

Investor Update 2024

2 February 2024

www.guhg.co.uk



Agenda

- **Strategic overview**
- **Financial performance**
- **Development and growth**
- **Treasury and Business plan**
- **Operations , ESG & Cyber Security**



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Strategic overview

Strategic overview

Group Structure



Strategic overview

Context

- Political environment
- Cost of living crisis
- High inflation
- Damp and Mould
- Decarbonisation
- Interest Rates
- ESG
- Skills shortages
- Sector reputation
- Regulation – G1/V1, IDA
- Ombudsman

Strategic overview

Progress with Corporate Strategy

For today and tomorrow

- G1/V1 retained
- Secured £50m in new funding
- Delivered largest number of homes in a year
- Successful bids to the Homes England Affordable Home Programme 2021-26
- Rejoined Housemark
- New Treasury Strategy approved November 2022
- Life24 - digitally enabled alarm equipment
- Environmentally responsible - bid for funds from the Social Housing Decarbonisation Fund

For our customers

- Launched Voice - anonymous feedback platform
- Proactive with damp and mould
- Installed environmental sensors
- Continue to develop MyGUHG
- Launched our Customer Influence Framework
- Financial Wellbeing secured £1.74m in benefits
- £12,800 allocated to hardship funds
- Community Investment helped people to learn work and be healthy

For each other

- Launched Voice for colleagues
- Introduced reflective supervision to support mental health
- Implemented new systems for agile working
- Provided domestic abuse and safeguarding training supporting DAHA accreditation
- Ran virtual dementia tours
- Pilot scheme with Ambitious about Autism
- Recruited women into Property Management roles
- Attracting applicants from people of the global majority groups

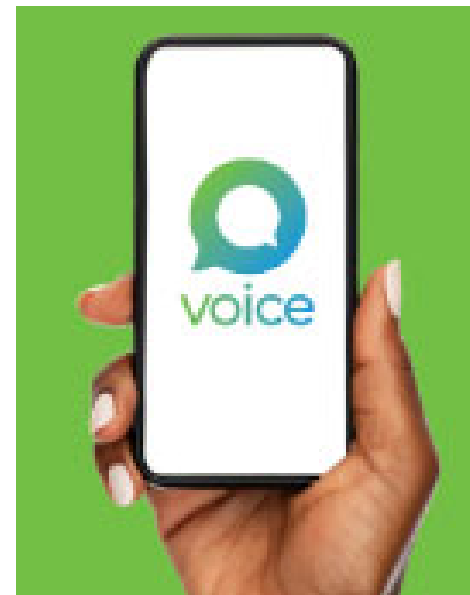
For our partners

- Improved transparency of customer feedback
- Implemented customer suggested changes to our website and continue to seek feedback
- Developed a new contractor app
- Signed a management agreement with Habitare Homes and act as their selling agent
- Carried out Safe and Well visits with Bedfordshire Fire and Rescue
- Working with the local authority to give homeless people a safe and secure home

Strategic Overview

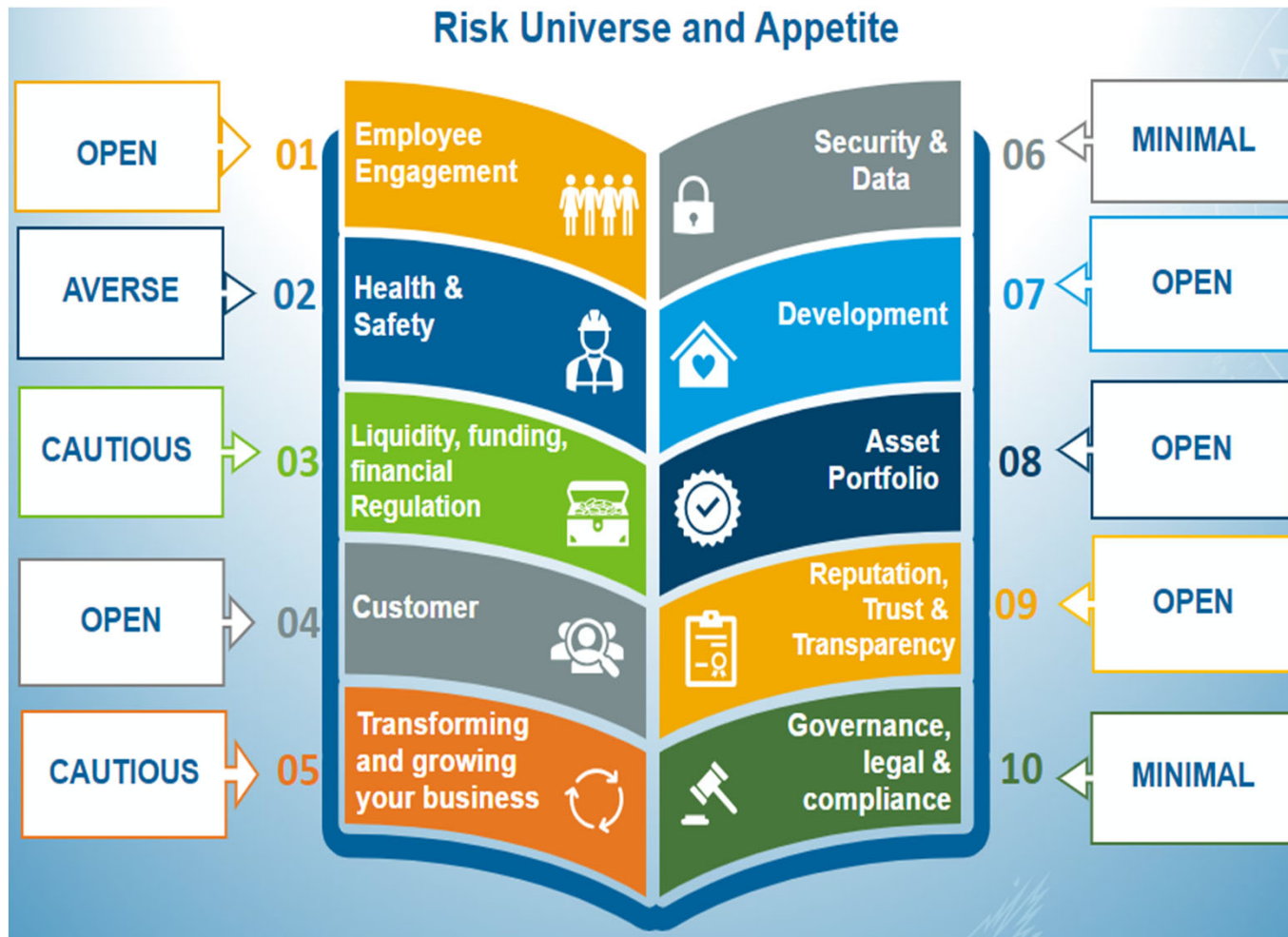
What's Next?

