

Appendix A for CMC 20th April 2023

RBC Investments (Surrey) Limited
Business Plan 1st May 2023 – 30th April 2028

Baseline Information

Business name:	RBC Investments (Surrey) Limited
Owner(s) name:	Runnymede Borough Council (100% Ordinary Shareholder)
Business address and postcode:	RBC Investments (Surrey) Limited Civic Centre; Station Road; Addlestone. Surrey. KT15 2AH
Companies House Registration No:	09404198
HMRC VAT Registration No:	The Company is not registered for VAT.
Date of incorporation:	23/01/15
Financial Year:	01 April to 31 March.
Contact details:	Alex Williams, Managing Director Emma Lyons – Finance Director Councillor David Coen – Non-Executive Chairman Thomas Richardson - Secretary
Business email address:	Info@addlestoneone.co.uk

Executive summary

Current Position:

The Company was registered in January 2015 but commenced business in October 2015. RBC Investments (Surrey) Ltd (RBCI) is a Special Purpose Vehicle (SPV) set up by Runnymede Borough Council to support its Economic Development strategy through town centre regeneration, specifically by acquiring and managing residential investment property for letting in the private rented sector only. To provide freedom to deal with specific cases, RBCI can acquire and manage commercial property for letting together with the development of both residential and commercial property. RBCI provides quality, value for money private sector residential property on Assured Short Term tenancies.

The company has grown since its inception commencing with 6 units and now with two major regeneration projects being completed namely, Addlestone One and more recently Magna Square in the heart of Egham, the Company has 156 residential lettings.

To finance the company's purchase of the properties Runnymede Borough Council authorised the granting of Loan Facility Agreements, which included working capital facilities to enable the day to day running of the company. Interest on these loans is paid by the company to RBC, this is general fund income to the Council. Due to the servicing of these debts it was anticipated that the company would return losses for the first 17 years of its existence, the financial projections presented in this updated plan support the original forecast.

The loans are currently being repaid on an interest only basis. Once the company moves into profit these will be set asides for repayment of the capital. The current loan position of the company is set out in the following table:

Development Loans

<u>Principal sum</u>	<u>Term</u>	<u>Interest rate</u>	<u>Annual interest</u>	<u>Maturity</u>	<u>Property</u>	<u>Loan Agreement</u>
1,400,000	40	5.04%	70,560	Jul-56	1-6 St Judes Cottages, Englefield Green	1
8,429,095	40	5.04%	424,826	Oct-57	Addlestone One, Phase1: Newchapel & Brooklands	1
12,267,404	40	5.04%	618,277	Jul-58	Addlestone One, Phase2: New Wisley, Warlingham & Witley*	1
3,229,555	40	5.04%	162,770	Nov-58	Addlestone One, Delayed: Dunsfold	1
1,000,000	40	4.86%	48,600	Aug-58	Flats 1-4, 168 High St, Egham	2
2,928,547	50	4.22%	123,585	Jul-72	Magna Sq Tranche 1&2: Liberty & Gem	4
8,909,048	50	4.22%	375,962	Aug-72	Magna Sq Tranche 3&4: Liberty & Gem	4
<u>38,163,649</u>			<u>1,824,580</u>			

Average rate is 4.80%

*4 of the Witley House units not transferred - to be sold to H.A.

Working Capital

445,000	10	7.54%	33,553	Sep-26 - Aug-28	Drawn down in several tranches. Not secured	1
300,000	10	7.36%	22,080	Oct-28 - Feb-29	Drawn down in several tranches. Not secured	2
2,100,000	15	7.40%	155,400	Oct-34 - Jan-38	Not secured - total facility £3m, £900k not yet drawn	3
<u>2,845,000</u>			<u>211,033</u>			
Average rate is		7.40%				

RBCI Financial Performance – First 7 years

Financial Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£	£	£	£	£	£	£
Revenue	16,510	147,450	299,416	778,769	1,312,778	1,377,299	1,459,006
Administrative Expenses	3,817	220,132	468,504	737,374	548,319	497,928	497,297
Costs recovered		67,637	188,003	287,543	74,034	63,025	22,167
Other income						3,580	
OPERATING PROFIT/(LOSS)	12,693	(5,045)	18,915	328,938	838,492	945,976	983,876
Interest Receivable and Similar Income		0	2,791	10,890	7,557	7,936	7,747
Interest Payable and Similar Expenses		53,095	288,588	1,082,061	1,414,229	1,463,156	1,484,104
PROFIT/(LOSS) BEFORE TAXATION	12,693	(58,140)	(266,882)	(742,233)	(568,180)	(509,244)	(492,481)

The company has also made the following unrealised gains/(losses) on revaluation of the investment property

Gain/(Loss) on Revaluation of Investment Property	(149,407)	1,304,275	1,800,942	(1,013,464)	426,300	(1,326,400)
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Year 4 (2018/19) was the first full year of operation, and the company made a profit before interest of £329k but once interest charges are deducted this was a deficit of £742k. Over the next 3 years the operating profits continued to increase and the deficit after interest to decrease, in-line with the original business plan and moving towards eventual surplus position. However due to increasing costs particularly service charges and flattening out rental income this trend is due to reverse in 2022/23. To address this the company has reviewed rental pricing strategy and prepared a new 10-year financial plan.

RBCI 10 Year Financial Plan

New 10 Year Plan Year	Current	1	2	3	4	5
Original business plan year	8	9	10	11	12	13
	Probable	Estimate	Estimate	Estimate	Estimate	Estimate
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	£	£	£	£	£	£
Total Income	1,888,844	2,192,672	2,308,106	2,395,720	2,486,750	2,581,331
Total Expenses	571,999	578,498	590,760	603,286	616,082	629,154
Net Income before interest	1,316,845	1,614,174	1,717,346	1,792,434	1,870,668	1,952,177
Loan Interest	1,852,128	2,083,898	2,114,793	2,141,895	2,167,888	2,191,568
Net Income	-535,282	-469,724	-397,446	-349,461	-297,220	-239,390

