# Housing 21: Trading update for the year ended 31 March 2022

Housing 21 is today issuing a trading update for the year ended 31 March 2022 which includes various financial and operational information. The financial information is audited and provided for information purposes only.

After the first half of 2021/22 saw a return to more normal operating conditions, the second half of the year has been more challenging against a backdrop of increasing inflation and rising finance costs. We restructured some of our legacy financing during the year, removing all RPI linked debt and derivatives, but our results are impacted by break costs relating to these transactions. We tapped the H21 bond for a further £130m in December 2021, £80m of which was sold in early January. Our development programme performed in line with expectations in our business plan in terms of completions but First Tranche Sales lagged behind budget and contributed to a shortfall against planned Operating Surplus.

Highlights

- We completed a net 657 properties in the period taking our overall property portfolio to 22,204 owned and/or managed properties (31 March 2021: 21,547)
- Turnover increased 11.4% to £224.4 million (2021: £201.3 million)
- Operating surplus(1) was down 13.6% to £30.9 million (2021: £35.8 million)
- Gearing as at 31 March 2022 was 42.6% (31 March 2021: 34.8%)(2)
- EBITDA-MRI interest cover(3) was 126% (2021: 185%)
- Liquidity horizon currently extends to June 2024

Notes
1. Operating surplus includes first tranche and outright sales of newly developed properties and other gains on property sales.
2. Gearing calculated using the Regulator of Social Housing's gearing metric which excludes monies held on short term deposit; adjusting for this and the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited, gearing was 31.4% (31 March 2021: 32.2%).
3. EBITDA-MRI excludes £14.0 million of break costs incurred in the repayment of the legacy RPI debt. Including this, the EBITDA MRI is 83%.

**Operating review**

2021/22 has seen a return to more normal operating conditions with performance in line with budgets and performance plans. Our care services have seen have returned to normal activity, delivering over 38,000 hours of care per week to our residents.

Void performance has improved since 31 March 2022 across both Retirement Living and Extra Care with 284 units void at period end (31 March 2021: 456 units). Total voids (re-let and major repairs) were 2.2% for the year ending 31 March 2022 (31 March 2021: 2.6%). Comparisons clearly show the impact of the Covid-19 pandemic on performance in the prior year period, particularly on development completions and sales, maintenance activity and care services.

We continue to be at the forefront of the housing sector for energy efficiency and 99% of our properties achieved at least EPC C at 31 March 2022 (31 March 2021: 91%) with only three schemes left to complete at the year end, significantly ahead of the government's 2030 target. 25% of our properties are at EPC B level and all new developments from 2020/21 onwards are expected to achieve this higher standard.

**Financial review**

*Turnover, costs and surpluses*

A summary of financial performance for the 12 months ended 31 March 2022 compared to the same period in the prior financial year is set out below.

| **12 months ended 31 March** | **2021 £m** | **2022 £m** | **Change** |
|---|---|---|---|
| Turnover | 201.3 | 224.4 | 11.5% |
| Social housing lettings | 146.1 | 152.4 | 4.2% |
| Shared ownership first tranche sales | 10.4 | 22.4 | 115.4% |
| Other social housing activities | 4.9 | 6.0 | 22.4% |
| Care services | 35.6 | 38.2 | 7.3% |
| Other non-social housing activities | 4.2 | 5.5 | 28.6% |
| Operating costs and costs of sale | (165.8) | (194.1) | 17.1% |
| Gain on disposal of other housing properties | 0.3 | 0.6 | 100% |
| Operating surplus | 35.8 | 30.9 | (13.7)% |

Turnover increased 11.5% to £224.4 million (2021: £201.3 million) primarily reflecting increased shared ownership sales, higher service charge income (however this is profit neutral and is offset by higher service charge costs), higher care income from contractual price increases and the effect of new schemes coming onboard. From 1 April all affordable rent properties were converted to social rent, which reduced rental income by c£2.8 million.

Overall costs increased ahead of turnover, by 17.1% to £194.1 million (2021: £165.8 million) driven particularly by development cost of sales, linked to the increase in activity (shared ownership sales of 189 units versus 79 in the prior year) and higher care costs as we continue to pay our carers 10% above minimum wage. Service costs have increased but are recovered from residents via their service charge. It also reflects the rebound to more normal levels of repairs and maintenance activities relative to the prior year period. Depreciation has also increased from the on-boarding of new schemes.

**Development**

In the 12 months ended 31 March 2022, development spend amounted to £48.2 million.

11 schemes were completed which added 691 properties (442 rent; 249 shared ownership) to our property portfolio. We have another 12 schemes on-site, comprising 537 units (410 rent; 103 shared ownership; and 24 outright sale). At least twenty more schemes are expected to commence construction by 31 March 2023.

**Treasury and financing**

| | **31 March 2021** | **31 March 2022** |
|---|---|---|
| Gross debt | £673m | £689m |
| Cash incl. short term investments | £233m | £225m |
| Net debt | £440m | £464m |
| Housing property value | £1,262m | £1,315m |
| Gearing | 34.8% | 42.6% |
| Cash and undrawn committed facilities(1) | £221m | £236.1m |
| Liquidity horizon | October 2023 | June 2024 |

Notes
(1) Cash for these purposes includes only unrestricted cash

At 31 March 2022, Housing 21 had net debt of £464 million (31 March 2021: £440 million) and gearing, as measured using the Regulator of Social Housing's (RSH) value for money gearing metric, of 42.6% (31 March 2021: 34.8%). However, including short term investments and the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited (debt associated with these projects is included in the RSH gearing calculation), gearing was 31.4% (31 March 2021: 32.2%).

Our liquidity at 31 March 2022 was sufficient to meet all forecast financing needs until June 2024, considering projected operating cash flows, forecast investment in new and existing properties, debt service costs and maturities and forecast grant receipts.

During the year we have repaid early £49.2 million of legacy RPI loans, incurring £14.0 million of break costs, and terminated an RPI linked swap at a mark-to-market valuation of £13.3 million. This was funded through tapping our 2017 bond for £130 million, of which £80 million was sold in January at an all-in rate of 2.488% with the remaining £50 million retained.

**Standard & Poor's credit rating**

On 25 July 2022, S&P affirmed the rating for Housing 21 as 'A-' with a stable outlook.

**RSH**

On 30th March 2022 the Social Housing regulator published the latest regulatory grading for Housing 21 of G1/V1.

## Outlook

The new financial year is expected to present challenges relating to cost inflation, but the business plan has been tested against various challenging scenarios and remains robust. Having raised funds in early 2022 we have sufficient liquidity to last into the next financial year, which removes financing risk from the 2022/23 financial year. In common with others in the sector we will be developing initiatives to support our employees and our residents through these difficult times.

## Disclaimer

These materials have been prepared by Housing 21 solely for use in publishing and presenting its results in respect of the year ended 31 March 2022.

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