- New Corporate plan
- Investment in technology
- New CRM
- Implement findings of triennial governance review
- Skills
- Culture



Strategic overview

Risk



- Risk universe and risk appetite
- New Principal Risks
- Ongoing work on revising risk management framework
- Continuing with three lines of assurance model



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Financial performance

Financial performance

Management Accounts

STATEMENT OF COMPREHENSIVE INCOME					
	ACTUAL TO DECEMBER 2023 £'000	BUDGET TO DECEMBER 2023 £'000	VARIANCE £'000	%	Table ref
TURNOVER					
Rental Income	60,474	60,623	-149	0%	1
Void Losses	-916	-1,050	134	-13%	
Other Social Housing Activities	625	596	29	5%	1
Activities other than Social Housing Activities	1,875	1,781	95	5%	1
Total Turnover	62,058	61,950	108	0%	1
OPERATING EXPENDITURE					
Routine and Cyclical Maintenance	-12,410	-10,473	-1,937	18%	4
Major Repairs (revenue)	-2,045	-1,937	-108	6%	4
Housing and Estate costs	-4,492	-4,825	333	-7%	7
Staff costs	-10,837	-10,739	-98	1%	10
Overhead costs	-6,412	-5,667	-746	13%	8
Depreciation	-9,462	-9,557	95	-1%	
Projects	-191	-502	311	-62%	
TOTAL OPERATING EXPENDITURE	-45,850	-43,700	-2,150	5%	
OPERATING SURPLUS (before property sales)	16,208	18,250	-2,042	-11%	
Net interest costs	-11,828	-8,613	-3,215	37%	9
SURPLUS (before property sales)	4,380	9,637	-5,257	-55%	
Operating Margin before property sales	26.1%	29.5%			
Net Margin before property sales	7.1%	15.6%			

- Operating margin before sales 26.1% vs 29.5% budget
- Operating costs increases of £2.1m:
 - £1.9m increase in routine maintenance
 - £0.7m increase in overheads, IT software and insurance
- Interest – no break gain as forecast and variable rates