New 10 Year Plan Year	6	7	8	9	10
Original business plan year	14	15	16	17	18
	Estimate	Estimate	Estimate	Estimate	Estimate
	2028-29	2029-30	2030-31	2031-32	2032-33
	£	£	£	£	£
Total Income	2,679,604	2,781,715	2,887,815	2,998,061	3,112,619
Total Expenses	642,508	656,150	670,087	684,325	698,871
Net Income before interest	2,037,096	2,125,565	2,217,728	2,313,736	2,413,747
Loan Interest	2,243,645	2,266,863	2,272,505	2,273,523	2,273,523
Net Income	-206,549	-141,298	-54,778	40,213	140,225

Addlestone One rents have generally increased at below market levels since launch in 2017/2018. A lot of tenants have stayed for years on holding over tenancies and there was not an appetite to pursue a strategy of increasing current tenant's rents due to the Covid pandemic. A lot of tenancies were signed during the pandemic at reasonable rents but approximately half of the tenancies are currently let at below market value. To catch up to the market Addlestone One rents will be increased by an average of 10% when tenancies come up for review starting in 2023/24; As the tenancies are majority 1 year in length the increased income will be reflected mostly in 2023/24 with the remainder falling in 2024/25. Thereafter increases of 4% per annum have been assumed in line with average rent increase statistics for 2022. .

The plan also forecasts a 10% rent increase at Magna Square during 2024/25 then also reverting to 4% average per annum thereafter

The other properties RBCI let are (St Judes / The Precinct / 168 High St, Egham) these are either older or less premium properties and so the model assumes a 2% increase per annum. The plan assumes general costs inflation of 2% p.a. and repairs & maintenance increase at 2.75%, except for year 2023-24 which assumes average 6% inflation.

By following this strategy there is a steadily decreasing reliance on working capital loans years 1-8 (years 9-16 of the original Business Plan), then a steadily increasing

surplus thereafter. This will allow RBCI to set aside money to repay the loan capital and also a sinking fund for major repairs at Addlestone One as the stock ages which could be required as the Addlestone One service charge does not allow for a sinking or major repairs fund.

The remaining unutilised balance on the current working capital loan facility will cover RBCI's financing gap years 2023/24 and 2024/25 and then a further loan facility would need to be requested from RBC of £1.4m for years 3-8, plus a further £600k to cover repayment of the early working capital loans as they fall due, and the company would be self-sufficient after this period this is reflected in the table above.

Companies Achievements between 2017-2023

The RBC's actions have brought about the following schemes:

Addlestone One

There are 213 residential units in the Addlestone One development of which 96 are PRS. The properties currently have HPL cladding and the transaction to the housing association will not complete until the cladding remediation is finalised, which is due to be December 2023.

The remedial works are progressing well with a commencement on site in January 2023. There is no liability to RBCI Ltd for the recovery costs for the remedial works and the aim is to continue to let properties as and when they become vacant in line with the current market conditions. The flats continue to be in demand with only 1 currently vacant and a waiting list for the larger units.

Magna Square

There are 44 PRS properties at Magna Square with only one vacant, but interest is high and will likely be fully let at the end of the March 2023. Whilst the development is new, the location and quality of the flats have made them very popular and demand for lettings is high and we will continue to manage the lettings for the scheme internally. If it becomes overwhelming with 'churn' and market demand, then at that time we will consider our options of either adding resource or look to consult with experts in the market with regard to finding a temporary solution.

St Judes

There are six properties at St Judes all of which are now fully let. During 2021 and 2022 there have been issues with damp egress within the flats due to age, this has been resolved but we will continue to monitor on a regular basis the holding of these flats as it may not be profitable for the company to continue with running and maintaining them as is and this will be investigated further throughout over the forthcoming year of the business plan.

The Precinct

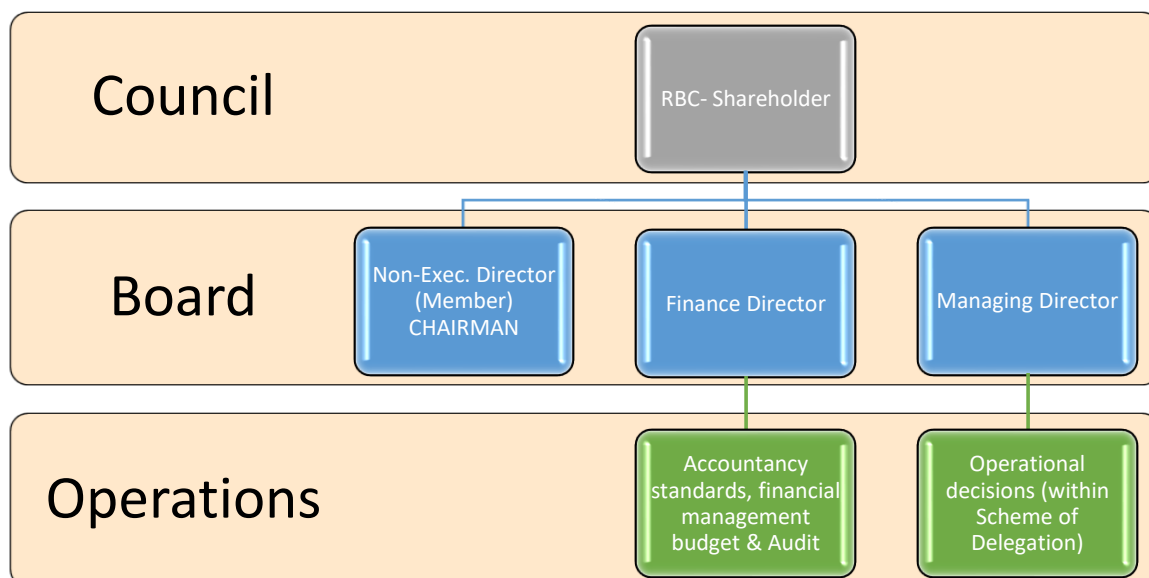
There are six properties all which are fully let at market rate. Due to the commercial element over which the flats sit and which is fully managed by RBC, the commercial leases all expire in 2024/25. Whilst the flats although fully let do have issues about obsolescence meaning that the liability for both RBC and RBCI is not necessarily viable. Over the coming year of this business plan a solution for both RBC and RBCI needs to be addressed and delivered to ascertain the direction that we wish to pursue for this asset noting that the site is allocated in the 2030 Local Plan (Policy IE9) to deliver a high quality mixed use development including the re-provision of existing commercial units and the provision of a minimum of net 45 residential units. RBCI Ltd have a lease from RBC with a annual rolling break so the residential aspects of the Precinct can be surrendered back to RBC at any time thereby protecting the companies position.

