BUSINESS PLAN AND BUDGET 2013 - 2014

greatplaces HOUSING GROUP

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WINNER

NATIONAL SOCIAL LANDLORD OF THE YEAR

investor in excellence

GREAT PLACE TO WORK®

1. EXECUTIVE SUMMARY

1.1. 2012/13 was a year of outstanding financial achievement for Great Places – record turnover, record surplus, twin AA credit ratings and a hugely successful bond issue. And, despite a raft of challenges explained below, the Group is delighted to present a business plan for 2013/14 and beyond that confirms and enhances the financial strength and long term viability of the Group.

This new and fully updated plan:

- Reflects our 2011-15 affordable rent development programme and projects the continuation of a significant programme going forward;
- Incorporates assumptions that prudently account for the likely adverse impacts of welfare benefit reforms;
- Embraces a growing belief that the next Comprehensive Spending Review will spell further bad news by scaling back the historic RPI+1/2% rent formula to a CPI variant or to a lower RPI uplift;
- Builds in conservative assumptions around the increasing proportion of our portfolio where rents are driven by market factors;
- Encompasses a funding strategy that builds upon the Group's initial foray into the Capital Markets at a time when long term bank finance is simply not available;
- Is reassuringly robust and totally un-reliant on property sales activity to achieve surpluses or meet any covenants, with fewer market sales included in the plan than last year;
- Assimilates the reality of continuing deep cuts to Supporting People income streams;
- Takes account of the economic climate including the recent UK and RP ratings downgrade by Moodys;
- Emphasises the Group's strategic commitment to become financially stronger.

1.2 Having reinforced the firm financial foundations that have served the Group so well, we are convinced that the strength of belief in our ethos and values, our continued determined and imaginative responses to challenges, and a willingness to seize opportunities, means that we continue to grow and thrive.
reinforced the firm financial foundations that have served the Group so well, we are convinced that the strength of belief in our ethos

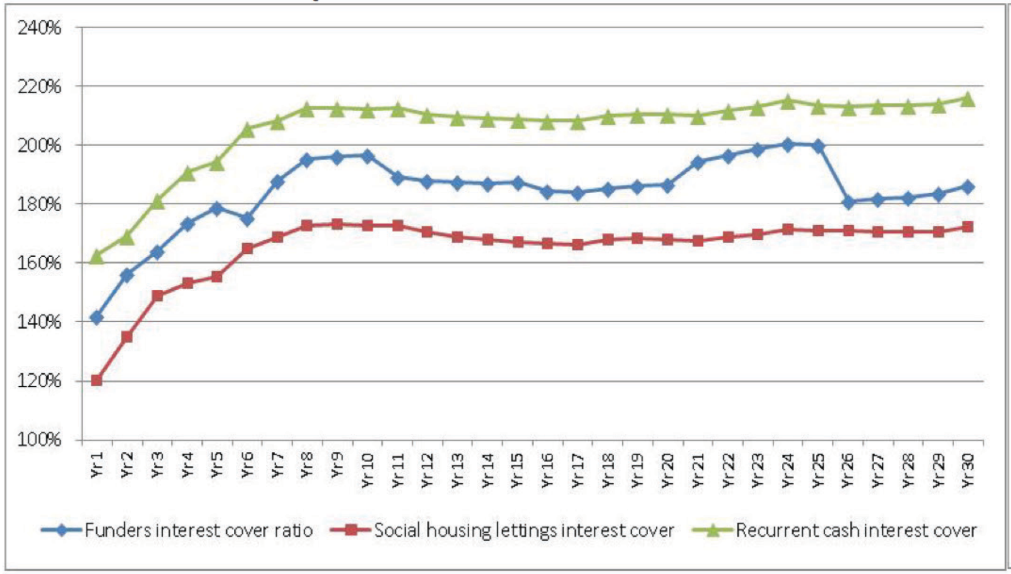
1.3 The new financial year ushers in a new era for Great Places, with our new Chief Executive, Matthew Harrison succeeding Stephen Porter who retires after over 20 years as Chief Executive. Matthew steps up from his previous position of Director of Development and Deputy Chief Executive, so brings a deep understanding of what makes Great Places special, and will balance the need for change and continuity.

1.4 The hugely successful bond issue gives the Group an additional important stakeholder group – over 20 investors who have entrusted us with £150M of their funds – together with our Credit Rating Agencies, Fitch and Moodys. This plan demonstrates an increased focus on some of the key ratios considered by the two agencies as we recognise the importance of protecting, maintaining and improving our credit rating.

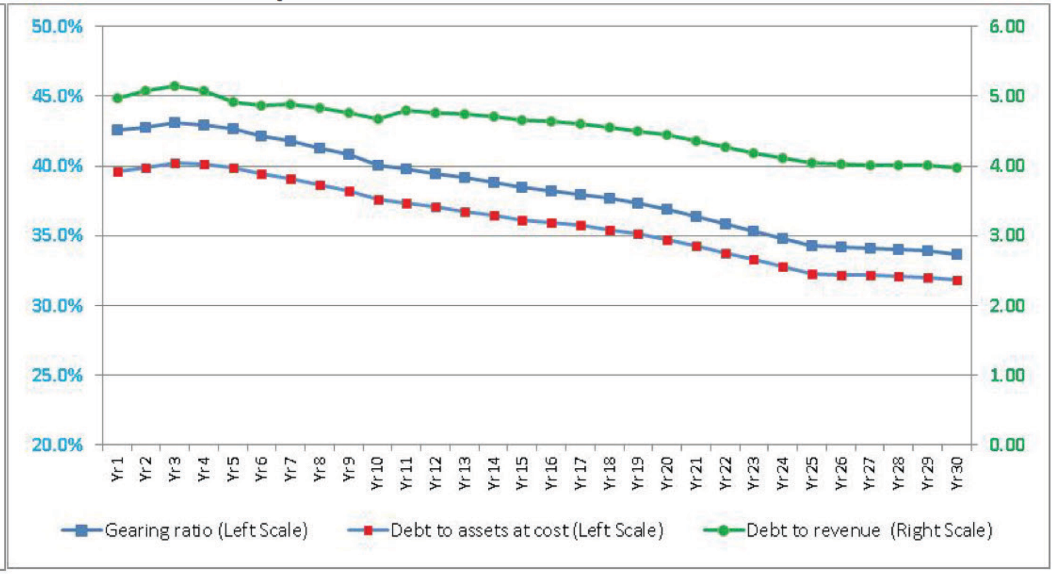
1.5 Financial viability is most clearly demonstrated by achievement of, and ongoing improvement in, the key ratios considered by our investors, funders and credit rating agencies, as well as the rating itself.

Matthew Harrison,
Great Places' new chief executive

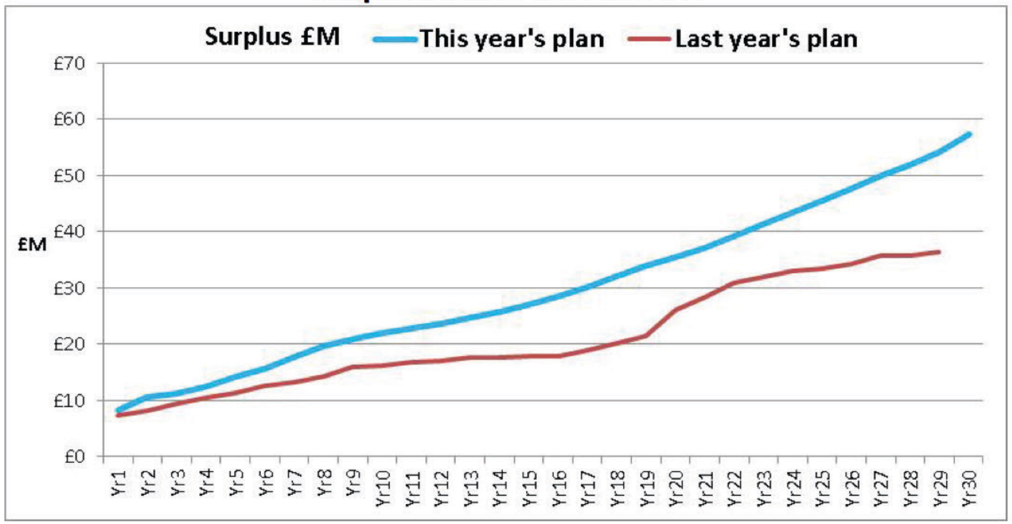
Graph 1: INTEREST COVER RATIOS



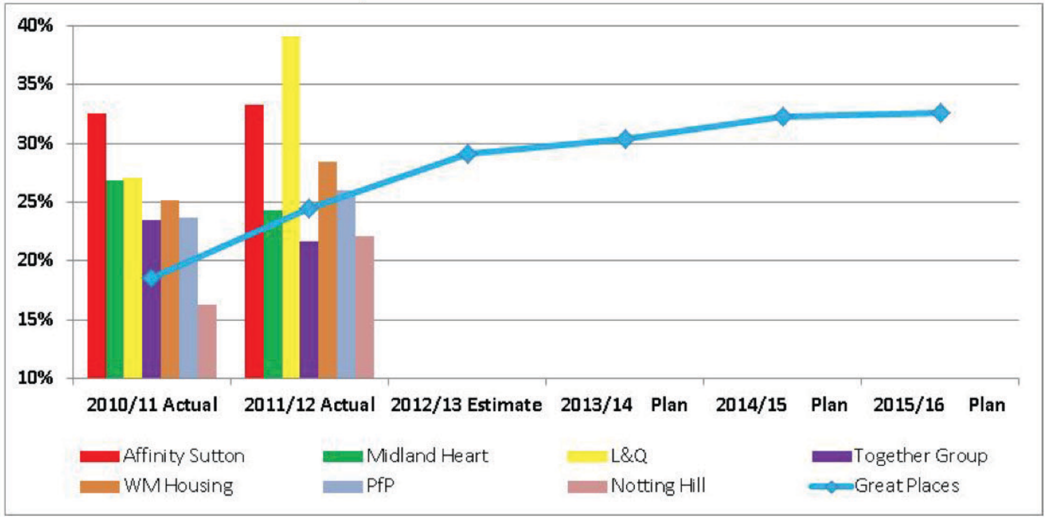
Graph 2: GEARING AND DEBT TO REVENUE



Graph 3: SURPLUS PROFILE



Graph 4: OPERATING MARGIN



These graphs demonstrate the Group’s increasing financial strength - they are explained in detail in section 7.

1.6 There remains huge uncertainty around the economy; The UK is teetering on the edge of a triple dip recession and a year after being placed on "negative outlook" by Moodys, the UK's much heralded AAA credit rating was downgraded by one notch to AA1 (with a Stable outlook) on 22nd February 2013. Fitch followed suit in April, Standard and Poors are yet to make a decision. Economically the downgrade was received without much surprise with most forecasters having already "priced in" the reduction. In the days following the downgrade, Gilts rates were largely unchanged as were secondary market spreads, and there actually was far more concern about the instability in Italy and then Cyprus.

1.6.1 Moodys acted swiftly to follow their UK decision by also downgrading all their rated Registered Providers by one notch, the Great Places rating falling from Aa3 to A1. Moodys also placed the entire sector "on review for further downgrade" primarily down to concerns about the regulatory environment stemming from the problems with Cosmopolitan as well as worries about the impact of Welfare benefit reform.

1.6.2 This downgrade to Great Places (and all other Moody's rated RPs) has no impact on our existing bond, but may have an impact on the pricing of future forays into the Capital Market, although the immediate reaction saw minimal impact on our secondary spread and actually saw the key gilt rate fall not rise.

1.6.3 Moodys followed their UK re-rating with an almost automatic downgrade for 26 of 28 rated RPs, but the group does retain its Fitch AA rating. As one of very few Fitch rated RPs, this could be an unexpected bonus, and justifies the decision to obtain twin ratings. In early 2013 we were one of 30 AA rated RPs, now we are one of only 12!

1.6.4 Our ambition to improve the credit rating remains just as valid: Had we had an Aa2 rating with Moodys, it would have only dropped to Aa3, hence retaining the AA headline. The investor market is more likely to increasingly differentiate on price between the best and worst RPs. Hence the focus above on how the ratings agencies might view our plan.

