2021-22 Performance to June 2021

Areas to cover

Key messages and highlights

- There have been no changes to the Board during 2021/22.
- FHG continue to maintain their G1/V1 rating.
- FHG continue to maintain their S & P credit rating of A+ stable.
- All financial covenants have been comfortably achieved, each maintaining significant headroom.
- The new customer relationship management project is progressing as planned and this will provide a much more streamlined service to customers.
- FHG have implemented a new arrears management system to allow customers who may be at risk of falling into financial difficulties to be identified earlier. This gives the Income Team the opportunity to contact and help them and is especially important in preparation for the cessation of the Covid-19 furlough scheme.
- New developments are being affected by the global materials shortage, however the overall Corporate Plan target is still on track.

Financial highlights for the quarter April 2021 to June 2021 (unaudited)

- Turnover for the quarter was £17.0m (2020: £15.4m)
- Social housing contributed to 78% of total turnover (2020: 83%)*
- Operating surplus for the quarter was £5.7m (2020: £6.7m)*
- Operating margin on social housing lettings was 41% (2020: 48%)*
- Overall operating margin was 34% (2020: 44%)*
- Overall operating margin (excluding asset sales) was 38% (2020: 37%)*
- The overall surplus for the quarter was £3.2m (2020: £4.4m)*
- Interest cover forecast for 2021/22 is 1.41 (covenant 1.10)
- Gearing forecast for 2021/22 is 58% (covenant 80%)

* *Operating results for the previous financial year were impacted by the covid-19 pandemic e.g. reduction in costs relating to repairs and planned works, an increase in void rent loss and timing of asset sales.*

Financial Performance - April 2021 to June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Jun Budget	Apr - Jun Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	13,477	13,247	(230)
Other social housing activities	1,503	794	(709)
Non social housing activities	696	2,928	2,232
	15,676	16,968	1,292
Expenditure			
Social housing lettings	(8,961)	(7,750)	1,211
Other social housing activity	(1,649)	(638)	1,011
Non-social housing activity	(371)	(2,846)	(2,475)
	(10,982)	(11,235)	(253)
Operating Profit	**4,694**	**5,734**	**1,040**
Operating profit %	30%	34%	4%
EBITDA MRI as % Revenue	32%	35%	3%
Gain or (loss) on disposals	212	144	(68)
Net interest (payable)/receivable	(2,632)	(2,690)	(58)
Total comprehensive income for the year	**2,274**	**3,188**	**914**

Financial Performance April 2021 to June 2021 - variance to budget

Operating profit of £5.7m is £1.0m favourable to budget, returning an operating margin of 34%.

This is a strong result and is due to a combination of factors as outlined below:

Income exceeded the budget overall; the main variances relate to:

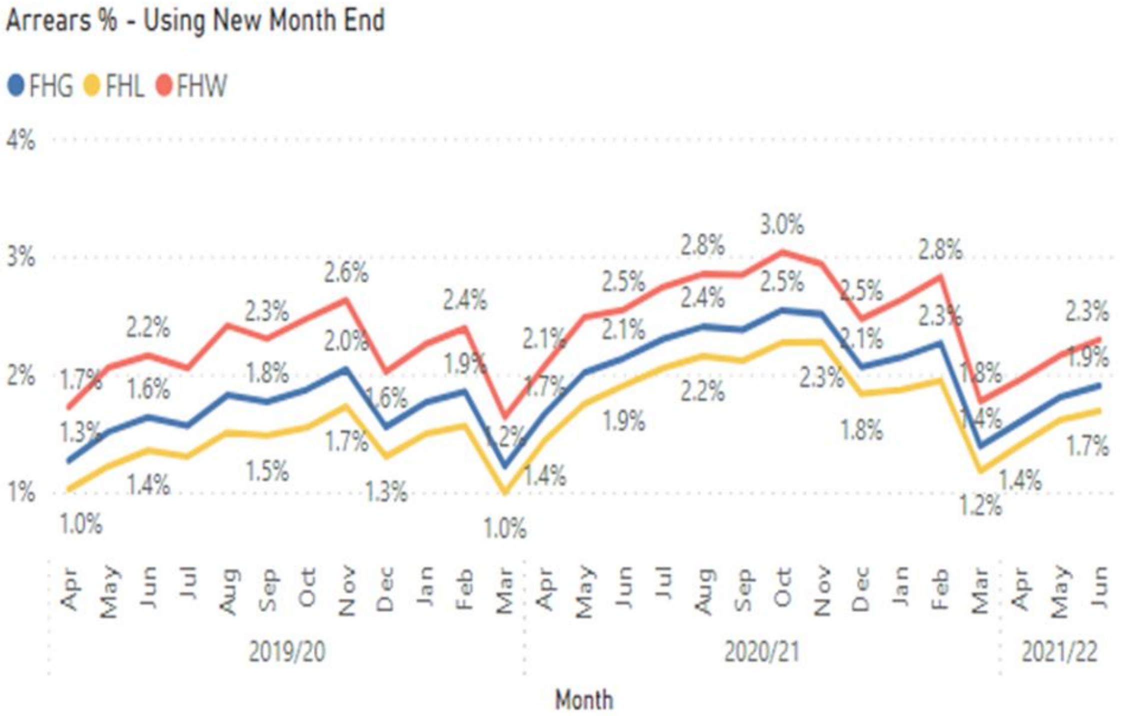
- Delays in the prior year property handovers has resulted in reduced social housing rent. Handovers forecast to catch-up during the year.
- Shared ownership sales volume is behind budget and is forecast to catch-up throughout the coming months, the average profit remains strong and in-line with budgeted assumptions.
- Open market sales has benefitted from several sales being realised that were originally planned into 2020/21.

