

Tirion

Transforming Lives
- Creating Homes



Tirion Group Ltd

Strategic Plan
2021 - 2025

Introduction

Tirion is an independent not-for-profit Community Benefit Society delivering large scale mixed-tenure housing regeneration with a focus on affordable homes.

We add value through innovative finance, design excellence and collaboration.

We aim to deliver zero-carbon performance on all schemes by 2030.

This Strategic Plan establishes the key priorities and objectives for the Tirion Group (TGL) for the period 2021-2025.



Section 1 — Sets out the Group's Vision and the underlying principles of the Plan.

Section 2 — Sets out our strategic priorities for the plan period.

Section 3 — identifies Group level risks and mitigation.

Section 4 — sets out our Governance Structure.

Appendices include financial forecast summaries;

Tirion Developments and Tirion Investments Business Plans and the Operational Plan.



01

Our Vision

4 Tirion Group Ltd

1.1 Mission

Our “Mission” is to develop and invest in affordable homes for rent and sale, creating a legacy of community benefits aligned with the Group’s charitable objectives.

1.2 The Model

The Group will continue to evolve as new opportunities arise. This will require the incorporation of new Group Members, including a new Management Company. The current corporate model is:

TGL is the charitable Community Benefits Society parent of the Group.

Not-for-profit development companies (Tirion Developments) are established for each project.

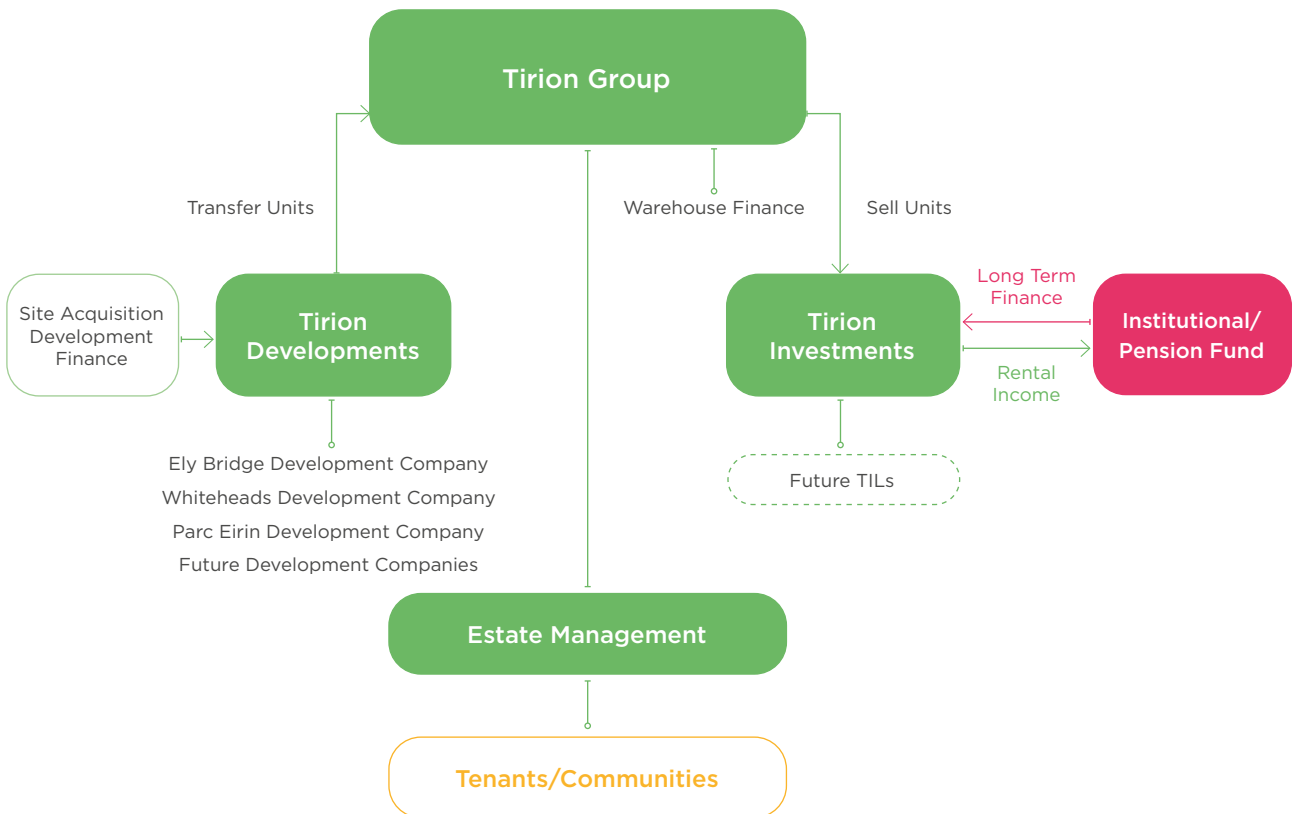
The development companies sell the completed units to TGL until such time as M&G

or other institutional investment can be secured.