168 The High Street

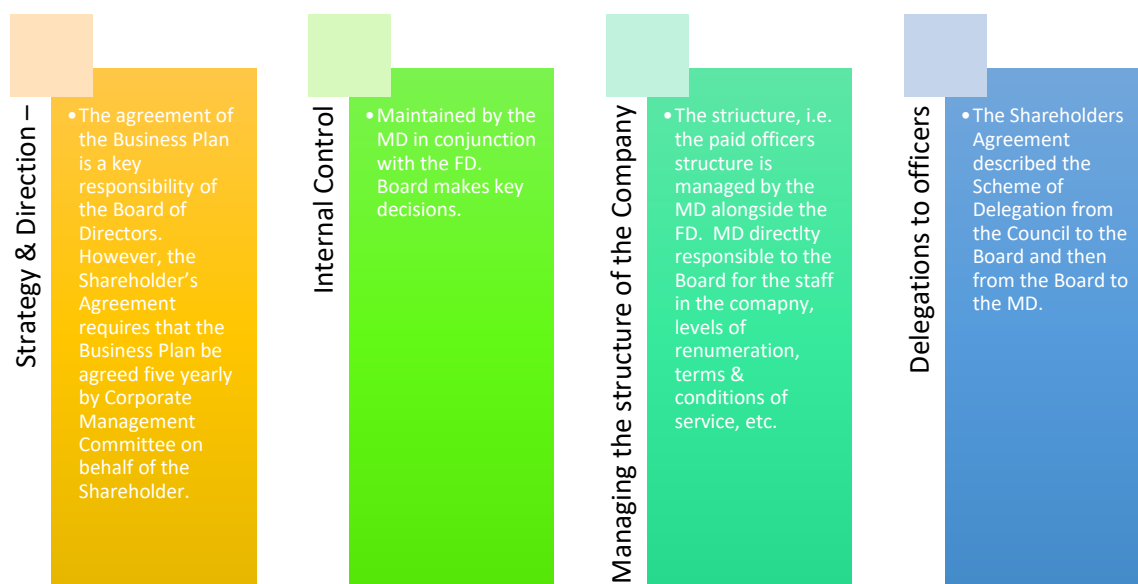
There are four flats under the remit of RBCI Ltd at 168 on The High Street and these are currently fully let on assured shorthold tenancies as and when these tenancies expire they will be uplifted in line with market conditions.

Governance Structure

Governance of RBCI is through The Board and operationally through the Managing Director as follows:



The four key areas for corporate governance are as follows:



The Company therefore has all four governance areas fully covered both directly, and through the Shareholders Agreement.

RBC Investments (Surrey) Limited

RBC Investments (Surrey) Limited (RBCI) is a company limited by shares and was created by Runnymede Borough Council (RBC) to develop a commercial investment property portfolio focussed primarily on the supply and management of Private Rented Sector (PRS) residential accommodation at full market rent levels. RBCI does not get involved with social rents to any degree. The properties within this are:

St Judes

Three 1 beds, Two 2 beds and One 3 bed.

The Precinct

Four 1 beds and two 2 bed properties.

168 The High Street

One 1 bed and three 2 bed properties.

Magna Square

Eight super studios, Nine 1 beds and two 2 bed properties at Liberty House.

Eight super studios, 26 1 beds at Gem House.

Addlestone One

Two 2 beds and two 3 beds in Newchapel House.

Six 1 beds, Seven 2 beds and one 3 bed in Dunsfold House.

12 1 beds, 18 2 beds and one 3 bed in Brooklands House

Six one beds, 20 2 beds and five 3 beds in Warlingham House

Three 1 beds and five 2 beds in New Wisley.

One 1 bed and seven 2 beds in Witley.

RBCI market and rent these properties adjusting the prices based on market conditions. With regard to St Judes and the Precinct they are fully managed by local agents as due to the issues have over the course of the previous business plan been resource heavy. The fees are taken from the rent received but we will be reviewing this operational arrangement during the course of the business plan.

The business also provides onsite assistance to tenants 7am-5pm every day. There are security patrols 4pm – 12am at Magna Square and Addlestone One and there is always a member of the Addlestone One along with the Magna Square Team available on the phone to respond to “call outs” from our PRS tenants. There is one member of staff on call every evening and weekend.

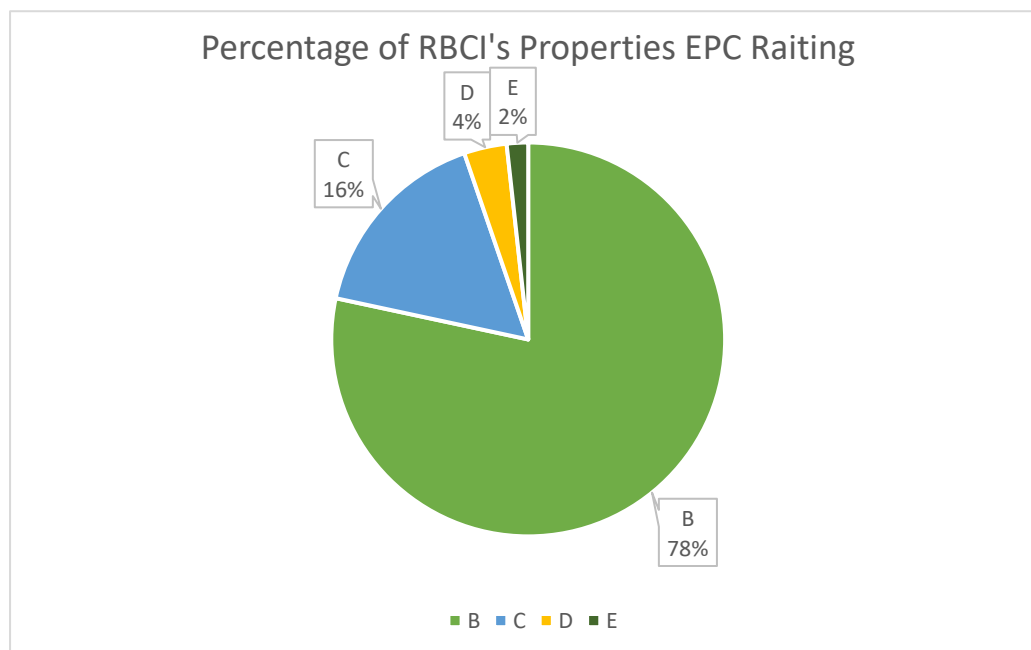
Business Objectives of RBCI Ltd:

The Business objectives are to:

- Provide Private Rented Sector (PRS) properties to rent in the Runnymede geographic area;
- To manage the sites which have been as PRS, Private for Sale (PfS) and street level commercial units.
- Deliver Shareholder value. To provide an operation that functions with the best consideration for the shareholders.
- Where appropriate to manage the Council's housing stock that sits within the General Fund or held in Trust for and behalf of these entities subject to the Council's agreement
- Ensure Health and Safety compliance across the Portfolio
- To deliver best income return to enable the loans to be paid back to RBC in a viable and feasible time frame
- Provide outstanding customer experience at the outset for our incoming tenants
- Rent collection rates at a minimum on all PRS to be kept to 97% per annum
- To provide where possible and subject to cost implications provide sustainable accommodation

Sustainability of the Portfolio

Below outlines the current EPC ratings of the whole of the Portfolio:



Whilst 78% of the portfolio is B rating over the period of the business plan the aim will

be to ensure all PRS properties held within the RBCI portfolio achieve no less than a C rating, subject to there being no large financial liability to the company. In addition to this, as highlighted in the business aims, the decision on the Precinct units needs to be considered by both RBC and RBCI will have to consider holding these PRS units during the five year period of the business plan.

RBCI Ltd Business Goals 2023-2028

- Management of the Private Sector Rental properties to continue and to keep rent collection at a minimum of 97% per annum
- Within the first two years of the business plan to review the external agent provision in respect of the day to day running and maintenance of St Jude's, The Precinct subject to RBCI Ltd retaining this asset along with 168 The High Street. This will ensure that RBCI Ltd is achieving value for money for the services the local agents are providing.
- Magna Square and Addlestone One are run solely by RBCI Ltd with in-house staff this will be on constant review throughout the five year business plan.
- Within the first year of the Business Plan the governance arrangement of the company will be reviewed and reported and recommendations made to the Shareholders this will be at the cost of the companies and they have a profiled budget to achieve this aim.

i) Strategic and Operational Aims for 2023-2028

- To support the Council in pursuit of its wider objectives by identifying and helping deliver favourable solutions that balance financial, economic and social returns.
- To manage and operate PRS accommodation in Runnymede
- **Efficiency and flexibility**
- To maximise income from PRS in respect of the Company's overall asset base, ensuring minimum liability to the company e.g. fully let units at market rate.
- To ensure that there is fair return on capital and to maximise the capital value of the current sites managed by RBCI subject to market factors.
- To secure and demonstrate value for money for our PRS residents, by having maintenance on call, efficient processes, offer a market competitive rent price.

RBCI Ltd Risks

Partnering and risk Rewrite this to reflect Mandy's comments

- To take an acceptable approach to risk in the context of expected returns agreed in the Company Business Plan.
- To take an acceptable approach to the corporate social responsibility agenda with regard to occupying the residential flats
- The working capital loans are subject to repayment starting in year 2026/2027 however main risk is that further working capital loans are required from RBC. In the current economic climate current indices on interest rate means that this could be higher interest rate to the company making it not a viable option to continue trading. This will need careful and pragmatic management working with RBC over each financial year. Once RBCI Ltd reaches the surplus highlighted in the financial tables in the business plan this will mitigate this risk but requires vigilant financial management throughout the life of the business plan

Corporate Plan

- Working with Runnymede Borough Council to align to their corporate aims and objectives in respect of the 5 strands: -
- Climate Change
- Economic Development
- Health and Wellbeing
- Organisational Development
- Empowering Communities

In addition to the above: -

- Where appropriate and subject to cost provide sustainable quality rented accommodation is provided
- To continue to provide high standards of compliance with relevant legislation, particularly, Health & Safety legislation in respect of occupation of the private rented flats

- To ensure that RBCI approach to the management of the PRS aligns with asset strategy approved by Full Council in March 2023 it

RBCI Approach to partnering with the Council

3.1 The Shareholder's Agreement

The Runnymede Borough Council owns RBCI and so to affect its ownership a Shareholder's Agreement has been created and agreed by both the Council and the Board. The Agreement provides the following requirements:

- The preparation of a 5-year business plan with annual updates agreed by the Council;
- The appointment of a Non-Executive Director who chairs the Board;
- The appointment of two Executive Directors to the Board;
- How Board meetings will be arranged and operate;
- The scheme of delegation, procurement policy and related matters;

The level of control represents that has good governance and control; the Council want to maintain a close overview of activities as shareholder. Over the course of the business plan the Non-Executive Chairman and Executive Directors will investigate possible changes to the governance this will be at the cost of the companies and absorbed within their current budget provision set aside to undertake this work. The current view of the Board is that it needs to be strengthened and revived to reflect the current economic conditions. In this regard, we will be looking to bring in appropriate legal expertise basis including appointing a qualified Company Secretary to review our structure and governance. We will also potentially look to bring in external expertise in respect of a further Non-Executive Director or an additional Councillor who will give an enhanced and balanced input to the companies five year strategy. It is important that we review this governance structure over the next five years to ascertain that it remains fit for purpose for the long-term objectives of the Council

RBC Services (Addlestone One) Limited
RBC Heat Company Limited
Business Plan 1st April 2023 – 31st March 2028

Baseline Information

Business name:	RBC Services (Addlestone One) Limited RBC Heat (Surrey) Company Limited
Owner(s) name:	Runnymede Borough Council (100% Ordinary Shareholder)
Business address and postcode:	RBC Investments (Surrey) Limited Civic Centre; Station Road; Addlestone. Surrey. KT15 2AH
RBCS Companies House Registration No:	09537900
RBCH Companies House Registration No:	09691561
HMRC VAT Registration No:	The Company is not registered for VAT.
RBCS Date of incorporation:	13/04/2015
RBCH Date of incorporation:	17/07/2015
Financial Year:	01 April to 31 March.
Contact details:	Alex Williams, Managing Director Emma Lyons – Finance Director Councillor David Coen – Non-Executive Chairman Thomas Richardson - Secretary
Business email address:	Info@addlestoneone.co.uk

RBC Services (Addlestone ONE) Ltd

RBC Services (Addlestone ONE) Ltd (RBCS) and RBC Heat Company (RBC Heat Co) are subsidiary companies of RBC Investments (Surrey) Limited which operates as the Group Company. 99% of RBCS shares are owned by RBCI with 1% owned by Runnymede Borough Council. RBC Heat Co is a subsidiary of RBCS who own 100% of the shares.

