2023-24 Performance to June 2023

Areas to cover

Key messages and highlights

- G1/V1 Regulator of Social Housing grading reaffirmed in August 2023 following an in-depth assessment.

- A+ (stable outlook) Standard & Poor's credit rating reaffirmed in October 2022; S & P are currently in the process of their 2023 review.

- All financial covenants have been met with sufficient headroom for future risks.

- 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 in Q2 2023-24.

- Approval of a new £75m revolving credit facility has been agreed to replace two other expiring facilities and covenant changes include :

  - Current interest cover is EBITDA MRI at 110% at registered provider level. This has been changed to interest cover at EBITDA flat of 140% and applied at a Group level.

  - Gearing covenant to remain at 75% until 2027-28 (previously it was to reduce to 70%).

  Expected to be in place by the end of September 2023.

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

- Turnover for the period is £16.3m (2022: £15.5m)
- Social housing contributed to 92% of total turnover (2022: 90%)
- Operating surplus for the period was £5.5m (2022: £5.8m)
- Operating margin on social housing lettings was 34% (2022: 38%)
- Overall operating margin was 33% (2022: 37%)
- Overall operating margin (excluding asset sales) was 33% (2022: 38%)
- The overall surplus for the period was £3.6m (2022: £3.4m)
- Funders EDITDA MRI to interest cover forecast for 2023-24 is 1.57 (covenant 1.10)
- Gearing forecast for 2023-24 is 57% (covenant 75%)

Financial Performance - April to June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Jun Budget	Apr - Jun Actual	Variance
	£000's	*£000's*	*£000's*
Income			
Social housing lettings	15,219	15,016	(203)
Other social housing activities	4,880	589	(4,291)
Non social housing activities	566	716	150
	20,665	16,321	(4,344)
Expenditure			
Social housing lettings	(9,514)	(9,976)	(461)
Other social housing activity	(4,593)	(505)	4,088
Non-social housing activity	(224)	(387)	(163)
	(14,331)	(10,868)	3,463
Operating Profit	**6,334**	**5,453**	**(881)**
Operating profit %	31%	33%	3%
EBITDA MRI as % Revenue	24%	29%	5%
Gain or (loss) on disposals	105	135	30
Net interest (payable)/receivable	(2,219)	(1,945)	274
Tax	0	0	0
Total comprehensive income for the year	**4,220**	**3,643**	**(577)**

Financial Performance April 2023 to June 2023 - variance to budget

Operating profit of £5.5m is lower than budget, returning an operating margin of 33%. This result is due to a combination of factors as outlined below:

Income was £4.3m lower than budget, the main variance being:

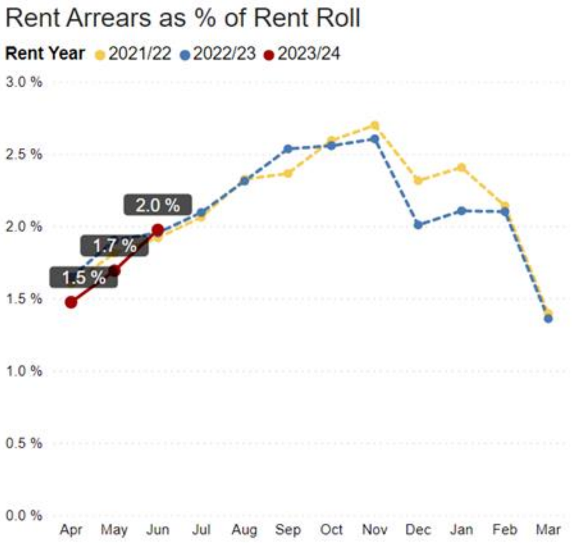
- Shared ownership sales volume is lower than forecast due to building delays causing scheme to be rephased into the future. There is still very strong demand for all completed shared ownership properties with many sold off plan. The average first tranche sales profit is greater than budgeted assumptions due to increased market values.

