2023-24 Performance to September 2023

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Key messages and highlights

- G1/V1 Regulator of Social Housing grading reaffirmed in August 2023 following an in-depth assessment.
- A+ (negative outlook) Standard & Poor's credit rating affirmed in October 2023.
- All financial covenants have been met with sufficient headroom for future risks. The negative outlook reflects the unavoidable impact of high inflation and Futures' plans to invest more in the energy performance of its homes which will deliver benefits for both customers and the environment.
- Substantial cash reserves and undrawn facilities.
- Early repayment of £12.9m bank variable loan to take advantage of the favourable rates and Board have approved to repay a further £12m (forecast to take place in Q3 2023-24).
- Approval of a new £75m revolving credit facility has been agreed and is expected to be in place by end November 2023 to replace two other expiring facilities and covenant changes include :
  - ➢ Interest cover EBITDA flat of 140% and applied at a Group level (was previously 110%).
  - ➢ Gearing covenant to remain at 75% until 2027-28 (previously it was to reduce to 70%).

Financial highlights for the period: April to September 2023 (unaudited)

- Turnover for the period is £33.6m (2022: £30.7m)
- Social housing contributed to 90% of total turnover (2022: 91%)
- Operating surplus for the period was £11.1m (2022: £9.7m)
- Operating margin on social housing lettings was 33% (2022: 32%)
- Overall operating margin was 33% (2022: 31%)
- Overall operating margin (excluding asset sales) was 33% (2022: 34%)
- The overall surplus for the period was £7.3m (2022: £5.1m)
- Funders EDITDA to interest cover forecast for 2023-24 is 3.03 (covenant 1.40)
- Gearing forecast for 2023-24 is 56% (covenant 75%)

Financial Performance - April to September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Sept Budget	Apr - Sept Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	30,515	30,142	(373)
Other social housing activities	5,678	2,015	(3,663)
Non social housing activities	1,154	1,443	289
	37,346	33,600	(3,746)
Expenditure			
Social housing lettings	(19,641)	(20,118)	(477)
Other social housing activity	(5,377)	(1,643)	3,735
Non-social housing activity	(477)	(733)	(256)
	(25,496)	(22,494)	3,002
Operating Profit	**11,850**	**11,106**	**(744)**
Operating profit %	32%	33%	1%
EBITDA MRI as % Revenue	24%	27%	3%
Gain or (loss) on disposals	210	2	(208)
Net interest (payable)/receivable	(4,438)	(3,841)	597
Tax	0	0	0
Total comprehensive income for the year	**7,623**	**7,267**	**(356)**

Financial Performance April 2023 to September 2023 - variance to budget

Operating profit of £11.1m is £0.7m lower than budget however the operating margin is higher at 33%. This result is due to a combination of factors as outlined below:

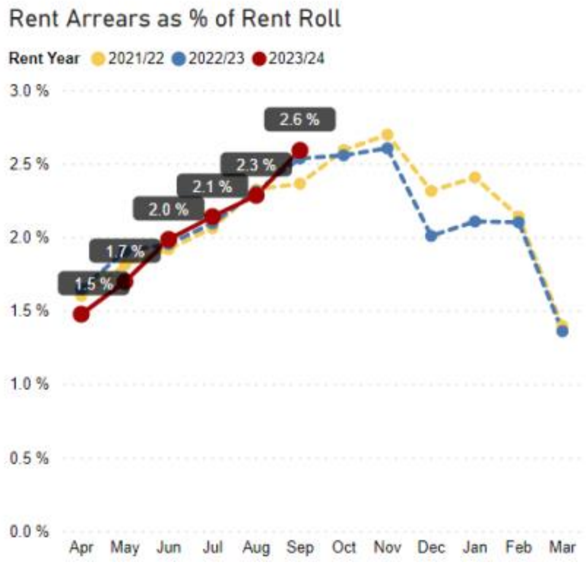
Income was £3.7m lower than budget mainly due to lower shared ownership sales due to some schemes being built slower than planned. There is still very strong demand for all completed shared ownership properties with almost all sold off plan.

