



Building homes, independence and aspirations

**Unaudited results
for the year ended 31 March 2023**

Home Group Limited (Home Group) issues its unaudited results for the year ended 31 March 2023.

These figures are provided for information purposes only.

Annual Highlights

- Home Group own and manage over **55,000 homes**, primarily affordable tenures, across 192 local authority areas; with 50% of stock within 17 local authorities.
- House over **125,000 people** in our homes across England and Scotland, including accommodation-based support for nearly **12,000 customers** with mental health and physical needs.
- Delivery of **1,098** new homes, **685** of which are affordable tenures.
- Surplus before tax of **£24.9 million**.
- Standard & Poor's (S&P) reaffirmed rating at **A- (stable outlook)** in August 2023.
- Undrawn, committed borrowing facilities and cash of **£369.3 million**.
- Rating from Regulator of Social Housing at **G1 V2**.
- **7th best workplace** and **1st best workplace for women** in the UK in the 2023 Great Place to Work Survey (super large employer category).
- We continue on our long-term sustainability roadmap, publishing achievements in our annual **Environmental, Social and Governance (ESG) report** under the Sustainability Reporting Standard for Social Housing.

Commenting on the results, Helen Meehan, Chief Financial Officer said:

"In the year to 31 March 2023, we experienced external factors that have proved challenging, including inflationary pressure on our supply chain, the cost of living crisis impacting our customers and rising interest rates. We have shown resilience and despite these challenges, delivered a surplus before tax of £24.9 million.

Another effect of the economic climate was the regrading of our viability status to V2 by the Regulator of Social Housing in November 2022. We had been V1 for many years and along with a number of other housing associations, were regraded in November 2022.

More recently we have seen our S&P rating reaffirmed at A- (stable outlook), an outcome we were pleased with. S&P reflected on our positive response to the economic pressures, in particular a planned reduction in our development ambitions and reduced exposure to the property sales market. They also acknowledged the flexibility we have in our plans which would allow us to respond to any headwinds facing the sector.

We take a risk-based approach to decision making and have taken steps to de-risk our plans in light of external factors, including reducing our development plan over the next 5 years and changing the tenure mix. We will continue to pro-actively monitor risks and manage them accordingly.

Over the last year, we invested heavily across the business in building new affordable homes and ensuring our existing ones are fit for purpose. We invested £152 million improving and maintaining our customers' homes – an increase of over 35% in comparison to the previous year.

We are immersed in doing the right things for our business and customers, including supporting our customers through these challenging times. Our financial inclusion team have supported 2,149 customers over the last year, maximising their income by £5.7 million. Our customers are at the heart of our business and we continue to be focussed on delivering our customer promise."



Key Financials

Key Financial Indicators	12 months ended 31 March 2023	12 months ended 31 March 2022
Turnover (£000)	453,786	420,051
Operating surplus (£000)	68,631	66,243
Operating margin ¹	10.7%	13.0%
Operating margin (social housing lettings) ¹	17.7%	19.0%
Operating margin (property sales)	10.4%	9.8%
Surplus before tax (£000)	24,855	28,037
Gearing ¹	42.2%	41.8%
Interest cover (EBITDA MRI) ¹	97.5%	160.0%
Net debt per unit (£)	22,455	21,598

The year ended 31 March 2023 continued to see a significant change in external factors, where cost inflation remained high throughout the year leading to a series of interest rate rises. We have been impacted by rising costs in a number of areas, most significantly impacting the cost of delivering repairs and maintenance services to our properties. The labour market has remained challenging, particularly in our supported and care business, and resulted in us using a higher proportion of agency and temporary workers in comparison to historic years. We also recognise the challenges in the cost of living for our colleagues and made a one-off cost of living payment to over 2,500 colleagues, followed by implementing the Living Wage Foundation Rate changes earlier than required. Despite these challenges, our operating surplus increased to £68.6 million (2022: £66.2 million).

Turnover increased by £33.7 million (8.0%) to £453.8 million, mainly due to an increase in income from social housing lettings of £22.9 million. This reflected the 4.1% rent increase implemented on 1 April 2022 and the addition of new homes for rent. Turnover from new build sales (shared ownership and outright sale) also increased by £19.0m, driven by an increase in sale numbers to 421 (2022: 352).