At the point TGL secures terms with M&G for long term debt the units are then transferred to Tirion Investments Ltd where the assets are held for the term of the senior debt.

TIL either appoints a partner to manage the completed units or manages directly through a group company.

Surpluses are gift aided to TGL for investment in future projects.



1.3 Group Objectives

1.3.1. The Group's charitable objects are to:

- Provide housing, accommodation and assistance to those in need by reason of poverty, age, disability (whether physical, mental, or learning disability) or sickness;
- Provide associated facilities and amenities for such people; and
- Prevent poverty amongst these groups.



1.3.2 The Groups strategic objectives are to:

- Sustain, monitor and manage a robust financial standing to support all objectives;
- Increase housing supply and create greater choice in the market through the delivery of large-scale regeneration projects;
- Provide people with high quality well managed homes applying the principles of excellent place-making;
- Provide homes at a discount with secure flexible tenancies that help meet tenants changing life circumstances;
- Develop construction and maintenance pathways to achieving zero-carbon performance by 2030;
- Develop aspirational and sustainable communities through engagement and innovative design with a focus on de-carbonisation utilising modern methods of construction and alleviating fuel poverty;
- Create value through an innovative funding model that minimises the call on Government subsidy; and
- Drive economic growth, create jobs and support local communities' future wellbeing.

These objectives underpin the business planning for the Group.

1.4 Our Values

TGL will transform lives by enshrining our key values in our work.

- Choice - flexibility that meets customers' changing needs and lifestyles.
- Working Together - with residents, stakeholders and suppliers in a transparent partnership.
- Aspirational - reputation for quality so that our residents are proud to live in a Tirion community.
- Sustainable - a community that is managed in a responsible, fair and caring way.



1.5 Strategic Plan Principles

The Strategic Plan will be delivered with the following core principles embedded in our planning and delivery activities.

1.5.1 Deliver Excellent Places

We will employ the highest standards of place-making to create a legacy for our communities. Good design will underpin the TGL brand and ensure the sustainability of our neighbourhoods. We will place sustainability at the core of our design processes, underpinning our economic, environmental, and social objectives. This will include pathway to zero-carbon strategies for all existing and new schemes and an emphasis on the adoption of zero-carbon energy, heating technologies and modern methods of construction without recourse to public subsidy. We will adopt positive design responses to existing and emerging climate emergency legislation.

1.5.2 Exemplar Estate Management

We will provide excellent efficient estate management in conjunction with our selected partners. We will consider each site on its merits based on development characteristics and the requirements of our investment partners.

1.5.3 Flexible Development Strategies

We will target large-scale regeneration projects helping address housing need. We will respond to the specific requirements of each development site. This will result in development strategies that seek a balance of tenures, high quality place making and standards whilst delivering 50% affordable homes.

1.5.4 Collaboration

We will develop partnerships with development and investment partners creating bespoke delivery solutions. Key areas of collaboration will include:

- The Welsh Government Land Division;
- Registered Social Landlords;
- Local Authorities / Housing Companies;
- Private landowners / developers;
- Contractor / developers;
- Investors; and
- Residents and tenants.



1.5.5 Brand Awareness

We will continue to raise awareness and improve engagement reinforcing the Tirion brand and its values. We will seek to influence the national housing agenda representing the interests of our residents. Brand development will encompass mainstream and sectoral print media, broadcast media, social media and content marketing. The core messaging will align with Welsh Government housing delivery policy as we collaborate more closely with the Housing and Land Divisions and their partners.

1.5.6 Add Value

We will use our expertise, experience and charitable not-for-profit structure to deliver maximum value for communities and partners. We will minimise the need for Social Housing Grant by working with public sector partners to unlock the potential of existing and emerging Government financial instruments. We will maximise private sector investment in projects through our development partners and by accessing long-term institutional funding.

1.5.7 Maximise Economic and Social Benefits

We will deliver economic and social benefits and measure the impacts to inform continuous improvement. Maximising benefits will contribute to the sustainability of our communities underpinning our long-term investment strategies. This will be particularly important in the post Covid-19 economic recovery period.

1.5.8 Inclusive and Transparent

We will be open, transparent, and inclusive in our business. Key areas will include;

- Promoting diversity, inclusion and equality within the Group and through our partnerships;
- Adopting transparent partnership structures in the delivery of our projects and management services;
- Maintaining the highest standards of financial probity; and
- Compliance with our legal and moral obligations to our partners.



02

Strategic Plan Priorities

2.1 Successfully Deliver Current Projects

We will successfully deliver The Mill, Whiteheads and Parc Eirin to prove the business model.

The Mill

The Mill is nearing 70% completion with 344 units sold and 180 units occupied by tenants in December 2020. Phase (c) commenced in November 2020 with a further 105 units due for completion by June 2022.

The entire development is scheduled to be completed by no later than September 2023.