Financial performance

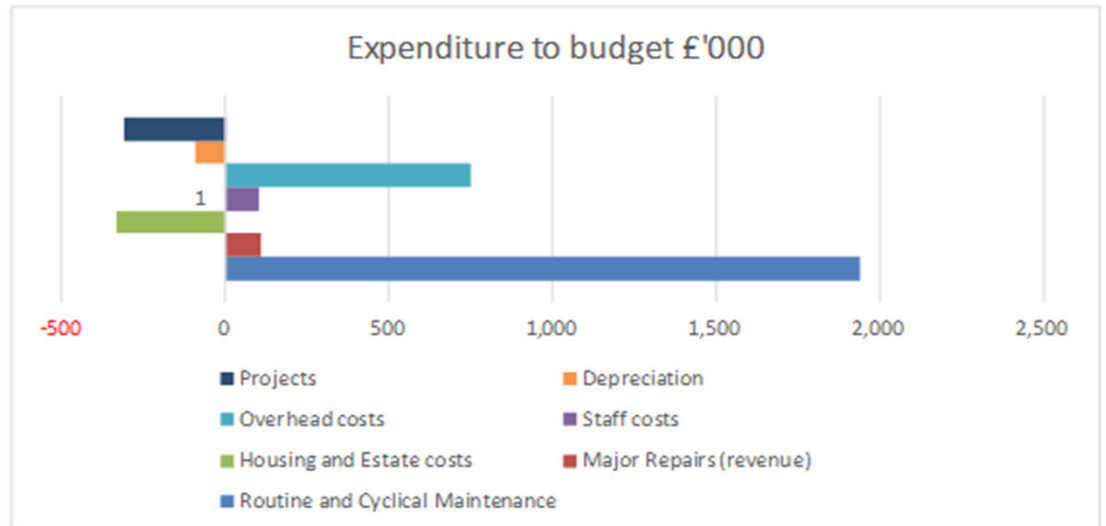
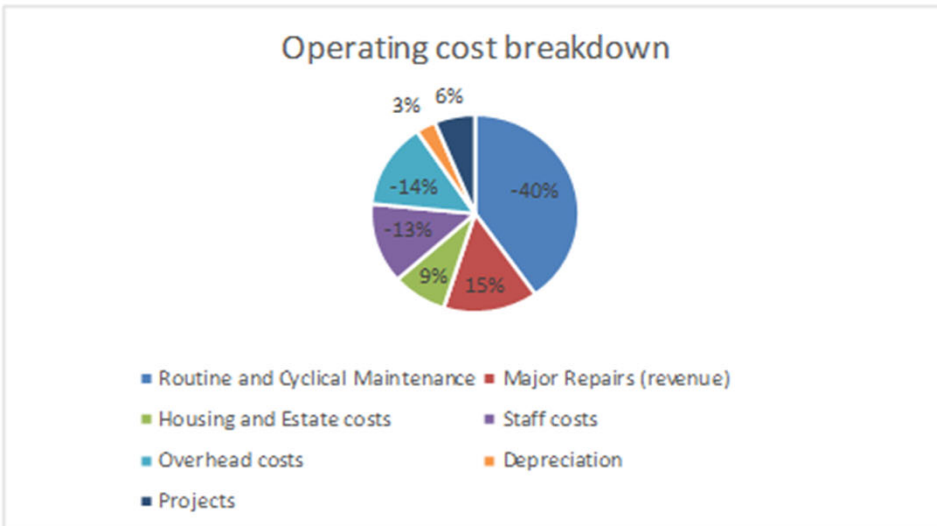
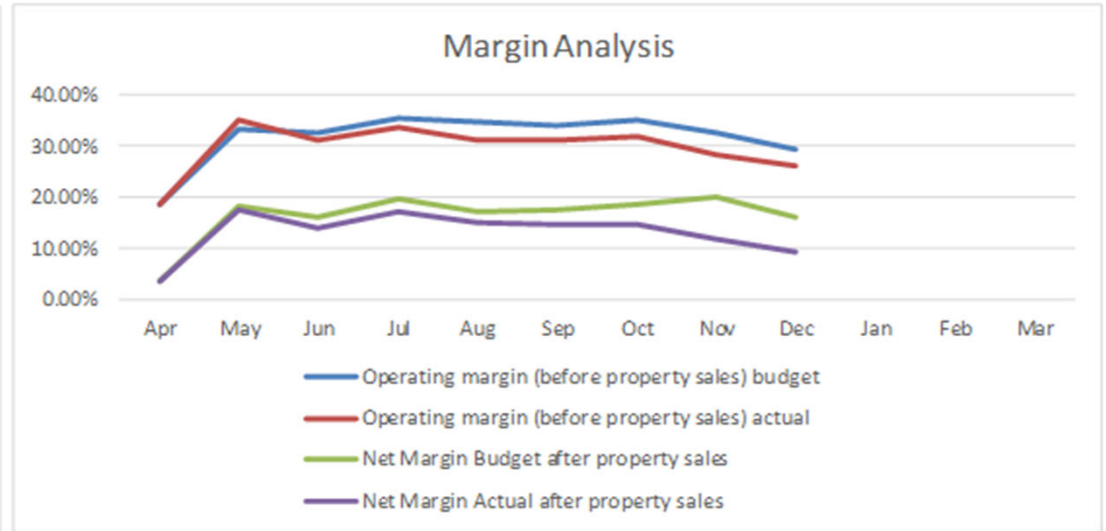
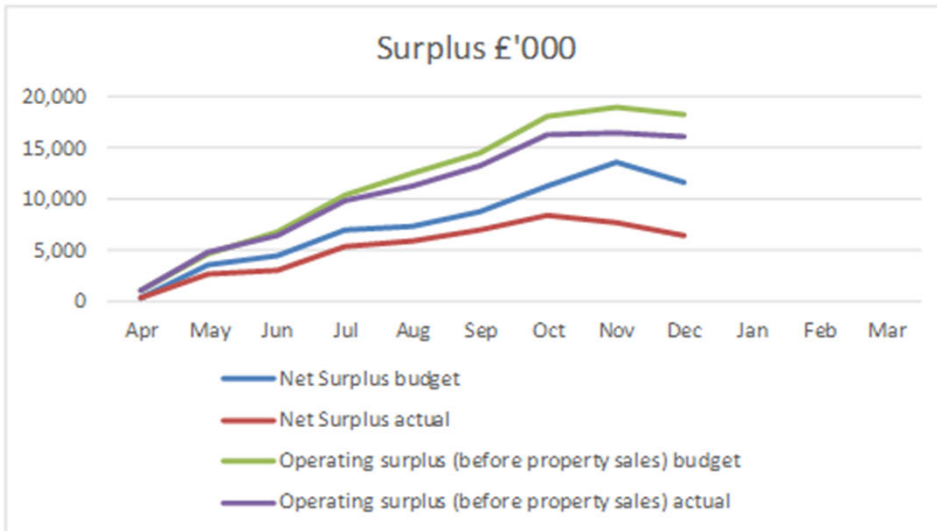
Management Accounts

