

Business Plan 2022



A DEVELOPMENT
BUSINESS



The show home at Over

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Introduction

This document sets out This Land(TM)'s key strategic objectives for the next 10 years by:

- o Building 930 new homes including 396 (or 42%) affordable
- o Using a master developer approach on our larger sites
- o Seeking to secure development opportunities from our shareholder for future development
- o Securing strategic land for promotion through the planning process

Following a successful 12 month period, This Land is in a strong position to deliver our funding obligations and wider benefits to support our shareholder, Cambridgeshire County Council.

This is the annual review of the business plan, which comes in two parts with this being Part 1, the public facing document and the second, the supporting technical information for third party verification.

Section 1

Executive Summary

Key Highlights

- Building more homes, both open market and affordable, throughout Cambridgeshire taking the total to 930 over the next 10 years
- Working with our shareholder to deliver 396 new affordable homes including the creation of a separate company called This Land Partnerships
- A strong financial position following land sales well ahead of last years projections
- Strong house sales at our site at Over
- 6 active construction sites across the county
- The continuation of the business into the medium to long term

It will enable us to drive the development of both open market and affordable housing across the county to deliver high quality, sustainable homes.

We are working with our shareholder to identify new development sites to add to our development pipeline, ensuring the company is a key financial asset for CCC over the longer term, with all funding obligations, including interest and loan payments, being satiated.

The appointment of David Meek as the new Chair and myself, David Lewis as CEO, has brought further stability and a closer working relationship with our shareholder.

Longer term, we are in a robust position to take the company forward over the next 15 to 20 years.

This is only possible through the dedication and support of our shareholder, board and the remarkable people who work for This Land.

Yours

I am pleased to report that we have performed well ahead of expectations, with more cash in the business than projected last year. This has de-risked the company from any future exposure or a potential downturn in the wider economy following recent global events


This plan includes our Vision and Mission Statement which will define the company moving forward and support our shareholder in delivering wider social benefits as part of our emerging ESG policy framework.

David Lewis, CEO This Land™





33 homes
completed by December 2022



930
homes to be built
in Cambridgeshire



£113m
repayment of loans
by 2029



42%
of our homes
will be affordable



£49.8m
interest payable to
our shareholder
over the next
6 years



6 sites
either under
construction
or finished



£26.8m paid to our
shareholder
to date



£32.4m
in revenue up to
March 2022



This Land – Going forward

Over the next 10 years, This Land plan to deliver 930 new homes, 42% of which will be affordable. We currently own sites in 13 locations and we are working with our shareholder to purchase and deliver both open market and affordable homes throughout the county.

Our commitment is to deliver Environmental, Social and Governance (ESG) policies and to work closely with our suppliers to reduce our carbon footprint to net zero. We anticipate adopting a new formal ESG policy later this year.

Through a design-led approach, we are committed to developing visually striking schemes which are sustainable and energy efficient. Our sustainable design principles are based on PassivHouse standards and include the use of modern methods of construction to achieve best practice in efficiency and reduce our environmental impact.

The company has evolved over recent years and is on the journey to become a leading development business, delivering smart, modern homes with a focus on our customers and people.

Vision



We will develop places that enrich people's lives.

Mission Statement

What are we going to do?

We will build open market and affordable homes to give housing opportunities to communities across the county.

The Health and Safety of our employees, contractors and the public will be of paramount importance in all of our operations.

We will contribute to a greener future, by creating distinct, sustainable homes as we reduce our carbon emissions towards Net Zero.

We will promote sustainable places by integrating our developments into existing communities to help shape the future landscape we can all enjoy.

We will have an excellent reputation with our stakeholders, including our shareholder, for the way we conduct ourselves in terms of integrity, transparency, and honesty.

Who are we going to do it with?

We are a people-oriented business. Our staff, shareholder and stakeholders are at the forefront of everything we do. We strive to go above and beyond the needs and expectations to deliver great places that people can call home.

We will align ourselves with our shareholder's vision of sustainable development including environmental, social and governance policies.

How are we going to do it?

We will work with specialists and a supply chain who share our ethics and culture.

