

A man with a beard, glasses, and tattoos is smiling. He has a large tattoo on his head and neck, and a smaller one on his neck. He is wearing a black shirt. In the background, a woman in a plaid shirt is partially visible.

**Investor update  
April/May 2023**

**home  
group**

# Contents



- Group overview and key credit strengths
- Our strategy
- Stock condition
- Sustainability / ESG update
- Q3 business update
- Treasury and funding update
- Appendix – governance and structure



**Group overview  
and key credit  
strengths**

# Key credit strengths



- **Size and scale with strong geographic diversity:**

- Founded in the North East over 80 years ago.
- One of the largest Housing Associations in the UK.
- **Geographically diverse**, operating across England and Scotland.
- Strong **social purpose** with over 90% of properties **affordable tenures**.

**55,000 homes**  
provided to over  
125,000  
customers

- **Financially robust with resilient performance:**

- Results to December 2022 show **resilient performance** despite the challenging backdrop.
- **Strong liquidity** and access to a diverse range of funding sources.
- Focus on maintaining **strong credit rating**.
- Active treasury management strategy with clear **golden rules**.

Turnover of  
**£342m**  
(2021: £314m)\*

Operating  
surplus of **£47m**  
(2021: £54m)\*

\* 9 months to 31<sup>st</sup>  
December (unaudited)

# Key credit strengths (continued)



- **Experienced developer with flexible programme:**
  - Focus on delivery of **affordable housing**: c53% of the programme.
  - Low exposure to direct market sale activities: <10% of the programme.
  - Experienced **joint venture** partner to de-risk development programme
  - **Flexibility** in pipeline to quickly adjust to market conditions.
  - Strategic partner with Homes England, the GLA and Scottish Government.
- **Strong external validation:**
  - Strong S&P credit rating and RSH regulatory rating.
- **Sustainability embedded at the heart of our operating model:**
  - **ESG** is at our heart - we're driven by a **social and ethical purpose**.
  - Committed to EPC C by 2030 and **Net Zero** by 2050.
  - Achieved the **National Equality Standard** in 2023 and are a **Real Living Wage** employer. 5<sup>th</sup> in UK Great Place to Work (super large employers).

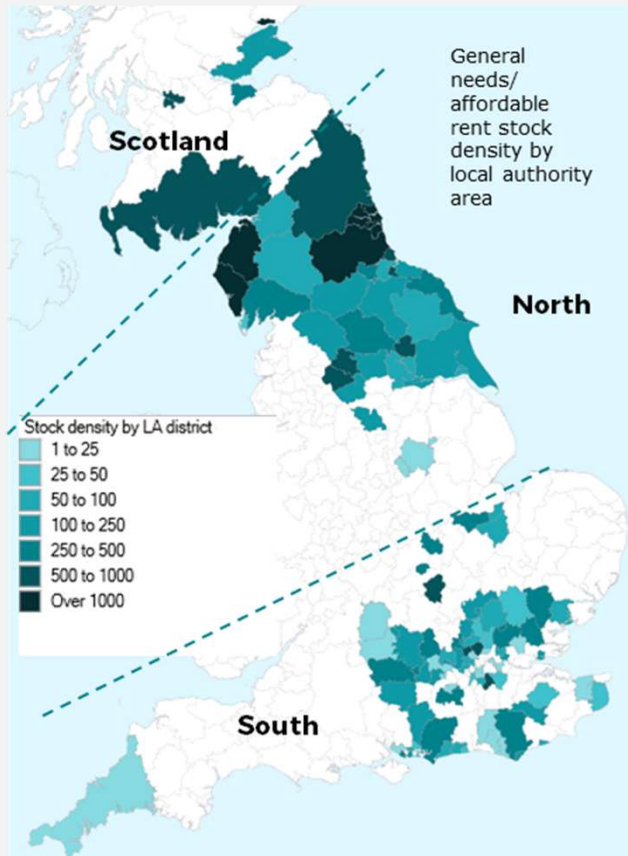
**857 new build homes** handed over (2021: 715)\*

S&P credit rating  
**A- (stable outlook)**  
reaffirmed in August

RSH regulatory  
rating  
**G1 V2**

\* 9 months to 31<sup>st</sup>  
December (unaudited)

# Geography



Home Group own and manage **over 55,000 homes**:

- Operating across over 200 Local Authority areas.
- 50% of stock located in 14 Local Authority areas.
- **Geographic coverage** provides strong mitigation against local market / economic conditions.