STATEMENT OF COMPREHENSIVE INCOME	ACTUAL TO DECEMBER 2023 £'000	BUDGET TO DECEMBER 2023 £'000	VARIANCE £'000	%	Table ref
SALES & DISPOSALS					
1st Tranche Property Sales	7,620	9,951	-2,331	-23%	2
1st Tranche Property Cost of sales	-6,092	-8,496	2,404	-28%	2
Surplus on Property disposals	638	566	72	13%	3
	2,166	2,021	145	7%	
NET SURPLUS	6,546	11,658	-5,112	-44%	
Net Margin after property sales	9.4%	16.2%			
CAPITAL					
Major Repairs (Components)	-8,274	-10,119	1,846	-18%	6
Alarm capital	0	-311	311	-100%	
Other Property, Plant and Equipment (PPE)	-92	-191	100	-52%	
	-8,365	-10,622	2,257	-21%	
SURPLUS / (DEFICIT) AFTER CAPITAL	-1,819	1,036	-2,855	-276%	

- 67 FTS against a budget of 89 YTD – development delays
- Surplus on property disposals is £72k ahead of budget
 - 4 fully staircased transactions (budget 7)
 - 5 RTB sales (budget 9)
 - 8 unbudgeted partial staircasing transactions.

Financial performance

Management Accounts



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Development and growth

Development and growth

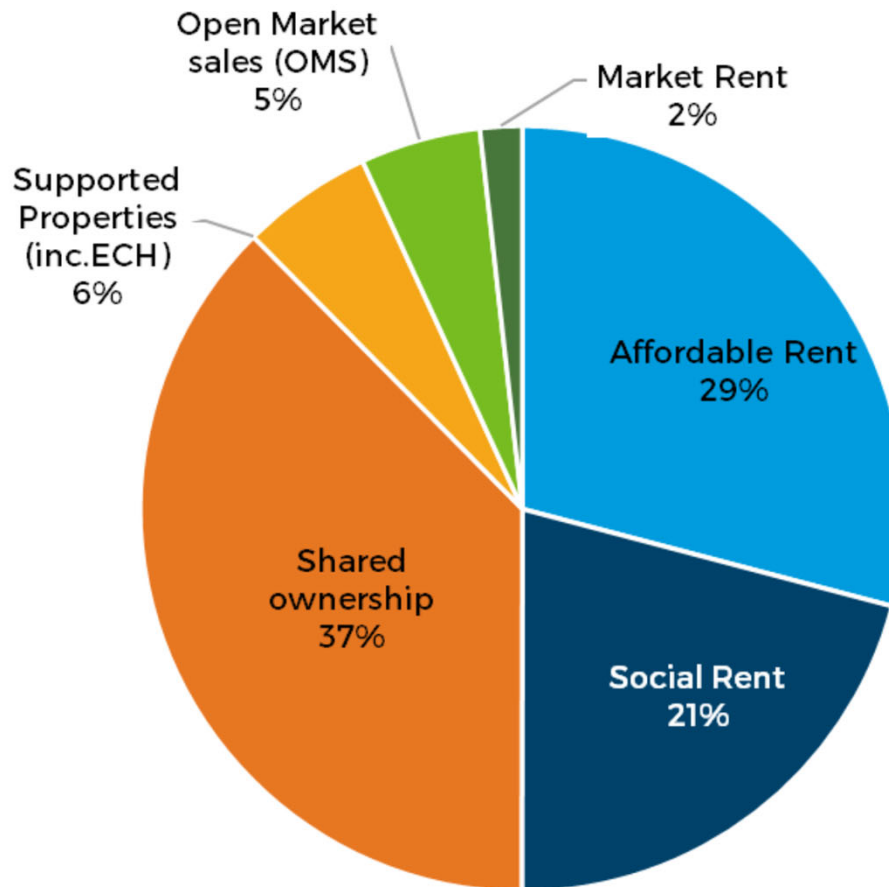
BP pipeline

Development programme	2022/23 Actual**	Y1	Y2	Y3	Y4	Y5	Y1-5	%	Y6+
		2023/24	2024/25	2025/26	2026/27	2027/28	Total 2024-28		2029+ onwards
Social benefit unit delivery									Delivery p.a.
Affordable Rent	58	97	127	72	72	72	440	29%	72
Social Rent	17	45	56	72	72	72	317	21%	72
Shared ownership	118	137	143	96	96	96	568	38%	94
Supported Properties (inc.ECH)	68	0	0	28	28	28	84	6%	30
	261	279	326	268	268	268	1409	93%	268
Open market delivery									
Open Market sales (OMS)	5	2	0	25	25	25	77	5%	25
Market Rent	2	6	0	7	7	7	27	2%	7
	7	8	0	32	32	32	104	7%	32
Total Development Programme - new units	268	287	326	300	300	300	1513	100%	300
1:1 Social Rent Replacements per disposal strategy	0	0	0	67	67	67	201		67
Total Development Programme including replacements	268	287	326	367	367	367	1714		367
<i>Below analysis is for new development units only excluding replacements per disposal strategy</i>									
<i>Shared ownership + OMS as a % of total</i>	46%	48%	44%	40%	40%	40%	43%		40%
By Organisation									
Grand Union Housing Group	263	285	326	275	275	275	1436	95%	275
Grand Union Homes	5	2	0	25	25	25	77	5%	25
	268	287	326	300	300	300	1513		300
Programme Status									
Identified - Committed delivery	268	254	132	44	37	15	482	32%	0
Identified - Uncommitted delivery	0	33	194	175	34	0	436	29%	0
Unidentified - Aspirational delivery	0	0	0	81	229	285	595	39%	300
	268	287	326	300	300	300	1513		300
Delivery Type									
S106 schemes	64%	55%	59%	48%	49%	49%	52%		50%
Land led schemes (including GUH Ltd)	36%	45%	41%	52%	51%	51%	48%		50%