We will embrace co-operation with planners and statutory authorities. We believe in the importance of extensive research through multiple channels, including community engagement and outreach initiatives.

We will design places that complement the environment in which they are built.



Section 2

Risk Management

This Land continues to monitor risk across all areas of the business, including the management of our assets, corporate governance, and other external factors, such as the wider economy and changes to national planning policy.

Risk assessments made are scored against a “risk scoring matrix” that grades the likelihood of occurrence and impact based on a range of types of impact (such as reputational, financial, operational and environmental) to improve consistency.

The Audit and Risk Committee supports the Board in the management of risk and reports its assessment of the effectiveness of the companies risk management.



The 2020/21 Business Plan

The introduction of the 2020 business plan was a fundamental strategic change which focused on the commercial priorities of This Land. The business plan sought to significantly de-risk the business by selling off assets and generate cash inflows the business for operational purposes. This included turning our larger sites into Master Developer schemes allowing the disposal of the first phase to third party housebuilders, retaining our most profitable sites for development and the inclusion of promotional sites outside of the county.

We are pleased to report that land sales have been beyond our original expectations that has placed us in a very strong cash position due to the shortage of consented land available on the market.

We also decided to outsource the construction of new homes to third party contractors. This has significantly reduced our operational risks and has protected us from increased build costs and supply shortages.

Our policy to dispose of the first phases of development on our larger sites has also proven effective and has provided us with significant cash funds. This approach will also facilitate the delivery of more homes into the market quicker and reduce our exposure to any single site.

Health and Safety - Risk Management

This Land is fully committed to achieving standards of health, safety and welfare, creating a safe working environment at all times. It is our objective to identify and minimise the risk of injury and health hazards of all persons affected by the Company's activities, including our workforce, customers, shareholder and members of the public.

The introduction of a Health and Safety weighting for the awarding of build contracts (above that for quality and price) is proving to be very effective, being the only developer in the region to do so.

Our active construction sites are inspected on a regular basis by third parties, in addition to the contractors Health and Safety measures.

We have an enviable Health and Safety record, with a reduced number of accidents and a culture that prevents accidents happening in the first instance.



Purchase of land - Portfolio Diversity

We continue to be active in the land market and have agreed terms for a number of new opportunities including land purchases and promotional sites outside of the county.

Opportunities outside the county are important to ensure that not all of our assets are located in a single market location.

While the Cambridgeshire market is strong, we need to de-risk from other factors such as environmental or planning risks.

We are working with our shareholder to consider a number of new sites. These will provide capital receipts for our shareholder and also de-risk the business by identifying new land for development.



The Cambridgeshire market remains strong but we recognise increased living costs, through higher inflation, will reduce demand and limit house price growth

The UK economy - Risk Management

Following a year of exceptionally strong growth, UK house prices fell last month for the first time since June 2021, albeit marginally (-0.1%). This left the average house price at £293,221, down £365 from the previous month's record high. The rate of annual inflation eased slightly (to +11.8%), although it's important to note that house prices remain more than £30,000 higher than this time last year. (Russell Galley, Managing Director, Halifax).

The Stamp Duty Land Tax (SDLT) holiday combined with demand created by Coronavirus lockdowns and the need for extra space because of said lockdowns, would have undoubtedly helped to drive activity during 2020 and into 2021.

The Help to Buy: Equity Loan (2021-2023), which was launched on 1 April 2021, has provided huge support for first-time buyers and includes regional property price limits to ensure the scheme reaches people who need it most.

However, this scheme is due to finish in March 2023 and we are monitoring to see whether the new Government First Homes Scheme will be its replacement. Under the current Help to Buy scheme, the Government will lend homebuyers 20% of the cost of a newly built home, and up to 40% in London.

The last date homebuyers can reserve homes and apply for the Help to Buy: Equity Loan is 31 October 2022. The scheme will only apply to property that is practically complete by 31st December 2022.

"Both homeowners (60%) and renters (72%) agree that house prices are the biggest issue facing the market right now and are sceptical that the housing industry will be able to provide reasonably priced, quality homes post-pandemic"

United Kingdom Inflation Rate The annual inflation rate in the UK increased to 10.1 percent in July of 2022 from 9.4 percent in the previous period and slightly above market forecasts of 9.8 percent.