Canton, Cardiff



Whiteheads

The remediation contract was completed in October 2016 and outline planning consent followed in September 2017. Lovell Partnerships Ltd has been selected as the development partner and extensive design and technical work has been completed to inform the viability appraisals. Whiteheads Development Company resolved to proceed with the scheme with Lovell in October 2020.

It is anticipated that work will commence in May 2021 and complete by September 2024.

Newport, Wales

Parc Eirin

A sale contract was agreed with Pobl (RSL) in October 2018. Pobl is developing 50% of the site for sale and shared ownership. Parc Eirin Development Company will develop the remainder of the site for intermediate rent. The entire site will benefit from energy-positive technology funded through the Welsh Government Innovative Housing Programme. Work commenced in August 2019 and is scheduled for completion in March 2023. PEDC intends to develop the remainder of the site for intermediate rent, subject to the final viability review and availability of finance by the end of June 2021.

Tonyrefail, Wales



The ongoing delivery of The Mill and the start on site at Parc Eirin during the last plan period informs the following delivery forecasts;

Under Construction/ completed units (Cumulative)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
The Mill						
EBDC/TL Rented	285	442	442	442	442	442
Lovell Private Sales	358	358	358	358	358	358
Whiteheads						
WDC/TL Rented	264	264	264	264	264	264
Partner Private Sale	264	264	264	264	264	264
Parc Erin						
PEDC/TL Rented	0	114	114	114	114	114
Partner	111	111	111	111	111	111
Total	1,282	1,553	1,553	1,553	1,553	1,553
Tirion Group Rented	549	820	820	820	820	820
Others Private Sale	733	733	733	733	733	733
Total Developments	1,282	1,553	1,553	1,553	1,553	1,553

2.2 Strategic Priority 2: Develop a Pipeline of Exemplar Projects

We will secure a minimum of two new viable sites during the plan period by collaborating with organisations that share our strategic objectives. Tirion Developments will pursue more aspirational outcomes (see Appendix 2) as financial constraints allow.

The Group is a non-capitalised structure which limits headroom for direct expenditure. Consequently, we have refined our strategy to target partnerships with organisations with an existing land portfolio. Critical to success will be developing efficient funding models within our working capital constraints whilst at the same time maximising the potential of our business model.

All new projects will target of the creation of value through the delivery of affordable housing, zero-carbon infrastructure and modern methods of construction through the application of leading edge financial, contractual and technical solutions. In addition, we will seek to deliver better space standards, fire safety, sustainable drainage in line with the objectives of the Future Generations Wellbeing Act.

2.3 Strategic Priority 3: Establish Estate Management Capability

We will establish management capability within Group by December 2021 to drive efficiencies through innovative strategies, whilst providing the highest level of customer care. We will use social enterprises to deliver services where this adds value to both the estate management and the local economy.

2.4 Strategic Priority 4: Refine the Business Model

We will continue to refine the current business model with flexible strategies to address the characteristics and challenges of each individual project. We will:

- Seek loans or guarantees from Welsh Government to help unlock value;
- Collaborate with local authorities to secure low-cost finance;
- Partner with organisations that provide forward funding;
- Structure land sales to support turn-key arrangements with developer / contractors;
- Consider sale of homes as part of our funding strategies; and
- Rigorously ensure compliance with all financial covenants.

We will seek to optimise the investment potential of Tirion Group members wherever possible. We will develop diverse and flexible strategies to support the senior debt requirements of the Group's current and future projects.

2.5 Strategic Priority 5: Maintain a Robust Group Financial Plan

We will continue to ensure financial security through the effective and efficient management of detailed three-year and prepare a rolling six-year financial plans.

It will be some time before the Group will generate surpluses and capital reserves. However, TGL’s entire business model is predicated on the long-term retention and management of income generating residential assets. Consequently, funders and partners will expect medium term projections to be in place to provide financial confidence when developing strategies for individual sites. A rolling six-year Group Financial Plan will be developed, reflecting the shorter-term plans.

The key principles of the plan will be:

- Demonstrating and securing the Group’s long-term sustainability;
- Demonstrating the financial capacity to achieve our Business Plan goals;
- Demonstrating the Group can meet planned maintenance obligations on all our sites;
- Compliance with current and future lender financial covenants;
- Maximising the benefits of equity growth;
- Diversity of funding options; and
- Equity growth to underpin the long-term financial sustainability of the Group.





03

Risk Management

We will pro-actively manage risk at the following Group and Group Member levels.

Finance Committee	Cashflow, Balance Sheet, P&L and compliance
Tirion Developments	Project specific risks including costs, finance, regulatory approvals, maintenance, component lifecycle and partnership agreements;
TIL	Compliance with the M&G Note Purchase Agreement;
TGL	Warehouse finance, senior debt and estate management to include governance, brand awareness and group finance.

Individual risk registers will be prepared as “living” documents at an appropriate level of detail for Board and Committee review.