1.6.5 Politically the downgrade was much bigger news: Maintaining the rating had been a key feature of the Coalition's fiscal strategy. It will be interesting to see if this leads to any major reassessment of economic policy – indications are that it will not, the budget reinforced that view.

1.7 Coupled with the uncertain economic climate are a range of Government Policy actions that directly and adversely impact Great Places:

1.7.1 Proposals for Welfare Benefit reform will have started to affect the Group by the time this plan is approved:
The level of support received by many of our residents is being reduced in several ways:

- Increases in non-dependent deductions already implemented;
- The introduction from April 2013 of under-occupancy deductions (the bedroom tax);
- Phasing in of Universal Credit to replace a basket of other benefits including housing benefit, starting during 2013;
- Direct payment of benefit which threatens the security of the income stream (as payment is made directly to the resident not the landlord);
- This will generate additional rent transaction costs and increase the resources required for rent collection;
- Reduction in council tax benefits.

Even our working residents, who are possibly not affected by any of the above, face falling real incomes.

1.7.2 Welfare benefit reform is not the only Government Policy impacting the Group:

1.7.3 Higher, affordable rents have been introduced to subsidise a much lower capital grant regime – until recently rents of £100 per week were a rarity, now they are far more prevalent. We have had little trouble to date in letting at or "converting" properties to affordable rents, but reduced tenancy turnover means the additional income from conversions is lower than was envisaged, whilst the gap between social and affordable rents in some areas is minimal and in many areas is reducing.

1.7.4 Local Authorities, faced by tighter funding settlements from central government, are making or proposing significant cuts to Supporting People funding.

1.7.5 The full impact of the existing policy of fiscal tightening is yet to be felt and the next Comprehensive Spending Review will almost inevitably mean there is more bad news to follow.

1.7.6 Inflation dipped in 2012 (reaching a low point of 2.6% in September 2012, before rising again), but the Bank of England's February 2013 quarterly inflation report stated that UK inflation will remain stubbornly high for longer than previously thought.

1.7.7 Britain's economy is likely to continue in a sluggish state for the next two years, with GDP having contracted by 0.3% in Q4 of 2012.

1.7.8 The Nationwide reported an annual decrease of 1% in house prices over 2012, but this headline masks a north/south divide as prices in London and the South East continued to rise. Housing market activity remains subdued, with limited supply but also weak demand despite the funding for lending scheme, the new "Help to Buy" scheme and a mortgage guarantee package, which are targeted at stimulating activity in the housing markets.

1.7.9 This situation creates a significant challenge to the Group's ability to generate income from property sale activity. Despite this, 2012/13 was a very good year for first tranche sales with nearly 80 completions, albeit with many sales only of a 35% share. The Group entered into an exclusive arrangement with Santander that provides an attractive 95% mortgage option to potential shared owners.

1.8 Whilst the Eurozone crisis has calmed, underlying problems remain, with Cyprus the most recent concern. In the US, whilst the fiscal cliff was avoided, further negotiations are still required on the US debt ceiling and $80bn of spending cuts still loom.

1.9 Interest rates have been stable with the base rate remaining at a historically low 0.50% for over four years – this has been a significant benefit to the Group, however the direction of travel will clearly be upwards, the unknown being only how far and how quickly.

1.9.1 Despite the continuation of the credit crunch, the Group successfully raised both short term bank finance and long term capital market finance during the year. These arrangements provide the funding flexibility that the Group requires for at least the next 3 years. We also will revisit the capital market for the £50M retained portion of our bond and have the option of "tapping" the bond for further funds in due course. This puts the Group on a very sound funding base.

1.10 The Group's track record of achievement and its plans for future success demonstrate that it has the leadership quality (at Board and Executive level, with a new Chief Executive bringing continuity), a wealth of managerial and operational competence, appropriate organisational structures, experienced and innovative staff and all the other resources needed to be able to overcome the many obstacles presented and to deliver our ambitious Corporate Objectives. As ever, we look forward to the forthcoming year to bring new challenges and opportunities.

1.11 Comprehensive risk assessment through detailed sensitivity analysis shows that the Group has the financial strength to survive the risks that might arise and the ability to put in place mitigating actions and controls that will minimise the impact of such risks. The rigorous external scrutiny brought by the credit rating process has added to that analysis.

2. GREAT PLACES' RESPONSE TO THE ECONOMIC AND OPERATING ENVIRONMENT

2.1 2012/13 has very much been a year of delivering exactly what we said we would:

2.1.1 CUSTOMER SERVICE AND EFFICIENCY: Having initially set up our in-house maintenance team to provide responsive maintenance services to over 5,000 properties in Greater Manchester in September 2011, we expanded the service to cover all our North West homes in November 2012 and have rolled out to our Yorkshire properties in April 2013. We have seen significant improvements in customer satisfaction, whilst the 2013/14 budget incorporates around £800k of financial benefit, generated through VAT savings, elimination of contractor profits and operational efficiencies.

2.1.2 FUNDING – We put in place a short term revolving facility with a new funding partner, RBC, and restructured two of our existing facilities to provide additional flexibility. This helped us manage our cash balances effectively following our hugely successful £200m debut Bond issue in October 2012.

2.1.3 GROWTH: During 2012/13 the Group has continued to grow, adding over 500 new homes though our development activities. The overall quality of the portfolio was enhanced with over 100 disposals and the hand-back of over 300 units that were only managed.

2.1.4 GROWTH: We are on target to meet all the requirements of our HCA Affordable Rent development contract and have also undertaken some additional development outside of the HCA funded programme. Sheffield Local Housing Company, in which Great Places is a partner together with Keepmoat and Sheffield City Council, has commenced building its first new homes, the start of the company's plans to build over 2500 new properties over a 10-15 year period.

2.1.5 EFFICIENCY: We have once again carefully controlled the costs of our central services teams, which, when coupled with the growth in the number of homes we own, means there are increasing economies of scale generated. This is a key feature of our ongoing efficiency strategy.

2.2 Looking forward to 2013/14 and beyond:

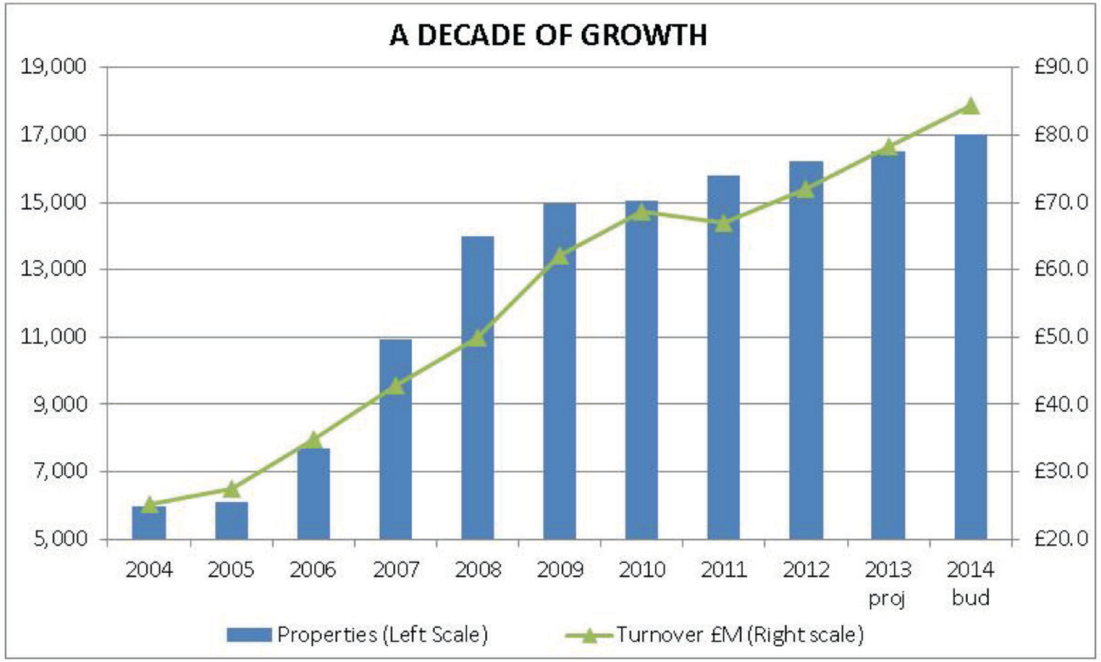
2.2.1 Having further strengthened our procurement team, we will look to ensure that we take every possible opportunity to be efficient and deliver value for money. Significant costs savings will be generated from April 2013 following the gas servicing procurement exercise and our attention now turns to the £1M+ that we spend annually on legal costs and cleaning.

2.2.2 The Group has decided to seek development cost efficiencies by bringing in house certain aspects of construction management and appointed a new Construction Manager at the start of 2013/14 to kickstart this initiative.

2.2.3 Having successfully established our in-house maintenance team, 2013/14 will see a focus on making sure the team is working effectively, with a view to driving out waste through improved work scheduling and reducing work that is subcontracted.

3 STRATEGIC OVERVIEW

3.1 Great Places Housing Group is an ambitious organisation which has extensive experience of managing change, with an impressive track record of continuing growth. The Group owns or manages approaching 17,000 properties, and is determined to sustain ongoing growth and improvement.



3.2 This graph demonstrates the scale of growth achieved by the Group over the last ten years. From under 6,000 units in 2004 (which itself was almost double the 3,200 units in 2002), to what will be almost exactly 17,000 by March 2014. Turnover has grown from £25M to £80M during the same period.

Whilst the pace of growth may have slowed a little, we continue to add around 500 more properties every year.

At the same time, selective asset management disposals have improved the stock profile, whilst either release or acquisition of properties previously only managed means the portfolio is increasingly in full ownership.

3.3 Our ambition is to be 'the best housing association in the North' and during 2012/13 (and in particular during our successful Capital Market funding exercise) we identified many ratios and indicators demonstrating that we are just that.

3.4 Our well established vision is summarised as Strong, Bright and Real.
Strong: Bold, energetic and forceful – we have sound finances and solid roots.
Bright: Innovative, fresh, new, intelligent and stylish.
Real: Our feet are firmly on the ground. We're customer-focused, we know where we come from, we're realistic and there's real substance to what we do.

3.5 Great Places is a value-based housing organisation, with its roots in communities and neighbourhoods in the North of England. We work with vulnerable and disadvan taged individuals and groups to enhance their lives as well as provide homes which are safe, well-maintained, and which meet their needs and aspirations.

Our core vision reflects the basis on which the organisation was founded, and they hold firm during periods of change and growth. They are reflected in the way we go about our work, how we deal with our customers and staff, and the sense of vibrancy and energy which can be felt in any of our offices or projects.

3.6 Corporate Goals

3.6.1 "Right things, right way, right reason" is our approach to ensuring that we put our energies into achieving our corporate goals (Right things), that policies and procedures are appropriate, refreshed and followed (the right way), and that customers are at the heart of everything we do (the right reasons).

Corporate Goal 1: Providing excellent customer service

- We will improve our high levels of customer satisfaction.
- We will work together with our tenants to deliver truly exceptional services
- We will put the needs and aspirations of our customers at the heart of everything we do.

3.6.2 We measure customer satisfaction continuously through on-going telephone surveys, where we contact customers and find out their experience and views about the service they receive. This gives us live, relevant data, communicated across the Group through our "SatNav" system as well as in our monthly balanced scorecard, enabling us to implement rapid, tailored solutions.

3.6.3 Having achieved 100% with the Customer Service Excellence qualification in 2011, the Group turned to the Investors in Excellence (IiE) accreditation: IiE is a sector-neutral business improvement accreditation, which covers all areas of customer service excellence, but has a wider focus. In our first year Great Places met all the indicators and successfully attained the accreditation with positive feedback that confirmed the Group would be in the top quartile of IiE organisations assessed to date.

3.7 **Corporate Objective 2: Becoming financially stronger**

- We will carefully consider the short, medium and long-term implications of our business strategies.
- We will maximise our income streams and ensure we have secured the finance to meet our requirements.
- We will provide quality, cost-effective services, ensuring we compare well to others.