Head office based in Newcastle:

- **Directors** of operations are based in Leeds, London and Glasgow.

**Geographic strategy** is developed based on factors including:

- Existing areas of operation.
- Relationship with local authorities.
- Supply and demand.
- Development and regeneration opportunities.

# Housing stock



Residential units as at 31 March 2022	Owned	Managed only	Total owned and/or managed
General needs	41,674	16	41,690
Housing for older people	1,659	-	1,659
Supported housing	4,142	199	4,341
Low cost home ownership	2,980	13	2,993
Other social housing	225	-	225
<b>Total social housing</b>	<b>50,680</b>	<b>228</b>	<b>50,908</b>
Market / mid-market rent	419	-	419
Leasehold	4,347	-	4,347
<b>Total Units</b>	<b>55,516</b>	<b>228</b>	<b>55,674</b>

Geographically diverse stock, with 55% in the north of England.

>90% of stock is affordable housing

c60% of stock are houses / bungalows. Flats typically low rise



**Our strategy**



# Our strategy



- Our strategy is an evolution - **building on the significant shift** we began in 2016.
- It's a five-year strategy but it looks beyond 2027, with a **longer term perspective**.
- Some elements remain **constant** and will not change – our **mission, our values, our customer promise and our brand** continue to guide us.

## The constants



## The goals



Home Group  
in a nutshell

## The enablers



# What will we be focusing on?



- Repairs and maintenance.
- Customer partnerships.
- Community plans.
- Anti-social behaviour.
- Financial inclusion and fuel poverty.
- Allocations.

# What will we be focusing on?



- Introducing the Home Group standard.
- Building where we can deliver best.
- Building homes, not high-rises.
- All homes are affordable.
- Environmental sustainability and achieving net zero.

# What will we be focusing on?



- Building on what we're doing so well!
- Relationships that work for us and our customers.
- Growing our complex care offer.
- Winning new business in both supported. and complex care.

# What will we be focusing on?



- Invest in our colleagues through 'Grow our own'.
- Upskill customers and apprentices.
- Be an exemplar in equality, diversity and inclusion.
- Leading digital first organisation (but not digital only).

The Home Group logo, consisting of the words "home" and "group" stacked vertically in a white, lowercase, sans-serif font, enclosed within a teal circular background.

home  
group

A large teal circle graphic that serves as a background for the text "Stock condition".

**Stock condition**

# Stock condition



- Since March 2021, **26,000 surveys** have been completed with a further programme of **18,500 surveys** due by March 2024.
- Building a team to **manage surveying in-house** and continue to be supported by external surveyors.
- Business planning at **property level** to determine individual property requirements to meet EPC C by 2030.
- **Dedicated teams** and **customer service centre contact lines** to handle incoming queries in relation to both building safety works and damp and mould.
- **Proactive management** of emerging issues of damp and mould through stock condition survey.
- **Robust Fire Risk Assessment process** to inform and support building safety compliance 365 days of the year.
- **Investment in resources**, upskilling and kit, to remedy damp and mould in properties and to manage the fire safety of our properties.



**Sustainability /  
ESG update**

# Sustainability

- ESG continues to be at the heart of our social and ethical purpose.
- As an organisation, we are focussed on:
  -  Making our business, homes and communities green.
  -  Supporting our customers through these challenging times.
  -  Demonstrating strong and effective governance to our stakeholders and partners.
- We have a sustainability steering group, featuring colleagues from across the business with dedicated roles to energy and the environment and others with a keen interest in reducing our environmental impact.
- In 2021 we became an early adopter of the Sustainability Reporting Standard for Social Housing and we have published our second ESG report, based on the 2021/22 financial year. Work on the 2022/23 report is underway.