Business Planning

Development pipeline

Tenure mix of Development Pipeline 2024-2028



- 1,513 new homes over 5 years
- Plus 201 replacements
- 93% social benefit delivery
- 50/50 land led and S106
- Approximately 61% identified
- Average cost per unit up circa 18%

Development and growth

2023/24 Year to date

- 193 handovers to date, forecast 270 by y/e
- Average shares sold 41% (2% higher than budget)
- Average days void 67 (excluding extra care units)
- Profit margin of 20.1% (budget 14.6%)
- Price variance on stage paper approvals – 6% higher
- 41 unsold, 17 over 6 months but 14 extra care units
- Management fee income – for profit provider Habitare Homes

Development and growth

Risks

- Inflation
- Programme predictability
- Market
- Grand Union Homes Ltd – market sales exposure low
- Planning challenges and changes?
- Competition - land and section 106



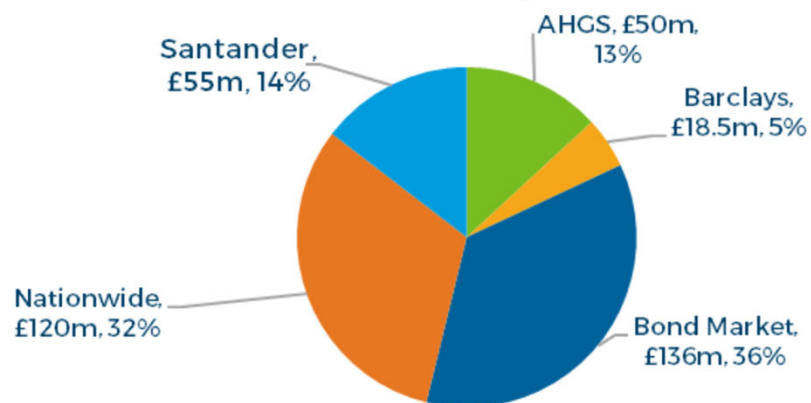


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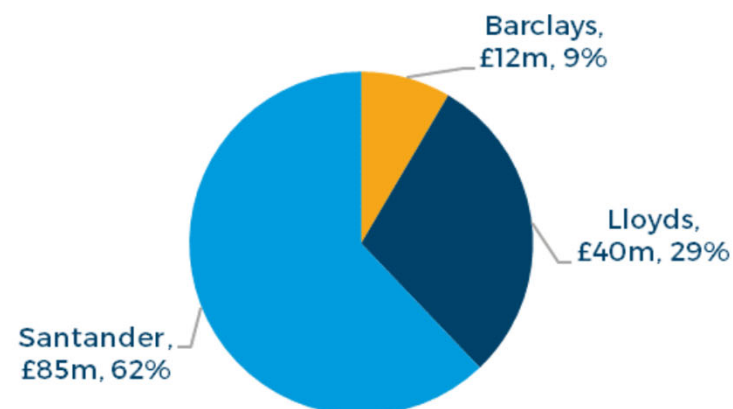
Treasury and Business Planning