Key Risks Schedule

TIRION GROUP RISK MANAGEMENT	COMMENT
Organisational Resilience	The lean Executive Structure generates risks around business continuity and resilience in light of senior staff absenteeism.
Lose support of our strategic partners	PBS and WG have been instrumental in establishing Tirion. Withdrawal of their support prior to delivering the existing project portfolio would likely fatally flaw the Tirion brand and discourage other partners from working with the Group.
Resource Management	The Operating Plan must be closely monitored to ensure that the appropriate resource is always available for the efficient management of the business.
Breach of loan covenants	The lack of equity in TGL coupled with our current debt obligations to WG and M&G creates a significant challenge in terms of securing finance for pre-construction activities.
Change in Central Government Policy	Changes in Law could have a significant impact on project viability.
FINANCE COMMITTEE RISK MANAGEMENT	COMMENT
Alternative Capital Market exits	Demonstrating a viable senior debt exit in addition to M&G is crucial to maintaining momentum and securing development partners.
Rents do not support senior debt investment	The business model is highly sensitive to fluctuations in market rents. Suppression / depression of rents in our markets would threaten our ability to secure long-term finance.

Interest rate rises	A significant rise in the cost of debt over that currently forecast represents a significant risk. This risk would be mitigated in our current model whereby the risk of interest rate rises more than 5% is borne by the senior debt provider. We will also explore forward hedging options where appropriate.
Commercial Management	Lean Executive generates a risk that constant commercial overview of budget forecasts, outcomes and overhead requirements is not undertaken.

TIRION DEVELOPMENTS RISK MANAGEMENT	COMMENT
Construction Costs	Construction costs rising ahead of rent inflation would threaten the viability of projects.
Breach of loan covenants	The lack of equity in TGL coupled with our current debt obligations to WG creates a significant challenge in terms of securing debt for new construction.
Changes to Planning and Building Regulation Legislation	Additional costs that result from new legislation could result in marginal schemes becoming unviable.

TIRION INVESTMENTS RISK MANAGEMENT	COMMENT
Estate Management Costs	High management / maintenance costs due to poor quality standards could threaten the viability of projects should they be imposed by Senior debt providers and/or via a requirement to use a nominated RSL.
Breach of loan covenants	The lack of equity in TGL coupled with our current debt obligations to WG creates a significant challenge in terms of securing debt for new construction.

4.0 Governance

4.1 Governance Structure

Good governance is fundamental to our success and the achievement of our vision. Our Governance Committee Framework and Corporate Group Structure are designed to promote and embed the highest standards of accountability, integrity, and probity and to set the appropriate policies, protocols, and internal control to support decision making.

The Group Board is the ultimate governing body and has overall responsibility for the Tirion Group. Day to day management of the Group is delegated by the Board Members to the Chief Executive and the Executive Committee.

Five Committees of group and subsidiary Board Members oversee and advise on activities across the Group. They are, with their remits.

- Audit and Risk: Oversee internal and external audits; control and risk management.
- Nominations and Remuneration: Keep under review the composition of the Board on its Committees; make recommendations for appointments;

determine policy and staff and Board remuneration. Promote effective governance across the Group.

- Finance and Executive Team: Exercise delegated authority in relation to certain financial matters; monitor financial performance, viability, efficiency, and stability of the Group; provide advice and support to the Executive Team when required.
- Estates and Communities: Support Tirion's objective of encouraging thriving communities; monitor performance of the Groups community engagement programme; Monitor the performance of Tirion Homes, the Group's proposed housing and estates management company; make recommendations to the Board in relation to major development proposals and community implications.
- Development Committee; Make decisions on behalf of Tirion Group in relation to certain development and commercial activities; monitor performance of the Tirion development companies, including development and construction programmes; advise the Group on proposals relating to property and land transactions.

4.2 Governance Protocols and Policies

The foundation of good governance is a balanced, diverse, and effective Board, which leads the Group. The Board will ensure that the Group upholds the following principles:

- It operates according to high ethical standards and explicit values.
- There is proper accountability to, and involvement of, all the Group's stakeholders.
- There is a spirit of openness, making full disclosure of governance matters and other information.
- There is fairness and equality of opportunity in all aspects of the Group's governance.
- There are formal and open processes for the periodic review of its own performance.
- There is clarity of roles and responsibilities between the Group's officers and Board Members.
- There are effective systems for internal delegation, audit and control.
- They receive adequate and timely reports and advice to inform their decisions.
- There are effective staffing and committee structures to support its work.
- There are effective and proper relationships between the Group and its external auditors and regulators.

A comprehensive range of Governance Policies are currently being drafted to cover the majority of the business activities of the Group and to define its relationship with stakeholders, customers and tenants, contractors and suppliers, employees and the communities within which it works.