3.7.1 Our funding strategy has put us in a strong position – we have significant amounts of long and short term bank finance available, and will be re-entering the Capital Markets to draw down the £50M retained element of our bond in the next 18 months. The strategy means we can ensure that the Group is fully able to deliver its development ambitions and meet our other objectives.

3.7.2 As section 5 of this document explains, we have been targeting our actions to improve Value for Money at every level in the organisation. During 2012/13 we have been focussing on gas servicing, legal services and cleaning and will continue with our programme of reviews into 2013/14. The re-procurement of our gas servicing contract reduced annual costs by over £100k whilst keeping improved customer satisfaction at the forefront of our selection process.

3.7.3 Great Places has invested significantly in the provision of financial support to our tenants, having established a dedicated team back in 2009. Our staff are highly knowledgeable about welfare benefits, budgeting and reducing outgoings. Where other organisations are just starting to think about employing a Financial Inclusion Team, ours is fully embedded and is working well to help reduce arrears and prevent evictions, putting an average of £1M per annum back into the pockets of our residents in increased benefit claims and fuel tariff savings. The team is now focussed on supporting those residents most affected by Welfare Benefit reform.

3.8 In addition to our two overarching corporate goals, we have the following corporate priorities:

3.8.1 **Continual improvement**

- We will embrace modern ways of working, identify best practice, benchmark, regularly review our policies, procedures and services and seek out innovative ways of working in order to meet the aspirations of customers and employees.

3.8.2 Great Places constantly strives to improve its performance, as the decision to move from Customer Services Excellence to Investors in Excellence explained above demonstrates. An annual planning cycle helps identify those areas where we fall short of our targets and improvement projects are linked to the corporate goals, ensuring that we are doing the right things, and making a difference where it counts.

3.8.3 We are currently reviewing the peer group we use as the basis for our operational benchmarking, in order to set ourselves even more exacting targets.

3.9 **Engaged staff**

- We will continue to attract, develop and retain a talented, skilled and motivated professional staff at all levels.
- We will adopt the best employment practices to create an environment where people are positively engaged in their work, and take a pride in the services they provide.

3.9.1 After 3 years of continually improving performance in the Sunday Times 100 Best Companies survey of staff, their decision to put us in a sub- group with other public sector bodies rather than the main list led to us deciding to look for a more appropriate challenge and to measure ourselves against the wider business sector. We have therefore sought the aptly named “Great Places to Work” accreditation. We await the results with interest and will then develop plans to improve any areas of weakness.

3.10 **Invigorating deprived communities**

- We will improve quality of life in areas of deprivation.
- We will take a lead on financial inclusion and develop training and employment opportunities.
- We will be a good example of how diverse communities can work closely together.
- We will build on our success of supporting vulnerable people.

3.10.1 We have a renewed focus on understanding the sustainability of our stock, to help us manage our assets more intelligently, invest appropriately and spot decline before it becomes too late to intervene.

Great Places’ award-winning regeneration scheme in Northmoor, Manchester

3.10.2 Provision of supported housing remains an essential element of the Great Places service offer, despite declines in recent years of the revenue funding and contract arrangements. The new financial year sees even bigger challenges as local authorities are being hit even harder. Our response continues to be to work in partnership with the funding bodies, to assist in identifying savings and where necessary to subsidise contracts. However we have seen some limited project closures as a result and we will continue to have to make strategic decisions about those projects that we will continue to support into the future.

3.11 **Building new, affordable homes**

- We will continue to provide and develop homes and related services to meet demand.

3.11.1 Our main focus is on successfully delivering our HCA Development Programme within budget and on time. To date we are maintaining our enviable track record, rising to the challenge of reduced grant levels, a constrained mortgage market, scarcer funding and a new affordable rent product.

3.12 **Well maintained homes**

- We will have homes that are good quality, in good condition, safe and legally compliant.
- We will consistently deliver quality services, promote energy efficiency measures and work to reduce fuel poverty.

3.12.1 We have now rolled out our in-house maintenance service across all of the Group's stock and are beginning to see significant financial and customer satisfaction benefits.

3.12.2 Maintaining and improving our homes is vital both in terms of providing our customers with a good repairs service and in managing our assets effectively. We identify the investment requirements using stock condition data held on our PIMSS asset management system. The data is refreshed through ongoing stock surveys, and updated as investment works are completed. This year we will invest approaching £14 million in our properties, including new kitchens and bathrooms, heating systems and energy efficiency works.

3.12.3 The Project Solaris photovoltaic panel installation project has brought significant energy cost savings to around 600 tenants, contributes to our overall affordable warmth strategy and generates the Group an annual revenue stream of over £300k, as well as saving costs at the Oldham Office and at our head office.

Project Solaris - photovoltaic panels for over 600 properties

4 ASSUMPTIONS

4.1 The key business plan assumptions are presented in the table below.

Assumptions	Budget 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Years 6-30
Consumer Price Inflation (CPI)	Budgets submitted at April 2013 prices	2.75%	2.25%	2.00%	2.00%	2.00%
Retail Price Inflation (RPI)		3.00%	2.50%	2.50%	2.50%	2.50%
Building inflation		Nil	Nil	RPI+3/4%	RPI+3/4%	RPI+3/4%
Land price inflation		RPI	RPI	RPI	RPI	RPI+1/2%
Maintenance inflation		Nil	Nil	RPI+1/2%	RPI+1/2%	RPI+1/2%
Earnings inflation	2.75%	RPI	RPI+1/2%	RPI+1/2%	RPI+1/2%	RPI+1%
GN assured rent increase	Per agreed increase	RPI+1/2%	RPI+1/4%	RPI+1/4%	RPI+1/4%	RPI+1/4%
Supported and Agency rents	Per rent plan	Per rent plan, target rents increase by RPI+0.5%				
Supporting people income	As submitted	RPI-20%	RPI-15%	RPI-15%	RPI	RPI
Property price inflation	Nil	Nil	RPI	RPI	RPI	RPI+1%
Voids	Built up by budget holders	Improvements in working practices will drive improvements, however the impact of welfare benefit reform will offset these improvements and cause voids to reach 1.0% from year 2				
Bad debts	Increasing to 1.5% by end of year	Increasing to 2.0% by end of year	Increasing to 2.5% by end of year	Increasing to 3.0% by end of year	Increasing to 4.0% by end of year	4.0%
Final tranche staircasing units	Plumlife 2 GPHA 10	Plumlife 2 GPHA 12	Plumlife 2 GPHA 12	Plumlife 2. Existing GPHA portfolio 12. Current and future development assumed to staircase at 5% per annum from sixth year after completion.		
Voluntary Sales/CPOs	40	40	40	40	40	40
Affordable rent disposals	25	25	5	0	0	0
Base rate (3 month LIBOR)	1.50%	2.25%	3.00%	4.00%	5.00%	5.00% rising to 6.00%
Margin on new short term bank debt	Per new arrangements with RBC, RBS and Santander			1.80%	1.80%	1.80%
30 year Gilt rate	3.50%	3.50%	3.50%	3.75%	4.00%	[redacted]
Spread on new bond debt	1.30%	1.30%	1.50%	1.70%	1.70%	[redacted]
All in cost of future fixed rate debt	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	5.75%

4.2 The assumptions are drawn from a variety of sources including advisors (such as Sector), forecasters (such as Capita economics), HM Treasury, The Bank of England, publications, funders, the NHF and HCA.

4.2.1 Budgets have been submitted at April 2013 prices using local cost-specific information. The long term assumption for CPI has been retained at 2.0%, in line with the Bank of England target, with the long term RPI assumption remaining 0.5% higher than CPI. However in 2014/15 CPI has been assumed at 2.75% (RPI at 3.0%) and in 2015/16 CPI is assumed at 2.25% (RPI at 2.5%) – the inflation assumptions for these years being primarily driven by the latest Bank of England inflation forecasts for September 2013 and 2014.

4.3 The long term assumption for repairs and maintenance inflation, and major repair inflation is RPI+1/2%. However we have assumed that costs will be maintained at 2013 levels for the next two years due to efficiencies still to be gained from our in-house team, the ongoing benefit of asset management disposals and potential for ECO or similar funding. Of course, with the maintenance team having been brought in-house, R&M costs are equally as dependent on the earnings inflation assumption, which is RPI only in year 2, RPI+1/2% for years 2-5 and then RPI+1% thereafter.

4.4 Major repair expenditure will be at a level that fully meets the requirements of the Group's stock condition survey with additional provision made for ongoing acquisitions.

4.5 The building inflation assumption is RPI only for years 2 and 3 of the plan, then RPI+3/4% for the remainder. The efficiency here is the result of the benefits of the new in house construction management service. It should be noted that this years plan assumes a cost per unit of £120k. The assumption in the 2010/11 plan, three years ago, was £126k per unit, reflecting significant downward cost pressures in recent years.

4.5.1 The business plan takes into account the potential future impact of pension auto-enrolment, which will start for Great Places in November 2013. We expect that this will push up the proportion of staff in a pension scheme marginally, and then only in a relatively inexpensive scheme.

4.6 The Group's income stream is primarily driven by the September RPI figure, which was 2.6% in 2012, to which 0.5% is then added. Once further adjustments are made to ensure convergence with target rents, and to "catch up" half of the 1.6% "discount" awarded to our residents in the April 2012 increase, the average rent increase for our properties will be around £3.30 per week.

4.6.1 There remains uncertainty about the future of the rent formula, with the current RPI+1/2% rule only confirmed in the short term. The plan now assumes more prudent RPI+1/4% increases from April 2015 onwards, although it has been suggested an announcement may be made shortly.

4.6.2 A growing proportion of the Group's properties will have rents tied in some way to the open market (or to be strictly correct, 80% of open market rents). This includes our Rent to Homebuy properties, mortgage rescue properties, conversions and new lets made under the affordable rent regime. We established prior to the commencement of the affordable rent regime, through independent professional advice, the market rent levels for all of our stock, and have refreshed these figures during the second half of 2012. The result showed that increases in market rents were varied across the Group's geography with little movement in market rents in many of our areas of operation. Whilst affordable rents are currently guaranteed an RPI+1/2% increase, they do reset to 80% of market levels on relet. Therefore, from April 2015, we assume an RPI+1/4% increase in these rents.

4.6.3 Supporting People (SP) income continues to come under greater than ever pressure with Local Authorities taking ever more extreme steps to balance budgets that have severely constrained by their Central Government funding settlements.

4.6.4 The budget year SP income has been built up in scheme by scheme detail and then builds in a further c£1/4M income reduction in anticipation of bad news not yet received. Going forward, we have assumed a further very significant reduction in SP income (RPI-20%) in 2014/15 and slightly smaller but still very significant reductions (RPI-10%) in the three years 2015/16 to 2017/18.

The impact of these assumptions is that SP income will have reduced from over £4M in 2010/11 to c£2.0M by 2017/18 – a 60% real reduction. We have assumed that costs remain largely unchanged. Whilst our plan prudently reflects this situation in the long term, it is recognised that the Group will not tolerate this position beyond the short term, and is currently investigating various strategic and operational responses to the situation.

4.7 The budget for voids is built up at local level by managers, taking into account the key components of void loss – the number of relets (tenancy turnover) and average relet times – in order to calculate the void loss percentage. Relet numbers and relet times subsequently become key performance targets for the year.

4.8 Forthcoming Welfare Benefit reforms are likely to have an adverse impact on arrears and bad debts and as a result the level of arrears across the Group is assumed to double over the next three years from c£4M to £8M. Consequently, bad debts for our existing general needs properties are assumed to rise from around 1% currently to around 4% by year 5. This is a more pessimistic assumption than has perhaps been seen discussed across the sector. We are not making a statement that we expect arrears and bad debts to rise so significantly, but wished to ensure that our plan shows we are financially strong enough to absorb the worst scenario. We would very much expect to out-perform these levels. An initial increase in arrears need not necessarily result in additional bad debts in the long term, although there is an obvious linkage.

