



Longhurst
Group



Trading update

Q1 2024/25

Key metrics

Q1 2024/25

MOODY'S

Moody's rating

A3 stable



Regulatory judgement

G1/V2



Properties EPC C+

86%



Interest cover EBIDTA

234%



Handovers

136



New home sales

60

Rob Griffiths

Deputy Chief Executive and Chief Financial Officer



Q1 summary

The Group is reporting a net surplus of £5.6m at Q1 of the 2024/25 financial year.

The net surplus achieved to 30 June 2024 is £3.3m greater than the £2.3m surplus recorded at the same stage in 2023/24, the increase being due to a combination of:

- the impact of inflationary increases to income,
- rental income on new homes brought into management,
- strong first tranche sales performance, and
- total operating expenditure being under budget at the end of the quarter.

Whilst total operating costs are under budget at the end of Q1, this is primarily due to the timing of expenditure on the planned maintenance revenue programme. Responsive repairs are over budget by 7.8% (£0.5m) to the end of June 2024 based on the level of demand for repairs. We have forecast this to continue for the rest of year with a forecast adverse variance to budget of £2.0m.

Despite the heightened demand, we have continued to work to reduce the level of overdue repairs during the quarter, with total work in progress on repair jobs almost back to a business-as-usual levels.

Development performance remains strong with 136 handovers in the first quarter, and with us set to deliver almost 600 affordable homes over the course of the year.

As previously announced on 17 July 2024, Longhurst Group is in merger talks with Grand Union Housing Group. There are no further updates on the proposed merger at this time. An update on progress will be issued at the appropriate time.

Financial performance

A net surplus of £6m and operating margin of 27% is reported for the Q1 period to 30 June 2024.

Income and expenditure

The increase in turnover is a result of inflationary increases applied to rental income, arrears performance remaining strong at 1.59 percent (Q1 2023/24: 1.59 percent), and continually improving void losses, though these remain at a heightened level and continue to be an area of focus for the Group.

Operational expenditure is currently favourable to the budgeted position, though repairs are being closely monitored by the Group, with an adverse impact on operating costs expected if volumes remain at current levels.

The Group has sold 29 more properties when compared to this time last year, resulting in an additional £4m turnover and £3m cost of sales, and a further £1m surplus on properties not developed for outright sale which relates to staircasing and asset sales.

Interest payable and financing costs have remained consistent year-on-year due to the level of fixed rate debt being 93 percent (Q1 2023/24: 96%).

	Q1 2024/25 (unaudited)	Q1 2023/24 (unaudited)
	£m	£m
Turnover	47	40
Cost of sales	(5)	(2)
Operating costs	(29)	(29)
Operating surplus	13	9
Surplus on sale of properties not developed for outright sale	1	—
Interest receivable	—	1
Interest payable and financing costs	(8)	(8)
Corporation tax I&E	—	—
Net surplus	6	2

Key performance indicators

The increased operating margin and interest cover metrics are a result of the aforementioned increases to turnover, and sales income as percentage of turnover also higher as a result of the increased number of property sales achieved. Our level of gearing has increased slightly due to debt drawn over the year.

	Q1 2024/25 (unaudited)	Q1 2023/24 (unaudited)
Operating margin (overall)	27%	22%
Operating margin (social housing lettings)	30%	24%
Sales income as % of turnover	14%	11%
EBITDA interest cover	234%	190%
EBITDA MRI interest cover	193%	168%
Gearing	52%	51%

Funding

The level of drawn debt is the net of facilities maturing and being repaid, and facilities being drawn from the Group's rolling credit facility, predominantly for the development of new homes and investment in existing stock. The duration before further funding is required, including committed development, is in excess of 36 months.

Cash balances were higher in the prior year due to cash being held on deposit following the April 2023 retained bond sale. The movement in the mark-to-market liability is a result of the movement in swap rates.