4.3 Inter-company Working

Intra-group relationships will continue to be governed by the Tirion Group Intra-Company Agreement. The Agreement requires all Group Members to:

- Adhere to the Group Values.
- Contribute to and deliver on the Group Business Plan.
- Comply with its Company Business Plan and Annual Budget.
- Comply with laid down policies, Operations Management Protocols and Financial Regulations, and Regulatory Requirements, where applicable.
- Undertake its business activities in accordance with the Group Plan, good

practice and laid down policies and procedures.

- Operate and maintain assets in accordance with strategies and policies agreed within the Group.
- Provide quality services to other Group Members including services provided by TGL and other services between Group Members set out in this Intercompany Agreement.
- Pay for such services provided in accordance with agreed rates and procedures.
- Provide quality services to users of the Group's services.
- Respect the confidentiality of Group materials and discussions, and of any other confidential matters as determined by the Group CEO.

In the unlikely event that there is a dispute between Group Members TGL will act as the arbiter and final decision maker

4.4 Board Composition

The development of the business has been based on innovative ideas, financial structures, and funding models. This has resulted in significant experience gained by the Executive and Board Members. Continued input from key Board Members is fundamental to the success of the business. The Board will develop a diversity, refresh, and continuation policy to be implemented at the beginning of financial year 2021/22. The newly formed Nominations and Remuneration Committee will review the current composition of the Boards and Committees and will report to Group accordingly.





Appendices

Appendix 1: Financial Forecasts

The key Group consolidated financial forecasts are:

GROUP P & L (£'000S)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Turnover	1,374	1,614	2,777	4,600	6,395	6,735
Operating Costs	(251)	(519)	(825)	(1,248)	(1,736)	(1,974)
Operating Surplus	1,123	1,095	1,952	3,352	4,569	4,761
Net Finance Costs	(1,042)	(1,223)	(1,561)	(2,047)	(2,017)	(2,162)
Net Surplus Land Sales	-	500	-	-	-	-
Net Surplus Before Tax	81	372	391	1,305	2,642	2,599

The forecast balance sheet is:

GROUP BALANCE SHEET (£'000S)	MAR 20	MAR 21	MAR 22	MAR 23	MAR 24	MAR 25
Properties at Cost	17,591	30,191	40,191	70,378	80,325	129,615
Other Assets	12,683	11,995	12,332	3,835	825	546
Current Liabilities	(1,573)	(1,525)	(1,475)	(1,095)	(1,050)	(900)
Net Assets Less Current Liabilities	28,701	40,661	51,048	73,118	80,100	129,261
Represented by:						
Borrowings:						
Welsh Government	18,299	18,578	18,794	19,014	9,498	8,408
Others	17,907	29,507	39,306	60,765	75,598	123,567
Reserves	(7,505)	(7,424)	(7,052)	(6,661)	(5,356)	(2,714)

The cash position is anticipated to be:

GROUP BALANCE SHEET (£'000S)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Capital Receipts	10,198	13,100	10,000	30,187	6,947	49,290
Property Acquisitions / work in progress	(10,149)	(13,100)	(10,000)	(30,187)	(9,947)	(49,290)
Net Capital Inflow	49	-	-	-	(3,000)	-
Operating Income	1,123	1,095	1,952	3,352	4,659	4,761
Loan Interest	(381)	(1,007)	(1,341)	(1,825)	(1,792)	(1,934)
Net Inflow/(Outflow)	791	88	611	1,527	(133)	2,827
Outstanding /Balance	1,135	1,926	2,014	2,625	4,152	4,019
Current Account Balance	1,926	2,014	2,625	4,152	4,019	6,846

Appendix 2: Tirion Developments Business Plan

2.1 Development Strategy

2.1.1 The Mill

To secure The Mill targets the Company must:

- Closely monitor construction inflation to mitigate the risk of cost increases;
- Closely control cost variations;
- Monitor and control quality on all aspects of design and construction;
- Negotiate favourable development finance terms for future phases;
- Agree an exit strategy with TIL regarding the purchase of units for future phases;
- Seek to deliver additional value through the development of the Neighbourhood Centre, “spare” sites and the proposed new rail halt;
- Use receipts / surpluses to incubate new projects wherever possible; and
- Deliver the project to time, cost and quality objectives.

2.1.2 Whiteheads

To secure Whiteheads targets the Company must:

- Complete all outstanding transactions;
- Value manages the cost of overheads, professional services, construction and finance;
- Establish a new ManCo;
- Complete the sale of Shared Ownership units to Melin Homes;
- Seek to deliver additional value through the development of the Neighbourhood Centre; and
- And former PFS on Cardiff Road.

2.1.3 Parc Eirin

To secure Parc Eirin targets the Company must:

- Support the delivery of the Pobl units;
- Work with Sero Energy to optimise the benefits of the energy positive infrastructure;
- Seek to remove the obstacle of securing development finance through collaboration;
- Value manage all aspects of design and construction;
- Procure a contractor partner to assist delivery of best value and quality;
- Consider using modern methods of construction; and
- Agree an indicative investment valuation with TIL to prove viability.