Great Places performance on voids has been very good in recent years, but benchmarking shows that the sector as a whole has improved. It will become increasingly difficult to improve performance in this area and the Welfare Benefit reforms may also have an adverse impact, hence future reductions in void loss have not been assumed.

4.9 INTEREST RATES AND DEBT

4.9.1 The interest rate assumptions are amongst the most critical in the plan and have an immediate and substantial impact on the Group's surplus particularly in the early years of the plan.

4.9.2 We have now had four years of a record low base rate at 0.50%, with 3 month LIBOR at around 0.65%. Whilst the next rate movement will certainly be upward, forecasters hold widely differing opinions as to when and how fast rates will increase and there is still little to suggest that rates are due to rise over the next 12-18 months.

4.9.3 The plan therefore assumes 3 month LIBOR at 1.50% for 2013/14 (giving some headroom for rates to increase), 2.25% for 2014/15 and 3.00% for 2015/16. Rates are then assumed to rise to 5.00% by year 5 and gradually rise to 6.00% by the end of the plan. These assumptions, particularly in the early years, are more prudent than most forecasters are showing.

4.9.4 Coupled with these LIBOR rate rises, the plan also assumes that margins on future short term bank debt will be 1.80%, down a little on previous assumptions reflecting some slight easing of the bank funding market. This rate only begins to impact from year 6 as the Group has already arranged £80M of short term revolving bank debt at margins that are built into the plan and also has undrawn long term facilities.

4.9.5 The ratio of fixed to variable debt will be maintained at a long term average of 75:25 in line with the recently approved Treasury policy.

4.9.6 Interest receivable rises in line with the assumed increase in LIBOR, and, despite the material cost of carry, cash balances will be maintained at a minimum £10m to protect against market liquidity risk.

4.9.7 Having issued the bond in October 2012, the Group has put in place facilities that will last around 3 years. We would expect to draw the remaining £50m retained proportion of the bond in the next 18 months. Future funding is most likely to be sourced initially through taps on the bond. The assumption around short to medium term funding costs reflects the current spread on the Great Places bond in the secondary market, which is trading very significantly tighter than the 170bps spreads achieved on issue. The all-in cost of long term future debt is assumed at 5.75%, with gilt rates and spreads rising steadily from current levels.

4.10 DEVELOPMENT ASSUMPTIONS

4.10.1 The business plan fully reflects the completion of the 2011-15 Affordable rent programme as contracted with the HCA. In addition a small number of schemes outside of the HCA programme have been approved and are built into the plan. This includes section 106 schemes in Buxton (complete), Salford (part complete) and Ribble Valley. The Group has also bid for some Extracare units in Salford, Rochdale and Burnley and is expecting to undertake additional investment in flanks B and C of the Park Hill scheme in Sheffield – whilst we do not expect to be successful in all these bids, they have all been built into the plan.

4.10.2 Looking ahead, the key development assumptions are:

- A new bidding round for the period 2015-19 and subsequent 4 year periods through to the end of the plan.
- 360 rented units per annum and 40 shared ownership units per annum
- Properties to be let at affordable rents
- Grant rate of 20% for rented units (£22k pu) and 15% for shared ownership units (£18k pu)
- Average total scheme cost of £120k per unit

4.10.3 The last assumption of £120k per unit might seem challenging as it is lower than recent plans, however based on the last 20 or so schemes to be approved, which comprise over 500 units, the average scheme cost per unit has been £109k, and excluding one very competitive s106 scheme, rises to £114k. The assumption should therefore be achievable. The launch of our new in-house construction management team could go someway to improving on that figure and as stated earlier we have assumed costs are maintained at current levels in years 2 and 3 of the plan.

4.10.4 The Group will deliver a small scale outright sales programme of around 25 sales per annum through Cube.

Palmerston Street,
Manchester

5 VALUE FOR MONEY (VFM)

5.1 Great Places operates within a changing economic climate where our customers and partners are under increasing financial pressure. Reductions in welfare benefits and public funding mean that Great Places must budget carefully, whilst meeting increasing needs and expectations, in an environment where ‘more for less’ is expected. We are determined to provide high quality services to our customers and neighbourhoods, while at the same time keeping prudent control of our finances and there continues to be a clear link between the business planning process and efficiency, benchmarking, procurement and other VFM activity taking place across the Group.

5.2 In a world, and a sector, which has shifted dramatically and fundamentally in the past couple of years, economically, politically and socially, Great Places now revisits its corporate objectives on a regular basis to ensure that they remain fit for purpose. We have two overarching goals, agreed by Board and Directors, which both have an emphasis on improving VFM: Providing excellent customer and becoming financially stronger.

5.3 Our commitment to improve is shown in that we now utilise the increasing expertise of a team of three procurement staff, to ensure that we deliver cost-effective services, that we compare well to others in performance indicators relating to cost and quality, and that we promote a culture of VFM throughout the organisation, where people question everything they spend.

5.4 During 2012, we have continued to deliver VFM and procurement improvements having undertaken a fundamental review of our policies and procedures at the end of 2011, and having assessed what we do, what we should do and what we could do. We have made good progress against key objectives contained in a strategic action plan for enhancing and accelerating our approach to procurement and VFM, specifically around meeting the requirements of self-regulation, improving customer satisfaction and creating greater clarity and transparency in our processes, and particularly around fraud and bribery and compliance with EU legislation. We have initiated a high level, strategic group, known as Great Value, to oversee delivery of the action plan and this group meets monthly to monitor progress, evaluate performance and to ensure that we are fully realising our potential.

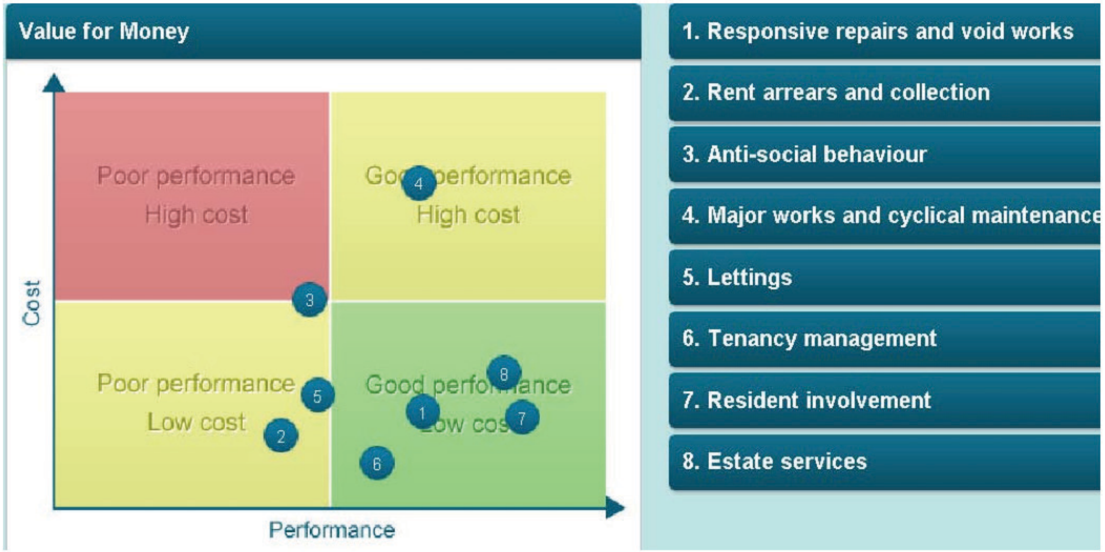
5.5 VFM is an integral element of all improvement projects and initiatives and in the past 12 months we have made major decisions, such as bringing all repairs in-house, developing an in-house construction team and further development of TOPCAT, our customer relationship management system. None of these decisions have been purely cost-based but have all been approved on the basis of a business case that involves incorporating issues raised by tenants, increasing customer satisfaction and improving the quality of service delivery, as well as addressing areas of higher costs. As they progress, the cost and benefits assumed will be monitored to ensure they are included in subsequent budgets and actually delivered.

5.6 In addition to VFM remaining key to Great Places delivering on its vision, values, ambition and priorities, it has become increasingly important as an indication of how the organisation is performing in the view of the Regulator, with a more proactive approach now that VFM forms part of economic regulation. The Value for Money Standard has been set with the objective of ensuring that providers’ Boards maintain, and are transparent about, a view in the round of the optimum sustainable performance of all their assets – including for example financial, social and environmental returns – in the context of meeting the organisation’s purpose and objectives. To this end, regular VFM updates are provided to the appropriate Boards and Committees of Great Places.

5.7 In addition to the regulatory framework providing increased opportunities for tenants to scrutinise the organisation and to question VFM, research shows there are increasing expectations amongst customers to be given good VFM in the services they receive. As a consequence, we now collect information on an on-going basis as to whether our tenants feel that their rent represents good VFM. Based on over 1,000 responses, 85% have said they agree with this statement which represents top performance within the sector. This will be an increasingly important and potent indicator as welfare reforms start to bite and more tenants are required to pay more rent.

5.8 To enable tenants to continue to scrutinise performance and to shape VFM decision-making, we have continued to embed our VFM Service Improvement Group over the past 12 months. This group contains around 12 tenants, including two who have attended a week-long procurement training course facilitated by the Chartered Institute of Procurement and Supply, and over the past year has scrutinised our sustainable procurement policy, arrangements for financial transparency, annual report to tenants, and awarding prizes to teams for a "Job Well Done", as part of our broader VFM improvement awards scheme "Make Their Day".

5.9 In 2012, we once again submitted performance and cost information to HouseMark for Core Benchmarking purposes and can demonstrate comparative improvement across the board, and in some areas, such as major works, responsive repairs and housing management generally, significantly so.



Source: HouseMark

For the second year, HouseMark have also developed a summary Dashboard for Core Benchmarking which gives out top-level comparisons for both cost and performance over 8 key service areas. We have embedded the Dashboard into the VFM section of Flo (our intranet) where it can be interrogated without having to access the HouseMark website. Whichever comparator group selected the performance of Great Places is positive and the 8 areas are all clustered around the Good Performance, Low Cost (best) quadrant.

5.10 Activity aimed at raising the profile of VFM and ensuring that we display a robust VFM culture across the organisation continues apace and we have just developed a VFM communications strategy. We continue to push the importance of VFM right from the point of new staff induction, with regular messages from Directors and our Chief Executive, and as a key topic at events such as our Staff Conference and Improvement Planning Day.

All this means that staff understand the importance of getting the most out of their budgets and keeping within them, while maintaining high quality services that meet the increasing needs of our customers.

6 RISK MANAGEMENT FRAMEWORK

6.1 While risk is inherent and unavoidable in every activity that an organisation undertakes, Great Places' risk management strategy is designed to manage risks and their potential for damage down to an acceptable level. Innovation and achievement always entail risk and we do not wish to turn the Group into a risk-averse organisation. Our current Risk Management policy is focused on managing risks in the best possible way whilst remaining financially viable, customer focused and commercially dynamic.

6.2 Rather than just doing risk, we use risk management proactively to help us achieve our business ambitions and inform decision making and resource allocation. We ensure that everyone in the organisation understands the importance of risk management as part of the day to day decision making process. In addition, we now view risks generically across a broad spectrum, as actions or events that could help or hinder us in achieving our ambitions and corporate objectives. In other words we use risk to identify positive opportunities as well as negative threats.

6.3 We assess risk in terms of the likelihood of something happening and the impact it would have on achieving our business ambitions if it did happen. This provides a risk score which is recorded in both the risk register and risk map. In the risk map, an evaluation is made on the scope for improvement in mitigating the risk and, where appropriate, further actions are identified, assigned to individuals and given a target date.