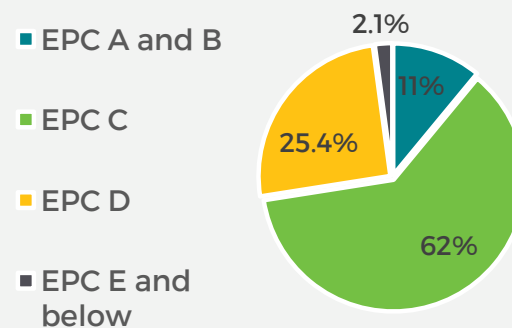


# Environmental

- Founder member of Greener Futures Partnership.
- Collectively represent 9% of the total social housing market.
- Secured £40m from SHDF phase 2, including £7m for Home Group.
- Committed to EPC C by 2030 and Net-Zero by 2050.
- Major retrofit programme in Cumbria, partly funded by the Social Housing Decarbonisation Fund (SHDF).
- Sustainable Homes Index For Tomorrow (SHIFT) silver and ISO14001 accredited.
- Member of the Green Spaces Advisory Board.
- Established a Sustainability Customer Forum.
- Executive led Sustainability Group.
- 97% of new build homes rated EPC B, with the balance EPC C.
- Engagement with customers on ventilation, heating and recycling.



## EPC ratings



**73%** of existing social homes had an EPC rating of C+

Sector Average of 72%

# Social

- We are a social enterprise and our customers are at the heart of our business.
- Committed to delivering our customer promise.
- 98% of our social housing rents are below or equal to Local Housing Allowances.
- Customer forums where outputs are shared with the Board.
- Home Group Fund supports customers in hardship or facing emergency situations.
- Targeted communications campaign to customers most at risk of fuel poverty.
- Placemaking playing a significant part in our regeneration developments, such as our Hartlepool regeneration scheme.
- Home Achievement Programme to help customers work towards an accredited qualification.



**Rent discount from LHA varies between 15% (West Cumbria) to 56% (NW London)**

**99% FRA**

**99.8%** valid gas certificates

**99.9%** Decent Homes Standard

**Financial Inclusion:** 3,954 customer referrals received in 2021/22 - resulting in achieving £2.0m additional income and gaining £0.5m lump sum payments for customers

**Resident Voice:** Dedicated Customer Engagement Team that ensures feedback is collected from customers and filtered through the organisation, right up to Board

**Apprenticeships:** Each year we employ around 120 apprentices – 64% from disadvantaged & diverse groups and 90% stay in jobs at Home Group

# Governance

- External review of Board and Committee effectiveness in 2022 concluded we have a robust governance framework and effective Board.
- Regrated G1/V2 by Regulator of Social Housing in November 2022 (previously G1/V1) to reflect economic uncertainty and financial pressures on the sector.
- Adopter of National Housing Federation Code of Governance 2020.
- Diverse and skilled Board and Committee membership.
- Maximum tenure for Board 6 years (3+3).
- Comprehensive staff wellbeing offer.
- Achieved National Equality Standard.
- Accredited Living Wage Foundation Rate employer.
- 5<sup>th</sup> in the Great Places to Work Survey in 2022.



## Gender

**Home Group Board**  
6 Male / 6 Female

**Executive team**  
4 Male / 2 Female



## Disability

**Home Group Board**  
2 out of 12

**Executive team**  
1 out of 6



## Average age

**Home Group Board**  
59

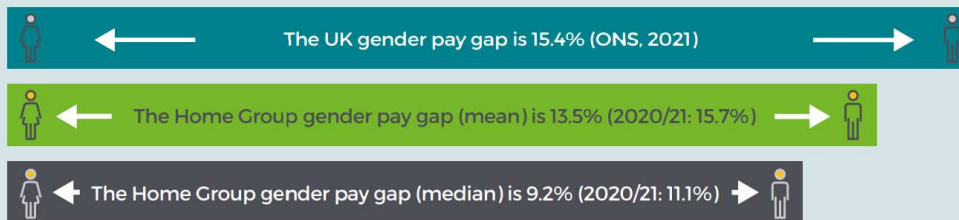
**Executive team**  
53



## Ethnicity

16.7% of our executive team identify as multicultural.  
8.3% of our board identify as multicultural

## Gender





## Our legal and governance structure



We hold a very simple structure (details are referred to in the appendix). Key changes over the last year include:

- Live Smart entity changed to Home Group Repairs Partnership which is a wholly owned subsidiary where we have a direct labour force managing repairs in some of our regions.
- Changes in executive team to deliver our strategic outcomes.
- New Company Secretary appointed in August 2022 and three New Non-Executive Directors appointed to the Board since October 2022.