RBCS Ltd has been trading since May 2016 and the prime purpose of the company is to manage service charges which form part of our multi let commercial and residential property portfolio. It is a management company only, whereby we manage service charges accounts on multi tenanted properties. Including in this remit are three car parks namely ADD1 multi storey, ADD1 Waitrose and surrounding areas, and Egham Waitrose Car Park. The operation of the car parks is undertaken by two separate monitoring companies but over the period of the new business plan the aim will be to bring these car parks under one contract. In addition, the over-arching Development Centre Management Plan which was put in place to obtain planning permission for the Addlestone One scheme needs reviewing over the five-year period of the company's business plan. The reason for this is that it needs to be adapted to reflect the current day to day operational issues of running the Addlestone One Scheme. All other aspects of running the service charges including the day-to-day maintenance and upkeep of the multi let residential and commercial portfolio will be done through RBCS (Addlestone One) Ltd. Due to the number of sites now being run through this company and with the possible expansion of the services provided to differing sites it is proposed the name of company will be changed to RBCS (Surrey) Ltd.

RBCS Ltd Business Goals 2023-2028

- Ensure invoices are sent out and paid on a timely basis
- Arrears are chased and appropriate action is taken to ensure that the accounts have sufficient funds to pay our suppliers
- Ensure the service charge budget is set on a timely basis
- Continue to deal with the day-to-day property issues that arise from residents in our multi-let properties
- Carry out necessary works and repairs on our service charge properties in a timely manner
- Ensure we achieve value for money for our commercial and residential tenants through sustainable appropriate procurement of contracts
- Comply with the RICS Good Practice Code of Service Charge
- Undertake reconciliation of the service charge accounts for each multi let property will be undertaken in a timely manner and in accordance with the Code of Good Practice
- Deal with any complaints within ten working days of receipt of the complaint
- Ensure plant is managed in accordance with legislation and health and safety in a timely manner to ensure heat and water provided for all tenants who use the energy network
- The plant room is checked by engineers regularly and is compliant with

legislation

- RBCS Ltd as 100% owner of RBCH Ltd will review the governance structure and consider the closure of RBCH Ltd. The appropriate recommendation will be made to the Shareholders during the first year.
- The Board will review the Development Centre Plan and ensure it is fit for purpose for the daily operational needs of the Company
- Within the first 2 years RBCS Ltd will review the operation of the three car parks and try to bring them into one comprehensive contract with an appropriate supplier
- Within the first year to change the name of company from RBCS (Addlestone One) Ltd to RBCS (Surrey) Ltd to reflect that the company undertakes service charges for other sites not just Addlestone One.

Multi-let service charge

Managing a multi-let service charge budget effectively provides value for money in several ways:

- Accurate budgeting: By creating a detailed budget and regularly reviewing and updating it, the costs of providing services and facilities can be accurately estimated, and tenants can be charged a fair amount for these services.
- Efficient use of resources: By monitoring the budget regularly, any discrepancies between actual costs and budgeted costs can be identified and addressed. This ensures that resources are used efficiently and that the cost of providing services and facilities is kept to a minimum.
- Improved communication: Regular communication with tenants about the service charge budget and any changes that are made can help to improve understanding and reduce disputes. This leads to a more harmonious relationship between landlords and tenants and a better overall experience for all stakeholders.
- Increased transparency: By providing clear and detailed information about the services and facilities provided, and how costs are calculated, the service charge budget becomes more transparent. This enhances trust and fairness in the relationship between landlords and tenants.
- Better quality of services: By ensuring that the service charge budget is adequate to cover the costs of providing services and facilities, the quality of these services can be maintained or improved, providing better value for money for tenants.

RICS Code for Service Charges

The RICS (Royal Institution of Chartered Surveyors) Code for Service Charges in Commercial and Residential Property provides a set of principles and guidelines for the management and administration of service charges in commercial property. The code aims to promote good practice and establish a transparent and fair system for the calculation and collection of service charges. The overall objective is to promote good communication and understanding between landlords and tenants and to ensure the efficient and effective provision of services and facilities in commercial property.

The key objectives of the code are:

1. Transparency: To provide clear and detailed information to tenants about the services and facilities provided, the costs associated with them, and how these costs are calculated and apportioned.
2. Fairness: To ensure that service charges are calculated in a fair and reasonable manner, based on the actual costs of providing the services and facilities.
3. Consistency: To establish a consistent approach to the management and administration of service charges, to ensure that all parties are treated equally.
4. Budgeting and Accounting: To establish clear budgeting and accounting procedures to ensure that service charges are calculated and collected accurately and efficiently.
5. Dispute Resolution: To provide a framework for resolving disputes between landlords and tenants, to ensure that any disputes are dealt with quickly and effectively.

Noting the above key objectives RBCS Ltd will use all its endeavours to meet these objectives throughout the life of the five year business plan.

RBCS Risks

RBCS is purely a company for managing tenant monies and is therefore reliant on both residential and commercial tenants paying their service charge on time and the accounts are reliant on these payments and failure to pay remains a risk for the company however to date we have an excellent collection rate of service charges and this will be continued to be monitored

The three car parks that are operated through RBCS Ltd as private car parks are currently operated by two separate companies. ADD1 is run by via 5 year contract which expires in 2028 and Egham Waitrose Car Park is a rolling contract. At present RBCS Ltd is wholly reliant on these individual companies' performance in collecting penalty charge notices. One of the operator company's performance to date has been sporadic and was totally affected by the covid pandemic, moving forward, closer performance management will be undertaken and consideration given to using one company subject to appropriate procurement exercise. In addition to this the cost of the energy to light and keep the car parks running 24/7 has been excessive again due to the instability of the energy market and this remains a risk for the company which

will be closely addressed.