Funding portfolio

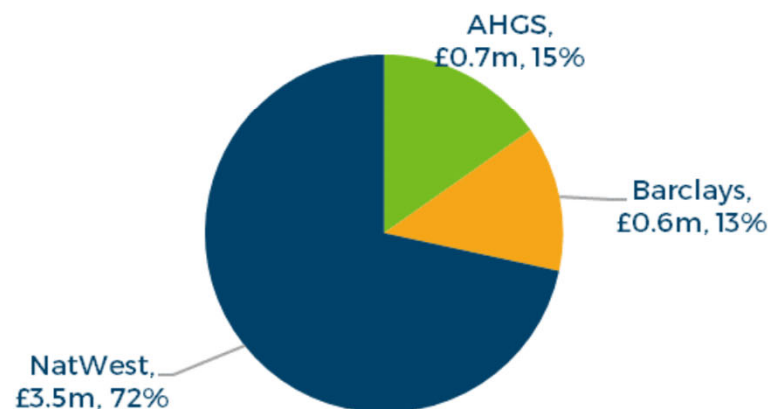
Debt drawn by lender



Undrawn debt by lender

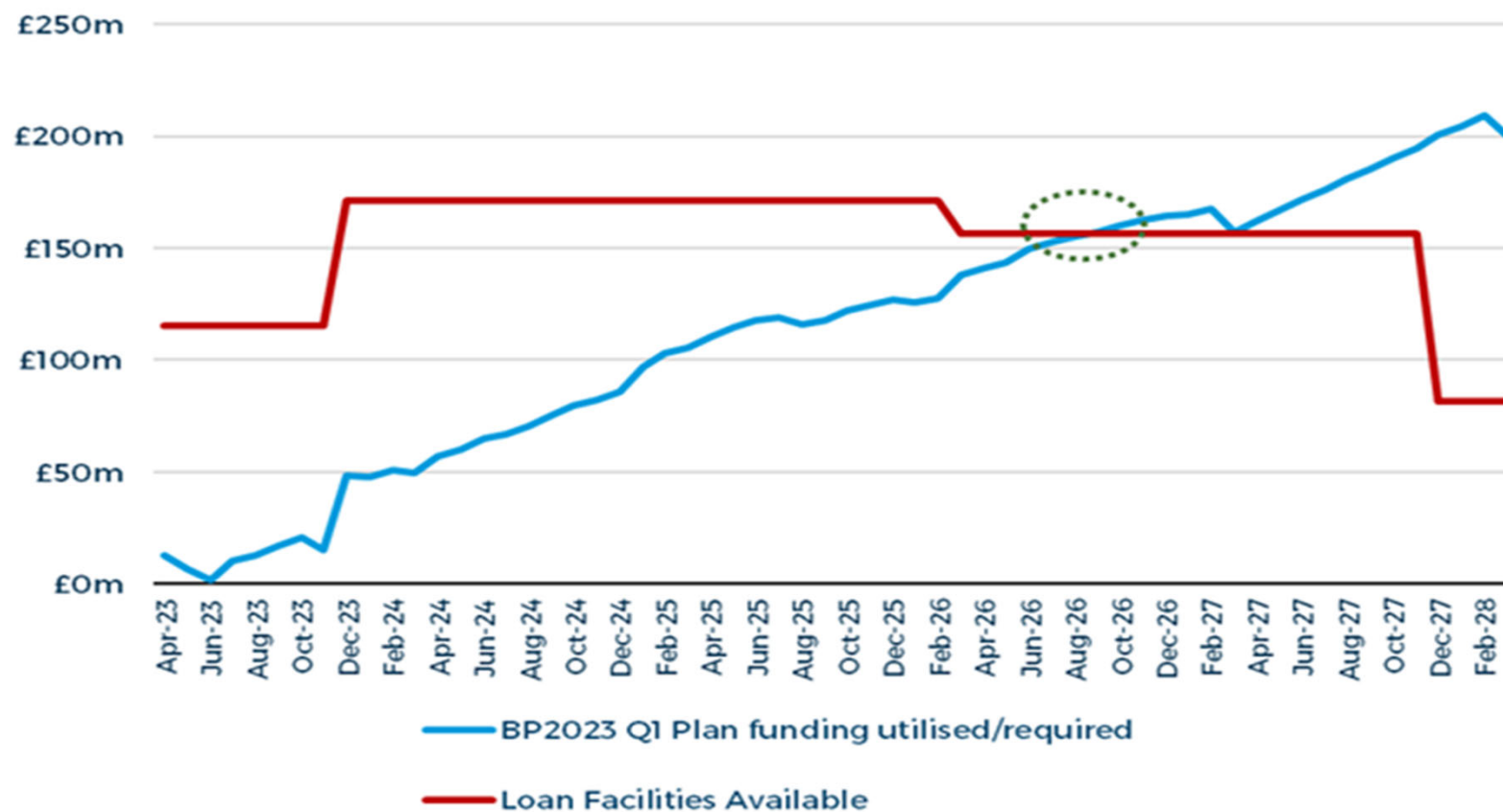


Investment by Counterparty



Liquidity

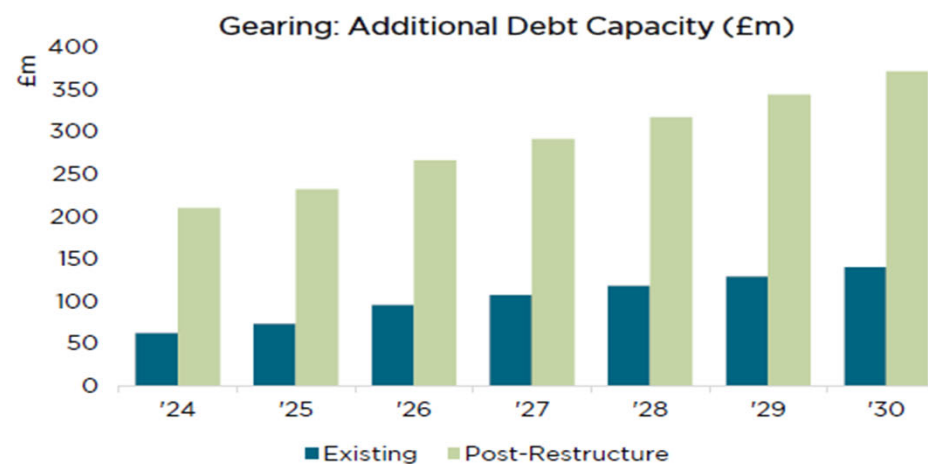
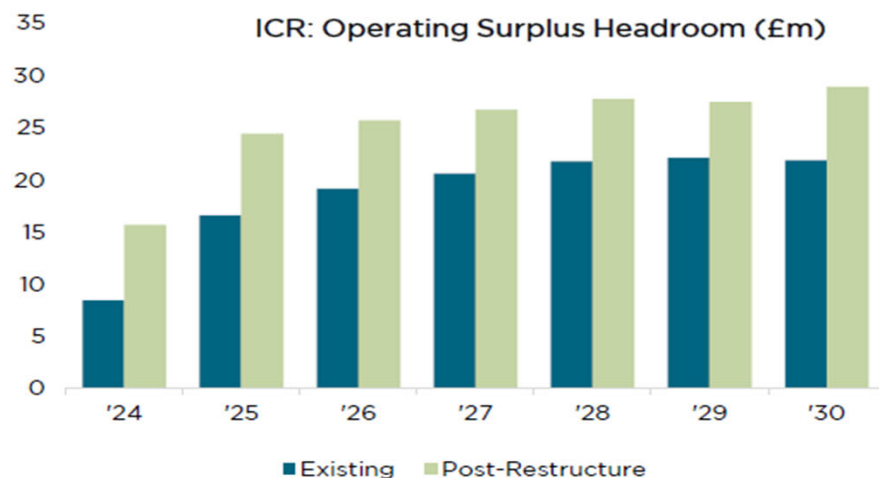
Business Plan 2023 Funding Requirements



Funding Project 2023

Current	Facility (£m)	Undrawn (£m)
Santander - RCF	80	75
NatWest - RCF	25	25
Barclays - RCF	30	10
Santander - Term	42	-
NatWest - Term	98	-
Lloyds - RCF	-	-
Nationwide - Term	-	-
Total Banks	275	110
Existing DCM	186	-
Portfolio	461	110

Post Restructure	Facility (£m)	Undrawn (£m)
Santander - RCF	100	100
NatWest - RCF	-	-
Barclays - RCF	30	30
Santander - Term	42	-
NatWest - Term	-	-
Lloyds - RCF	40	40
Nationwide - Term	120	-
Total Banks	332	110
Existing DCM	186	-
Portfolio	518	170



Business Planning

Robust business plan built on conservative assumptions

Over 1,500
new units
over the next
five years

30 year
development
programme –
300 units
ongoing

Reduced
OMS delivery
5% of total in
next 5yrs and
25 p.a. long
term

Disposals
Strategy
modelled in
full

Continued levels
of major works
investment
- carbon costs
included in
base plan

Rent
CPI+1% 24/25
CPI only
thereafter

All covenants
met
throughout
the plan

Layered
internal and
external review
process
internal audit
significant
assurance

Business Planning

Three year snapshot

Steady growth underpinned by Grand Union's strong operating model

Consolidated Statements	23/24 £'m	24/25 £'m	25/26 £'m	26/27 £'m
Statement of Comprehensive Income (SOCl)				
Turnover from social housing lettings	80.8	89.2	94.4	98.4