A Board effectiveness review was carried out in 2022 and concluded there is a good governance framework in place. This review is being refreshed and is underway in 2023, concluding in the summer of 2023.

A photograph of an elderly couple sitting on a light-colored sofa in a living room. The woman, on the left, has short grey hair and wears glasses and a cream-colored top. The man, on the right, has grey hair, wears glasses, and a blue and white striped polo shirt. They are both smiling and looking towards each other. The background features patterned wallpaper and a lamp is visible on the left.

**Q3 business  
update**

# Performance to 31 December 2022



**Surplus before tax of £16.5 million**

**Liquidity (undrawn facilities and cash) of £325 million**

**Delivery of 867 new homes, of which 552 are affordable tenures**

**Reduced number of unsold homes to 128 (Dec-21: 232)**

**Standard & Poor's reaffirmed rating at A- (stable outlook)**

**£110 million spend on improving and maintaining homes**

**Considerable covenant headroom**

**£12 million spend to date on building and fire safety works**

Figures in this section are for the nine months ended 31 December 2022 (unaudited).



# Key financials



Key financial indicators	9 months ended 31 December 2022	9 months ended 31 December 2021
Turnover £000	341,657	314,163
Operating surplus £000	46,656	54,099
Operating margin (Overall)	10.1%	14.6%
Operating margin (Social housing lettings)	16.1%	22.4%
Surplus before tax £000	16,450	26,407
Gearing (maximum 75%)	51.57%	52.45%
Interest cover (minimum 100%)	213%	284%
Net debt £million	1,152	1,099
Net debt per unit £	21,926	21,587



# Development

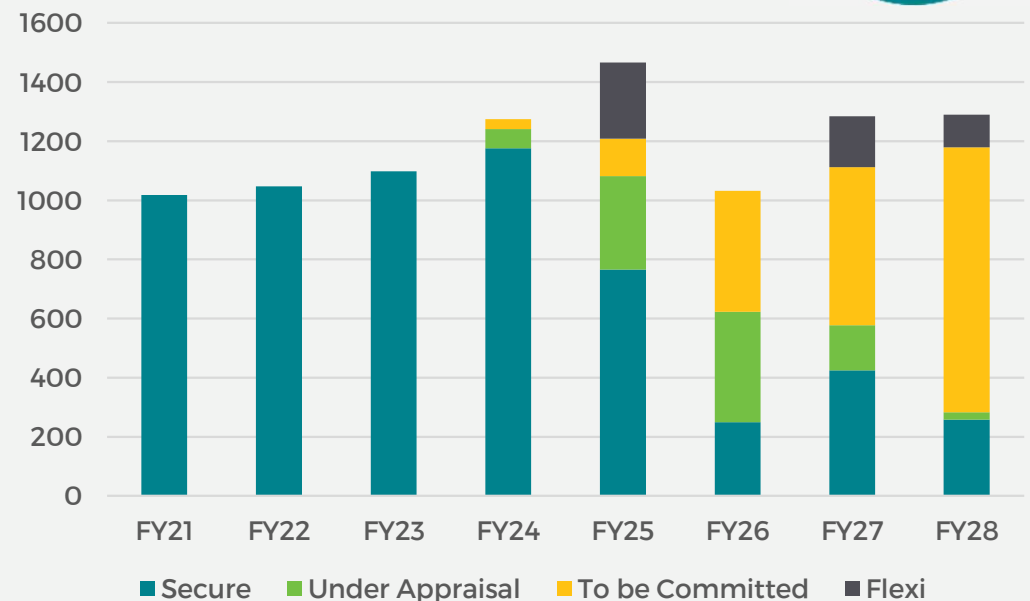


- 867 new build homes handed over in period to December 2022 (December 2021: 715).
- Build completions slightly behind expectation with material and labour shortages contributing to some delays.
- We are actively monitoring our delivery pipeline and working closely with our contractors/partners to ensure timely completion of new homes.