Offsetting the increase in turnover from rental income and new build sales, our operating costs increased by £37.2 million (12.5%). The main driver for this was increased expenditure of £22.5 million on repairs and maintenance due to an increase in building safety works; high cost inflation; and some one-off costs from short notice arrangements following the early exit of one of our contractors. Our social housing lettings operating margin reduced from 19.0% to 17.7% due to these increased operating costs.

Surplus before tax is £3.2 million lower than in 2022 despite the increase in operating surplus, due to an increase of £4.9 million in interest payable. Our exposure to interest rate rises is mitigated to a large extent by maintaining the majority of our debt at fixed rates. At the year end 78.9% (2022: 82.5%) of the group's debt was in the form of long-term fixed interest rate debt.

Gearing has increased marginally by 0.4% and net debt per unit by 4.0%. This reflects the Group's drawn borrowings increasing to £1,198 million (2022: £1,147 million). Borrowings, together with capital grant and net cash from our operating activities enable us to continue to invest in our existing properties and in new affordable homes.

Interest cover (EBITDA MRI)¹ has reduced to 97.5% (2022: 160.0%) due to higher costs, particularly capitalised repair works, and increased interest charges. This measure is calculated in line with the Regulator of Social Housing's definition. We also monitor compliance and headroom against a number of lender covenants where we continue to have significant headroom against all our lender interest cover covenants with the tightest at over 200% with minimum permitted cover of 100%.

¹ Value for Money metric as defined by the Regulator of Social Housing

Treasury and financing

As at 31 March 2023 net debt was £1,150 million (2022: £1,100 million) and available liquidity in the form of committed, undrawn facilities and cash was £294.3 million (2022: £376.8 million). There was also a committed increase of £75m to an existing revolving credit facility that was fully secured post year end, providing further liquidity. The proportion of drawn debt that was fixed at 31 March 2023 was 78.9% (2022: 82.5%). We continue to have a substantial pool of unencumbered properties available to charge as security against future borrowings.

During the year we entered into a new fixed rate facility of £15 million; and extended the term of an existing £125.0 million revolving credit facility, as well as increasing this facility by £75.0 million as noted above.

Development and sales

Development	12 months ended 31 March 2023 No. of homes	12 months ended 31 March 2022 No. of homes
Social/affordable rent	509	514
Affordable home ownership	176	109
Outright sale	248	172
Joint ventures	165	252
Total homes handed over	1,098	1,047

In 2022/23 we have delivered 1,098 new homes, 685 of which were affordable. Build completions were slightly behind expectation due to site specific challenges including some materials and contractor labour shortages contributing to some delays. We continue to work closely with our contractors and partners to ensure timely completion of new homes. Although we are insulated from cost volatility to some extent through fixed price contracts, we remain cautious as supply chain pressures continue to create blockages and delays. Our development activity is subject to a robust risk management framework with development schemes subject to scrutiny at our Development Committee and Board and schemes will only proceed if target development KPIs are achieved.

New build sales	12 months ended 31 March 2023 No. of homes	12 months ended 31 March 2022 No. of homes
Affordable home ownership	193	165
Outright sale	228	187
Joint ventures	163	269
Total sales completed	584	621
Homes held for sale as at 31 March	97	172

Despite market concerns part way through 2022/23 we continued to see good levels of activity across our mixed tenure sales sites as well as fully affordable schemes. This was in part helped by a lack of reliance on the Help to Buy scheme across our main private sale schemes.

The on-going cost of living pressures and interest rate increases could make buyer affordability an issue as well as impact buyer confidence levels. Mortgages currently remain readily available and relatively affordable but there are signs of volatility in the mortgage markets. We have a strong sales pipeline and are forward sold across a number of our sales sites. We have noted a recent reduction in demand for private sale homes when compared to previous activity levels, however there are no signs of this in the affordable home ownership market currently. Our sales activity and forecasting are subject to regular review and management and sales performance is discussed at Development Committee and Board with mitigation strategies highlighted pro-actively.

In recent years we have deliberately sought to reduce the number of completed properties held for sale, and this has driven a 44% decrease over the course of the last year.

