



# Investor Update March 2021

**Rob Griffiths** Deputy Chief Executive and Chief Financial Officer

**Marcus Keys** Executive Director of Growth and Development

# Presenting Team



**Robert Griffiths** Deputy Chief Executive & Chief Financial Officer

- Rob became Deputy Chief Executive in 2015 and has been the Group's Chief Financial Officer since 2006, having joined the organisation in 1994. Rob leads the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management
- Elsewhere, Rob is the Chair of the Housing Statement of Recommended Practice Working Party (SORP) and in 2016 was appointed as a member of the Financial Reporting Councils Technical Advisory Group. More recently, in February 2018, Rob was appointed as an employer representative to the Social Housing Pension Scheme (SHPS)



**Marcus Keys** Executive Director of Growth and Development

- Marcus joined Longhurst Group in May 2019 and is responsible for increasing our mixed tenure development across the Midlands and East of England and securing further growth and joint venture opportunities with public and private sector partners
- He brings a wealth of experience in both the public and private sector, having previously worked for organisations such as the Balfour Beatty Group, Lovell, The Housing Forum and Places for People

# Agenda

## **1. Introduction, Environmental, Social and Governance**

2. Operational and Financial Review

3. Development Programme

4. Financial Results

5. Treasury and Financial Plans

# Overview

- Longhurst Group Ltd (“The Group”) is one of the leading housing groups in the Midlands and East of England, providing more than **23,600 homes**
- Strong track record in delivering our development programme, averaging over **500 completions a year** over the last five years
- The Group is guided by our core set of shared values, our vision is to **improve the lives of our customers and communities**
- Committed to maintain our consistent credit performance which is currently **Moody’s A3 (Stable)** and **G1/V1** status

## Our operating area

**Regional offices**

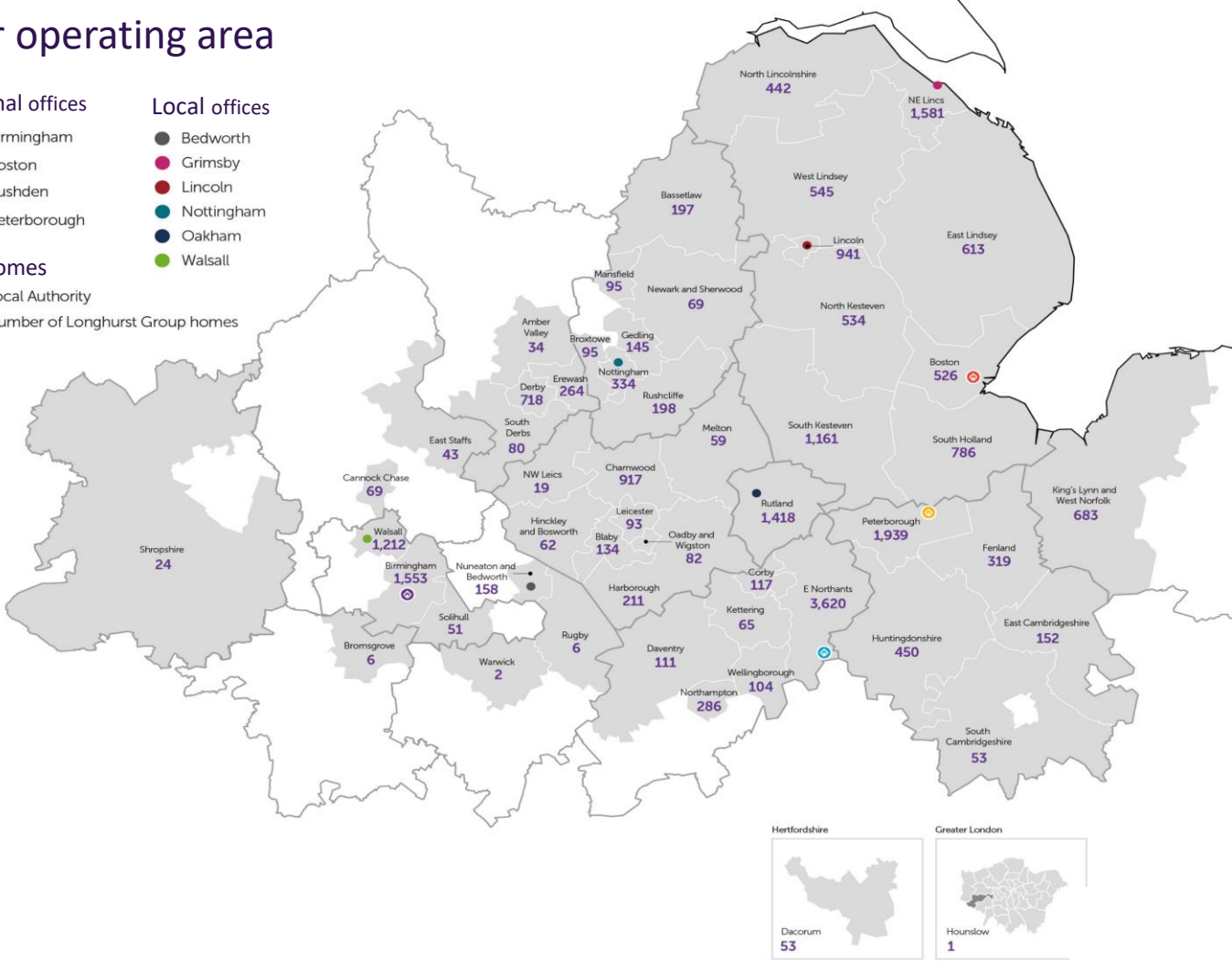
- 📍 Birmingham
- 📍 Boston
- 📍 Rushden
- 📍 Peterborough

