Longhurst Group

Q4 / 2023–2024

Trading update

Key metrics

Moody's rating	A3 stable	January 2024
Regulatory judgement	G1/V2	November 2023
Properties EPC C+	86%	
Interest cover EBITDA	191%	Q4 2023/24
Handovers	611	Q4 2023/24
New home sales	193	Q4 2023/24

Deputy Chief Executive and CFO summary

Rob Griffiths,
Deputy CEO and CFO,
Longhurst Group

The Group's unaudited results for the 2023/24 financial year are reporting a net surplus for the year of £6.5m.

The net surplus achieved in 2023/24 is £900k lower than the £7.4m surplus reported in 2022/23 and was £4.2m below the outturn projection at Q2 for 2023/24.

The main factor affecting the surplus in 2023/24 has been a continued increase in repairs and maintenance costs in the second half of the year. The higher-than-budgeted repairs and maintenance costs have been required to tackle the backlog of repair jobs that had built up, along with increased customer demand during the winter period.

The backlog of repairs work had reduced significantly by 31 March 2024, with a business-as-usual level of work in progress likely to be achieved by the end of Q1 2024/25.

Development performance remained strong during the year with 611 handovers, shared ownership sales performed well throughout the year with 193 sales being achieved.

Going into 2024/25 our focus remains on ensuring the improvements made to our repairs services are maintained. We expect to deliver in the region of another 600 new homes in the year ahead and our major works programme will see £40m invested into existing homes.

1 Financial performance

An unaudited net surplus of £7m and margin of 18% is reported for the year to 31 March 2024.

Income and expenditure

	Q4 2023/24 (unaudited)	Q4 2022/23
	£m	£m
Turnover	**168**	157
Cost of sales	**(14)**	(18)
Operating costs	**(124)**	(107)
Operating surplus	**30**	**32**
Surplus on sale of properties not developed for outright sale	**5**	4
Interest receivable	**2**	1
Interest payable and financing costs	**(30)**	(30)
Corporation tax	**—**	—
Net surplus	**7**	**7**

The increase in turnover is a result of increased Social Housing Lettings turnover due to inflationary increases applied to rental income, arrears performance remaining strong at 1.54% (2023: 1.61%), and void losses, which have been at a heightened level, beginning to reduce.

The Group's increased operating costs continue to reflect the current economic environment and our investment in property repairs and maintenance.

The rises in cost inflation experienced have impacted on our expenditure, most notably in relation to utility costs with increased and volatile wholesale gas prices over recent years. Margins are forecast to improve over 2024/25 with the rate of inflation now falling.

Interest payable and financing costs have remained reasonably consistent year-on-year, despite interest rate increases, due to the the level of fixed rate debt being 94% (2023: 97%).

Key performance indicators

	Q4 2023/24 (unaudited)	Q4 2022/23
Operating surplus	**18%**	21%
SHL surplus	**18%**	23%
Sales income as % of turnover	**11%**	13%
Interest cover EBITDA	**191%**	190%
Interest cover EBITDA MRI	**111%**	147%
Gearing	**52%**	51%

The reduced operating margin and interest cover metrics are a result of the aforementioned increases to operating costs. Our level of gearing has increased slightly due to the final £50m forward sale of £100m bonds in April 2023, netting off against facilities maturing and being repaid.

Funding

	Q4 2023/24 (unaudited)	Q4 2022/23
Drawn debt	**761.4**	709.5
Undrawn facilities (secured)	**152.8**	170.1
Undrawn facilities (to be secured)	**—**	—
Pre-sold secured retained bonds	**—**	50.0
Cash	**6.4**	43.8
Weighted average debt cost	**4.3%**	4.4%
% of net debt fixed	**94%**	97%
Derivative mark-to-market (liability)	**2.2**	3.8

The level of drawn debt is the net of the £50m forward sale in April 2023, facilities maturing and being repaid, and facilities being drawn, predominantly for the development of new homes and investment in existing stock.

The duration before further funding is required, including uncommitted development, is in excess of 36 months.