6.4 The risk process emphasises the importance of keeping the risk register and risk map up to date and periodically reviewing risk exposure, capacity and appetite in the light of changing circumstances. Management of risk to Great Places is reviewed and reported quarterly:

- To monitor whether or not the risk profile is changing
- To provide assurance that risk management is working and is effective
- To identify when further action is necessary

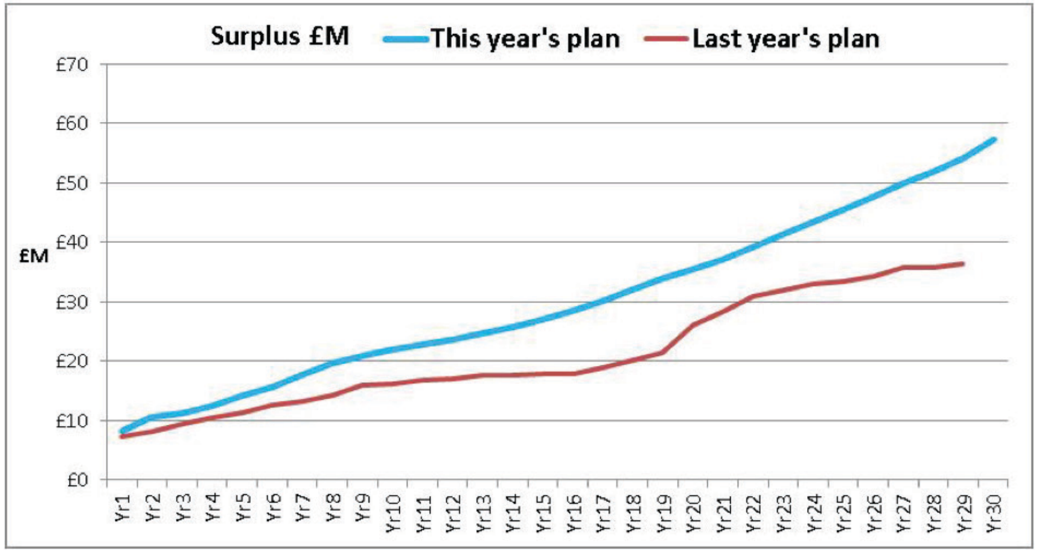
6.5 According to our recent Investors in Excellence feedback report we have: "a robust approach to identifying and managing risk is in place and used to mitigate risk. Identified risks, agreed actions and progress are included in the risk register" and "a structured approach to risk management, including a corporate register, is used to support the development of strategies and policies."

6.6 Our approach contains an annual fundamental evaluation of our risks, and the way in which they are presented. This year, our current risk position has been driven by a number of key factors including:

- The annual risk review carried out by Board members at the meeting held 21st March 2013;
- The risk reports which were presented to Board in July 2012 and November 2012;
- The identification of housing-related risks by our internal auditors, Mazars, in their presentation: Shifting Sands; Managing Risks in a Changing World;
- The publication, by the HCA, of their Sector Risk Profile report, highlighting risks in the operating environment which threaten compliance with standards.

7 GROUP FINANCIAL PERFORMANCE

7.1 ACHIEVEMENT OF GROUP FINANCIAL TARGETS AND COVENANTS

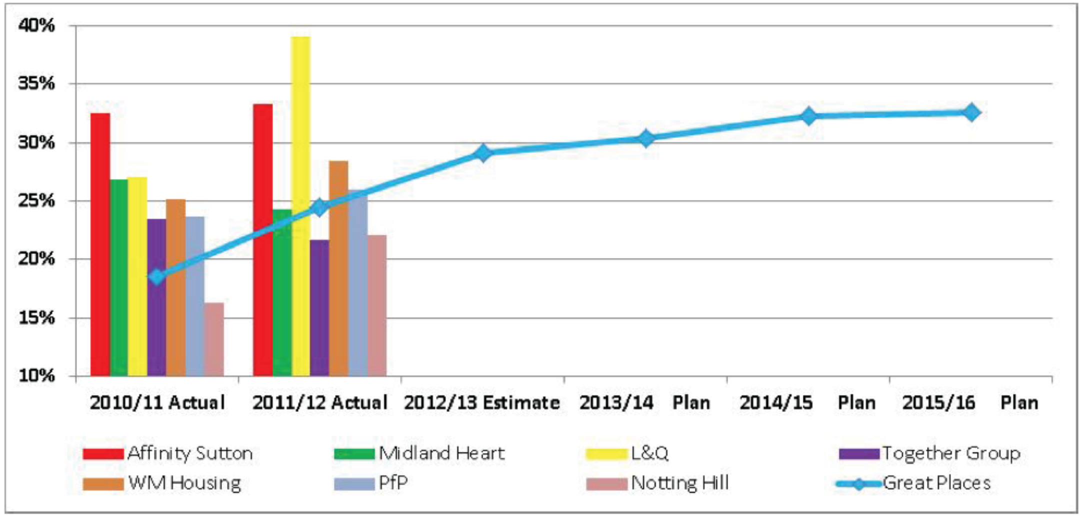


The graph to the left shows that the Group plans to grow its surplus steadily from the levels planned last year. This has been achieved despite the inclusion of tougher assumptions around rent inflation, grant rates and bad debts.

The Group has benefitted from ongoing low interest rates and the bond issue in October 2012 was at a rate which resulted in c£750k per annum lower interest costs than assumed last year. The roll out of the in house maintenance team has also generated c£750k per annum of cost savings. These combine to generate an improved surplus profile.

A key driver of increasing surplus has been a renewed focus on profitability – a higher surplus helps create financial strength and enhanced cash generation. In addition to the benefits arising from lower interest costs and lower maintenance costs, the Group has several initiatives in place designed to improve our operating margin (as shown in the graph to the right).

This includes actions to divest less profitable business streams (such as some of our key worker stock), ensuring service charges are cost reflective, an asset management- led programme of property disposals, and investing in additional procurement expertise.



Source: Moodys

7.2 Surplus is an easily understood measure of financial strength, but is not a financial covenant. The interest cover ratio (ICR) as shown in the graph below is a financial covenant.

7.3 The blue line shows our loan covenant ICR, incorporating an adjustment for component accounting, but also adjusted to remove all property sales surpluses. The component accounting adjustment causes the uneven profile because peaks of component replacement expenditure (such as boilers or kitchens) are not fully smoothed out by capitalisation as it is capped in the covenant calculation.

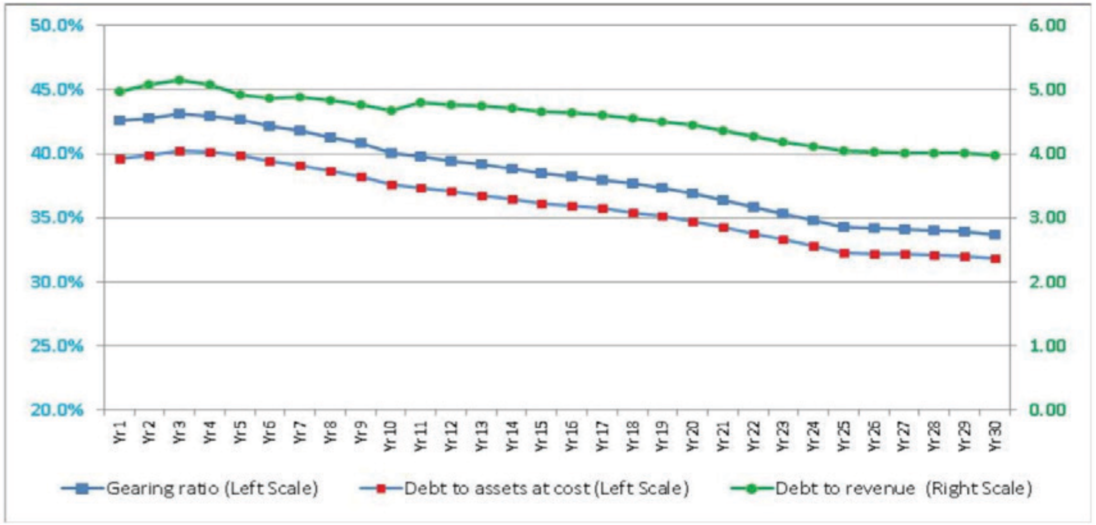
7.4 Our covenants allow an ICR of 105%, but we set a minimum level of 120% to give operating headroom and this is never threatened in the plan, improving swiftly from c140% to around 180% and then maintaining that level.

7.5 The loan covenant definition for ICR allows surpluses or deficits on “property sales in the ordinary course of business” to be included in the calculation – so this would allow first tranche sales, staircasing and small scale asset management and other disposals to be included, but would exclude larger scale disposals (perhaps a bulk sale to another RP) and would also exclude outright/market sales (eg those through Cube). The blue line shown above EXCLUDES ALL property sales – Great Places is determined that, unlike many other RPs, that it will not be in any way dependent on property sales to meet our covenants.

7.6 The red and green ICR lines shown in the graph reflect different measures of interest cover sometimes used by third parties (and which have a standard definition rather than being dependent on negotiations with funders). For both measures, social housing lettings interest cover and recurrent cash interest cover, the Group’s performance starts at an acceptable level and improves significantly over the next 5-10 years.

7.7 Whilst the position remains healthy, the importance of the sensitivity analysis presented in section 8 of this document cannot be understated.

7.8 Our other key financial covenant is gearing, shown on the graph below.



7.8.1 The gearing ratio applying under the Group's main funding arrangements considers the Group's total debt compared to its housing properties at cost (excluding WIP), and applies a 65% maximum. This is shown by the blue line on the previous graph, which considers the total debt position at each year end divided by the housing properties at cost figure for the previous year end (as a proxy for deducting WIP). This has the effect of assuming that there is always one full year of development activity being treated as work in progress, which is a reasonable, but prudent assumption. As the graph shows, the ratio peaks at close to 44% and falls back to around 34% over the life of the plan.

7.8.2 The red and blue line shows the Debt to Assets ratio without the WIP deduction which is often used by third parties. The Green line shows the ratio of debt to revenue which peaks at just above 5.0x in year 3 and then reduces steadily to around 4.0x by the end of the plan. This is a useful measure for a developing association like Great Places as it provides an alternative indicator of debt capacity.

An ongoing development programme of 400 units per annum will require c£48M of funding. Some of this will come from HCA grant and an increasing proportion is funded by cash generated by the underlying business. The remainder comes from debt and the interest costs for that debt can only be paid for from growth in turnover or surplus. We accept that a ratio of 5.0x is towards the upper end of the target range: However a swift reduction can only be delivered by a significant reduction or cessation in our development programme which does not fit with the Group's strategy. As the Group grows, a 400 unit programme becomes less of a strain on the Group's finances and allows the debt to turnover ratio to gradually reduce.

7.9 The detailed Group I&E statement on the following two pages shows a budgeted surplus of £8.4M. Commentary is provided on some of the more noteworthy items.