	Q1 2024/25 (unaudited) £m	Q1 2023/24 (unaudited) £m
Drawn debt	772.4	759.5
Undrawn facilities (secured)	141.8	170.1
Undrawn facilities (to be secured)	—	—
Cash	8	76.4
Weighted average debt cost	4.3%	4.4%
% of net debt fixed	93%	96%
Derivative mark-to-market (liability)	1.6	0.5

Q1 results

	Q1 2024/25 (unaudited)	Q1 2023/24 (unaudited)
Void losses	2.5%	2.9%
Rent arrears	1.6%	1.6%

Void losses

The loss of income in relation to empty properties continues to be a key area of focus for the Group. Whilst the void loss percentage has reduced, the 2.5 percent reported at Q1 is above target and further reductions are targeted over the course of the financial year.

Rent arrears

Our arrears performance continues to be strong, though we recognise the impact of the current economic environment on our customers. With changes to benefit payments impacting our customers, we're providing more money advice than ever before, and will continue to support the economic resilience, health and wellbeing of our customers and our communities.

Tenant Satisfaction Measures (TSM)

The first of our TSM publications came in July and can be found on the Group's website.

The TSMs provide transparency on our 2023/24 performance in relation to keeping homes in good repair, maintaining building safety, ensuring respectful and helpful engagement, effective handling of complaints and responsible neighbourhood management.

We're committed to providing clear and easy to understand information about how we're performing, what customers are telling us and how we're using this feedback to improve our services.

Repairs and maintenance

Q1 results

	Q1 2024/25 (unaudited)	Q1 2023/24 (unaudited)
	£m	£m
Responsive maintenance	6	4
Void maintenance	1	2
Planned maintenance	2	3
Total maintenance costs	9	9

Repairs and maintenance continue to be key areas of investment for the Group. We've worked closely with contractors over the past year to clear the backlog of works that built up due to contractor changes and the pandemic, though for Q1 2024/25 volumes of repairs jobs have been at a heightened level which, should the trend continue, will impact upon our operational expenditure.

We're committed to the safety of our tenants with full compliance achieved in our gas servicing and electrical testing.

Investment in existing homes

We remain committed to the Decent Homes Standard and providing the homes people want, where they're needed. Further to the above expenditure, we've invested £2.9m (Q1 2023/24: £1.7m) in our major works programme in Q1, with surveys being completed and a focus on high priority works.

Energy efficiency upgrades

The Group continues its work with the Social Housing Decarbonisation Fund (SHDF), with the aim of tackling fuel poverty and improving our customers' health and wellbeing. In Q1, we invested a further £1.7m in upgrading the energy performance of our homes under the SHDF programme. The works include properties in the Rushden area, for which a whole house retrofit approach has been taken.

Works under the SHDF programme have included the installation of external wall insulation, internal ventilation improvements, and roof and heating system replacements, including the installation of air source heat pumps and solar panels.

Property development



Vasey Fields, our fully affordable 18-home development in Bassingham

Handovers and development pipeline

We're pleased to have had a strong start to the year, taking handover of 136 units (Q1 2023/24: 83 units), and forecasting another 458 by the end of the year. This quarter the Group has identified 318 units, taking our pipeline total to 1,853 units, with an expected cost of £308m.

Sales

We have continued to see many homes sold off-plan due to the high demand for our shared ownership properties. Q1 has seen the Group recognise £8m of income, generated from the sale of 60 new homes and 22 asset sales (Q1 2023/24: 53 sales).

Latest developments

Vasey Fields, our new 18-home fully affordable development in Bassingham, near Lincoln, has now fully handed over. The scheme has a mix of tenures, including shared ownership, and the development also includes half an acre dedicated to biodiversity net gain.



The Leas at Toot Lane, Boston consists of 135 affordable homes

ESG report 2023/24

Our 2023/24 ESG report is soon to be released and will focus on our further progress against the Sustainability Reporting Standard for Social Housing. This year's report will outline our commitment to net zero and the progress we've made with our carbon emissions 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 tackle fuel poverty, for which we're currently at 86 percent.

The Group is now over a third of the way through completing our flagship development of 135 affordable homes at Toot Lane, Boston. The site includes a mix of tenures, utilises ground source heat pumps and uses a local contractor for building works.

Biodiversity net gain

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



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