Asset management

Maintenance	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Routine maintenance	62,921	48,609
Planned maintenance	24,674	22,212
Major repairs expenditure	18,729	13,018
Capitalised works	45,695	26,368
Amount spent on improving and maintaining customers' homes	152,019	110,207

Total maintenance spend was £41.8 million higher than 2022. The most significant increase is a £19.3 million increase in capitalised works as we expanded our planned programme of improvement works. Major repairs spend includes £15.2 million in relation to building safety works, following proactive surveys of our properties (2022: £8.7 million). We will continue to focus investment in our existing homes to ensure they are safe, maintained to a good standard and improved to deliver better energy efficiency.

During the year we incurred higher routine maintenance costs when we had to put short notice arrangements in place to ensure continuity of service to our customers following the early termination of contract by one of our maintenance contractors. Following an adjudication process we were awarded £6.8 million to recover these costs. This amount is recognised as other operating income.

We have continued to expand our direct labour organisation across areas where we have concentrated stock. This allows us to retain flexibility and resilience where we have previously experienced cost pressures and delays from contractors.

Sustainability

We are now into the third year of our long-term sustainability roadmap, a detailed plan which will allow us to green our business, our homes and our communities, while helping the UK reach net zero, as well as the sustainability aims of the United Nations.

Underpinning our approach to sustainability is the certification of our ISO 14001:2015 Environmental Management System. In December 2022, we once again achieved recertification with no non-conformances. And again, auditors highlighted that they could see real growth in our strategic approach to environmental sustainability.

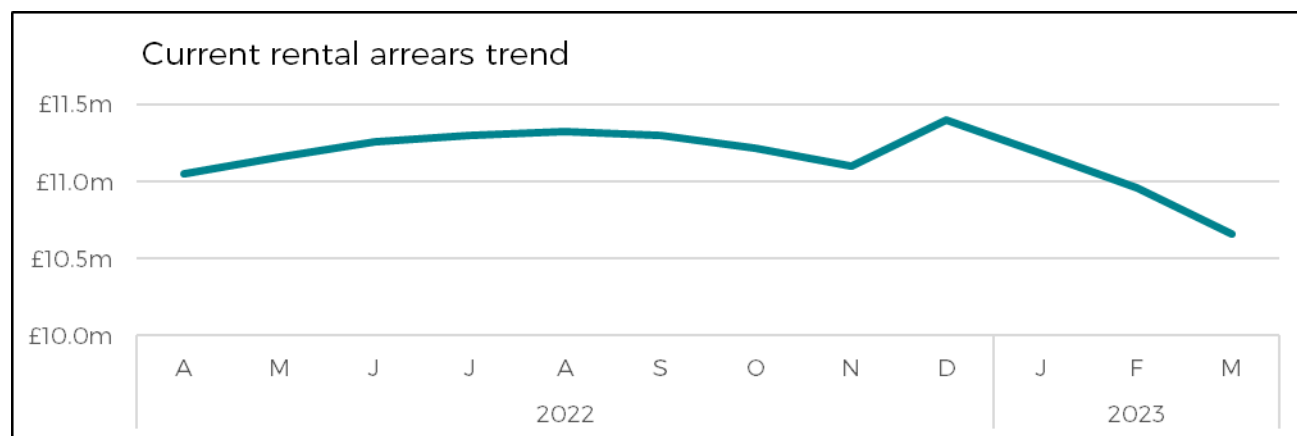
We recently finished our first major retrofit project. After securing funding from the Government's Social Housing Decarbonisation Fund (SHDF) we retrofitted 90 homes in Cumbria which had low EPC ratings. We used the project as a test bed to ensure we would be on the track to retrofit at scale in the near future. The outcomes were excellent, and our customers are now reaping the rewards of greener and more energy efficient homes, which has brought a range of benefits, particularly cost savings.

The success of the project led us to apply for Wave 2 of the SHDF in November as part of a wider bid with partners in the Greener Futures Partnership. Our successful application means we plan to retrofit 1,000 homes over the next two years.

Earlier this year, our colleagues moved into a new office, uniquely designed as a community hub, and for hybrid working. Its Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' rating demonstrates our commitment to the sustainable performance of our offices. In addition, its role as a community hub has been brought to life through the dedicated space within the building for voluntary, community and social enterprises (VCSE).