**Local offices**

- Bedworth
- Grimsby
- Lincoln
- Nottingham
- Oakham
- Walsall

**Our homes**

- 🏠 Local Authority
- 24 Number of Longhurst Group homes



# Minimising our Environmental Impact



## Our Approach

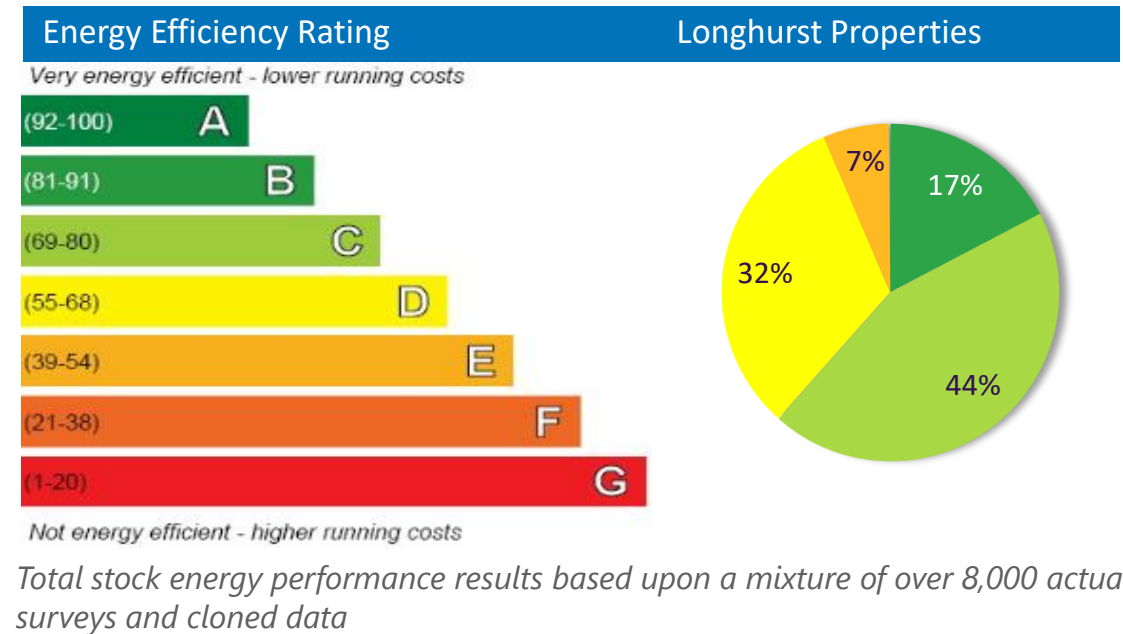
- Signed up to The Good Economy's ESG Reporting Framework
- Working with Savills to develop our environmental strategy for existing homes
- Investment for EPC C in Business Plan
- Assessing our workplace strategy to capture the advantages of agile working

## Our Properties and Communities

- Proactively working to develop and maintain our properties to reduce our environmental impact and improve our communities
- Environmentally minded design on each development project
- All land led schemes in the last two years and going forward to be at EPC B or above
- Actively considering MMC as part of Homes England Strategic Partnership

## Property Performance

- 39% of stock currently below EPC C, majority of D's only just below C
- Working with Savills Property Consultants to profile the sustainable investment needed to improve our properties and maintain them for the future



# External Assessments

MOODY'S



Regulator of  
Social Housing



Homes England

## Credit rating

- Moody's credit opinion published February 2021 with the credit profile of Longhurst Group Ltd remaining at A3 (stable)

### Credit strengths

- Strong operating margins and sufficient interest cover ratios
- Ample liquidity cover against planned development programme
- Supportive institutional framework in England

### Credit challenges

- Increase in forecast borrowing weakens debt metrics relative to peers
- Market sales exposure falling, but expected to remain moderate

## Regulation

- The Regulator publishing in January 2021 that Longhurst Group Ltd maintained the highest rating for both governance and financial viability (G1/V1)

## Development compliance

- Passed all Homes England Scheme Audits



# Our Board



**Robert Wilson**  
Chair

- Appointed  
• 2013
- Skills and experience
- Strategic leadership
  - Finance and treasury
  - Accounting
  - Social housing



**Angie Morris**  
Non-Ex Director

- Appointed  
• 2016
- Skills and experience
- Adult health and social care
  - Service development and delivery
  - Change management and organisational design
  - Organisational risk



**Gabriel Behr**  
Chair of Keystone Developments

- Appointed  
• 2019
- Skills and experience
- Accounting
  - Finance and treasury management
  - Risk and compliance
  - Property management



**Jenny Brown**  
Chair of Audit and Risk Committee

- Appointed  
• 2019
- Skills and experience
- Accounting
  - Finance and treasury
  - Governance
  - Leadership



**Joseph Carr**  
Chair of Libra Treasury

- Appointed  
• 2020
- Skills and experience
- Risk management and controls
  - Financial compliance
  - Tax and accounting



**Parmjit Dhanda**  
Non-Ex Director

- Appointed  
• 2016
- Skills and experience
- Leadership
  - Stakeholder management
  - People management
  - Housing and social care



**Patricia Brandum**  
Chair of Development Committee

- Appointed  
• 2016
- Skills and experience
- Business growth and transformation
  - Financial planning and management
  - Extensive housing sector knowledge



**Stephen Wenham**  
Chair of People, Remuneration and Nominations Committee

- Appointed  
• 2016
- Skills and experience
- Business Change and innovation
  - Social enterprise and partnerships
  - Health and safety
  - Customer focus

# Executive Team



**Julie Doyle**  
Chief Executive

As Chief Executive of Longhurst Group, Julie Doyle has ensured a strong platform for future success by reshaping the organisation, achieving considerable value for money savings and delivering substantial growth.



**Rob Griffiths**  
Deputy Chief Executive & CFO

Rob became Deputy Chief Executive in 2015 and has been the Group's Chief Financial Officer since 2006, having joined the organisation in 1994. He leads the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management.



**Marcus Keys**  
Executive Director of Growth and Development

Marcus joined Longhurst Group in May 2019 and is responsible for increasing our mixed tenure development across the Midlands and East of England and securing further growth and joint venture opportunities with public and private sector partners.



**Sharon Guest**  
Executive Director of Housing Services

Sharon joined Longhurst Group in July 2016, and is responsible for services operating across the Group's 22,000 homes. With more than 20 years housing management experience, Sharon plays a pivotal role in leading the direction of the organisation.



**Louise Platt**  
Executive Director of Care and Business Partnerships

Louise's executive career started in commercial service organisations before joining the housing sector where she has worked for over 13 years, helping Axiom Housing Association achieve excellent ratings for governance and viability.