We monitor housing market demand on a daily basis through our own site experiences.

Reputational Enhancement

This Land always works hard at all times to protect our reputation and that our shareholder. We respond quickly and efficiently to requests for information

As an ethical business we remain transparent in our dealings with customers and suppliers and promote positive policies in the way we deal with issues such, as the environment and sustainability.

We are aware that some local residents may object or be concerned by new developments in their neighbourhoods, and we therefore work closely with local communities to consult, engage and reassure all stakeholders prior to the start of any new building work.

We actively engage with local communities as we seek to better integrate our schemes in to existing communities.

At Eddeva Park (Worts Causeway) for example, we recently undertook a public consultation event seeking views on the form and nature of new community facilities we plan to deliver.

At one of our Master Developer sites, we are working with a local parish to support the delivery of additional sport facilities for the wider community.

This has included a contribution of £10,000 towards seed funding to justify a business plan for external funding.

We continue to monitor the local and national economy to ensure that we are delivering homes where there is demand. Prior to the awarding of build contracts, we will be seeking to protect our position in the event of a downturn in the market.

We continue to use a number of lead indicators to monitor demand including data from sales outlets, agents, and other sources.

We will continue to invest in digital marketing across a number of platforms. This has allowed us to identify and focus on key target audiences, which de-risks the sales process but also reduces spend on generic marketing campaigns.



Completed house at our site at Ditton Walk

Avison Young report – Our response

This Land welcomed the publication of an independent review of the business, by Avison Young, which made recommendations to refine the business.

The table below identifies their recommendation alongside our response:

Target Area / Specific Activity to Address	Success Criteria	Timescale	Impact / Outcome	This Land Response
Develop a new financial model to support business decision making and improved governance.	Board has full visibility of secure / unsecure income and expenditure, and Board papers reflect enhanced financial sensitivity analysis.	1–3-month development period / 4-6 month implementation & full data transfer.	A fully integrated and consistent financial management and monitoring tool.	A financial modeller has been appointed and has produced a new model. Both the new and existing models and results are included in this business plan. The model will be further enhanced over the coming months and run alongside the existing.
Shareholder and Board Reports to be expanded to reflect secure and unsecure income and expenditure.	Improved Board and Shareholder visibility of the financial gaps.	0-1 month	The Council will have a better understanding of This Land's ability to meet its loan payments over the coming years.	The secured and unsecured land is identified in the business plan. The inclusion of the CCC owned sites significantly de-risks the business.
Establish a risk orientated approach to the allocation of contingency rather than a blanket 10%.	Better shared awareness and visibility of key project risks. Information should be shared with the Board through the Board papers.	0-3 months	Improved risk analysis and quantification of key risks on a site-by-site basis leading to a more robust financial position.	Specific risk contingencies have been applied on a site-by-site basis.
Greater emphasis on risks and potential mitigation measures.	Improved visibility of key risks both impacting on the financial and operational aspects of the business.	0-1 month	Inclusion of a "live" risk register within the Boards pack and shareholder briefings.	This has already been implemented prior to the AV report being published. There are specific risk registers for the business plan and individual sites

Target Area / Specific Activity to Address	Success Criteria	Timescale	Impact / Outcome	This Land Response
Diarise quarterly shareholder meetings and agree information pack in advance.	Well attended shareholder meetings.	0-1 month	Fully briefed Shareholder with clarity of business direction as well as an in depth understanding of key risks and mitigations.	Implemented.
Formal Shareholder review of This Land's strategic objectives in the context of new political objectives.	Providing clarity to This Land of the Shareholders longer term vision for the company.	0-3 months	Improved balance between financial and non-financial outcomes that better align to the Council's strategic objectives.	ESG subcommittee has been established by the board. An ESG policy has been commissioned including the appointment of third-party consultants (Grain) to support this process. Provision of an additional 50 affordable homes from the portfolio. Creation of a new company called This Land Partnerships to secure and deliver affordable homes at rural locations.
Diarise quarterly shareholder meetings and agree information pack in advance.	Well attended shareholder meetings.	0-1 month	Fully briefed Shareholder with clarity of business direction as well as an in depth understanding of key risks and mitigations.	Implemented.
This Land needs to review the sufficiency of internal resources allocated to the production of development appraisal information.	Better awareness of costs and income.	0-3 months	Improved robustness of information contained in the financial model which supports Board reporting.	We have appointed additional positions within the business including: 2 x Development Managers 2 x Land Managers 1 x Development Coordinator 1 x Sales and Marketing Co-ordinator 1 x Financial modeller 2 x Accountants 1 x Operations Manager