Number of homes handed over	9 months ended 31 December 2022	9 months ended 31 December 2021
Social/affordable rent	429	302
Affordable home ownership	123	62
Outright sale	181	145
Joint ventures	134	206
<b>Total</b>	<b>867</b>	<b>715</b>

# Development

- 54% of our development pipeline is intended to be **affordable homes** added to our existing stock.
- 9% of the development pipeline is intended to be homes for **outright sale**, the proceeds of which help to subsidise development of affordable homes.
- The remaining 37% is homes that will be delivered by our **joint ventures** or through **flexi-rent schemes**, enabling us to limit our exposure while generating further proceeds for reinvestment.
- We maintain a **diverse geographical spread** which helps balance the Group's exposure to regional differences in market performance.
- Strategic partnership with **Homes England, the GLA and Scottish Government** and multiple delivery mechanisms enable us to manage and monitor risk.



51% of the development pipeline is uncommitted which we will only commit to if conditions are right



# Sales



- 388 sales completed in the period to December 2022 (December 2021: 508).
- Despite the challenges in the market we continue to see interest in our sites particularly for Shared Ownership. We are working to deliver our sales pipeline.
- We held 128 completed homes for sale at end December 2022 (December 2021: 232).

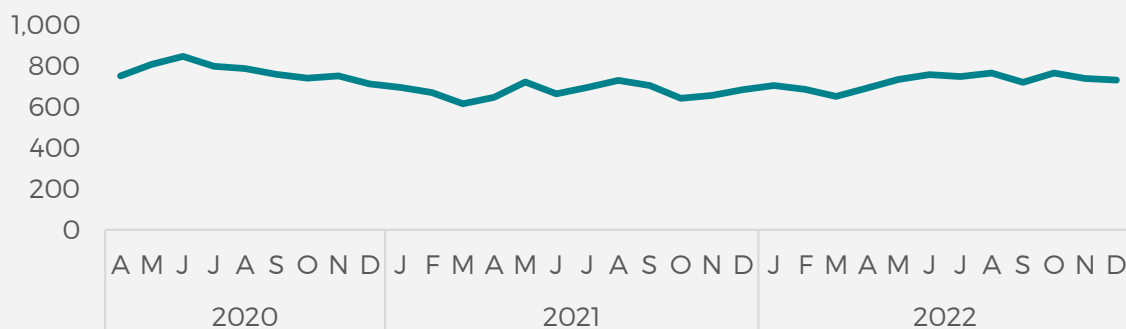
Number of sales completions	9 months ended 31 December 2022	9 months ended 30 December 2021
Affordable home ownership	134	128
Outright sale	122	152
Joint ventures	132	228
<b>Total</b>	<b>388</b>	<b>508</b>

# Operational performance



Number of un-let homes

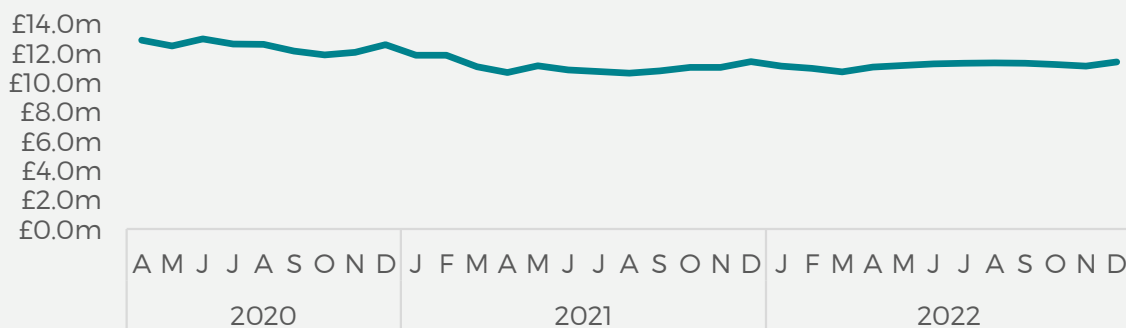
Number of un-let properties



728 empty homes at end of December 2022.

Gross rental arrears

Current rental arrears



Arrears of £11.4 million at end of December 2022.

Improved rent collection offset by the impact of the cost of living challenge.

Financial inclusion team continues to work with customers who are experiencing financial pressures.