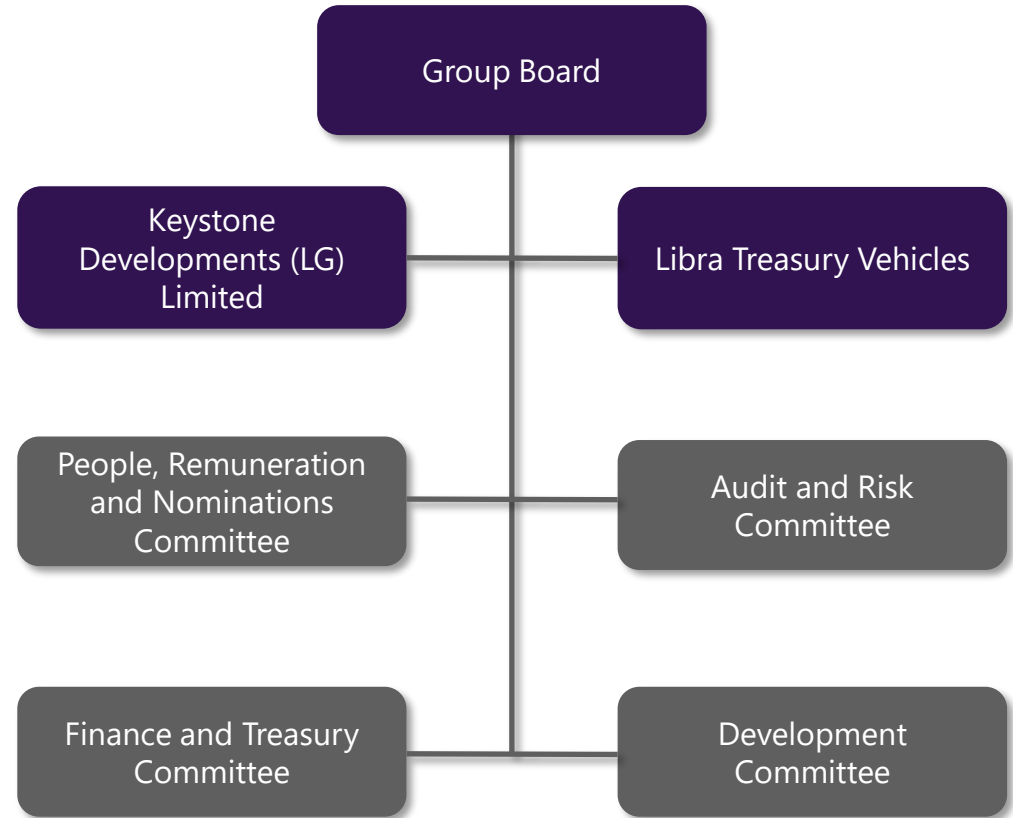
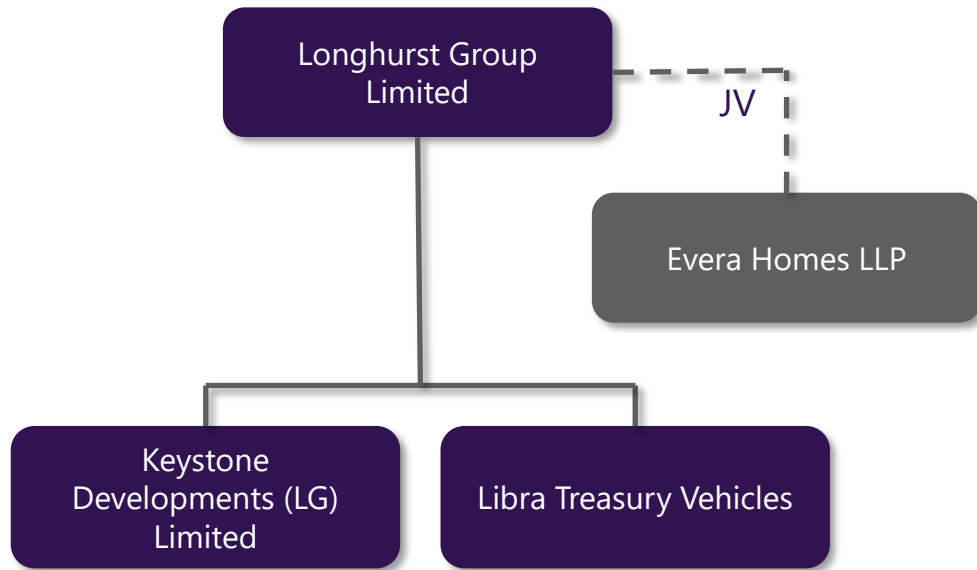


**Lynn Stubbs**  
Executive Director of People and Performance

Lynn joined Longhurst Group in 1996 to lead on performance and quality initiatives within the organisation. Lynn was previously Director of Business Services at Spire Homes, responsible for operational areas such as property and customer services, customer and community involvement, along with quality assurance, regulation and marketing and communications.



# Organisation and Board Structure



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## **2. Operational and Financial Review**

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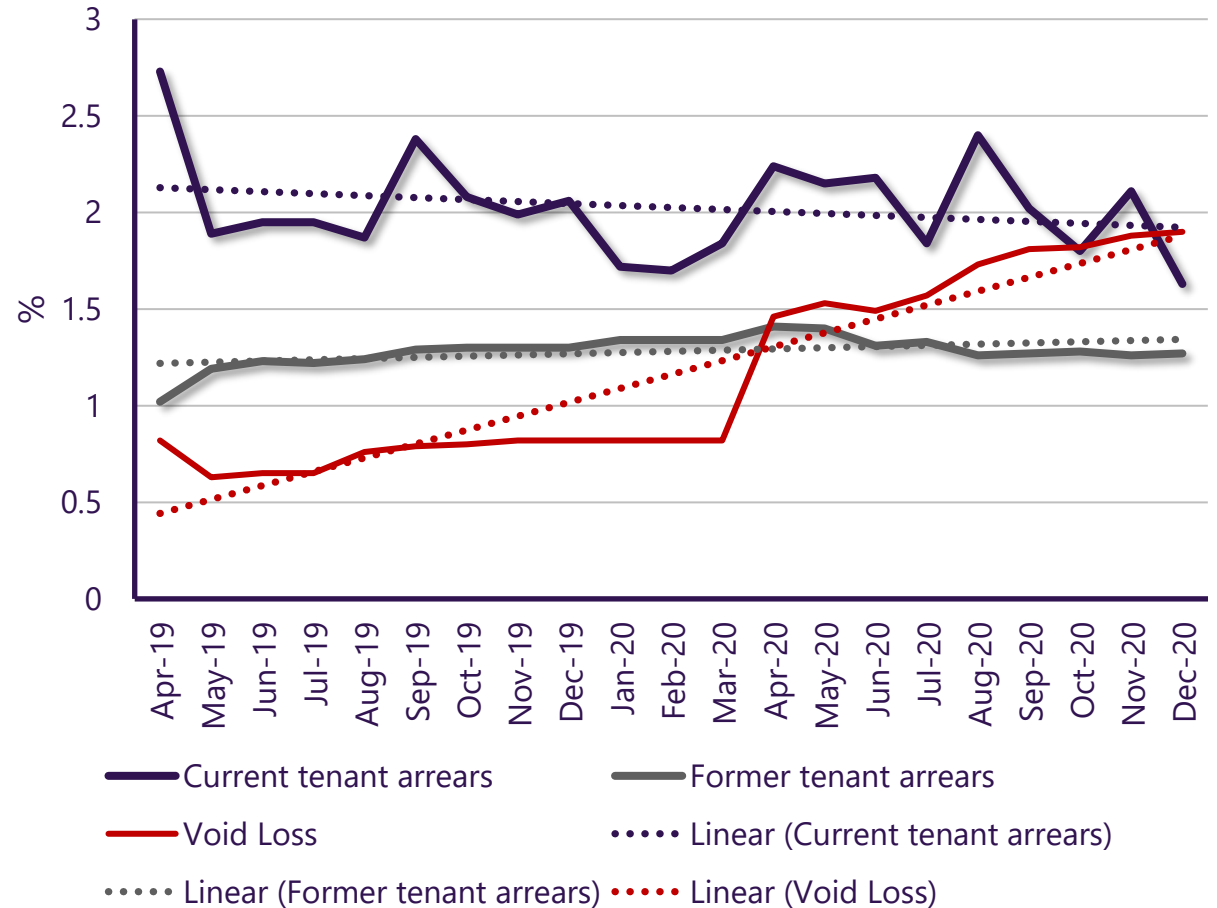
# Covid-19 Response