We will shortly publish our third ESG report which details highlights and achievements across our entire sustainability programme in 2022/23. The report will be published on our website and will be available, together with previous years' reports, at www.homegroup.org.uk/investors.

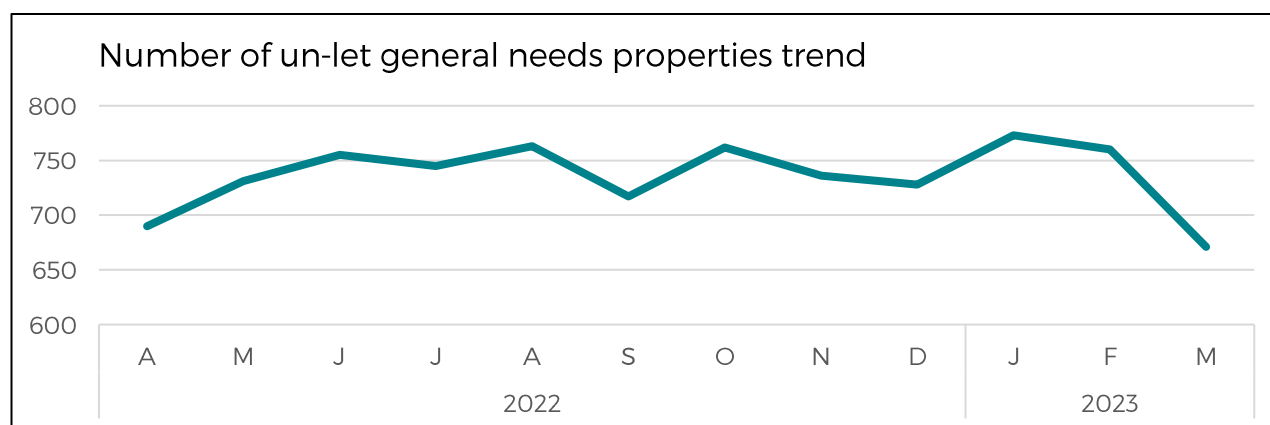
Operational performance



Current rental arrears increased over the year to a peak of £11.4 million as customers were impacted by the ongoing cost of living crisis, before we were able to manage levels back down to £10.7 million by the year end. Arrears remained considerably lower than the levels we saw during the pandemic which rose to a maximum of £12.9 million.

We continue to target reductions in arrears, however expect this to remain challenging. Household budgets remain strained due to the rising cost of living, and we expect some impact as the pause by the Department for Work and Pensions on managed migration to Universal Credit is lifted.

Our financial inclusion team continues to work with customers who are experiencing financial pressures, helping them to claim benefits they are entitled to. Additional resource will be added to the team in the coming year, with a focus on proactive campaign work in our communities to reach those who may not be digitally engaged or enabled.



The number of un-let general needs properties rose during the year as we experienced delays in completing void repairs before homes were available for re-let. In some regions, contractors were unable to complete this work within the contractual timeframes due to labour and material shortages. The backlog started to reduce by the year end, to 671 properties un-let (2022: 649).

Summary financial statements

Income & expenditure	12 months ended 31 March 2023 £'000	12 months ended 31 March 2022 £'000
Turnover	453,786	420,051
Other operating income	6,805	-
Cost of sales	(76,890)	(67,979)
Operating expenditure	(334,482)	(297,316)
Surplus on disposal of housing properties	19,412	11,487
Operating surplus	68,631	66,243
Share of profit in joint ventures and associates	2,316	3,758
Interest receivable	2,830	2,064
Interest payable	(48,922)	(44,028)
Surplus before taxation	24,855	28,037

Summary balance sheet	At 31 March 2023 £'000	At 31 March 2022 £'000
Housing properties	2,727,863	2,629,350
Properties held for sale	122,185	132,023
Investments	77,493	71,863
Cash and cash equivalents	48,222	47,931
Loans and borrowings	(1,198,344)	(1,147,463)
Deferred capital grant	(915,781)	(841,958)
Other assets and liabilities	(78,544)	(160,494)
Net assets	783,094	731,252

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