Section 3

Operational Performance

2022 Business Plan

The new business plan is a continuation of the existing with minor changes to the following:

- Creation of a separate company to deliver affordable homes across the county
- Building more homes at our Master Developer site at Soham
- Securing additional land from our shareholder
- Providing an additional 50 affordable homes
- The disposal of three additional sites that fail to meet our hurdle rates



Our show house kitchen at Over



A CGI of our scheme at Brampton where construction will start shortly

Operational Performance - Portfolio breakdown

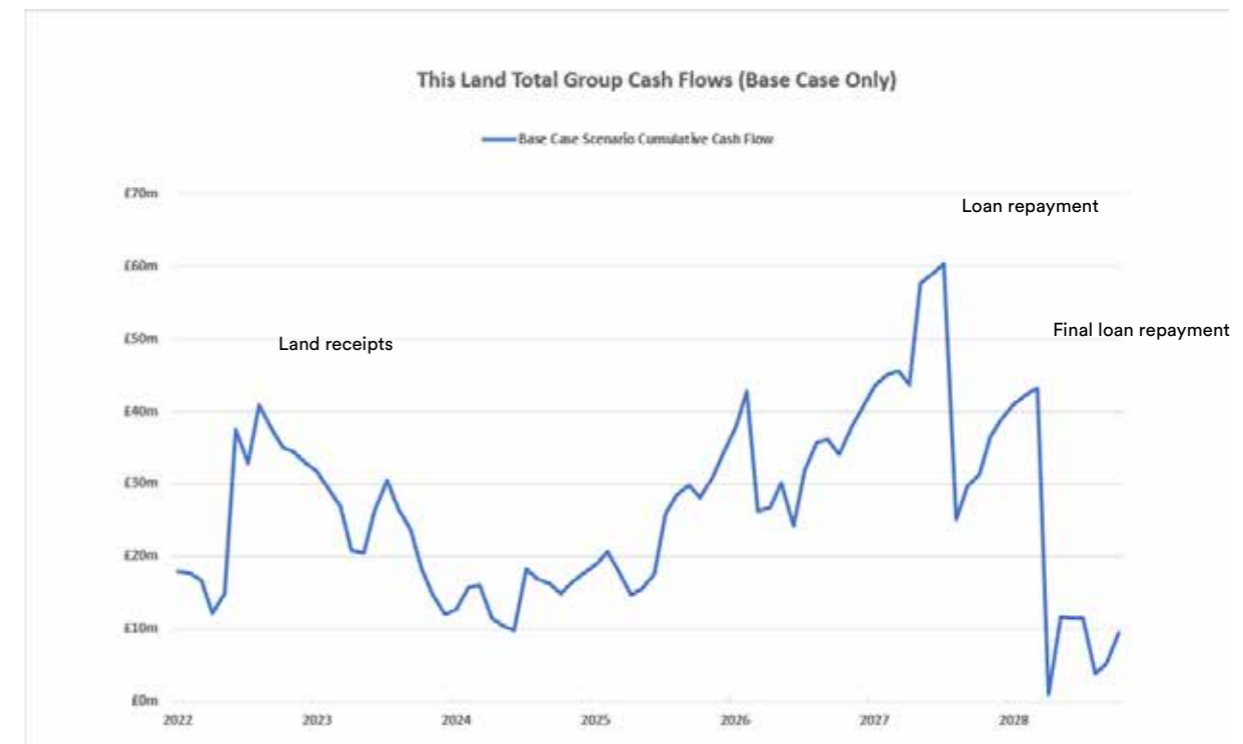
Existing portfolio	<p>The existing standalone development sites include the following: Over, Brampton, Ditton Walk, Horningsea, Landbeach.</p>
Master developer sites	<p>The broad strategy remains the same for the sites at Eddeva, Burwell and Soham. We have increased the number of homes we build at Soham from 100 to 239 new homes.</p>
Disposal sites	<p>We have included the following sites for disposal:</p> <ul style="list-style-type: none"> ▪ Fitzwilliam Road ▪ Malta Road ▪ Foxton <p>In addition to the above sites at, March and Soham Northern Gateway are also included for disposal.</p>
CCC sites	<p>We have been working with our shareholder to identify additional land for development. We have identified 8 potential sites that we are seeking to secure under option agreements, which will allow our shareholder to optimise their returns. The risk of securing planning permission is low to medium, as several sites are brownfield.</p>
Additional 50 affordable homes	<p>An additional 50 affordable homes are included within the portfolio following engagement with the new leadership at CCC at the start of the year. Dubbs Knoll (within the existing portfolio) is expected to provide 13 affordable homes. We have assumed we purchase a further 2 x sites of approximately 15 homes each.</p>
Rural exception sites	<p>We have identified eight rural exception sites with our shareholder, which will be secured under an option agreement. We propose to create a separate company for the delivery of the affordable homes (This Land Partnerships) we anticipate the delivery of approximately 125 affordable homes.</p>
Strategic Land	<p>We have assumed 11 strategic land sites are secured & delivered. We are under contract with three sites and have agreed terms for an additional site in Essex. We are close to agreeing terms for an additional two sites leaving a requirement to find five sites over the next two years.</p>