- Weekly business continuity meetings for directors held during the initial lockdown
- All customers were contacted during April and May 2020 as part of wellbeing support
- On-going support and contact for customers where needed during pandemic
- Money advice service has grown to support access to benefits and provide financial training
- Support provided to staff across the business
- Monitoring of progress at construction sites, social distancing measures and material shortages causing some delays



# Operational Performance

- Arrears performance remains strong
- The management of arrears has been further strengthened to ensure any negative impacts are minimised
- Significant increase in void losses during pandemic
- Increase in losses across all tenures
- Greatest impact on Supported, Sheltered and Extra Care



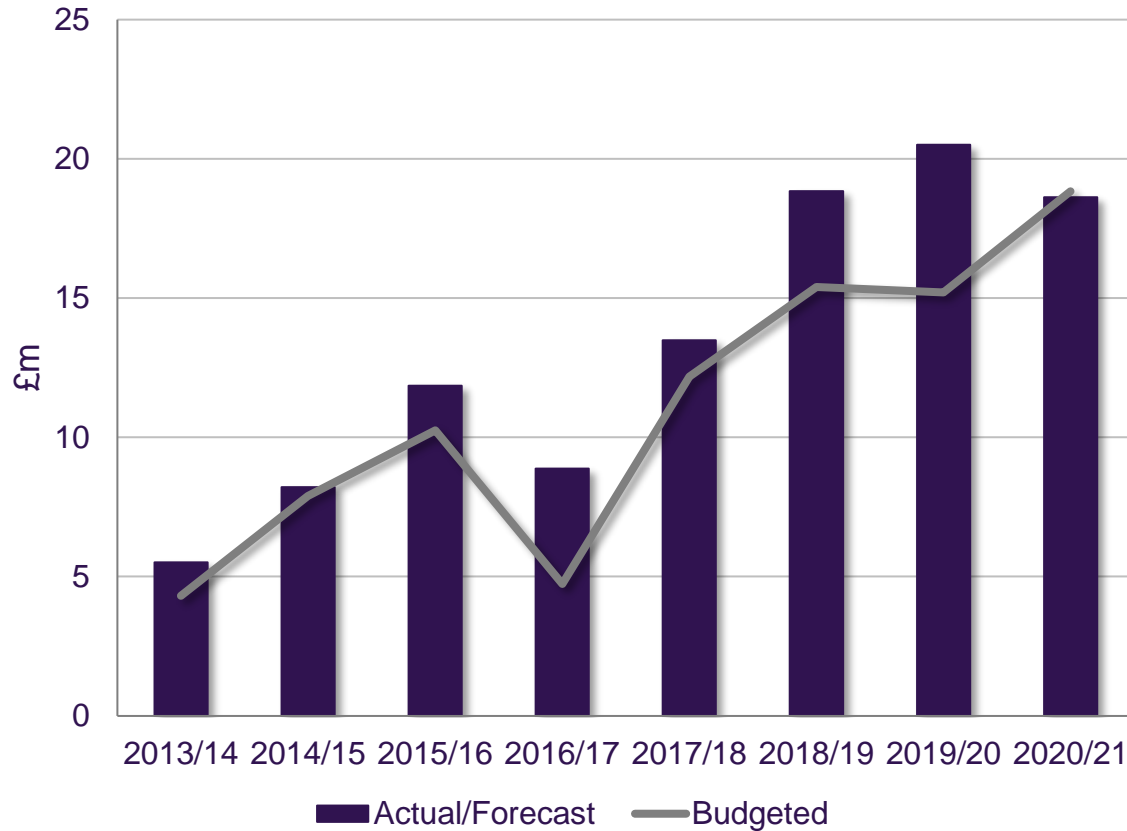
# Repairs Re-procurement

- Full Repairs service maintained during pandemic
- Re-procurement of repairs services underway across the business. Interim contract in place for 21/22, new service to be in place for 22/23
- Focus on improving customer satisfaction