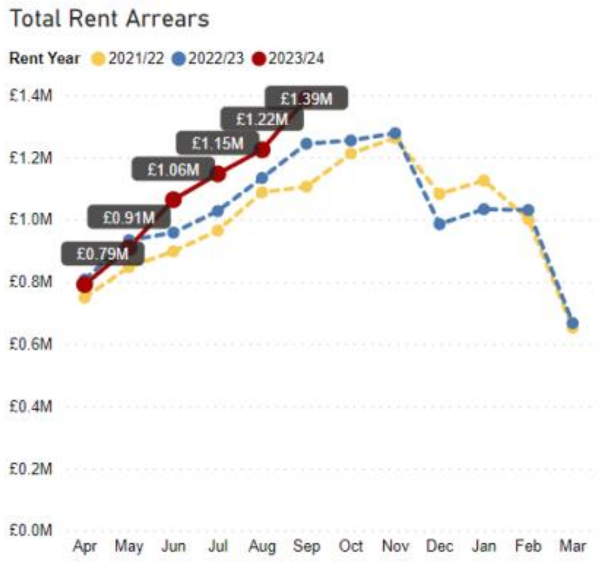
Expenditure was £3.0m lower than budget, the main variance being:

- Shared ownership costs are lower and in line with the income variance however this is offset by
- Higher void repairs costs due to forthcoming major works being accelerated and undertaken when the property is empty. This saves any future disruption to customers.

Overall, total comprehensive income of £7.3m is £0.4m lower than budget.

Arrears – Social & Affordable



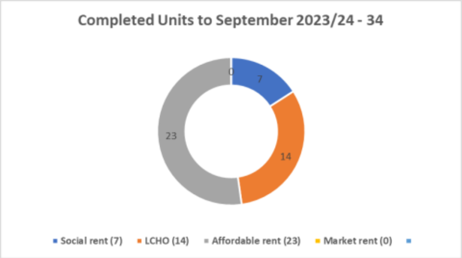


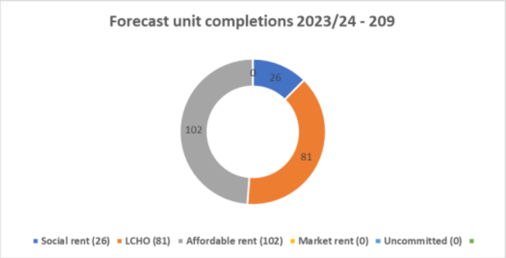
September 2023 arrears position

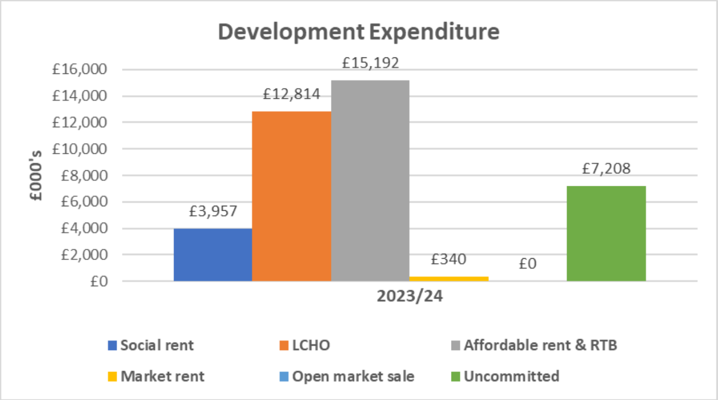
Rent Arrears as % of Rent Roll in June was 2.6% on trend with the previous two financial years.

Total Rent Arrears was £1.4m, higher than in the previous two financial years and this is a area of focus for the organisation.

Development performance







Development forecast performance to September 2023

Total forecast spend in 2023-24 of £39.5m is higher than budget (£37.7m) due to phasing of schemes across the whole programme. 44 homes have been handed over between April to June, and the forecast for the year is 209 homes.

Sales activity to September has generated £0.8m, 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 30th September 2023, 709 units are secured and committed, and 172 units are in the pipeline. 72% of approved development expenditure is committed and 28% 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. New increased grant rates for an adjusted programme are under review at present.

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