Expenditure was marginally greater than budget, the main variances relate to:

- Vacant staff posts, delays to major works as a result of material shortages and other operational costs still to be committed.
- Bad debt savings with the quarterly performance at 1.1% compared to the budget of 2.6%
- Shared ownership costs are lower and open market sale costs are higher, the variances are in line with the income variance.

Total comprehensive income for the quarter is £3.2m, £0.9m better than budgeted.

Arrears



Data as at 4th July 2021, Social & Affordable only

June 2021 arrears position

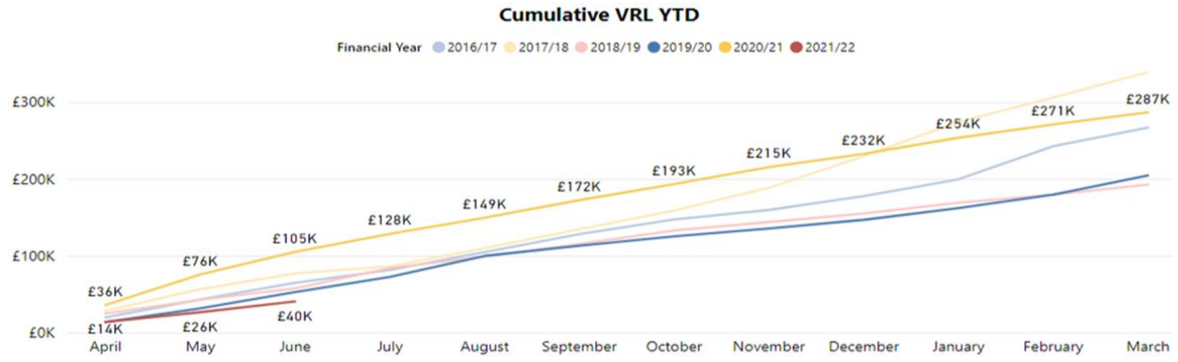
Arrears for the Group are 0.2% lower than for the same period last year, and 0.3% higher than for the same period in 2019/20.

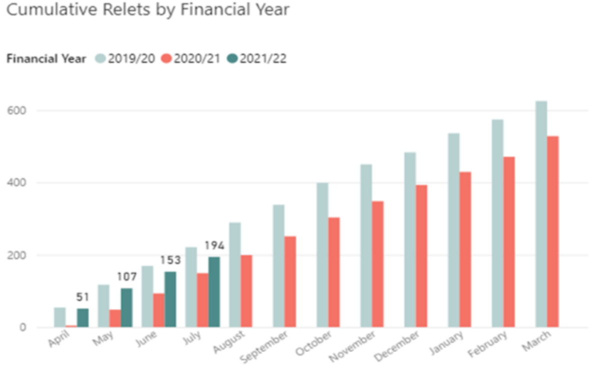
0.8% of the debt is customers in arrears over £1,000, this compares to 0.9% last year and 0.5% for the same period in 2019/20.