2.1.4 Financing New Sites

Tirion Developments will seek to diversify development finance options by:

- Exploring potential Government support to improve viability on projects;
- Negotiating the use of Welsh Government and Local Authority guarantees /loans to support projects;
- Secure warehouse exit strategies through sale contracts with TIL or TGL ;
- Explore opportunities for higher value development in order to cross-subsidise marginal projects;
- Deploy an efficient tax management strategy to ensure we are maximising investment; and
- Exploring opportunities for Senior Debt providers to provide forward funding.

2.2 Current Projects Delivery Plan

2.2.1 Actions and programme targets are scheduled below.

The Mill

ACTIONS	PROGRAMME
Secure construction finance for phase (d)	September 2021
Secure warehouse finance for phase (d)	September 2021
Complete phase (c)	June 2022
Commence phase (d)	November 2021
Complete phase (d)	December 2023
Secure occupiers for Neighbourhood centre	June 2022

Whiteheads

ACTIONS	PROGRAMME
Complete the CLSA	April 2021
Complete land sale and build contracts with Lovell	April 2021
Start on Site	April 2021
Complete Phase 1	May 2023
Complete Phase 2	December 2023
Complete Phase 3	September 2024
Complete Phase 4	April 2025
Deliver Neighbourhood Centre	April 2025

Parc Eirin

ACTIONS	PROGRAMME
Prove viability	June 2021
Secure finance	June 2021
Procure management partner or set up ManCo	Feb 2021
Start on site	August 2021
Complete development	May 2024

2.3 New Developments Strategy

2.3.1 Partnerships

Develop a pipeline and generate future growth during the Business Plan period by establishing partnerships/collaborative working with the following organisations:

- WG on new sites;
- Local Authorities;
- Major landowners;
- RSLs;
- Contractor/developers;
- Investors; and
- Publicly owned housing companies.

2.4 6 Year Aspirational Targets

The Strategic Plan identifies a priority for securing two viable projects within the plan period. However, in parallel, Tirion Developments will pursue more aspirational targets in line with the development potential offered by the TIL investment structure. The schedule below reflects an aspirational forecast of future projects bearing in mind experience to date. It would be realistic to assume that as many as 520-630 per annum could be achieved with 4 - 6 sites across Wales running in parallel. Realisation of this ambition would require a step change in the number of opportunities being facilitated by Welsh Government and Local Authorities:

CATEGORY	2022-23	2023-24	2024-25	2025-26	2026-27
WG Sponsored					
Project #1	50	100	150	200	200
Project #2		50	100	150	200
LA Sponsored					
Project #1	50	50	100	150	250
Project #2		50	100	150	200
Private Sponsor					
Project #1	50	150	200	200	200
Project #2		50	100	150	200
TOTAL		450	750	1000	1250

2.5 Financial Forecasts

Tirion Developments Financial Plan [EBDC, WDC, PEDC, and (1), AND (2)]

PROFIT & LOSS	2020/21 FORECAST £'000S	2021/22 PLAN £'000S	2022/23 PLAN £'000S	2023/24 PLAN £'000S	2024/25 PLAN £'000S	2025/26 PLAN £'000S
Turnover	0	0	0	0	0	0
Operating Costs	437	446	455	417	383	312
Operating Surplus	(437)	(446)	(455)	(417)	(383)	(312)
Net Finance Costs	(387)	(380)	(370)	(397)	(225)	(228)
Net Surplus land sale	-	500	-	-	-	-
Net Surplus housing sale	3,388	812	1,120	1,757	5,250	3,750
Net Surplus / (deficit)	2,564	486	295	943	4642	3,210

2.5 Financial Forecasts

Tirion Developments Financial Plan [EBDC, WDC, PEDC, and (1), AND (2)]

BALANCE SHEET	MAR-20 ACTUAL £'000S	MAR-21 PLAN £'000S	MAR-22 PLAN £'000S	MAR-23 PLAN £'000S	MAR-24 PLAN £'000S	MAR-25 PLAN £'000S
Properties, at cost	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Properties, at value	0	0	0	0	0	0
Other assets	14,817	16,915	18,144	19,182	6,609	7,905
Current liabilities	(4,445)	(2,750)	(3,250)	(2,250)	(750)	(500)
Net assets less current liabilities	10,372	14,165	21,394	16,932	5,859	7,405
Total borrowings	(18,299)	(19,528)	(26,271)	(21,514)	(9,498)	(8,408)
Revaluation reserve	-	-	-	-	-	-
Reserves	(7,927)	(5,363)	(4,877)	(4,582)	(3,639)	1,003
CASH FLOW	2020/21 FORECAST £'000S	2021/22 PLA £'000S	2022/23 PLAN £'000S	2023/24 PLAN £'000S	2024/25 PLAN £'000S	2025/26 PLAN £'000S
Capital receipts	3,667	10,240	10,858	26,978	21,431	13,564
Property acquisitions/wip	(2,996)	(10,252)	(10,372)	(26,411)	(21,073)	(13,127)
Net capital inflow	671	(12)	486	567	358	437
Operating income	(437)	(446)	(455)	(417)	(383)	(312)
Loan interest	(164)	(150)	(175)	(200)	-	-
Taxation	-	-	-	-	-	-
Net inflow / (outflow)	70	(608)	(144)	(50)	(25)	125
Opening balance	1,132	1,202	594	450	400	375
Closing balance	1,202	594	450	400	375	500

