer panel. The financials assessment of the bid by the GLA saw it score very highly and helped them to gain access to the framework.

### Due Diligence Projects

We undertook a large scale due diligence project of development sites for the potential merger between 2 large London based Housing Associations. This project involved testing the assumptions in the business plans, assessing the performance of the sites and producing a report for a Board meeting highlighting the risks and scope in the development sites.

We have recently advised LB Newham in respect of performance of it financing one of its property companies. We undertook a headline due diligence review of several PRS sites and produced a report for the Council so it could assess whether or not it wished to finance the business.

### Regeneration bids/modelling

We led the successful mixed tenure modelling and financials negotiations on a large regeneration site in Southall for a 1,000 new build scheme over 12 years with a stream of c£250m over the life of the business plan.

### Operational Financial Controller

We managed the finances for the private sales arm of a Housing Association for 3 years and developed all the management reporting and business planning for it.

The business grew from achieving 46 sales and turnover of £5m in year 1 to achieving sales of 150 units and turnover of c£50m by year 3.

## CASE STUDY 1

### Business Planning

Carrying out full business planning responsibilities for a Council owned property company, including the creation of Board reports and advising the Board of Directors on acquisitions and business plan performance



## THE RESULTS

- Large s106 site purchased from national developer
- The site will launch shared ownership sales in October 2018
- Full business planning and Board reports produced
- Attending and advising the Directors of the Company on future acquisitions and business plan performance

## THE PROJECT

We were appointed by Future New Home (FNH) to produce a 'cradle to grave' business plan for the Company.

We created bespoke Excel development models for the business to allow it to model the acquisition of sites and model various sensitivities to the business plan.

Once a large site was acquired we created a business plan monitoring suite of reports for FNH and advised the Board of Directors in respect of business plan performance and the risk/scope within the plan.

We created a variety of bespoke business plan spreadsheets that summarised the overall performance of the business by linking all the sites in the business plan into one easy to understand report.

We acted as a liaison with the Company's tax advisors to assess the implication of VAT/SDLT/Corporation tax on sites and the overall business plan.

We are currently working with the Accountants to produce a variety of Board reports and setting up the financial ledgers of the business to allow future reporting to take place in a timely and accurate manner.

## CASE STUDY 2

### Mixed Tenure Regeneration Modelling

The work involved modelling a major regeneration project in West London which comprised the demolition and decanting of c700 families and the re-provision of c1,000 units over a 10-12 year period



## THE RESULTS

Units demolished	c700
Leaseholders purchased	c250
New build	450 rented 125 shared ownership 400 private sale
Total cost	£200m
Site timetable	12 years over 4 phases

## THE PROJECT

This was a project involving the creation of a variety of models for a large regeneration project in West London, to ensure that the terms of the tender were met and the business objectives of the client were achieved, without compromising the quality of the development.

By acting as the lead for the financials of the project team and also playing the role of 'devil's advocate', every element of the design and financial aspects of the proposed re-development were tested to ensure that the scheme was viable during each phase of development.

Once the bid was submitted and won, work was then undertaken to ensure that the development agreement for the client was acceptable and a variety of models were produced for due diligence for both the client and vendor.

These negotiations were concluded over a period of 6 months and the site achieved outline master planning approval and detailed permission for phase 1. The site is now in development.

## CASE STUDY 3

### Due Diligence Projects

Undertaking a large due diligence project on development sites to assist in the merger process



## THE RESULTS

- The production of Board reports on the performance of development sites of a possible merger partner
- Presentation of these reports to the Board highlighted the financial and delivery risks associated with the sites

## THE PROJECT

We were appointed by a London Housing Association to undertake detailed due diligence of many development sites of a possible merger partner.

We undertook a review of 20 sites that were either in development or not yet started. This included a very large multi-phase regeneration site in South London.

This review consisted of evaluating the costs and income associated with the sites including:

- A detailed analysis and testing of the market research in respect of the sales values
- A headline review of build costs and testing of total costs to benchmarked figures
- An appraisal of the site timetable
- An assessment of systems used to ensure that information was accurate and up to date
- An appraisal of the risk/scope associated with the sites

A report was produced for each site detailing not only the findings but also highlighting the risks associated with them and these were categorised using a 'traffic light' system so the Board of Directors could focus on the main risk items.

These reports were then presented to the Board of the Housing Association to assist them in the decision making of the process of proceeding with the merger. This merger is due to take place in Q3 2018.

## CASE STUDY 4

### Reducing Homelessness Costs

Reviewing the current spend on temporary accommodation and how this could be reduced by the purchasing of assets and utilising these to provide accommodation for claimants; therefore reducing the rental burden and loss of benefit subsidy

#### THE RESULTS

We have carried out this project for several London Councils and for a shire District Council. The projects identified substantial savings that the Councils could make by investing in either street properties and/or hostels, which would then produce revenue savings as the costs associated with using temporary accommodation would reduce, as it would either be replaced or no longer used.

The projects have resulted in the Councils committing to invest over £60 million.

#### THE PROJECT

The project involves a detailed analysis of current spend on homelessness and pinpoints the main loss making areas of activities.

Market research is then undertaken in areas agreed with the Council to compare and contrast the costs of purchasing units and then utilising them to provide accommodation to clients.

Using the 2011 LHA rental levels, a full business plan is created showing the cost of holding these units over a period of time and these costs are compared to the current costs in subsidy lost that the Council is incurring over and above the 2011 levels.

A full business plan and market research is then created for the Council together with a series of recommendations of where to implement the plan, if it wishes to proceed.

The business plan contains very prudent assumptions, such as not allowing for rental increases and RPI plus 1% increases in costs.

## CASE STUDY 5

### Site Reviews

Review a number of sites going through acquisition. This review covered market research, sales values, build costs, s106 and other financial considerations that would make the sites more viable. This also included advice on designs, both internal and external, and specification



## THE RESULTS

No. of sites modelled	3
New build units	242 affordable units
Total spend	£54m
Site timetable	4 years

## THE PROJECT

Together with a respected colleague, we were appointed by a leading Housing Association to review three sites which the Association were looking to purchase.

We visited all three sites and the local areas. We spent a day in each location getting the look and feel for the areas and the purchaser profiles. This was followed by various desk study work and the completion of market research reports for all the sites. This work included pricing and specification recommendations.

A full cost review was conducted on all three sites which involved analysis of all build costs received by third party companies. In addition we made various recommendations on cost saving methods and other recommendations to increase the land value available to purchase the sites.

As a separate exercise we were also asked to comment on all internal and external design in order to improve the cost/benefit analysis of the build costs and ensure that the optimised mix of units were being built in order to maximise sales values and overall viability.

We then reported back our findings with recommendations to the client and most of these have been implemented.

Two of the three sites have now been exchanged and progressing towards land purchase.

## OUR COMMITMENT AND CONTACT DETAILS

We take our commitment to our clients very seriously and we promise you:

- We will deliver the projects to you on the agreed timescales without fail
- We will endeavour to ensure that all projects are delivered within the agreed budget
- Our integrity ensures that we will not recommend a course of action that is not justifiable
- Our commitment to quality ensures that you will receive quality on time and quality every time

### For further information about Appraisals Abound

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