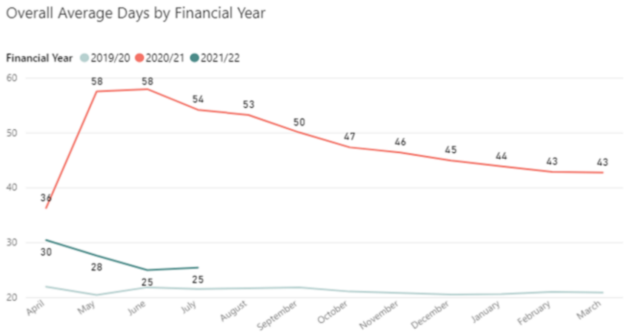
Arrears under £1,000 are similar across all 3 years.

This continues to evidence that it is the customers without intention to pay that are impacting the overall arrears, rather than customers who have the intention to pay but not the means.

Social / affordable void rent loss & relets







June 2021position

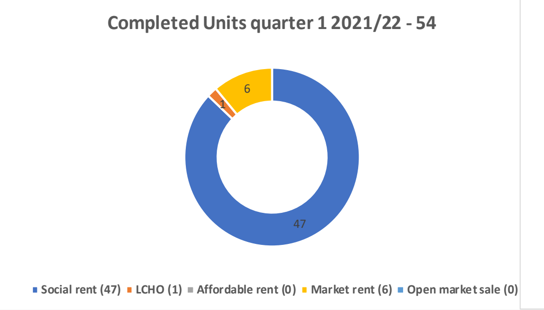
Void rent loss (VRL)

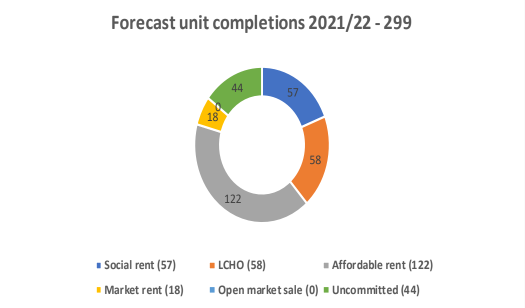
The quarter to June 2021 ended with an overall void rent loss for social and affordable homes of £40k (2020: £105k) and is at the lowest level since before 2016/17.

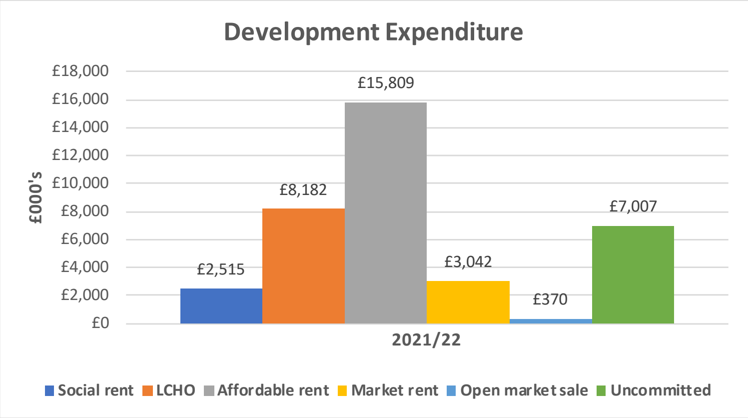
Void relets

The average turnaround to June 2021 is 24.9 days and is a significant improvement when compared to the prior year performance of 42.7 days,

Development performance







Development forecast performance to March 2022

Total forecast spend in 2021/22 is £36.9m and is in line with budgeted; £7m of the total forecast spend relates to uncommitted costs and work is on-going to find and secure schemes. 54 homes have been delivered in quarter 1, and the forecast for the year is 299 homes (includes 44 uncommitted homes), compared to the budget of 336 homes.

Sales activity to quarter 1 has generated £3.0m, the income received is greater for open market sales due to slippage from 2020/21 and shared ownership income is lower, the average profit per sale was in-line with the budgeted position.

To deliver the corporate plan and growth aspirations, an ambitious 7-year development programme was approved by the Board in March 2021 to deliver 1,583 homes by 2028.

As at the 30th June 2021, 544 units are secured, and 233 units are in the pipeline. 21% of approved development expenditure is committed and 14% is awaiting approval.

Business plans are built with prudent assumptions to effectively manage risks associated with new development such as falling property values, rent values and sales risk.

A Homes England bid has been submitted with a strategic partner to deliver 500 homes under the 2021-2026 Affordable Homes Programme.

No reliance on sales income and/or grant income to meet financial covenants so business plans can operate effectively within their funding facilities.