

**VALLEY HOUSING LTD (Registered Number: 10157625)**

**Directors' Report - 2022/23**

**1 Introduction**

- 1.1 The following report is presented by the directors of Valley Housing Ltd (VHL or the company) to the Cabinet of Test Valley Borough Council with respect to the activities undertaken by the company in the year ended 31 March 2023.
- 1.2 The report also considers the immediate plans the directors have to continue to grow the company.
- 1.3 VHL was incorporated on 30 April 2016. This is the seventh annual report of the directors to the shareholders.

**2 Management & Administration**

- 2.1 The directors all held their roles throughout the financial year. However, the Head of Housing and Environmental Health has subsequently resigned as a director in June 2023. It is planned that the new Head of Housing and Environmental Health will be appointed as a Director soon as possible after the appointment process.
- 2.2 Financial assistance is provided by the Principal Accountant (Technical) and the PAM Service Business Support Team Leader provides administrative assistance.
- 2.3 The company has retained the following professional service providers throughout the year:
  - Bankers – Barclays Bank plc, High Street, Andover
  - Auditors – Hysons LLP, Winchester Street, Andover
  - Solicitors – Blake Morgan, New King's Court, Chandlers Ford
  - Property management agents (Andover) – Bournes, Swan Court, Andover
  - Property management agents (Romsey) – Winkworth, Market Place, Romsey
- 2.4 Directors and Officers insurance cover was in place throughout the year with a cover limit of £5M. This is to secure the position of the directors whose core role is as a Head of Service for Test Valley Borough Council, rather than company director.

**3 Property Portfolio**

- 3.1 The company now has twenty-three properties in its Portfolio. This is in line with the revised Business Plan in February 2023.
- 3.2 The properties managed by the company throughout the year were:
  - 2 Lune Court, Andover
  - 24 Spey Court, Andover
  - 80 Tintagel Close, Andover

- 98 High Street, Andover
- 100 High Street, Andover
- 22 Church Street, Romsey
- 39 Tintagel Close, Andover
- 50 Tintagel Close, Andover
- 145 Galahad Close, Andover
- 92 Launcelot Close, Andover
- 58 Launcelot Close, Andover
- 181 Galahad Close, Andover
- 101 Galahad Close, Andover
- 231 Galahad Close, Andover
- 130 Galahad Close, Andover
- 1 Portersbridge Street, Romsey
- 3 Portersbridge Street, Romsey
- 5 Portersbridge Street, Romsey
- 7 Portersbridge Street, Romsey
- 9 Portersbridge Street, Romsey
- 11 Portersbridge Street, Romsey
- 13 Portersbridge Street, Romsey
- 30 Alma Road, Romsey

#### 4 2022/23 Financial Performance

4.1 The following table compares the actual financial performance in the year with that shown in the business plan forecast that was presented to Cabinet in February 2023. The figures are based on the draft financial statements, which were being audited at the time the report was written.

	Business Plan February 2023 2022/23	Actual Income & Expenditure 2022/23
Rental and Other Income	259,541	266,163
Property Related Expenditure	(196,955)	(205,564)
<b>Gross Profit / (Loss)</b>	<b>62,586</b>	<b>60,599</b>
Admin & Management Expenditure	(22,696)	(22,913)
Uncollectable debts	0	0
<b>Nett Profit / (loss) for the Year before tax</b>	<b>39,890</b>	<b>37,686</b>

4.2 The table shows that the company generated a profit in the 2022/23 financial year, as expected in the forecast in February 2023. The level of profits earned in the year were roughly £2,200 lower than expected. The key differences to forecast are explained below:

- Rental Income was around £6,600 higher than forecast due to voids being lower than expected during the year.
- Direct costs were around £8,600 higher than expected. This was due to higher than expected agents and maintenance costs during the latter part of the financial year.

4.3 On 31 March 2023, the company had borrowed £40,000 of the £250,000 operational loan facility that has been made available by the Council.

## 5 Future Plans

5.1 The attached business plan update shows two scenarios for the company in the medium term. These are:

- A continuation of the existing portfolio with no growth other than the properties mentioned within the plan.
- An expected growth scenario.

### Anticipated Growth

5.2 The expected growth scenario includes provision for the acquisition of 6 additional properties in 2023/24, all of which are currently owned by the Council. For 2024/25 onwards the expected growth scenario assumes that four properties will be acquired in each year.

5.3 The annex to the business plan shows that there is expected to be a profit of around £16,500 in 2023/24, with increasing profits (£26,500 and £34,600 respectively) in the following two years. These profits will be subject to Corporation Tax at the prevailing rate (currently 19%).

## 6 Conclusion

6.1 The 2022/23 financial year was the company's sixth full year of trading and its third consecutive profitable year. The growth in the property portfolio in 2022/23 was in line with the expectations set out in the business plan presented in February of this year.

6.2 The outturn results were marginally below those expected in the last business plan update that was presented in February 2023. This was mainly due to higher than expected maintenance costs at the end of the financial year.

- 6.3 In 2023/24 the company will focus on bringing to use the properties mentioned in the business plan and, from 2024/25 onwards, it is expected that the company will acquire a further four properties per year.
- 6.4 The company expects to remain profitable going forwards.