Appendix 3: Tirion Investments Ltd Business Plan

3.1 Introduction

Tirion Investments Ltd (TIL) has been established as a long-term vehicle for the M&G debt that will support The Mill and potentially other projects in the Group portfolio. TIL's operating activities are governed by the terms of the Note Purchase Agreement with M&G.

3.2 Investment Strategy

The efficiency of the M&G debt structure makes it attractive in supporting large scale, housing led regeneration projects where there are a significant number of income producing assets. The refinancing through TIL has already commenced with The Mill phase (a) and (b) transactions. Heads of Terms have been agreed with M&G for refinancing all phases at The Mill, Whiteheads and Parc Eirin. The capacity of TIL will be determined by M&G's appetite for future debt on new schemes. An ongoing dialogue will be maintained via our advisors Centrus to ensure we maximise the potential of TIL in delivering affordable housing.

3.3 Finance

TIL is a closed vehicle that specifically holds the M&G debt, assets and any additional junior debt secured. TIL will only have working capital available to undertake its obligations under the Note Purchase Agreement. TIL's relationship with other group members is regulated by the Intra-Group Agreement and TGL / TIL Service Level Agreement. TIL is an M&G vehicle only with no other senior debt options allowed. The Group will maximise the use of TIL as an investment vehicle for all schemes agreed with M&G. The investment will:

- Tailor the payment of interest and the full repayment of the debt via an annuity so that part of the interest charge which results from indexation is deferred in the early years but is fully repaid by term. This will result in the total debt service cashflow (capital, fixed interest and variable interest/indexation) broadly tracking inflation in a similar way to net rental growth.
- Set the Senior debt capacity of the project at 80-85% whilst managing both interest rate risk through a cap and floor mechanism avoiding any refinancing or repayment risk that higher gearing levels would normally create.

The key risks in the structure are:

- **Interest rate risk** – The structure manages total exposure to interest rate costs very prudently by setting a cap and a floor to the total interest rate charge for the full 50 years. It also allows for the deferral of the interest charge in the early years where the margin for cover from net income is the tightest.
- **Refinancing Risk** – is fully mitigated in that the debt structure fully repays over term via the 100% annuity structure. The downside of this very prudent structure is that surplus asset cover capacity is not readily available to support other financings until term.
- **Net Cash Flow /Net Yield Risk** – consists of two elements. One is where rental growth does not broadly match inflation over the long term. Inflation of rents and debt service do not have to match year on year. It is assumed that in the long-term rents will broadly track or marginally exceed inflation. Historic trends fully support this assumption.

3.4 Equity / Junior Debt

At the end of The Mill's construction TIL will endeavour to secure a secondary layer (junior) of debt. The following actions will be considered (with potential options detailed below):

- Negotiate the conversion of some of the Welsh Government loans to Junior Debt within TIL for The Mill and Whiteheads.
- Negotiate with the Senior Debt provider to provide an element of Junior Debt.
- Discuss with Principality Building Society and Cadwyn their appetite for Junior Debt.
- Explore other Junior Debt opportunities where appropriate.

3.5 Forecasts

PROJECT	PHASE	NO OF UNITS	ANTICIPATED INVESTMENT VALUE	SENIOR DEBT (UP TO 85%)	JUNIOR DEBT (7.5%)	GROSS RENTAL INCOME
The Mill	A	102	£19m	£14.0m		£880k
	B	78	£15m	£11.6m	£5.5m	£645k
	C	105	£15m	£13.0m		£650k
	D	157	£24m	£23.4m		£1,047k
	TOTAL	442	£73M	£62.0M	£5.5M	£3.222M
Whiteheads	A	121	£22m	£18.8m	£1.6m	£781k
	B	113	£17m	£14.6m	£1.3m	£750k
	TOTAL	234	£39M	£28.0M	£2.9M	£1.531M
Parc Eirin	-	114	£22m	£18.5m	£1.6m	£1.081m
Total current schemes	50	790	£134m	£108.5m	£10.0M	£5.8M

3.6 Governance

The Board currently consists of the Chair of the Finance Committee (Chair), the Chair of Tirion Developments, a nominee of M&G (under the terms of the NPA) and one other TGL Board member. Board Members have intimate knowledge of the Tirion model and the role of TIL within the Group structure. They also have the necessary financial, development and property skills / experience to provide excellent Board oversight. Consideration will be given at the next Operational Review as to whether additional Board members should be recruited to fill any identified skill gaps.