Year ended 31st March	2014	2015	2016	2017	2018	2023	2028	2033	2038	2043
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Rental Income										
General Needs Rental Income	50,049.7	53,599.2	55,073.8	55,910.3	56,922.5	62,083.8	67,621.4	74,160.4	83,497.0	94,010.5
Rents on future developments	0.0	3,171.1	6,397.5	9,627.7	12,343.2	27,343.3	46,064.6	69,250.8	98,225.5	134,028.4
Intermediate rents	109.4	113.2	116.7	119.5	122.8	140.7	161.6	184.5	211.3	242.0
Supported Housing Rents	2,024.7	2,095.5	2,164.3	2,223.1	2,289.8	2,654.5	3,085.8	3,567.5	4,135.7	4,794.4
Elderly Services Rents	1,975.6	2,044.7	2,111.8	2,169.2	2,234.3	2,590.2	3,010.9	3,481.0	4,035.4	4,678.1
Agency managed income	3,215.9	3,321.2	3,418.6	3,508.2	3,605.6	4,135.1	4,750.6	5,441.5	6,243.4	7,164.7
Keyworker rents	1,120.2	1,152.5	1,187.4	1,216.7	1,250.2	1,431.8	1,644.3	1,878.0	2,150.9	2,463.3
Shared Ownership rents	2,028.7	2,099.8	2,115.6	2,123.3	2,136.1	2,238.2	2,345.2	2,427.2	2,498.5	2,546.6
Managed scheme rents received	429.6	443.5	457.0	468.2	481.1	551.0	632.8	722.7	827.7	948.0
Managed schemes - rent passed to partners	-428.4	-441.2	-452.3	-463.6	-475.2	-537.6	-608.2	-688.2	-778.6	-880.9
PFI rents received	1,638.9	1,696.3	1,747.1	1,799.6	1,853.6	2,148.8	2,491.0	2,887.8	3,347.7	0.0
PFI rents passed to Oldham BC	-1,638.9	-1,696.3	-1,747.1	-1,799.6	-1,853.6	-2,148.8	-2,491.0	-2,887.8	-3,347.7	0.0
Plumlife rental income	2,029.6	2,106.6	2,173.6	2,230.5	2,288.6	2,603.4	2,970.1	3,370.7	3,836.5	4,367.7
Rent Receivable Total	**62,554.9**	**69,706.0**	**74,763.9**	**79,133.2**	**83,199.2**	**105,234.4**	**131,679.0**	**163,796.2**	**204,883.4**	**254,362.9**
Service Charge Income	6,490.5	6,747.2	7,027.9	7,353.5	7,610.6	8,911.8	10,369.9	12,021.8	13,928.7	16,129.2
Management Charge Income	541.6	566.1	595.4	627.3	654.0	785.1	926.6	1,091.7	1,284.2	1,508.5
Supporting People Income	3,207.2	2,662.0	2,329.2	2,038.1	2,089.0	2,363.5	2,674.1	3,025.5	3,423.1	3,872.9
Development Income	3,200.6	2,605.5	2,053.1	3,080.9	2,988.1	3,279.1	3,894.5	4,625.5	5,493.6	6,524.7
Cube development fees	17.5	48.9	31.7	75.8	72.1	31.4				
Great Opportunities/Communities income	101.6	104.7	107.3	110.0	112.7	127.5	144.3	163.3	184.7	209.0
Managed scheme allowances	97.5	100.4	102.9	105.5	108.1	122.3	138.4	156.6	177.2	200.5
Other income	726.7	748.4	767.5	786.5	806.0	911.8	1,032.0	1,167.3	1,321.0	1,494.5
PV Panels feed in tariffs	359.2	412.0	422.3	432.9	443.7	502.0	567.9	642.6	727.0	822.6
Oldham PFI management fee	424.2	620.6	688.8	706.0	723.7	818.8	926.4	1,048.1		
Plumlife rental income	31.0	32.0	32.7	33.6	34.4	38.9	44.0	49.8	56.4	63.8
Plumlife managed scheme income	313.3	322.7	330.7	339.0	347.5	393.1	444.8	503.2	569.4	644.2
Plumlife fee income	1,920.6	1,093.4	856.8	503.5	516.1	583.9	660.7	747.5	845.7	956.8
Less Voids	-1,159.1	-1,233.4	-1,296.2	-1,350.1	-1,401.1	-1,671.0	-1,961.6	-2,330.7	-2,793.8	-3,342.8
Turnover From Social Housing Activities	**78,827.2**	**84,536.6**	**88,814.0**	**93,975.6**	**98,304.2**	**122,433.1**	**151,541.0**	**186,708.6**	**230,100.6**	**283,446.8**

Year ended 31st March	2014	2015	2016	2017	2018	2023	2028	2033	2038	2043
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Great Places Housing Group Costs	10,811.6	10,610.7	10,604.4	10,861.9	10,961.3	12,659.4	13,792.9	16,039.8	18,668.3	21,745.1
Great Places Housing Association Costs	14,211.4	14,816.9	15,364.5	15,802.6	16,253.3	18,967.0	21,298.3	24,977.4	28,486.8	33,440.1
Plumlife Homes Costs	1,098.7	886.8	903.9	790.8	812.4	940.2	1,088.8	1,261.5	1,462.5	1,696.6
Cube Great Places costs	16.9	17.4	17.8	18.2	18.7	21.1	0.0	0.0	0.0	0.0
Management costs for future development	0.0	193.0	382.4	578.4	742.5	1,639.0	2,725.6	4,052.8	5,662.2	7,606.6
Service Costs Total	6,315.4	6,444.6	6,589.2	6,840.3	7,084.5	8,316.6	9,594.1	11,144.0	12,935.5	15,005.5
Routine Maintenance	5,206.6	5,349.2	5,757.3	6,141.1	6,549.5	8,807.3	11,381.9	14,687.2	18,863.3	23,100.5
Planned Maintenance	2,653.0	2,819.6	2,588.8	3,011.8	2,990.5	3,438.8	3,966.5	4,548.5	5,273.0	6,112.8
Major Repairs (net of capitalisation)	4,354.6	5,377.2	5,630.5	6,875.9	8,286.5	7,356.3	10,491.3	9,903.9	15,217.6	20,738.7
Bad Debts Total	866.1	1,287.0	1,682.2	2,090.5	2,664.8	3,676.2	4,509.5	5,524.3	6,838.3	8,418.7
Depreciation Of Housing Properties	7,859.2	8,257.4	9,037.4	9,696.3	10,275.5	13,148.3	17,526.9	22,760.2	28,147.7	35,684.7
Total Operating Costs	**53,393.6**	**56,059.6**	**58,558.6**	**62,708.0**	**66,639.6**	**78,970.2**	**96,375.8**	**114,899.5**	**141,555.1**	**173,549.6**
Surplus On Social Housing Activities	**25,433.5**	**28,477.0**	**30,255.4**	**31,267.6**	**31,664.6**	**43,462.8**	**55,165.2**	**71,809.1**	**88,545.5**	**109,897.2**
Other activities										
Market rent turnover	445.4	471.0	483.7	493.5	507.0	580.7	666.9	761.7	872.3	999.0
Market rent costs	-219.8	-188.2	-192.9	-197.7	-202.7	-229.4	-259.6	-293.7	-114.4	-129.5
Market rent surplus	**225.6**	**282.8**	**290.8**	**295.8**	**304.3**	**351.3**	**407.3**	**468.0**	**757.9**	**869.5**
First tranche sale turnover	3,067.4	2,612.9	2,338.2	2,622.5	2,718.4	3,202.4	3,761.4	4,418.0	5,189.2	6,095.1
First tranche sale costs of sale	-2,774.2	-2,363.2	-2,267.6	-2,428.3	-2,517.0	-2,965.1	-3,482.8	-4,090.7	-4,804.8	-5,643.6
First tranche sales surplus	**293.1**	**249.7**	**70.6**	**194.3**	**201.4**	**237.2**	**278.6**	**327.3**	**384.4**	**451.5**
Cube Market Sale Turnover	2,021.5	1,507.9	2,136.5	2,468.1	5,237.4	4,156.8	0.0	0.0	0.0	0.0
Cube Market Sale cost of sales	-1,746.1	-1,381.0	-1,952.4	-2,238.2	-4,722.9	-3,664.9	0.0	0.0	0.0	0.0
Cube Market Sales surplus	**275.4**	**127.0**	**184.1**	**229.9**	**514.5**	**491.9**	**0.0**	**0.0**	**0.0**	**0.0**
Other Property Sales Income	9,480.0	6,130.0	4,089.8	3,750.8	3,844.5	5,522.4	7,435.1	8,986.2	11,957.9	14,735.7
Other Property Sales Costs	-8,329.1	-4,737.0	-3,014.2	-2,701.9	-2,689.7	-3,158.3	-3,701.8	-4,035.8	-4,842.1	-5,473.1
Other Property Sales surplus	**1,150.9**	**1,393.0**	**1,075.6**	**1,048.9**	**1,154.8**	**2,364.1**	**3,733.3**	**4,950.4**	**7,115.8**	**9,262.6**
Surplus Before Interest and Tax	**27,378.5**	**30,529.5**	**31,876.5**	**33,036.3**	**33,839.6**	**46,907.3**	**59,584.4**	**77,554.6**	**96,803.6**	**120,480.8**
Interest receivable	139.9	292.9	358.0	606.6	1,576.5	628.5	627.3	575.3	500.0	500.0
Interest Payable	20,944.4	21,915.0	22,491.0	22,567.9	23,174.1	27,705.9	35,813.3	45,903.1	55,648.0	68,377.7
Capitalised Interest	-1,822.1	-1,794.9	-1,552.1	-1,534.5	-1,985.5	-2,214.0	-2,592.6	-3,180.8	-3,894.4	-4,759.2
Interest Payable Total	19,122.2	20,120.1	20,938.9	21,033.4	21,188.6	25,491.9	33,220.7	42,722.3	51,753.6	63,618.5
Surplus Before Tax	**8,396.2**	**10,702.4**	**11,295.6**	**12,609.5**	**14,227.4**	**22,044.0**	**26,991.0**	**35,407.6**	**45,550.1**	**57,362.3**

7.10 Total social housing turnover (ie excluding market rents and property sales) is £78.8M, of which over 90% is from social housing related business streams (ie non-diverse) and 70% is rent from General Needs properties. Growth in rental income going forward is generated by development growth (c65%) and by the RPI based formula which applies to most of the general needs stock as well as some other property categories (c35%).

7.10.1 The Oldham PFI project management fee is clearly shown, as are the feed in tariffs on our pholtovoltaic (PV) panels.

7.11 In 2013/14 operating costs of £53.4m equate to 68% of total income down from 72% in the 2012/13 plan, and this improves gradually to around 61% by the end of the plan, as we see growth in income outstripping cost growth, and the benefit of efficiencies delivered.

7.12 The I&E statement shows quite clearly the impact of the increase in the bad debts assumption that anticipates an impact of Welfare Benefit Reform. The figure of £866k (1.4% of rent receivable) in 2013/14 rises to £2,665k (3.2%) in 2017/18.

7.13 Outright sales income, costs and surplus follow the profile of project delivery within Cube, ending in year 10.

7.13.1 A total of 48 first tranche sales in 2013/14 reflects the current and expected shared ownership handovers in the budget year. Volumes are subsequently slightly lower as the future programme comprises only 40 shared ownership properties per annum.

7.14 Interest payable rises by just 11% between year 1 and year 5, considerably less than the increase in the level of debt. Whilst the plan assumes steady rises in assumed interest rates and margins on new debt, a large proportion of the debt to be drawn in the next five years will be the re-draw of the two temporarily-repaid existing facilities at very low (2007 level) margins, whilst much of the existing debt is at fixed rates, so the Group is well protected against rising rates. This is a key contributor to the improving interest cover in the first five years of the plan.

7.15 It is again assumed that all Corporation Tax liabilities (which arise in the parent company, in Terra Nova, Cube and Plumlife) are eliminated through the use of gift aid. Although this is not always completely practical, the tax charges we have faced have typically been largely immaterial in the context of overall Group surplus.