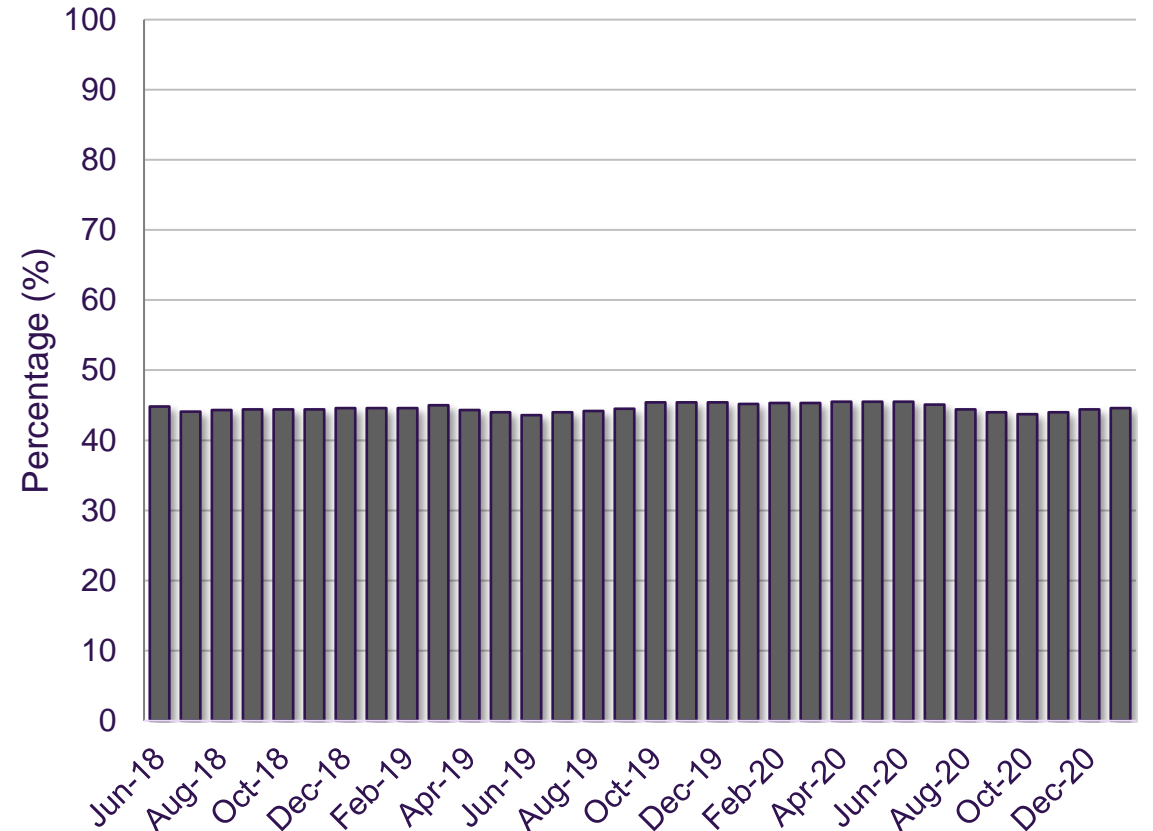


# Property Sales Performance

## First Tranche Sales Performance



## First Tranche % (3 month rolling average)



# Improving Lives 2025 Strategy

- IL 2025 Strategy launched in late 2019
- Focus on Health and Wellbeing & Economic Resilience
- Dedicated Community Investment Team now in place
- Continuation of Community Investment fund launched in 2019/20 - £500k pa
- Carers pledge and accessible homes campaign launched in summer 2020
- Close alignment of other strategies under the corporate plan



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## **3. Development Programme**

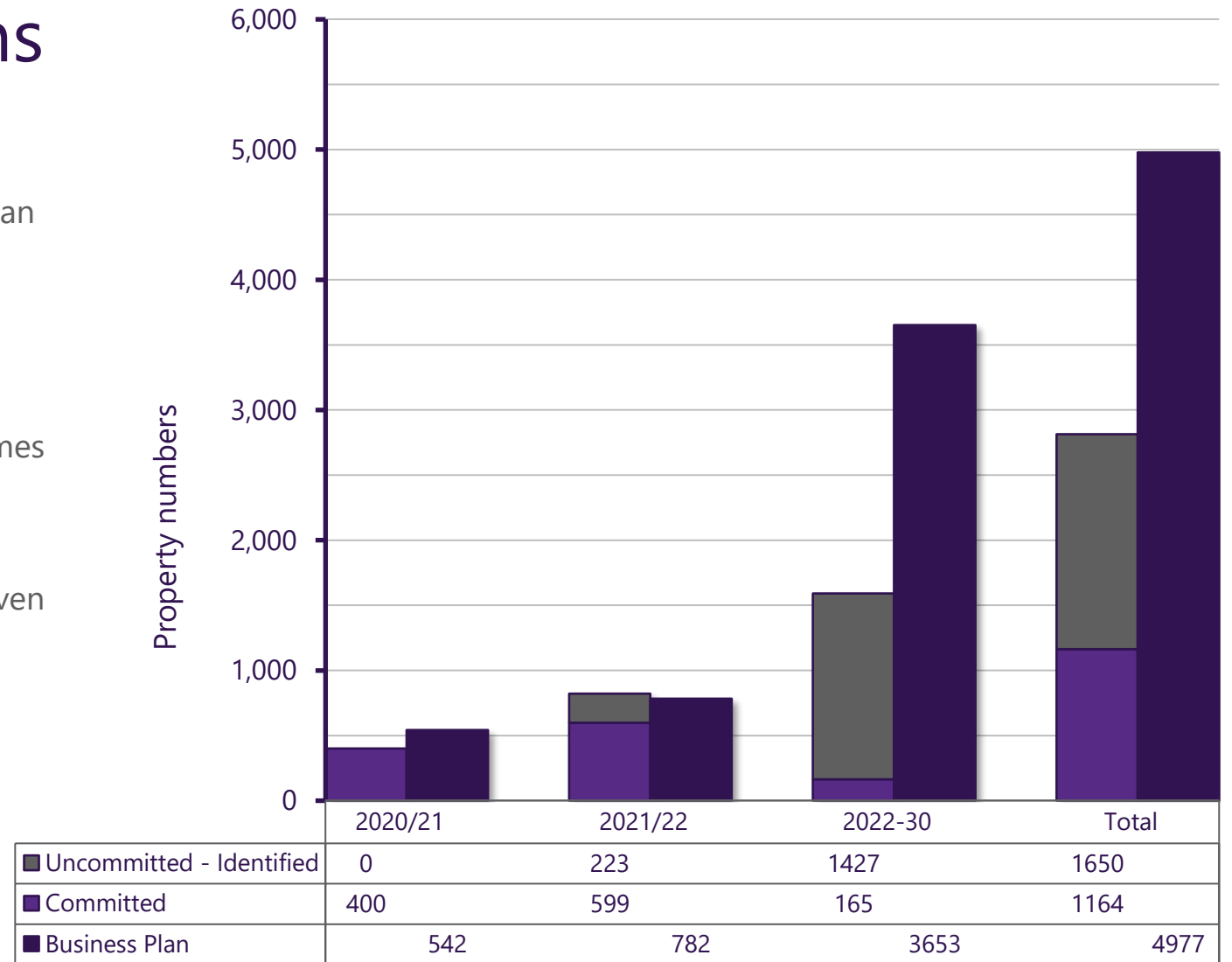
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# Development – Future Plans

- £668m development spend forecast within the business plan
- Only £128.7m is currently committed expenditure
- £43m of grant included as part of Longhurst Group's Homes England Strategic Partner status
- 4,977 property completions forecast over the first seven years of the current business plan
- Intend to bid for long term SP contract



As reported to the Longhurst Group Development Committee 25 February 2021

# Development Strategy

## Delivery

- The completion of 5,000 new homes from 2019/20 – 2029/30

## Improving Lives 2025

- Building for Life 12 self-assessment on all new development opportunities

## Geography

- To focus development priority on a reduced geographic footprint of 19 key local authorities

## Asset Maximisation

- Create a new Asset Maximisation team and approved strategy by the end of 2021/22