Base Case This Land Forecast cashflow to 2035:

A cashflow model has been used to project future spend, revenue, interest and loan payments. The graph below shows the cash position up to 2029.



The following conclusions can be drawn from the above cashflow:

- The cashflow confirms the payment of all loans and interest
- This cashflow assumes current costs and selling prices with no revenue growth or cost inflation
- We have a strong cash position for the next 8 years



Scenario Planning

We have modelled a number of scenarios on the existing portfolio for land that we own. Most of the land required for homes we need to deliver as part of the business plan, is already owned.

The business plan has tested the following scenarios:

Scenario	Description
Baseline	As above – no inflationary revenue or build cost inflation providing £9.4m at the end of 2029.
Negative growth	This = (-5%) on all sales values from existing portfolio and +10% increase in costs on ALL sites in the existing portfolio which equals a reduction in overall profit of £71m in 2029.
Negative Growth 2	This assumes 1% growth p.a. on sales revenues with an increase of 7.5% on all sites in the existing portfolio. This equates to a reduction in overall profit of £15.8m.
Low growth	This is the most likely outcome based on previous growth assuming 2% increase in revenue and 2% increase in build cost p.a. This gives an additional £8.1m which would deliver a surplus in 2029 of £17.1m - we consider this the most likely.
High growth	5% growth pa - This is an unlikely outcome based assuming a 5% increase in revenue and 5% increase in build costs. This provides £30.8m at the end of 2029.

The scenario testing of the baseline, growth, negative growth 2, low and high growth demonstrates the following:

The baseline scenario may require additional funding in 2030, however this assumes no growth in either revenue or costs.