7.16 The Group balance sheet and cash flow reports are shown on the following two pages.

part of the Oldham PFI development, Oldham

Year ended 31st March	2014	2015	2016	2017	2018	2023	2028	2033	2038	2043
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
HOUSING ASSETS										
Housing Properties at cost	1,070,886.9	1,144,343.3	1,210,704.3	1,268,873.6	1,328,340.9	1,631,596.9	2,015,962.0	2,455,891.7	2,960,128.1	3,637,753.9
Social Housing Grants	-452,769.8	-465,666.4	-478,718.6	-491,795.1	-504,062.5	-563,330.7	-631,475.3	-710,391.4	-801,903.3	-907,811.3
Other Capital Grants	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8	-78,235.8
Depreciation	-74,353.3	-82,577.9	-91,580.5	-101,233.7	-111,454.1	-170,898.5	-247,831.5	-321,495.5	-425,422.9	-531,721.0
Net Book Value Of Housing Properties	**465,527.9**	**517,863.2**	**562,169.4**	**597,608.9**	**634,588.4**	**819,131.9**	**1,058,419.4**	**1,345,768.9**	**1,654,566.1**	**2,119,985.7**
Other Fixed Assets Tangible	7,505.2	7,323.3	7,198.2	7,048.9	7,025.8	6,864.7	6,722.1	6,599.7	6,499.8	6,424.8
Other Fixed Assets Investments	1,000.0	2,418.0	2,407.0	2,398.0	2,388.0	2,367.0	2,348.0	249.0		
Total Fixed Assets	**474,033.2**	**527,604.5**	**571,774.6**	**607,055.8**	**644,002.3**	**828,363.6**	**1,067,489.5**	**1,352,617.7**	**1,661,066.0**	**2,126,410.5**
Cash	12,837.1	11,894.3	16,355.5	18,305.0	59,251.8	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
GPHG Current Assets	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Swap Collateral	12,276.1	9,598.1	6,853.2	4,039.6	1,155.7	1,155.7	1,155.7	1,155.7	1,155.7	
Gross Rent Arrears	5,529.3	7,026.0	8,501.9	8,605.8	8,709.7	9,229.4	9,749.1	10,268.7	10,788.4	11,308.1
Bad debt provision	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8	-2,341.8
Other Debtors	6,929.0	7,170.8	7,378.3	7,591.1	7,809.1	8,983.9	10,313.1	11,816.9	13,518.3	15,443.4
Cash Investments	13,598.3	3,528.3	3,458.3	3,388.3	3,318.3	0.0	0.0	0.0	0.0	0.0
Development - SO schemes	1,906.2	2,257.9	2,428.3	2,517.0	2,609.1	3,064.5	3,595.9	4,223.7	4,961.0	5,827.0
Plumlife Current Assets	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1	1,256.1
Cube - work in progress	2,522.2	3,186.3	2,933.9	4,408.3	3,705.2	805.2	805.2	805.2	805.2	805.2
Total Current Assets	**54,592.7**	**43,656.0**	**46,903.7**	**47,849.4**	**85,553.2**	**32,233.1**	**34,613.4**	**37,264.6**	**40,223.0**	**42,378.0**
Other creditors	3,815.1	4,178.5	4,490.4	4,810.1	5,137.8	6,903.3	8,900.8	11,160.9	13,717.9	16,610.9
Accruals	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6	8,297.6
Total Current Liabilities	**12,112.8**	**12,476.2**	**12,788.1**	**13,107.8**	**13,435.5**	**15,201.0**	**17,198.5**	**19,458.5**	**22,015.6**	**24,908.6**
Total Assets Less Current Liabilities	**516,513.1**	**558,784.3**	**605,890.2**	**641,797.5**	**716,120.0**	**845,395.7**	**1,084,904.3**	**1,370,423.7**	**1,679,273.4**	**2,143,879.9**
Outstanding Loan Balance Total	436,599.1	468,094.2	503,708.8	527,831.7	589,375.7	623,024.6	738,589.8	863,580.0	964,881.4	1,167,232.7
Loan Fees	-4,021.8	-4,365.8	-4,209.9	-4,054.0	-4,378.8	-3,503.1	-2,627.3	-1,751.5	-875.8	
Other Long Term Creditors	16,850.3	17,268.1	17,308.0	16,326.8	15,202.7	13,707.5	12,862.8	12,458.6	12,596.0	12,804.7
NET ASSETS	**67,085.5**	**77,787.8**	**89,083.4**	**101,692.9**	**115,920.4**	**212,166.8**	**336,079.0**	**496,136.5**	**702,671.8**	**963,842.5**
Share Capital	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Retained Surplus	67,085.3	77,787.7	89,083.2	101,692.8	115,920.2	212,166.6	336,078.8	496,136.4	702,671.6	963,842.4
	67,085.5	**77,787.8**	**89,083.4**	**101,692.9**	**115,920.4**	**212,166.8**	**336,079.0**	**496,136.5**	**702,671.8**	**963,842.5**

7.17 The Group's housing properties at cost will reach £1billion early in 2013/14; almost 50% funded through grant, just over 40% through debt and the balance through accumulated surpluses, clearly demonstrating the success of the sector in levering in massive amounts of private finance.

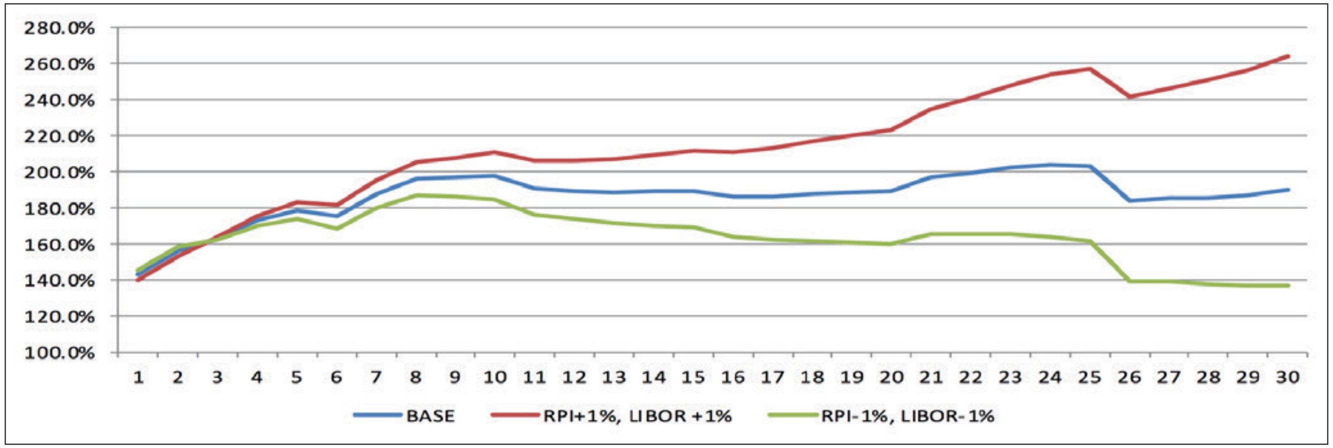
Year ended 31st March	2014	2015	2016	2017	2018	2023	2028	2033	2038	2043
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operating Activities										
Cash Received From Customers	94,820.8	98,880.5	103,477.3	110,523.3	117,458.7	142,006.3	168,990.6	206,513.4	252,319.3	308,606.1
Cash Paid To Suppliers	-40,200.0	-43,242.4	-43,740.0	-48,607.8	-51,620.5	-54,824.4	-66,404.2	-76,541.7	-94,098.9	-113,841.1
Cash Paid To Employees	-19,337.3	-19,620.7	-20,186.1	-20,737.6	-21,304.0	-25,211.7	-28,108.4	-33,384.0	-39,024.5	-46,348.8
Net Cash From Operating Activities	**35,283.4**	**36,017.4**	**39,551.2**	**41,177.9**	**44,534.1**	**61,970.2**	**74,477.9**	**96,587.7**	**119,196.0**	**148,416.1**
Financing costs										
Interest Collected	139.9	292.9	358.0	606.6	1,576.5	628.5	627.3	575.3	500.0	500.0
Interest Paid	-20,742.7	-22,157.2	-22,186.5	-22,225.3	-23,316.3	-27,472.2	-35,636.2	-45,753.3	-55,504.7	-68,220.9
Net Cash From Financing Costs	**-20,602.8**	**-21,864.2**	**-21,828.5**	**-21,618.7**	**-21,739.8**	**-26,843.6**	**-35,008.9**	**-45,178.0**	**-55,004.7**	**-67,720.9**
Investing Activities										
Development Programme	-78,680.6	-68,293.1	-59,678.2	-51,380.5	-53,337.3	-56,491.8	-67,599.7	-80,859.0	-96,631.8	-115,433.4
Major repair - component replacements	-9,254.3	-8,138.2	-8,208.1	-8,038.3	-6,939.9	-9,126.8	-16,208.6	-20,720.8	-17,974.0	-42,304.0
Purchase/Sale of other fixed assets/investmen	-1,903.0	10,497.7	1,977.0	2,026.6	2,080.6	-973.2	-1,068.7	838.2	-1,312.5	-293.4
Grants	14,896.7	13,212.5	12,943.5	11,908.7	10,960.6	12,211.5	14,300.5	16,672.0	19,464.8	22,499.4
Sales Of Properties	9,480.0	6,130.0	4,089.8	3,750.7	3,844.5	5,522.4	7,435.1	8,986.2	11,957.9	14,735.7
Net Cash From Investment Activities	**-65,461.1**	**-46,591.1**	**-48,876.1**	**-41,732.7**	**-43,391.5**	**-48,858.0**	**-63,141.4**	**-75,083.3**	**-84,495.6**	**-120,795.7**
Net Cash Before Financing	**-50,780.5**	**-32,438.0**	**-31,153.4**	**-22,173.5**	**-20,597.2**	**-13,731.4**	**-23,672.3**	**-23,673.6**	**-20,304.2**	**-40,100.5**
Financing										
Existing facility debt draw down	48,000.0	34,000.0	38,000.0	36,582.9	69,000.0	0.0	0.0	0.0	0.0	0.0
Future facility detb draw down	0.0	0.0	0.0	0.0	0.0	25,106.7	36,893.5	37,606.9	34,995.8	293,238.3
Capital Repayments	-1,739.3	-2,504.8	-2,385.4	-12,459.9	-7,456.0	-11,375.3	-13,221.2	-13,933.2	-14,691.6	-253,137.7
Net Cash From Financing	**46,260.7**	**31,495.2**	**35,614.6**	**24,122.9**	**61,544.0**	**13,731.4**	**23,672.3**	**23,673.6**	**20,304.2**	**40,100.5**
BALANCE BROUGHT FORWARD	17,356.9	12,837.1	11,894.3	16,355.5	18,305.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
INCOME LESS PAYMENTS	-4,519.8	-942.8	4,461.2	1,949.5	40,946.8	0.0	0.0	0.0	0.0	0.0
CLOSING BANK POSITION	**12,837.1**	**11,894.3**	**16,355.5**	**18,305.0**	**59,251.8**	**10,000.0**	**10,000.0**	**10,000.0**	**10,000.0**	**10,000.0**

7.18 A £10m cash buffer is retained in lines with the Group's treasury management policy.

8 SENSITIVITY ANALYSIS

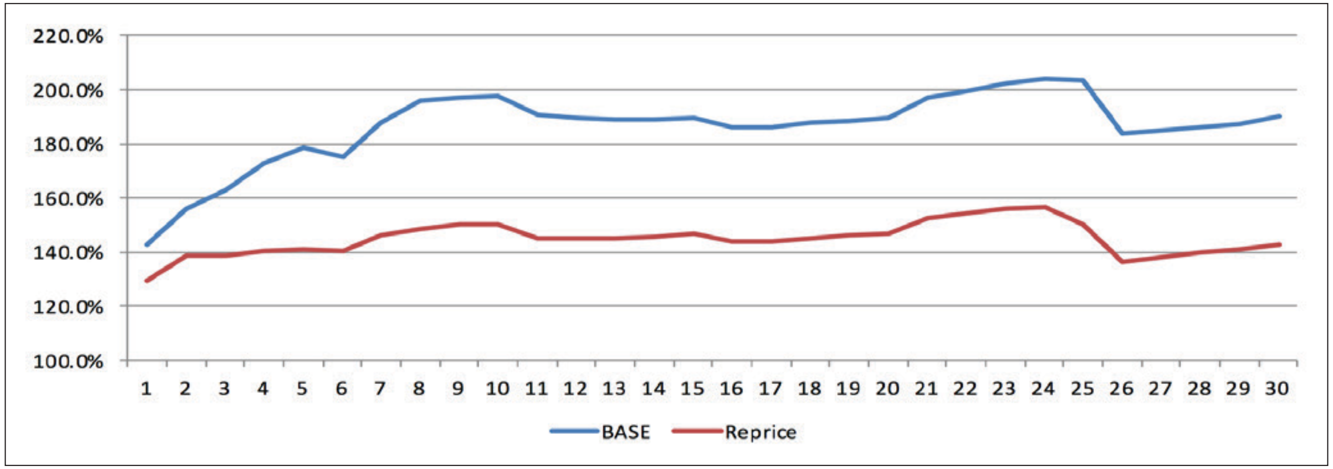
8.1 Sensitivity analysis is a fundamental element of the Group's risk management activity, flexing the business plan to understand the implications, both in scale and immediacy, of a range of different scenarios. The impact of these different scenarios is measured by consideration of changes to interest cover.

8.2 The impact of changes to RPI and LIBOR are obvious. In reality it is likely that interest rates and inflation will move with some consistency, and the interaction of these, when combined with a largely fixed rate debt portfolio is interesting. The graph shows the impact of RPI and LIBOR both increasing by 1% (red line – very slightly adverse in the very short term, beneficial in the long term) and of RPI and LIBOR both reducing by 1% (green line – marginally beneficial in the very short term, adverse in the long term).