## Team Charter

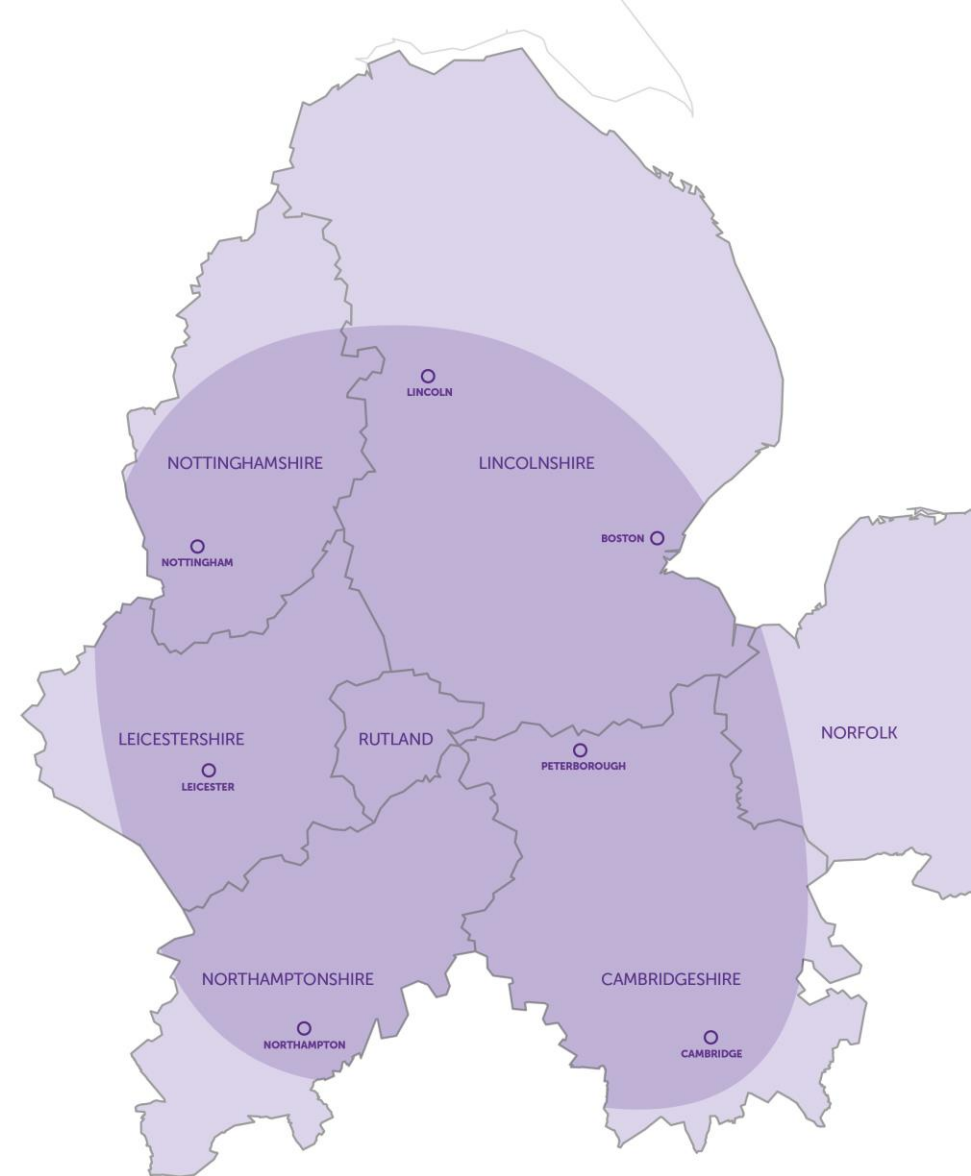
- To successfully implement and adopt a new Team charter and way of working

## Performance Measurement

- Implement a new ICT system for the complete development process, data analytics to help drive future decision making

## Partnership Working

- Establish new supply chain frameworks, maximise new joint venture opportunities where clear commercial advantage and scale of opportunity



# Evera Homes LLP



- Formed in 2018, Evera Homes LLP is a partnership of four Housing Associations in the East of England – Flagship Group, Hyde Group, Longhurst Group and Cross Keys Homes – working together to develop high quality sustainable new homes of all tenures across Cambridgeshire and Peterborough
- Focus on increasing housing supply with decreased risk through sharing of capital and resources, with a plan to achieve start on site of 2,000 new affordable rent properties and homes for sale by 2023
- £10m of funding from each partner, with the associations taking on differing areas of responsibility towards the operation of the partnership
- Site at Littleport acquired in February 2021 to be built as part of a joint venture between Evera and Vistry Group plc

## Properties built



60 homes built in Bury, Huntingdonshire

## Land acquired



8.6 acre site in Lakenheath, Suffolk

70 acre site in Littleport, Cambridgeshire

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# Value For Money Metrics

<b>Metric</b>	<b>LG 2019/20</b>	<b>LG 2018/19</b>	<b>Peer 1 2018/19</b>	<b>Peer 2 2018/19</b>	<b>Peer 3 2018/19</b>	<b>Peer 4 2018/19</b>	<b>Peer 5 2018/19</b>
Reinvestment	6.2%	5.0%	7.8%	4.6%	8.3%	4.3%	5.3%
New supply delivered	2.2%	2.2%	2.5%	1.2%	2.6%	1.5%	2.9%
Gearing	50.2%	49.2%	44.4%	30.1%	51.4%	40.2%	45.6%
EBITDA MRI interest cover	138.2%	172.9%	96.1%	282.9%	99.5%	169.0%	182.3%
Social housing cost per unit	£3,832	£3,639	£3,310	£3,085	£3,912	£4,213	£3,198
Operating margin social housing lettings	31.1%	34.6%	34.8%	36.9%	39.5%	33.3%	32.8%
Operating margin overall	25.1%	29.3%	29.9%	30.9%	27.3%	33.8%	29.6%
Return on capital employed	3.2%	4.3%	3.3%	4.8%	4.2%	3.6%	3.5%

*Value for money metrics track the sector scorecard, peers independently selected based upon geography, stock size and comparable business activity*

# Audited Financial Statements to 31st March 2020

- Reduction in Turnover in 2019/20 due to reduced housing sales
- Market housing sales now predominantly through Evera JV
- Increase in operating costs due to impairment and exit costs from 3 LGPS

	2020 £'000	2019 £'000
Turnover	153,821	167,361
Cost of sales	(25,301)	(35,492)
Operating costs	(89,945)	(82,756)
Surplus on disposal of fixed assets	3,470	1,550
<b>Operating surplus</b>	<b>42,045</b>	<b>50,663</b>
Share of deficit from associated undertakings	(272)	-
Interest receivable	579	471
Interest and financing costs	(28,448)	(29,254)
Changes in fair value of investments	(2)	-
Movement in fair value of investment properties	(176)	13
<b>Surplus before taxation</b>	<b>13,726</b>	<b>21,893</b>
Taxation on surplus	(326)	(142)
<b>Surplus for the financial year</b>	<b>13,400</b>	<b>21,751</b>
<b>Other comprehensive income</b>		
Initial recognition of defined benefit pension scheme	-	(9,481)
Actuarial loss in respect of pension schemes	10,915	(4,659)
Movement in fair value of financial instruments	(2,171)	1,032
<b>Total comprehensive income for the year</b>	<b>22,144</b>	<b>8,643</b>

