Futures Housing Group

2022-23 Performance to March 2023

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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 cash reserves to reduce interest payments to ensure Value for Money for the organisation.

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

- Turnover for the period is £59.4m (2022: £59.7m) – reduction due to fewer shared ownership and open market sales
- Social housing contributed to 87% of total turnover (2022: 83%)
- Operating surplus for the period was £14.7m (2022: £17.1m) – reduction due to fewer sales
- Operating margin on social housing lettings was 26% (2022: 33%)
- Overall operating margin was 25% (2022: 29%)
- Overall operating margin (excluding asset sales) was 25% (2022: 29%)
- The overall surplus for the period was £6.3m (2022: £8.9m)
- Funders EDITDA MRI to interest cover forecast for 2022-23 is 1.37 (covenant 1.10)
- Gearing forecast for 2022-23 is 57% (covenant 80%)

Financial Performance - April to March 2023 (draft results)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Mar Budget	Apr - Mar Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	53,000	51,885	(1,115)
Other social housing activities	6,698	4,689	(2,009)
Non social housing activities	3,102	2,816	(286)
	62,799	59,390	(3,409)
Expenditure			
Social housing lettings	(38,063)	(38,472)	(409)
Other social housing activity	(7,009)	(4,607)	2,403
Non-social housing activity	(1,603)	(1,572)	31
	(46,675)	(44,650)	2,025
Operating Profit	**16,124**	**14,740**	**(1,384)**
Operating profit %	26%	25%	(1%)
EBITDA MRI as % Revenue	27%	20%	(7%)
Gain or (loss) on disposals	789	1,661	872
Net interest (payable)/receivable	(11,199)	(10,138)	1,061
Tax	0	(3)	(3)
Total comprehensive income for the year	**5,714**	**6,260**	**546**

Financial Performance April 2022 to March 2023 - variance to budget

Operating profit of £14.7m is £1.3m less than budget, returning an operating margin of 25%. This strong result is due to a combination of factors as outlined below:

Income was £3.4m lower than budget, the main variances being:

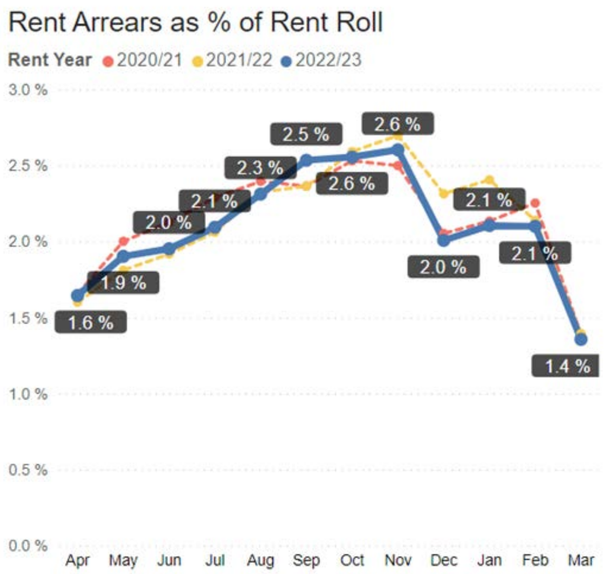
- Delays in the prior year and current year property handovers has resulted in reduced social housing rent.
- Shared ownership sales volume is lower than expected as some schemes have been re-phased into the following financial year. The average first tranche sales profit is greater than budgeted assumptions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

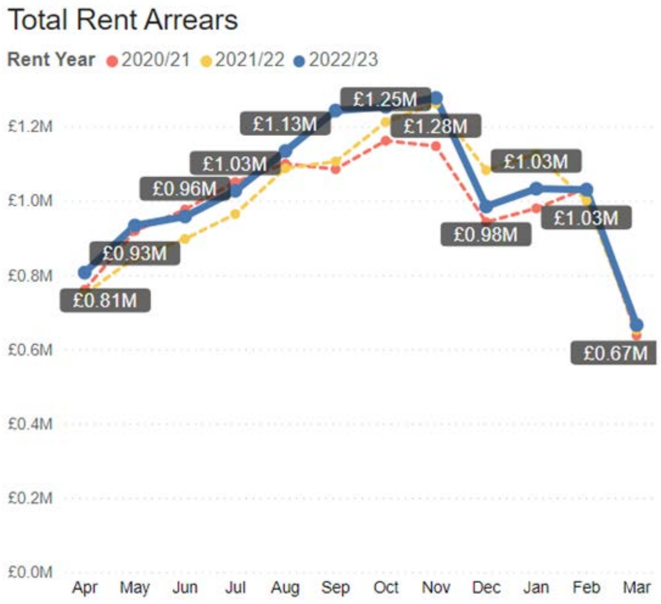
Expenditure was lower than budget by £2.0m, the main variances being:

