



# 2022-23 Performance to December 2022

# Areas to cover

---

**Section 1**      Key messages and financial highlights

---

**Section 2**      Financial performance – actual compared to budget

---

**Section 3**      Income arrears

---

**Section 4**      Development performance

---

---

---

---



# Key messages and highlights

- G1/V1 Regulator of Social Housing grading reaffirmed in November 2022.
- A+ (stable outlook) Standard & Poor's credit rating reaffirmed in October 2022.
- All financial covenants have been met with sufficient headroom for future risks.
- Substantial cash reserves and undrawn facilities.
- Early repayment of £16.1m bank fixed loans, using the substantial cash reserves with analysis being undertaken to repay some more.

## Financial highlights for the period: April to December 2022 (unaudited)

- Turnover for the period is £44.3m (2021: £46.7m) – reduction due to fewer shared ownership and open market sales
- Social housing contributed to 90% of total turnover (2021: 81%)
- Operating surplus for the period was £13.3m (2021: £13.8m)
- Operating margin on social housing lettings was 30% (2021: 33%)
- Overall operating margin was 30% (2021: 30%)
- Overall operating margin (excluding asset sales) was 30% (2021: 31%)
- The overall surplus for the period was £6.7m (2021: £7.1m)
- Funders EDITDA MRI to interest cover forecast for 2022-23 is 1.39 (covenant 1.10)
- Gearing forecast for 2022-23 is 54% (covenant 80%)



# Financial Performance - April to December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Dec Budget	Apr - Dec Actual	Variance
	£000's	£000's	£000's
<b>Income</b>			
Social housing lettings	40,721	39,759	(962)
Other social housing activities	5,023	2,310	(2,713)
Non social housing activities	2,277	2,216	(61)
	<b>48,021</b>	<b>44,285</b>	<b>(3,736)</b>
<b>Expenditure</b>			
Social housing lettings	(28,590)	(27,758)	832
Other social housing activity	(5,236)	(2,019)	3,217
Non-social housing activity	(1,181)	(1,234)	(53)
	<b>(35,006)</b>	<b>(31,010)</b>	<b>3,996</b>
<b>Operating Profit</b>	<b>13,015</b>	<b>13,275</b>	<b>260</b>
<b>Operating profit %</b>	27%	30%	3%
<b>EBITDA MRI as % Revenue</b>	28%	26%	-2%
Gain or (loss) on disposals	666	1,470	804
Net interest (payable)/receivable	(8,400)	(8,047)	353
Tax	0	(5)	(3)
<b>Total comprehensive income for the year</b>	<b>5,282</b>	<b>6,693</b>	<b>1,413</b>

## Financial Performance April 2022 to December 2022 - variance to budget

Operating profit of £13.3m is marginally higher than budget, returning an operating margin of 30%. This strong result is due to a combination of factors as outlined below:

Income was £3.7m lower than budget, the main variances being:

- Delays in the prior year and current year property handovers has resulted in reduced social housing rent.
- Shared ownership sales volume is lower than expected as some schemes have been re-phased into the following financial year. The average first tranche sales profit is greater than budgeted assumptions due to increased market values.

Expenditure was lower than budget by £4.0m, the main variances being:

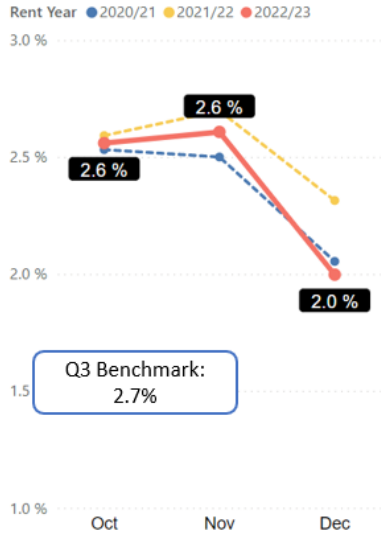
- Bad debt savings as actual YTD performance is 1.0% compared to a budget of 1.5%.
- Shared ownership costs are lower and in line with the income variance.
- Depreciation is lower due to delays in handovers and capital related projects.