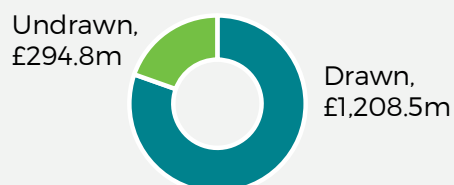
**Treasury and  
funding update**

home  
group

# Capital structure and borrowing



## Committed facilities



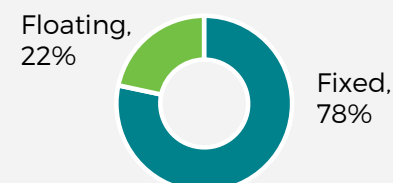
Liquidity position (Dec 22): £295m undrawn facilities plus £30m cash balance.  
Policy is to maintain liquidity to cover at least 18 months' cash requirements (current position: 24 months).

## Security



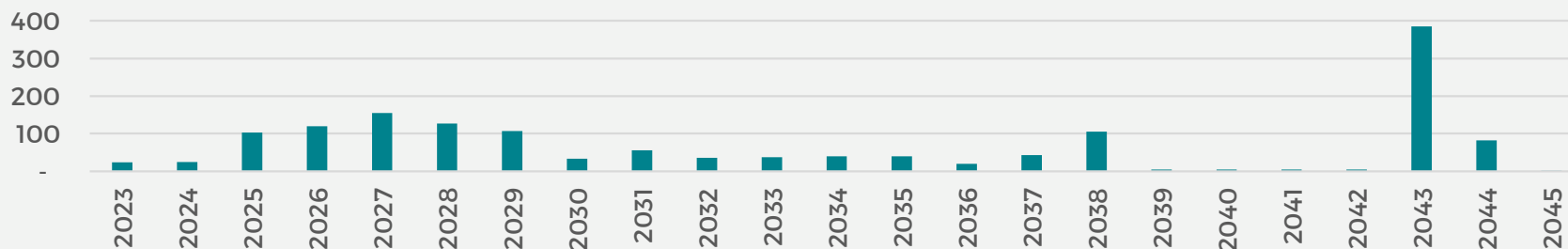
Significant pool of unencumbered assets (£3.7bn MV-VP; £2.0bn MV-STT) to support future growth strategy.  
Valuation is based on internal assessment using market data as at 31 Jan 2023.

## Fixed / floating



No fixed standalone derivatives are currently in place, only fixed rate debt and fixings using embedded options within loan arrangements.  
Policy is to aim to maintain 65-80% of borrowings on a fixed rate basis. Data as at 31 Dec 22.

## Debt Maturity Profile (£m)



S&P credit rating  
A- (stable outlook)



# Credit rating overview



**S&P: A- (Stable Outlook)** – Reaffirmed 19 August 2022:

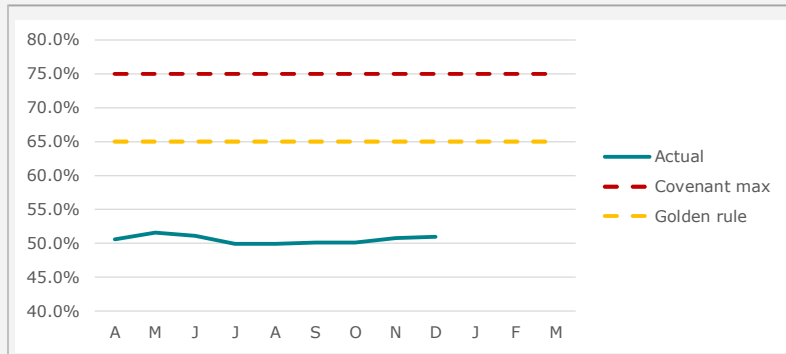
- *“We think that the group's social and affordable needs rents, which we estimate to be just under 65% of the average market rent across the area of operations, reflect strong affordability levels that support the **high demand** for Home Group's properties.”*
- *“**Liquidity coverage** remains **solid** and is expected to strengthen further.”*
- *“The **stable outlook** reflects our view that the strong demand for Home Group's services and **prudent planning** will somewhat offset the risks associated with inflationary pressures and the group's increasing investments in existing and new assets”*
- *“The group's strategy continues to place **emphasis** on achieving **sustainability targets** such as energy efficiency and carbon neutrality. This is evidenced in about 72% of its stock already meeting Energy Performance Certificate (EPC) C standards (or higher)”.*