# Q3 Trading Update

- Reduced Turnover due to increase in void losses and lower sales when compared to Dec 2019
- Reduced surplus on disposal of Fixed Assets compared to 2019 due to VRTB ending
- Increase in Operating costs reflecting increased investment in repairs
- Increase in interest costs following retained bond sale in March 2020

	9 months to Dec 20 £'000	9 months to Dec 19 £'000
Turnover	111,686	114,511
Cost of sales	(14,961)	(15,832)
Operating costs	(67,030)	(63,641)
Surplus on disposal of fixed assets	659	2,903
<b>Operating surplus</b>	<b>30,354</b>	<b>37,941</b>
Share of surplus from associated undertakings	128	-
Interest receivable	476	234
Interest and financing costs	(23,304)	(20,766)
Changes in fair value of investments	-	-
Movement in fair value of investment properties	-	-
<b>Surplus before taxation</b>	<b>7,654</b>	<b>17,409</b>
Taxation on surplus	(30)	(81)
<b>Surplus for the financial period</b>	<b>7,624</b>	<b>17,328</b>

# Financial Performance 2014 to 2020

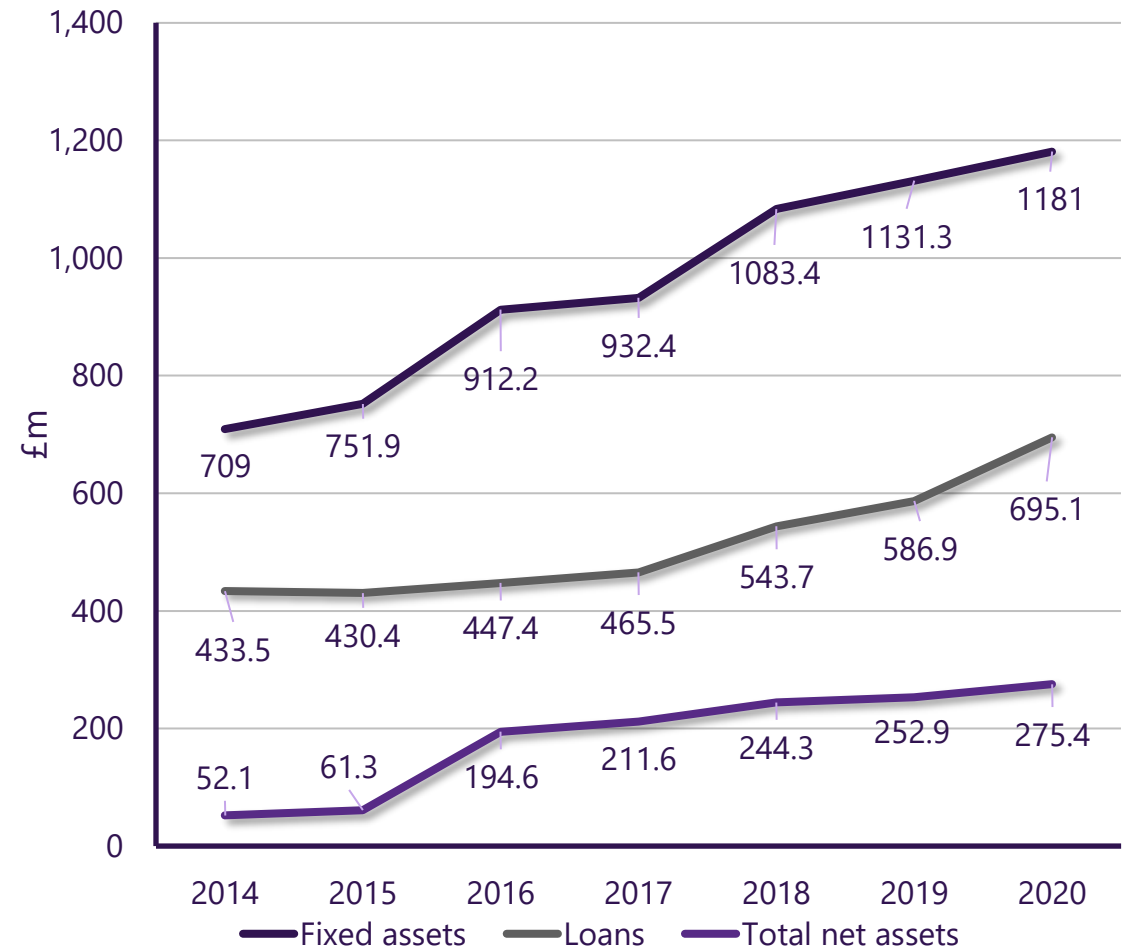
- Turnover increased by 57.7% (+£56.3m) from 2014
- Turnover on social housing lettings increased by 44.9% (+£35.5m) from 2014
- Operating surplus increased by 41.9% (+£12.4m) from 2014
- The Group's operating expenditure has risen by 48.1% (+£29.2m) from 2014
- Axiom Housing Association joined the group in July 2017, which is contributing to the increase in turnover from this point





# Financial Strength 2014 to 2020

- Net book value of fixed assets held on the balance sheet has risen 66.6% (+£472m) from 2014
- The Group's total net assets held on the balance sheet has risen 528.6% (+£223.3m) from 2014
- Loans and debt recorded on the Group's accounts has risen 60.3% (+£261.6m) from 2014