Other social housing activity-SO FTS income	10.8	17.2	12.5	11.8
Income from non-social housing activity	1.5	3.1	13.1	13.5
Total Turnover	93.1	109.6	120.0	123.7
Operating Surplus	23.9	30.5	33.3	34.9
<i>Operating surplus: social housing lettings only</i>	<i>20.7</i>	<i>25.3</i>	<i>28.2</i>	<i>30.4</i>
Net Surplus	10.7	18.3	22.2	29.6
<i>Operating margin</i>	<i>26%</i>	<i>28%</i>	<i>28%</i>	<i>28%</i>
<i>Net margin</i>	<i>11%</i>	<i>17%</i>	<i>18%</i>	<i>24%</i>

- Consistent rent growth – new unit delivery plus annual increases of CPI+1% until 2025, thereafter CPI only.
- Operating margin increases anticipated to be higher in reality as only £500k p.a of transformation savings modelled this year
- Turnover growth £93m in FY2024 to £124m in FY2027 (up 33%)
- Growth in forecast net surplus from £11m in FY2024 to £30m in FY2027

Business Planning

Covenants

	23/24	24/25	25/26	26/27	27/28	Golden rule	Covenant level
Interest Cover*	144%	155%	159%	199%	212%	120%	110%
NDPU	£31,876	n/a	n/a	n/a	n/a	£35,550	£39,500
Gearing	49%	51%	49%	48%	49%	55%	60%
Asset Cover	274%	279%	284%	284%	279%	120%	110-125%
<i>Memo : new covenant being negotiated</i>							
<i>EBITDA only interest cover</i>	<i>222%</i>	<i>227%</i>	<i>225%</i>	<i>268%</i>	<i>283%</i>	<i>TBC</i>	<i>125%</i>
<i>Gearing (historic cost basis)</i>	<i>44%</i>	<i>44%</i>	<i>43%</i>	<i>41%</i>	<i>41%</i>	<i>TBC</i>	<i>65%</i>

- Interest cover – minimum of 144% in 2023/24 then improving
- Gearing 51% 24/25 then gradually reduces.
- Asset cover EUV-SH - 110% MVT – 125% (Bond security uplifted in year)
- Additional headroom identified from new covenants