Overall, total comprehensive income of £6.7m is £1.4m better than budgeted.

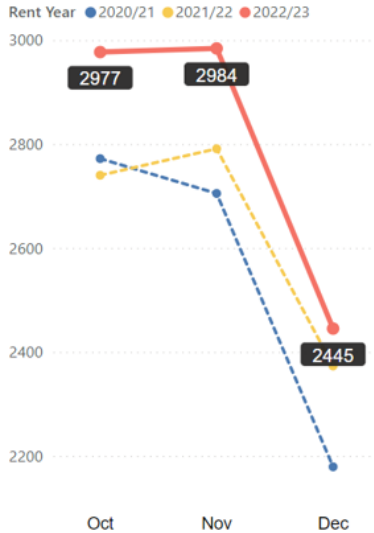


# Arrears

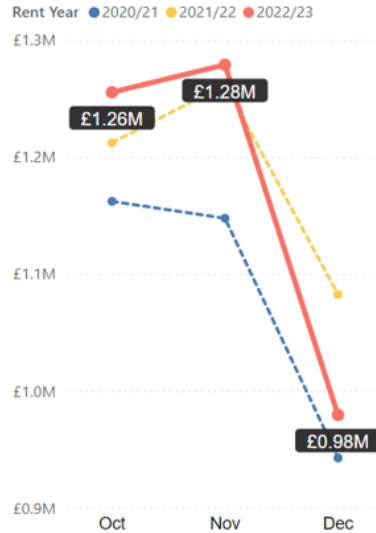
Rent Arrears as % of Rent Roll



Tenancies in Rent Arrears



Total Rent Arrears



## December 2022 arrears position

Q3 has seen an improving position in relation to rent arrears.

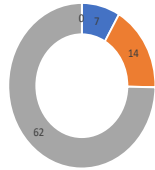
Rent Arrears as % of Rent Roll for Social and Affordable tenancies has reduced below trend at the end of Q3 (and is well below the Q3 Benchmark of 2.7%).

Similarly, the number of Tenancies in Rent Arrears and overall Total Rent Arrears for Social & Affordable tenancies is on a downward trend due to the two rent-free weeks in December.



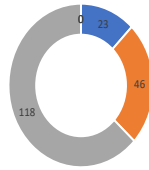
# Development performance

Completed Units to December 2022/23 - 83



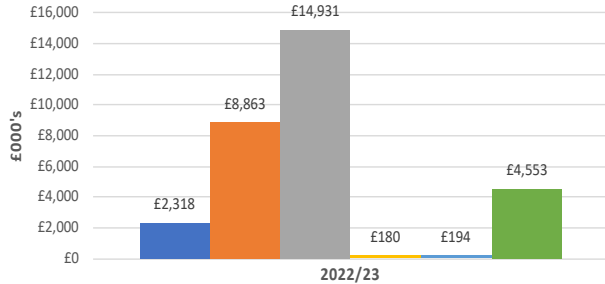
■ Social rent (7) ■ LCHO (14) ■ Affordable rent (62) ■ Market rent (0)

Forecast unit completions 2022/23 - 187



■ Social rent (23) ■ LCHO (46) ■ Affordable rent (118) ■ Market rent (0) ■ Uncommitted (0)

Development Expenditure



■ Social rent ■ LCHO ■ Affordable rent ■ Market rent ■ Open market sale ■ Uncommitted

## Development forecast performance to December 2022

Total forecast spend in 2022-23 of £31.0m is in line with budget; £4.6m of the total forecast spend relates to uncommitted costs and work is on-going to secure schemes. 83 homes have been handed over between April to December, and the forecast for the year is 187 homes.

Sales activity to December has generated £2.2m, shared ownership income is lower due to the timing of sales, however the average profit per sale is benefitting from market value increases.

As at the 31<sup>st</sup> December 2022, 796 units are secured and committed, and 21 units are in the pipeline. 27% of approved development expenditure is committed and 1% 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.

Homes England has awarded £171m of grant under the Affordable Homes Programme to a joint bid between Futures, Midland Heart and EMH. This provides the Group with an additional £21.8m in funding which contributes towards delivering 500 homes.

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