The reduced mark-to-market liability is a combined result of the movement in swap rates and two swaps, with a total notional amount of £9m, maturing in April 2023.

2 Operational performance

Q4 results

	Q4 2023/24 (unaudited)	Q4 2022/23
Void rental losses	**2.7%**	3.1%
Rent arrears	**1.5%**	1.6%

Q4 summary

Void losses
Our void loss continues to be a key area of focus. As a result, losses have reduced over the financial year.

Rent arrears
Our rent arrears performance continues to be upper quartile and places us as one of the headline performers across the sector. We recognise the impact of the current economic environment on our customers and our Community Investment Team works closely with customers and communities to provide support.

Tenant Satisfaction Measures (TSMs)
We're committed to measuring our performance and making ongoing improvements to our services. We'll be publishing our results online quarterly, with the first publication expected in July 2024.

Care and support services
We have reduced our Care and Support activity during 2023/24 financial year. We exited the delivery of services in the West Midlands which has had a favourable impact on our financial performance.

ABOVE
Longhurst Group supports community initiatives like Carry a Basketball, Not a Blade (CABNAB) which is run by Basketball Northants, using the sport and positive workshops as an activity to lead youngsters away from knife crime.

3 Repairs and maintenance

Q4 results

	Q4 2023/24 (unaudited)	Q4 2022/23
	£m	£m
Responsive maintenance	**22**	14
Void maintenance	**9**	7
Planned maintenance	**9**	10
Operating surplus	**40**	31

Q4 summary

Repairs and maintenance have been key areas of investment for the Group over the 2022/23 and 2023/24 financial years. A backlog of repairs and void works built up because of contractor changes and the pandemic, and expenditure has been heightened whilst we've been working with our contractors to clear this backlog.

Investment in existing homes
Further to the above routine and planned maintenance, this year we've invested £28m (2023: £23m) in our major works programme, demonstrating our commitment to the Decent Homes Standard and providing the homes people want, where they're needed.

Energy efficiency upgrades
Our work with the Social Housing Decarbonisation Fund continues to upgrade social housing with energy performance certificates (EPC) below band C up to that standard. We've secured £6m of funding and have committed to spending £14m upgrading 581 homes, of which we've spent £6m during 2023/24.

ABOVE
We spent £6m of our £14m Social Housing Decarbonisation Fund grant during 2023/24, to improve the energy efficiency of over 580 homes

4 Property development

Q4 summary

Handovers
We're pleased to have taken handover of 611 units this year (2023: 578).

Of these, 249 were for affordable rent, 215 for shared ownership sale, 106 for social rent, 32 Rent to Buy and nine for outright sale.

Shared ownership first tranche sales
We have continued to see high demand for shared ownership properties, with many homes sold off-plan.

£31m of income has been generated from the sale of 193 new homes and 119 asset sales, supporting the Group to achieve its wider objectives.

ABOVE
Our 56-home California Meadows development won both the social housing project of the year and the overall best timber frame project at the 2023 Structural Timber awards, and was part-funded via a grant from Homes England, through our joint strategic partnership.

5 Environmental, Social and Governance (ESG)

Q4 summary

ESG report 2023/24
Our 2023/24 ESG report will be released in the autumn and will focus on our further progress against the Sustainability Reporting Standard for Social Housing, updated in October 2023. This year's report will outline our commitment to net zero and the progress we've made with our carbon scope reporting.

Energy efficiency of our homes
The Group has set targets of ensuring all existing homes have a minimum EPC band C by 2030 and all new builds have a minimum EPC band B, to help reduce our carbon footprint and fuel poverty. We're currently at 86 percent EPC band C and above, an improvement from 78 percent at the prior year end. During the 2023/24 financial year we've installed 56 ground source heat pumps at our California Meadows development and over the next year we'll also be installing solar panels at a number of our new developments.

Biodiversity net gain
Under the 2021 Environmental Act, all new developments in England have to provide a 10 percent biodiversity net gain. Our new build developments include net gain landscaping and large areas of open space for habitat creation.

ABOVE
Solar panels will form an integral part of our new build developments over the next financial year

Longhurst Group

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