3.7 Financial Forecasts

The gearing, debt and interest cover targets for the Mill development are as follows:

- Senior Debt: 85% of Investment Value
- Junior Debt: 7.5% of Investment Value
- Interest cover: Earnings before interest, taxes, depreciation, and amortization to interest payable ratio at 1.25 to 1.00

3.8 Estate Management Plan

For all projects / phases re-financed with M&G, TIL will be responsible for procuring an appropriate Managing Agent and the deployment of rigorous and high quality reactive and planned maintenance regimes. The Group Estates and Tenants Committee will support TIL in the delivery of high-quality cost-effective management services (within Group or via external party) over the period of the debt.

3.9 The Mill Management Model

At “The Mill” a Management Agreement has replaced the existing Leases with Cadwyn for phase (a) who are guaranteeing a minimum 77% of collectable rent, whilst retaining a maximum 23% for the following:

- All routine management and maintenance for the rented estate;
- Public realm maintenance for the rented estate;
- Void risk;
- Bad debt risk; and
- Lettings / rent collection functions.

TIL will be responsible for “lifecycle component” replacement costs. Following the refinancing of phase (b) all future phases will only use a Management Agreement.

3.10 “In-house” Model

For future projects TIL will prove the business case for the creation of a TGL Group Company to undertake management and maintenance functions on behalf of TIL. A Board Working Group has been established to consider the establishment of a ManCo within Group.

Appendix 4: Operational Plan

4.1 Operations

The key principle for the Group is to minimise fixed operational costs, whilst ensuring enough core staff is available to run the Group effectively.

Tirion Group Limited has moved from a set up / inception phase to a project delivery / mature business phase and consequently a greater emphasis on commercial skills is required.

It is planned that Tirion Group Limited will employ the Executive and subsequent staff; this will involve the transfer of the Executive from Ely Bridge Development Company Limited to Tirion Group Limited by April 2021.

4.2 Management Structure

The Executive is shared with Tirion Developments (Parc Eirin Development Company, Whiteheads Development Company, Ely Bridge Development Company), and Tirion Homes Limited.

4.2.1 Proposed Executive Team

Full details of the operating structure and the associated roles are set out in the Appendices. The following immediate roles and responsibilities have been identified as necessary requirements to meet the business objectives of the Tirion Group Limited Strategic Plan:

CEO (in post)

Will have specific roles but will be responsible for the overall management and performance of the business and be custodian of Tirion values and charitable objects.

Finance Director / Company Secretary (in post)

Will continue to provide support to the CEO and Board on finance matters and provide an internal audit role. This could be subject to change during the plan period.

Development Director (in post)

Reporting to the CEO on existing developments, contract management and new business opportunities.

Commercial Director (vacant dependent on future projects)

Reporting to the CEO on commercial and legal negotiations, project forecasting and monitoring, and cost management.

Site Manager (vacant dependent on proceeding with Whiteheads and Parc Eirin)

Reporting to the Development Director on existing developments, site works and contract management.

Property Manager (Vacant dependent on establishment of ManCo)

Reporting to CEO/FD on reactive and planned maintenance functions and regulatory compliance of the portfolio estates.

Housing Manager (Vacant dependent on establishment of ManCo)

Reporting to CEO/FD on tenant management functions and regulatory compliance of the portfolio estates.

Office and Corporate Affairs Manager (in post)

Reporting to CEO provides office management, public relations interface and customer care services.

4.2.2 Future Recruitment

To deliver future projects additional resource may be required during the plan period. This will be subject to the appropriate milestones being achieved and workload demands being realised.

4.2.3 Succession Planning

A key risk to Group performance is having a realistic succession plan in place. This is challenging due to the lean nature of the current staffing resource. A plan will need to be fully developed once Whiteheads and Parc Eirin are fully committed and additional projects identified.

4.3 Facilities

Future accommodation may represent a relatively high fixed cost for the organisation once the site office at The Mill is vacated. It is currently proposed to take space in the new neighbourhood centre once the site office closes at The Mill.

5.4 Operational Costs

The projected operational costs are set out in detail at Appendix 3. Given the significant growth in overhead and its impact on the business, a summary is set out overleaf. These costs will be reviewed in detail by TGL Board every six months to ensure the Group is operating to maximum efficiency.

OVERHEADS (£)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Employment	481,157	490,780	500,596	510,608	520,820	531,236
Accommodation	-	-	-	-	9,000	9,180
General Administration	97,231	99,176	101,160	103,183	105,247	107,352
Professional	37,515	38,265	39,030	39,811	40,607	41,419
PR / Marketing	11,000	11,220	11,444	11,673	11,906	12,144
Total	626,903	639,441	652,230	665,275	687,580	701,331
Average Monthly	52,242	53,287	54,353	55,440	57,298	58,444



Transforming Lives - Creating Homes



Tirion

Strategic Plan
2021-2025

Tirion Group Ltd

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