Business Planning

Stress testing overview

Scenarios - 2023	Risks Covered
A BoE Annual Cyclical Scenario (ACS) all sales activity (sales market crash)	10 & 49
B Government policy changes in rent setting	49
C Persistent Inflation	7, 9, 10, 40, 49
D Worse case BoE ACS per Hargreave Risk & Strategy	7, 9, 10, 40, 49
E <i>Environment sustainability/investments to meet Carbon Agenda goals by 2050</i>	148
E1 Increase in decarbonisation costs & fire safety standards	
E2 Achieve EPC B by 2030 & carbon neutrality by 2040	
F Internal compliance and governance failures	
i. Staff and Pension costs escalate	51, 111
ii. GDPR breach material one-off fines	125
iii. Consumer regulation/tenant safety compliance failure	40
iv. Regulatory and Moody's downgrade, therefore increasing loan margins on new funding	9, 39, 40, 125
v. Failure to achieve proposed efficiency savings	112
G Escalating repairs & maintenance costs above forecasts	40, 49, 86
i. Increase in Decent homes standard spend	
ii. Unforeseen costs related to damp & mould and disrepair in our stock	
iii. Changes to building regulation changes requiring higher spend	
iv. Higher inflation on repairs & maintenance costs than modelled in Base	
H Failure to deliver the disposal strategy as planned in the Base model	9, 39, 148
I Cyber attack	125, 49
J Multi-variate: Scenarios B+E1 combined (Govt policy change & increased carbon costs)	Multi-variate
K Multi-variate: Scenario B+D combined (Govt policy change & BoE ACS -perfect storm) - worst case	Multi-variate
L Funding freeze: development capacity restricted to operating cash surpluses only	7, 40, 125
M1 Business Plan Optimisation in 30 years with aspirational schemes (including OMS)	n/a
M2 No grant scenario - no S106s only Land-led schemes but no grants, no OMS	7, 9, 39
N Impairment of assets: impact on asset cover covenant and ability to fund new home delivery	7, 9, 10



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Operations, ESG & Cyber Security

Stock Investment and Asset Management

Table 6: Major Repairs					
Components DECEMBER 2023	Actual to date	Budget to date	Variance to date	Volume to date	Volume Variance to budget (- is higher than budget)
	£'000	£'000	£'000		
Bathroom	624.4	454.4	-170.0	106	-8
Boiler	1,147.0	2,408.3	1,261.3	409	113
Windows and Doors	1,637.1	1,929.3	292.2	432	-18
Electrics	819.3	464.5	-354.9	447	-258
Heating sys	551.4	443.7	-107.7	145	-55
Kitchen	788.3	764.1	-24.2	97	14
Communal Works	39.0	75.0	36.0	1	0
Roof	2,159.3	2,425.0	265.7	392	274
Fire Safety	38.7	0.0	-38.7	0	0
Carbon Agenda	170.6	1,155.2	984.6	0	0
Other	298.3	0.0	-298.3	0	0
Total Major repairs	8,273.5	10,119.5	1,845.9		

Strategic review 'portfolio approach'

81% survey less than five years old

External validation of data and schedule of rates completed

Full Decent Homes position

Safety and Compliance – December 2023

100% homes
with valid gas
safety
certificate

345 schemes
(100%) with
valid fire risk
assessment

10,781 smoke
detectors
installed
(95.90%)

9,775 CO
Detectors
installed
(98.43%)

Reduced (five
year)
electrical
cycle with
98.29%
already

98.73%
legionella risk
assessments
completed

Damp &
Mould
dashboard
created to
support
enhanced
reporting

48
Communal
fire doors
tested (100%
passed)

Operations and ESG

ESG reporting

ESG Area	Theme Name	Description	SDG	
Social	Affordability and security P6	Provides affordable housing	11	Sustainable Cities and Communities
			10	Reduce Inequality
	Building safety and quality P11	Resident safety is well managed	11	Sustainable Cities and Communities
	Resident voice P12	Listens to residents' voice	11	Sustainable Cities and Communities
	Resident support P15	Supports residents, and the local community		
Placemaking P19	Supports residents and the wider local community through placemaking			
Environmental	Climate change P23	Prevents climate change	13	Climate Action
	Ecology P27	Promotes ecological sustainability	15	Life on Land
	Resource management P28	Sustainable management of natural resources	12	Responsible Consumption and Production
Governance	Structure and governance P30	High quality Board of trustees	16	Peace, Justice and Strong Institutions
	Board and trustees P31	High quality Board of trustees		
	Staff wellbeing P33	Supports employees	11	Decent Work and Economic Growth
	Supply chain management P34	Procures responsibly	11	Responsible Consumption and Production

Sustainability reporting standard for social housing

Third annual report has been issued and is available on our website

Assurance

- In accordance with ISA 315 and now part of the external audit of the financial statements an in-depth review of IT general controls was performed by Beevers and Struthers.
- The result was that Grand Union's systems and internal controls were found to be operating effectively with no significant deficiencies as part of this audit
- Grand Union successfully achieved accreditation against Cyber Essentials (Plus) v3.0 in July 2022
- In August 2023 there was a full external penetration test of Grand Union's Internet-facing systems conducted by Crowd Strike with only 5 low risk issues identified



Any questions?