Risk that the demand for services will be overwhelming to the company and as a result the quality and timeliness of the service provided will be adversely affected.

If the nature of the service is outside of the company's ability to take on, then this work will need to be outsourced at a cost to the business.

If the demand for services is too low e.g. insufficient multi let properties, then the company will become redundant.

RBCH Ltd Goals 2023-2028

- RBCH aims to try and procure gas and electricity to create heat at reasonable prices but this is wholly subject to energy market conditions
- To ensure money owed is paid in full to the company in a timely manner
- The plant room is checked by engineers regularly and is compliant with legislation
- Over the first year of the business plan the Directors and Non-Executive Director will bring in appropriate expertise legal assistance to review whether the company should continue trading or the company's activities move to RBC. A further report will be written to shareholders on this issue

RBCH Risks

The company relies on its ability to buy gas to convert to heat. If gas prices continue to rise it affects our tenants' ability to pay, all be it that all tenants are on a pay as you go meter but standing charges continue to accumulate. The company has engaged Switch2 to act as agents for billing, collections and recoveries but only for the prepayment customers in the residential flats, plus the Hotel at Addlestone One (but not for recoveries). This meant there was no resource provision for recoveries for the Hotel or for billing and recoveries of the other commercial users of the heat supply so RBC services have had to be bought in and the company has relatively high levels of arrears and other issues with non-payment.

Going forward and highlighted in the goals of the business plan consideration needs to be given to wind up the company and transfer the operations and retained earnings to RBC. The original business plan was that once the Community Heat Network (CHN) was up and running power would be sold back to the National Grid, for this reason RBC would require a trading company and RBCH was duly set up. Once operational however, it became apparent there was not sufficient demand from Addlestone One alone to utilise this function and despite the Civic Centre being added as a user, the CHN has not to date has sufficient demand to be commissioned. Heat and hot water are generated by boiler type plant and provided to residents and commercial tenants via heat transfer network. This does not require a Special Purchase Vehicle to operate and the reality is that having this company creates additional administration and cost as well as governance and risk issues, particularly as CHNs will shortly be falling under OFGEN regulation. If heat operations are transferred to RBC they already have the billing and debt management functions which RBCH lack. Any customer not paying for a micro-entity such as RBCH represents a big risk which raises audit issues whereas within the context of RBC as a whole it would be de-minimus.. The company holds no assets, the plant has continued to be owned by RBC.

Financial 10 year forecast of RBCS Ltd

		RBC Services (Addlestone One) Limited									
New 10 Year Plan Year Original business plan year	1	2	3	4	5	6	7	8	9	10	
	9	10	11	12	13	14	15	16	17	18	
	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27	Estimate 2027-28	Estimate 2028-29	Estimate 2029-30	Estimate 2030-31	Estimate 2031-32	Estimate 2032-33	
	£	£	£	£	£	£	£	£	£	£	
Income											
Management fees	95,880	97,798	99,754	101,749	103,784	105,859	107,976	110,136	112,339	114,585	
Loan interest received	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	
Total Income	99,080	100,998	102,954	104,949	106,984	109,059	111,176	113,336	115,539	117,785	
Total Expenses	88,127	89,890	91,688	93,521	95,392	97,300	99,246	101,230	103,255	105,320	
Net Income before interest	10,953	11,108	11,266	11,427	11,592	11,760	11,931	12,106	12,284	12,465	
Loan Interest	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	
Net Income	3,203	3,358	3,516	3,677	3,842	4,010	4,181	4,356	4,534	4,715	

Financial 10 year forecast of RBCH Ltd

		RBC Heat Company Limited									
New 10 Year Plan Year Original business plan year	1	2	3	4	5	6	7	8	9	10	
	9	10	11	12	13	14	15	16	17	18	
	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27	Estimate 2027-28	Estimate 2028-29	Estimate 2029-30	Estimate 2030-31	Estimate 2031-32	Estimate 2032-33	
	£	£	£	£	£	£	£	£	£	£	
Income											
Heat Income	162,000	178,200	187,110	196,466	206,289	216,603	227,433	238,805	250,745	263,283	
Cost of Sales	78,000	85,800	90,090	94,595	99,324	104,290	109,505	114,980	120,729	126,766	
Total Income	84,000	92,400	97,020	101,871	106,965	112,313	117,928	123,825	130,016	136,517	
Total Expenses	59,629	61,053	62,511	64,006	65,537	67,105	68,712	70,358	72,045	73,773	
Net Income before interest	24,371	31,347	34,509	37,865	41,428	45,208	49,217	53,467	57,971	62,744	
Loan Interest	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	7,750	
Net Income	16,621	23,597	26,759	30,115	33,678	37,458	41,467	45,717	50,221	54,994	

Appendix B

1.2 The Business Operating Environment

RBCI is 100% owned by RBC and so whilst operating as a true commercial company registered with Companies House, governed by the Companies Acts and related legislation and required to pay taxes via HMRC, the Company must also comply with relevant local government and FTS legislation. In summary the key implications of the latter controls are:

- I. **Subsidy Control** – the Company and RBC must adhere to Subsidy Rules s which in summary are designed to provide for free and unsubsidised trade and so prevent (within certain exemptions – for example see below) local authorities subsidising private companies.
- II. **Teckel Exemption** – RBCI satisfies the following two rules for the application of the Teckel exemption to FTS procurement rules. The benefit of the exemption is that RBC can lease properties to RBCI without having to market test the disposal (a long term lease is considered to be a disposal), subject to the best consideration test being secured (Section 123 Local Government. Act 1972).
- III. **Procurement** – RBCI is a body governed by Public Law- so all contracts let require compliance. Furthermore, the Shareholder’s Agreement requires RBCI to comply with the same procedures and thresholds adopted in the procurement and contract rules in the Council’s Constitution.
- IV. **Accounts and Audit** – whilst private sector accounting conventions will be applied, the Company also has to satisfy the due diligence and fiduciary requirements of local authority owned companies. Amongst other matters this requires that RBCI’s accounts are externally audited by the Council’s Auditor even though in the early years the Company will enjoy an exemption from audit due to it having “small business” turnover.
- V. **Health and Safety** - Following the Grenfell fire in 2017 the Government released the new Building Safety Act 2022. RBCI must ensure all properties under its remit adhere to the strict new regulations as well as carrying out cyclical works. This ensures that tenants are only moved into properties which meet these legislative requirements.