**S&P Global**  
Ratings

## Golden rules as at 31 December 2022

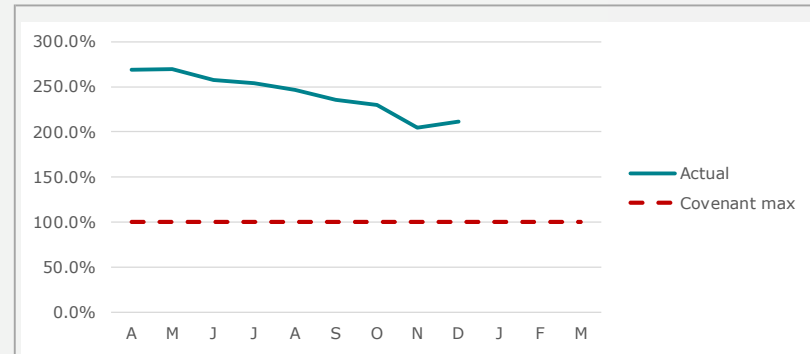
### Gearing

	Actual	Headroom
Gearing	51.6%	£523m



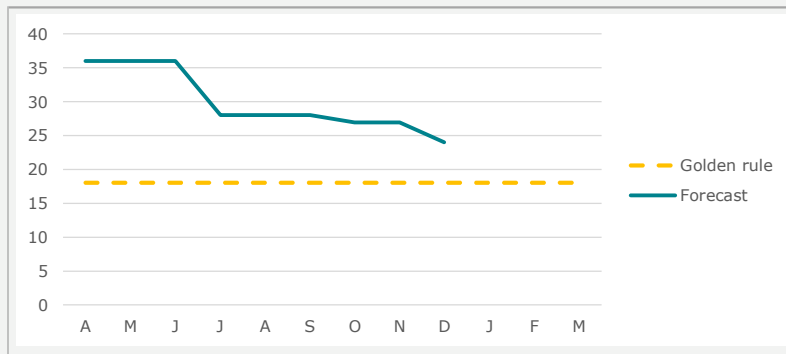
### Interest cover (rolling 12 months)

	Actual	Headroom
Interest cover	211.3%	£43.1m



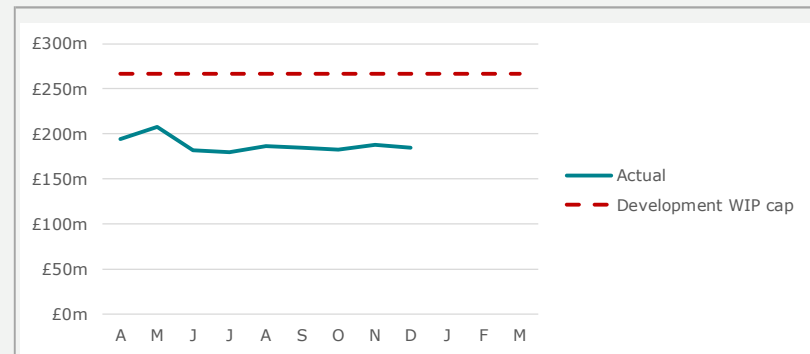
### Liquidity

	Actual	Target
Liquidity	24m	> 18m



### Development WIP

	Actual	Headroom
Development WIP	£185m	£82m





**Key credit  
strengths**

# Key credit strengths



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**A- (stable outlook)**  
reaffirmed in August

RSH regulatory rating  
**G1 V2**

\* 9 months to 31<sup>st</sup> December (unaudited)



home  
group

## Appendix – governance and structure

# Our board



**John Cridland,**  
CBE (Chair)



**Ken Gillespie**



**Susan Deacon,**  
CBE



**Brian Walsh**



**Rhona Bradley**



**Duncan  
Cumberland**



**Chris Vallis**



**Linda Cullen**



**Zoe Hingston**



**Indra Mudie**



**Myriam  
Madden**

Mark Henderson (Chief Executive) and Helen Meehan (Chief Financial Officer) also sit on the board.