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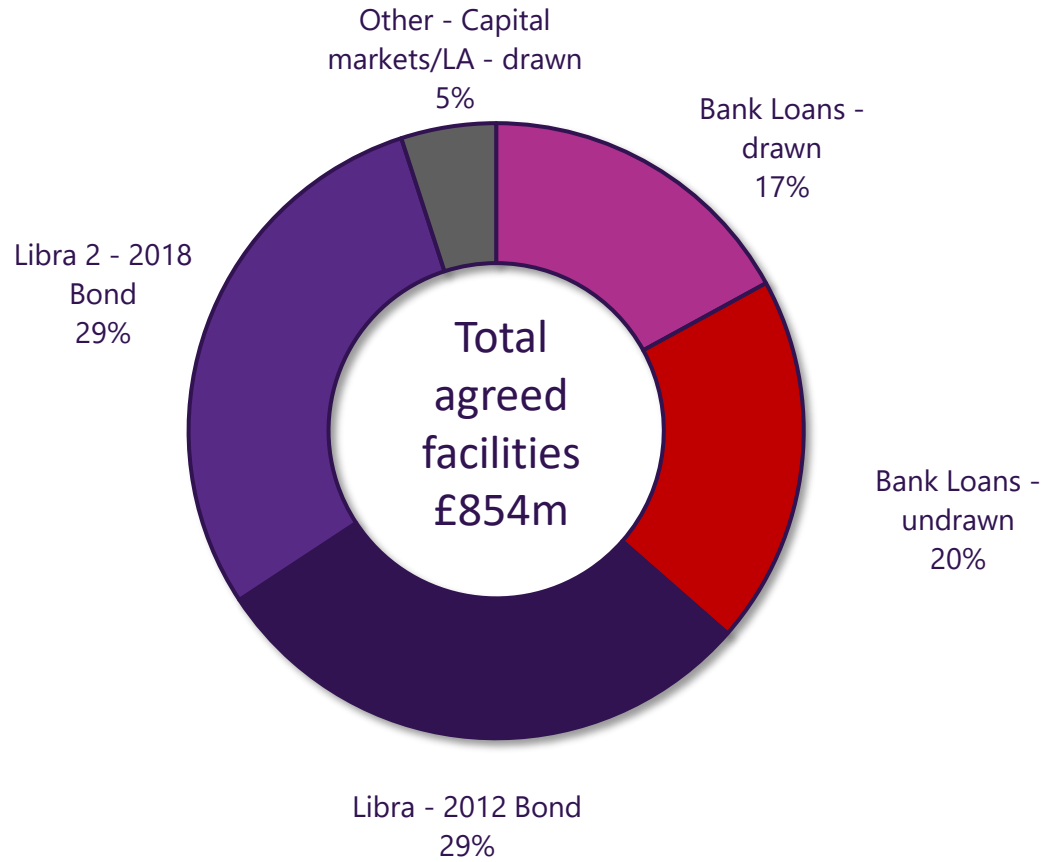
# Golden Rules

- The Group's consolidated financial plan has undergone a thorough and robust review of the key assumptions
- Stress testing has been undertaken consistent with Bank of England stress testing and recommendations by Savills Financial Consultants (The Group's Treasury Advisers), looking at economic disaster and catastrophe scenarios
- For each scenario comparisons to the base plan were produced and how the Group would mitigate any adverse effect to the business plan these were then presented to the Group board
- We monitor performance monthly against business plan KPIs as part of our financial management reporting
- £25m – funding allocated by the board towards commercial activities within Keystone Developments Limited

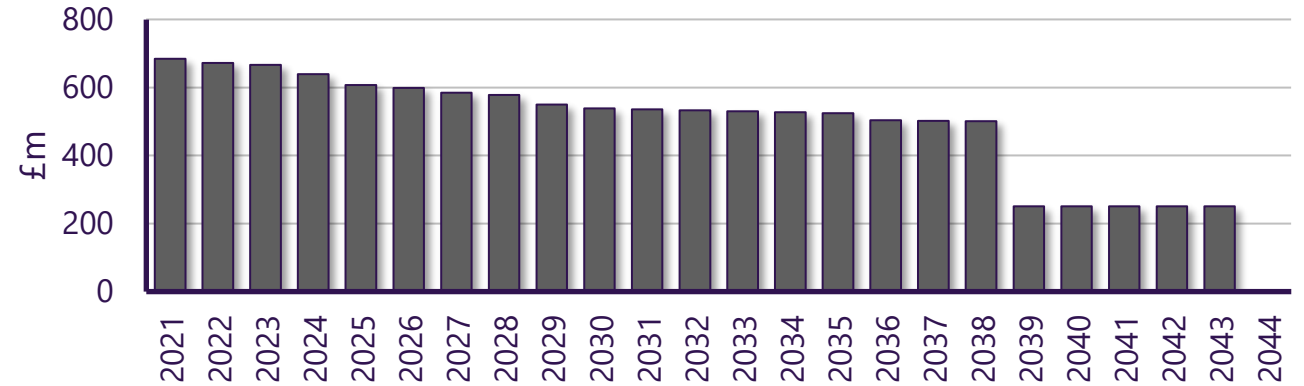
	<b>Q3 Actual</b>	<b>2019/20 Actual</b>	<b>Financial Golden Rules</b>		<b>Loan Covenant</b>
			<b>Amber</b>	<b>Red</b>	
<b>Loan gearing</b>	49%	49%	57%	59%	65%
<b>Interest cover EBITDA -MRI</b>	156%	177%	125%	117%	115%
<b>Interest cover on SHL</b>	140%	138%	120%	100%	N/A
<b>Operating margin</b>	27%	25%	30%	25%	N/A
<b>Liquidity</b>	27 mths	27 mths	21 mths	18 mths	N/A

# Treasury Policy

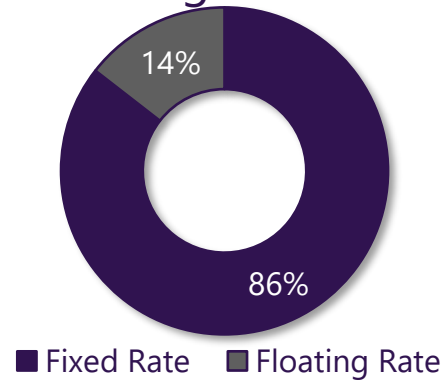
## Loans Drawn/Undrawn



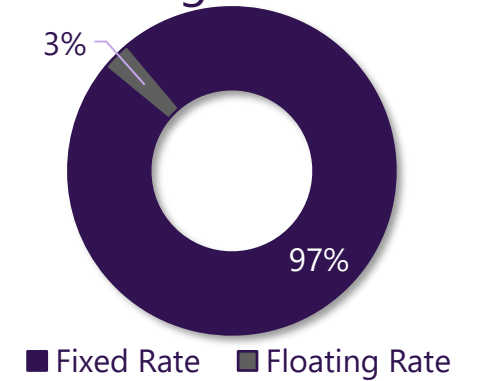
## Outstanding Debt Balance



## Fixed/Floating excluding Derivatives



## Fixed/Floating including Derivatives



Data as at 31<sup>st</sup> December 2020

# Update Highlights

- A **leading housing provider** across the Midlands and East of England
- Over **23,000 homes** owned or managed
- An **experienced, highly effective** and well established management team
- Ever **strengthening** financial profile
- **Strong track record** in delivering our development programme
- A commitment to an **environmentally sustainable** approach
- Strong **focus on social housing**
- Committed to our aim of **improving lives**
- Highly regarded by both Moody's and the Regulator
  - Rated **A3 (Stable)** by Moody's
  - Rated **V1/G1** by The Regulator of Social Housing