- Shared ownership costs are lower and in line with the income variance.
- Depreciation is higher due to additional capitalised components including the acceleration of Cat C works offset by a lower bad debt charge.
- Net interest was £1.1m less than budget due to the repayment of £16.1m loans and increased investment rates.

Overall, total comprehensive income of £6.3m is £0.5m better than budgeted.

Arrears – Social & Affordable





March 2023 arrears position

Rent Arrears as % of Rent Roll ended the financial year at 1.4% and **Total Rent Arrears** at £0.67m and both these metrics are on trend with the previous two financial years. In addition, the average arrears balance at year-end of £397 was lower than the previous two financial years. However, the number of Social & affordable tenancies in arrears at financial year-end (1677) was slightly ahead of previous years (1524 in FY2020/21, 1588 in FY2021/22).

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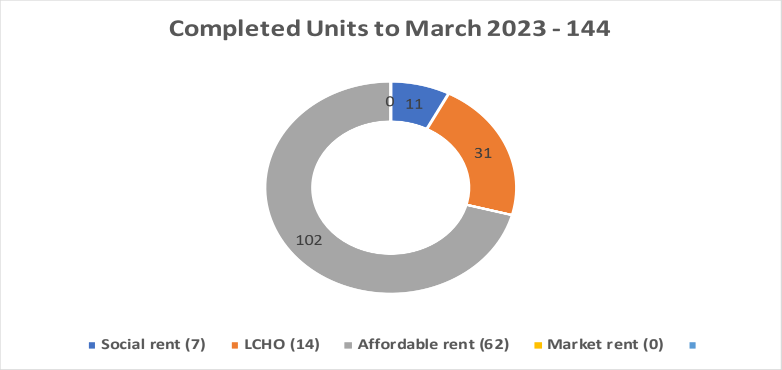
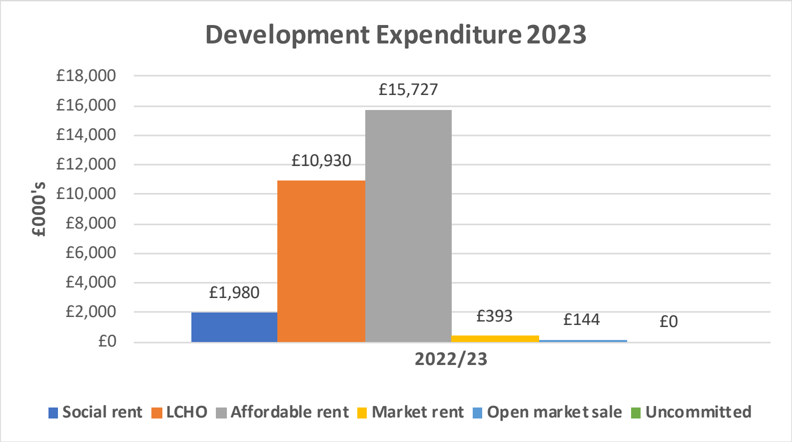
Development performance





Development forecast performance to March 2023

Total actual spend in 2022-23 of £29.2m was slightly less than budgeted. 144 homes have been handed over during the year, which is lower than the forecast (187 homes) due to some schemes being rephased into future years.

Sales activity to March has generated £4.6m, shared ownership income is lower due to the timing of sales and scheme completions being moved into future years, however the average % sold is higher and average profit per sale is benefitting from market value increases.

As at the 31st March 2023, 703 units are secured and committed, and 58 units are in the pipeline. 34% of approved development expenditure is committed and 5% 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.