Our Board have a variety of experience, including housing, NHS, CQC, construction and financial sectors. Two of our board members are customers. Our website includes further details of our board member's experience.

# Our executive team



**Mark Henderson**  
Chief Executive



**Helen Meehan**  
Chief Financial Officer



**Will Gardner**  
Executive Director –  
Development and Sales



**Paul Walker**  
Executive Director –  
Repairs and Maintenance



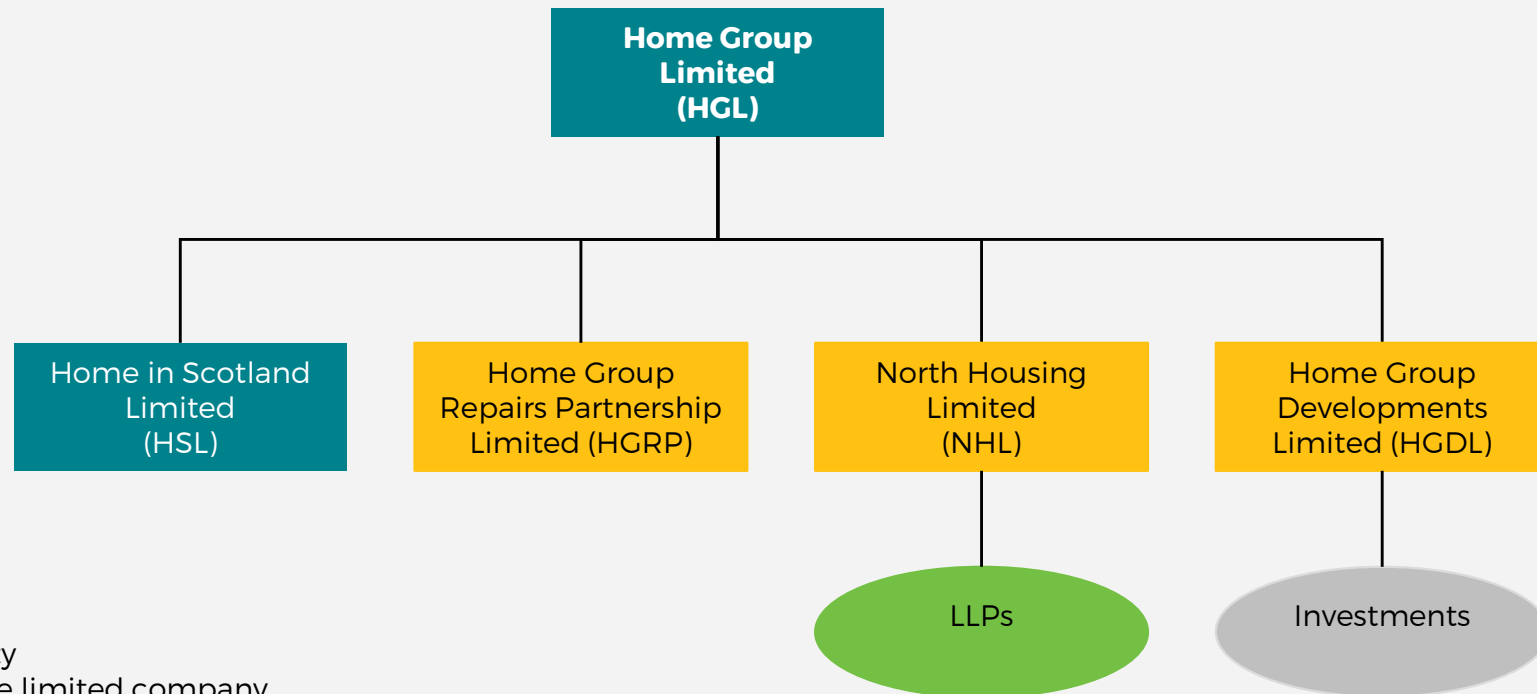
**Nusheen Hussain**  
Executive Director –  
Customer and Communities



**Rachael Byrne**  
Executive Director –  
Models of Care

Our Executive Team collectively have over 50 years of working at Home Group and a variety of experience within previous roles. Our website includes details of their previous experience.

# Our group structure



## Key

- Charity
- Private limited company
- Joint ventures – Limited liability partnerships (LLPs)
- Investments

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