RBCI Ltd Health and Safety and Operational Aspects

PRS Residential Property Management:

Tenant introduction

This service includes the following:

- Production and distribution of promotional materials, to include photographs and floor plan.
- Organising, where appropriate, an initial Energy Performance Certificate (EPC), Gas Safety Certificate and other legally required certification.
- Digital marketing of vacant units is undertaken across our portfolio no “let or for sale” boards are used.
- Advertisements and put on various web sites, including the major portals including RBC websites. RightMove and Zoopla
- Accompanied viewing service.
- Completion of comprehensive credit and income checks on prospective tenants, via a third party specialist.
- Production of tenancy agreements (normally Assured Shorthold Tenancies (ASTs)) and associated documentation.
- Community Heat Network agreement on ADD1 and Magna Square
- Produce an Inventory and Schedule of Condition via a third party specialist.

Rent Collection

- Arrange for the collection of rent in accordance with the terms of the tenancy agreement.
- Taking meter readings and transferring utilities at the changeover of tenants.
- In accordance with current legislation, registration of the deposit with the Deposit Protection Service (DPS)
- service charges, insurance premiums and any other outgoings from the rental income.

Tenancy Management Services

- At the end of the tenancy, we will arrange for the inventory to be checked by the inventory clerk and for a schedule of dilapidation (if any) to be prepared. A copy of this is approved before a tenant's deposit can be returned.
- Scheduled inspections to ensure that the tenant is taking care of the property and to initiate action to remedy tenant created defects.
- Organising and overseeing any necessary repair works to the property.
- Issuing relevant notices, including the notice to quit.

Legal Obligations:

RBCI is aware that failure to comply with the following Safety Regulations may constitute a criminal offence under the Consumer Protection Act 1987 and could lead to a fine or imprisonment. In any case, landlords (RBCI Ltd) have a duty of care under common law to ensure that rented property is kept in a safe condition.

The RICS (Royal Institution of Chartered Surveyors) Code for Service Charges in Commercial Property aims to provide guidance on best practice for the management and administration of service charges in commercial property. The key aims of the code are to ensure transparency, fairness, and consistency in the calculation and collection of service charges and to provide a framework for resolving disputes between landlords and tenants. The code sets out guidelines for the provision of information to tenants, budgeting and accounting procedures, and the apportionment of costs. The overall objective is to promote good communication and understanding between landlords and tenants and to ensure the efficient and effective provision of services and facilities in commercial property.

RBCI continues to comply with all relevant legislation and where feasible will only lease new build or recently refurbished property that meets or exceeds the above standards.

RBCS Ltd Health and Safety

b) Housing, Health and Safety Rating System (HHSRS)

The Housing Health and Safety Rating System was introduced under the Housing Act 2004. It is a risk-based evaluation tool, designed to identify potential hazards to health and safety from any deficiencies identified in dwellings. Common breaches of this legislation include a lack of extractor fans in bathrooms and kitchens, trip hazards such as uneven patio slabs and loosely fitted carpets, or staircases without handrails

c) Fire and Furnishings Regulations

Under the Furniture and Furnishings (Fire Safety) Regulations 1988 (as amended) a landlord who is letting a property in the course of business is responsible for seeing that the furniture carries the appropriate fire resistance labels. Bedding, carpets and curtains and furniture manufactured before 1950 falls outside the Regulations.

d) Electricity

The Electrical Equipment (Safety) Regulations 1994 state that all electrical appliances, both fixed and portable, in rented accommodation must be safe. All equipment must be tested and labelled periodically (every 3 years or upon commencement of a new tenancy) by a qualified electrician with the appropriate portable appliance testing equipment.

e) Gas Safety Regulations for Landlords & Agents

From 31st October 1994 it became law for gas equipment in rented properties to be serviced and safety checked before a tenancy and then annually. To keep accurate records of work carried out on all appliances in their control, confirmed by an official safety certificate. It is a legal requirement for a Gas Safety Certificate to be provided to the tenant annually. This includes all gas appliances like cookers, fires and flues as well as boilers and water heaters.

f) Smoke Detectors and Carbon Monoxide Alarms

The Department of the Environment, Food & Rural Affairs (DEFRA) have regulated the installation of smoke detectors in new-build homes via the Building Regulations

1991. These state that all new-build homes must be fitted with interlinked mains operated smoke detectors, one on each floor. There are no such regulations governing older properties, but RBCI requires the installation of at least battery-operated devices, if not mains operated ones.

It is also advisable to install audible carbon monoxide detectors which comply with British Standard BS7860 in properties. RBCI provide one alarm for each room that contains a gas appliance.

g) Regulatory Reform (Fire Safety) Order 2005

This came into effect in October 2006 and applies to the common parts of blocks of flats and houses in multiple occupation (HMOs). It is a mandatory requirement that a detailed fire risk assessment be carried out to identify any risks or hazards and any such findings should be eliminated or reduced.

h) Energy Performance Certificate

From 1st October 2008, all rental properties with a new tenancy in England and Wales are required to have an Energy Performance Certificate (EPC). The EPC will rate the energy efficiency of a property and its environmental impact. The EPC survey must be completed prior to marketing a property, and a tenant is required to receive a copy of the report before entering into a Tenancy agreement. Both Magna Square and Addlestone One has a majority B rating on the properties.

K) Building Safety act 2022

This Act overhauls existing regulations to give residents and homeowners more rights powers and protections in an effort to make homes across the country safer. The Building Safety Act is also clear that building owners and landlords will need to contribute to the costs of fixing their own buildings. The main aim of this act for the built environment industry is to create a clear, proportionate framework for the design, construction, and management of safer, high-quality homes in the years to come.

L) Sprinklers

As of May 26th 2020 the British Government published its changes to the regulatory guidance for fire safety in buildings in England. The changes include a requirement for sprinklers to be fitted if the top floor is higher than 11 m. Previously the height threshold was 30 m. The new guidance will take effect on 26 November 2020. Any new regeneration projects over the 11 m threshold will have to include sprinklers and RBCI Ltd will not take on management of any scheme that does not contain this provision. With regard to existing portfolio namely ADD1 it is not necessary to retrofit.