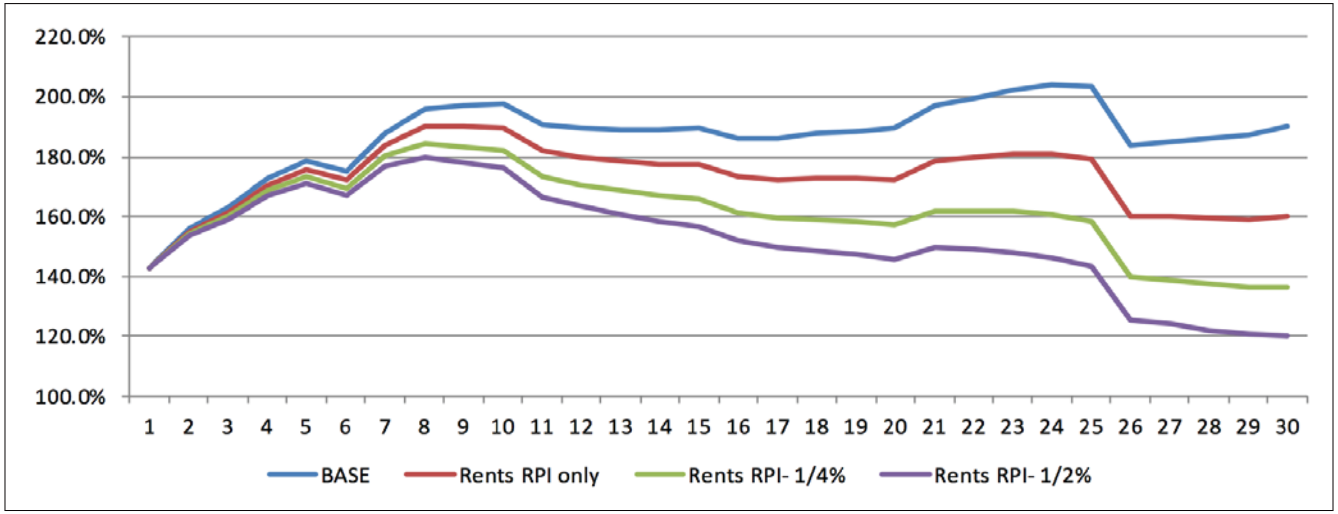


8.3 Whilst the risk of movement in LIBOR rates is well mitigated through the Group's hedging policy, the risk of funders seeking to reprice their loans and increase margins remains real. The impact on Great Places is significant, as we have c£300M of debt facilities that were arranged in 2007 on very competitive margins, so we have a lot to lose.

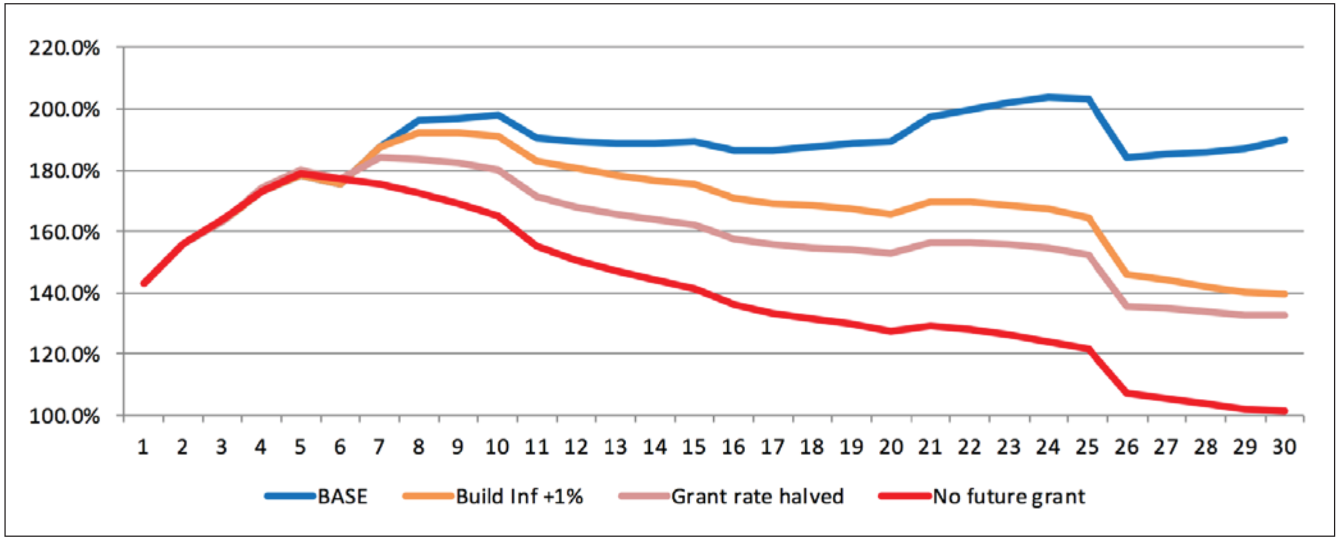
We can seek to protect against this risk by making sure we achieve our covenants, avoiding trigger events/requests and by maintaining good relationships with those funders. The significant and immediate impact on interest cover, of a reprice to a margin of around 200 bps is shown in the graph (right). The impact on surplus is even more significant – the surplus would reduce by over £2M (25%) in 2013/14 and by over £5M (40%) in 2016/17 and thereafter as those facilities reach the point of being fully drawn, before gradually reducing as the facilities are repaid.



8.4 The business plan has this time assumed the current RPI+1/2% rent regime is replaced by RPI+1/4% from April 2015, hence absorbing some of the potential risk into the base position. However, movement to an RPI only formula, or worse, (which will broadly equate to CPI+1/2% - should the inflation index be altered) has a significant adverse impact on interest cover as shown in the graph to the right.



8.5 Development activity on a significant scale as the Group plans also means that building cost inflation and grant rate assumptions are crucial. The graph on the right (orange line) shows that rising building cost inflation does cause a long term significant deterioration in interest cover.

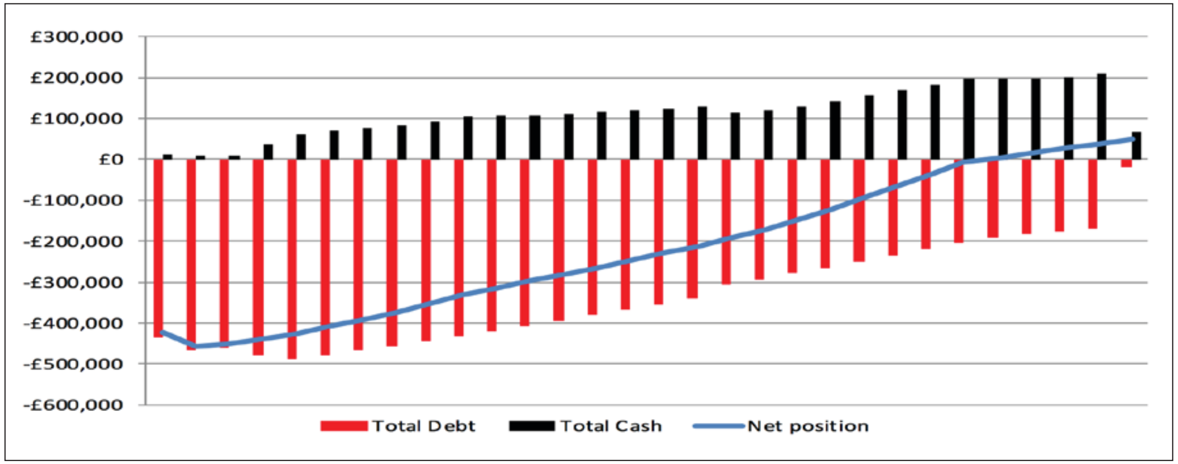


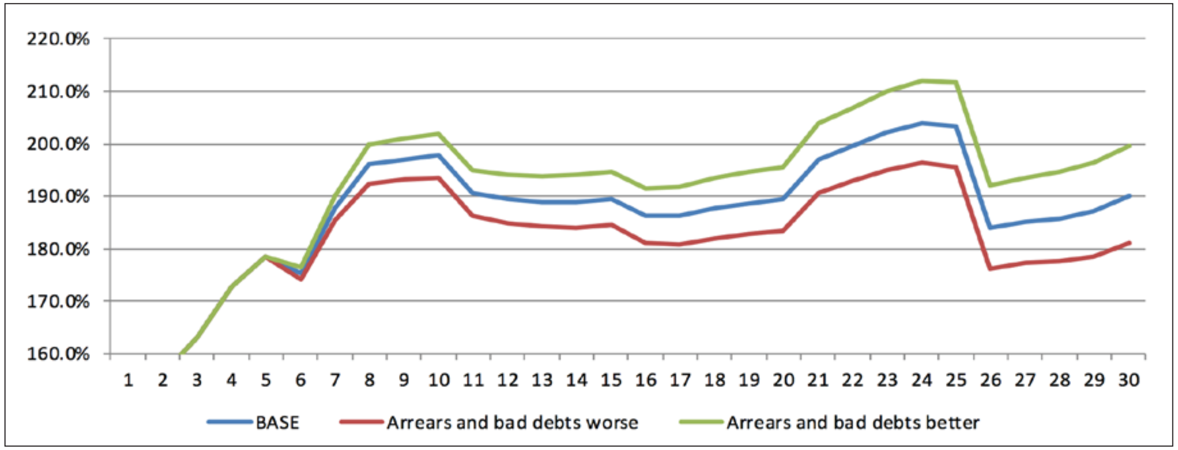
8.6 The reduced grant and no grant scenarios also have a more significant impact as shown by the pink and red lines. The obvious response to this would be to scale back the size of the development programme to offset the impact. Our scenario testing suggests that a programme of c200-250 units per annum (50-60% of that planned) would allow interest cover to be maintained at around 140% long term and also importantly ensure that the increased debt per unit required would not trigger any security exhaustion issues.

8.7 Whilst Great Places has an excellent track record of development delivery over many years, with a substantial 2011-15 programme and ambitions outlined in this plan to continue developing at a significant scale in the long term, we are also very careful to ensure that we do not become totally dependent on development to underpin our financial strength.

The upper graph shows that if future development were to be stopped (allowing the 2011-15 Affordable rent programme to complete), the Group would be able to repay its existing debts in a thirty year period - indeed were it not for the bullet repayment nature of the bond, repayment would be sooner.

Whilst this is reassuring, it is of course completely contrary to the Group's ambitions.





8.8 Welfare benefit reforms are one of the most immediate and difficult to assess risks to the Group, and the sector as a whole. We have already made some very conservative assumptions about the potential impact, our base plan assuming arrears double to £8M and bad debts increase from c1% to 4%. We are confident this is a worse case scenario, but it is an area of great uncertainty. The graph below left shows the impact of the arrears and bad debts position worsening (by a further £1M on arrears and 1% on bad debts from year 5) and also if things improve against our plan by similar amounts. The base plan has of course already absorbed the worst of the bad news, and the interest cover will either decline or improve by c10% by the end of the plan if these further scenarios are adopted.

8.9 The comprehensive set of sensitivities considered and presented in this section of the business plan (together with many more considered, but not included here) show the Group's awareness of the risks faced within a challenging environment. The analysis helps Great Places understand the factors that have the greatest impact, individually and in combination, both in terms of severity and timescale, and allows the Group to make rectification decisions in an informed manner.

8.10 Critically this plan has already built into its base position reduced grant rates, a less favourable rent formula and significant welfare benefit reform impacts, meaning several adverse scenarios have already been absorbed.

8.11 Individually, funder reprice risk, a significant further reduction in grant rates, the risk of sustained building cost inflation, a period of sustained low RPI inflation and an adverse change in the RPI based rent formula are amongst the key risks to be carefully guarded against. More likely perhaps is a scenario where the Group is faced with a complex set of adverse factors, and the business plan model allows the Group to assess the potential outcome and respond swiftly.