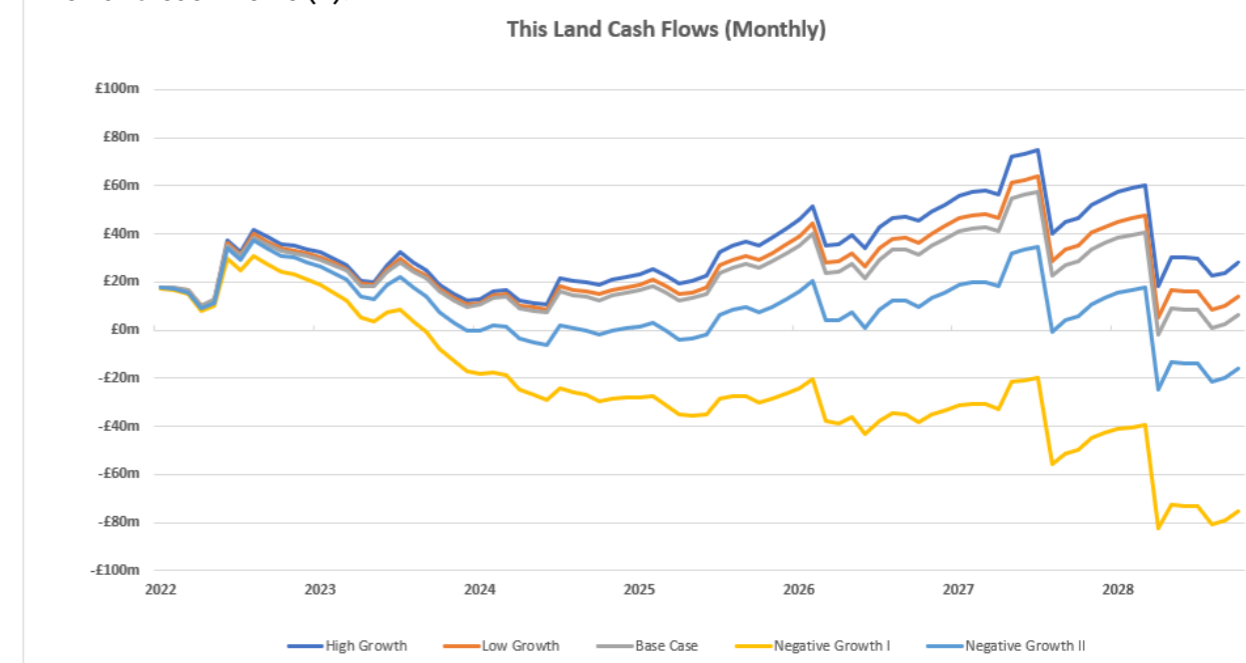
The most likely scenario is low growth, assuming a 2% increase in revenues and costs over the period of the business plan. This will generate a surplus of £17.1m in 2029. The housing market is difficult to predict but high demand and a lack of meaningful supply in the region are expected to support growth moving forward.

We have also included a high growth scenario, assuming growth in revenue and costs of 5% pa. This would generate £30.8m in 2029. This is at the very top end of the estimates and should not be considered achievable but is included for context.

Finally, we have included a negative growth scenario, assuming a negative growth of -5% on revenues with an increase in costs of 10% on all sites across the portfolio. In the event this were to happen, a number of mitigants would be used to limit losses including delaying the commencement of sites, value engineering of schemes and seeking to defer payment of the loans and interest.

The annual review of the business plan allows us to review our position on an annual basis to adopt to changes in the land and housing markets.

This Land cash flows (£).



Section 4

Creation of a stand alone business for the delivery of affordable homes

A key objective of the company is to deliver more affordable homes throughout the county. We will do this by working with our shareholder and deliver 100% affordable housing schemes.

This Land will take on the planning risk and seek to build out the schemes or sell on to third party Registered Providers.

We estimate the delivery of circa 125 affordable homes across Cambridgeshire.



Environmental, Social and Governance (ESG)

The impact we have on the climate as a company is of paramount importance.

We have taken a number of key steps to reduce our CO2 emissions including building homes that emit less CO2 and using Modern Methods of Construction, with materials that will be recycle at the end of their life-cycle.

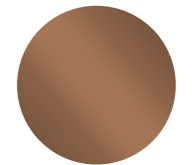
Our policy will set out a framework to enable us to achieve our carbon reduction targets by 2030 and beyond.

We monitor and review several technologies which will reduce our direct and indirect carbon emissions. This includes a number of heating and hot water technologies.

We decided not to use gas boilers several years ago. This proved to be a good decision following the recent introduction of the revised Building Regulations which restricts the installation of gas boilers from this year.

We will continue to build homes ahead of the requirement of building regulations to both de-risk the business and to address the climate emergency.

This will see our homes use smart modern technology including, but not limited to the use of Air Source Heat Pumps and other technologies. The risk of utilising initiative technologies is recognised but this needs to be balanced with the need to dramatically change the way we build and maintain the buildings we live in.





CGI of our Spiregrass Square site at Over.



this
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BUSINESS