RBCS continues to comply with all relevant legislation and where feasible will only lease new build or recently refurbished property that meets or exceeds the above standards.

Operations and logistics

1.1 Delivery to customers:

- 1.1.1 The company will deliver services from the use of office space in the RBC Civic Centre, ADD1 Management Suite and 7 Church Road Egham for Magna Square. None of the offices are open 24/7 but there is “on call” facility for all of our tenants that operates 24/7. The offices are manned throughout the week and there is always a “duty staff” on call on weekends. Security Patrols are every day from 4 pm to 12 am and all tenants will have RBCI contact details in their tenant’s information packs. In addition to the above, there is CCTV operationally in place at ADD1 albeit this may move to a “recording facility” only as part of the new regime and requested by our residential and commercial tenants who pay for the service.
- 1.1.2 The main customer interface is through the Asset and Regeneration Team based at the Civic Centre and in particular the facilities team. Over the period of the business plan we are procuring a super FM contract which will enable there to be an efficient and reliable service for all of our tenants whether commercial or residential.

1.2 Payment methods and terms:

- 1.2.1 All tenancies will be Assured Shorthold Tenancy (AST) Rent with rents collected by direct debit, 1 month in advance. Rent deposits of 5 weeks rent will be payable in advance together with 1 months rent (so 10 weeks rent). In addition we accept 3 , 6 and 12 months in advance and agreed through the AST.
- 1.2.2 The requirement to protect a tenancy deposit taken for an AST in England and Wales was introduced on 6 April 2007, following its inclusion in the Housing Act 2004. The requirement to protect a deposit is 30 days as a result of the Localism Act 2011. The Company holds tenants' deposits with DPS and this money is held until the end of the tenancy, unless any amount is claimed for rent arrears etc. The deposit is capped at 5 weeks rent Tenant Fees Act 2019.
- 1.2.3 Prospective tenants will be required to pay for RBCI obtaining references, conducting inventories on check-in and checkout together with any damage created to the premises during their tenancy.
- 1.2.4 Payment for service charges to RBCS will be by the same direct debit method and collected with the rent monthly in advance. Commercial tenants will pay quarterly in advance by direct debit. The basis for payments is:
- 1.2.5 PRS Tenants will pay market rents over the course of the business plan.
- 1.2.6 Commercial tenants will pay RBC Heat Company quarterly in advance for the standing charge and quarterly in arrears for usage charges.

1.3 Legal requirements:

- 1.3.1 All Companies are registered with Companies House as Companies Limited by Shares, with the group company (RBCI) fully owned by the Council. The subsidiary companies are ultimately owned by the Council and have no external ownership from any other public or private sector organisation. As a result of the ownership the Council is able to take advantage of the “Teckel exemption” from new procurement rules and so commission RBCI and its subsidiary companies to deliver services directly for the Council without the requirement procurement. Furthermore, a “reverse Teckel” is available to the Companies who can commission services direct from the Council without the normal requirement to conduct procurements if the cost threshold is reached.
- 1.3.2 All three companies are required to follow procurement rules and must not be provided with subsidy control outside the threshold limits. The Companies have a duty to record any subsidy control provided and divulge it to the Council if required. Otherwise, the Shareholder’s Agreement for each Company requires the Company follow the Council’s Constitution in relation to procurement and contract rules.
- 1.3.3 Two out of the three companies are already registered with HMRC for Corporation Tax, VAT (RBCS and RBC Heat Co only as the supply of residential accommodation is exempt rated and so following specialist financial advice from Grant Thornton RBCI will not be registered for VAT). RBCI will also be registered for PAYE an NI together with registering for the Workplace Pension Scheme.
- 1.3.4 RBCI Ltd and RBCS Ltd will only be required to prepare a formal Health and Safety Policy Statement if it employs 5 or more employees at present we are below this threshold but all staff employed through the companies go through appropriate training for necessary tasks. All companies are subject to the other Health and Safety at Work legislation which includes undertaking risk assessments, controlling manual handling and working from heights together with the inspection and maintenance of all plant (e.g. lifts) used in the delivery of the business. Expertise will be sourced from the Council’s Health & Safety Advisor to assist in the delivery of these responsibilities, whilst recognising it is neither desirable or possible to delegate responsibility away from the Board and management in each company.

1.4 **Insurance requirements:**

- 1.4.1 The Companies are each required to hold Public Liability Insurance and Employee Liability Insurance. All companies can enjoy group cover through being owned by the Council. Independent Director’s insurance is being taken out. Premises and equipment insurance is available through the Council’s Group policy.

1.4.2 **Management and staff:**

- 1.4.3 RBCI Ltd, RBCS Ltd and RBCH Company Limited is managed by the Managing Director who is the Corporate Head of Assets and Regeneration for the Council and is appointed to the board on a yearly basis. Each company is an entirely separate legal entity and the time that the managing director spends on each company is invoiced. The time taken for management is however individually invoiced to the Company by the Managing Director which ensures the Council is not subsidising time. The Property Portfolio Manager and the team provide managerial support to RBCS, particularly in the preparation of service charge budgets and reconciliation of these accounts.
- 1.4.4 All staff employed by RBCI Ltd and RBCS Ltd will go through PAYE, NI and Workplace Pension administration, which is the same as the payroll RBC team, but all employees are on separate contracts along with terms and conditions of employment which reflect the commercial operation of the companies as well as payment terms and holiday leave. Each company has its own staff who are employed on the local terms and conditions of each company but that arrangements have been made to receive a payroll, pensions administration and HR service through the Council for which they receive payment. Over the course of the business plan all staff employed through the companies will have their development plan for career progression along with training and performance review. Appropriate HR policies for the companies are in place and during the course of the business plan will be reviewed to reflect best practice.
- 1.4.5 **RBCI Policies:** RBCI Grievance Procedure 2022, Personal Development Plan, RBCI Disciplinary Procedure, RBCI Terms and conditions 2018, The People's Pension Information Booklet.
- 1.4.6 **RBCS Policies:** RBCS Disciplinary Procedure, RBCS Leave Sheet, RBCS Capability Procedure, RBCS Grievance Procedure, New Starters Checklist.