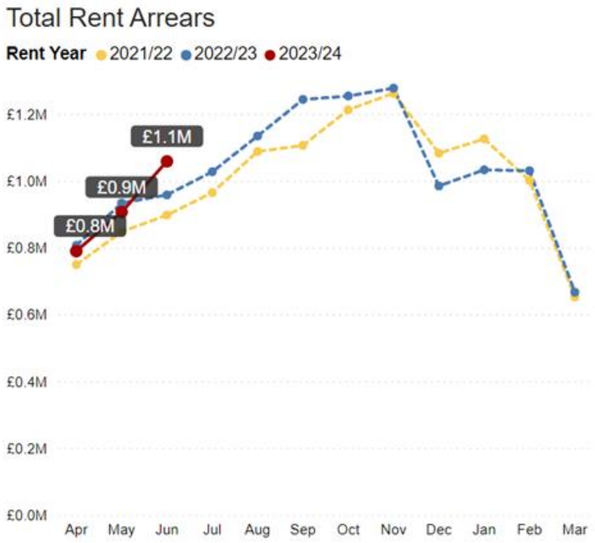
Expenditure was lower than budget by £3.5m, the main variance being:

- 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 £3.6m is £0.6m lower than budgeted.

Arrears – Social & Affordable



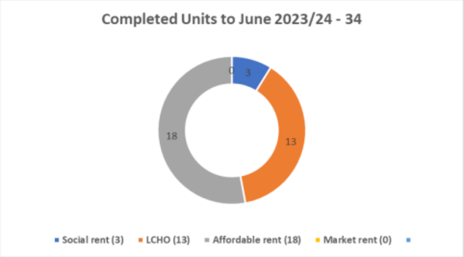


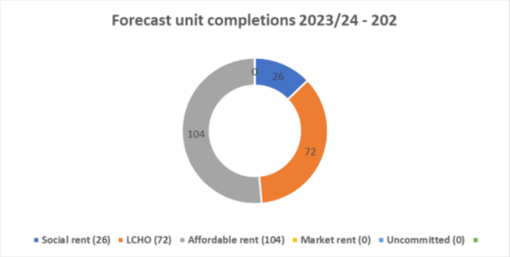
June 2023 arrears position

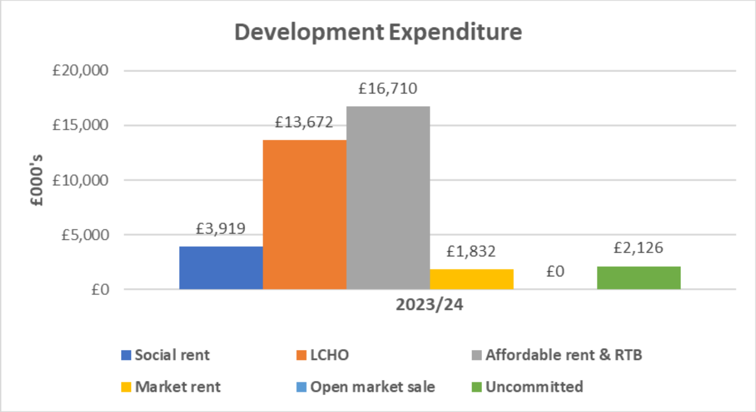
Rent Arrears as % of Rent Roll in June was 2.0% on trend with the previous two financial years.

Total Rent Arrears was £1.1m, higher than in the previous two financial years and this is a area of focus for the organisation.

Development performance







Development forecast performance to June 2023

Total forecast spend in 2023-24 of £38.3m is slightly higher than budget (£37.7m) due to phasing of schemes across the whole programme; £2.1m of the total forecast spend relates to uncommitted costs and work is on-going to secure schemes. 34 homes have been handed over between April to June, and the forecast for the year is 202 homes.

Sales activity to June has generated £0.6m, 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 June 2023, 699 units are secured and committed, and 40 units are in the pipeline. 37% of approved development expenditure is committed and 3% 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.