Longhurst Group

Trading update

Q2 2024/25

Key metrics
Q2 2024/25

Moody's rating	A3 stable
Regulatory judgement	G1/V2
Properties EPC C+	88%
Interest cover EBIDTA	258%
Handovers	340
New home sales	138

Rob Griffiths

Deputy Chief Executive and Chief Financial Officer

Q2 summary

The Group's net surplus at the end of Q2 of the 2024/25 financial year was £14.6m.

The net surplus achieved to 30 September 2024 was £2.2m favourable to the budgeted surplus to the end of September and £8.3m favourable to the same period in 2023/24. The improved financial performance during the first half of 2024/25 is due to the following factors:

- the impact of inflationary increases to rental income,
- the rental income on new homes brought into management,
- total operating costs being under budget at the end of September, and
- continuing strong sales performance in the first half of the year

As reported at Q1, total operating costs remain below budget to the end of September 2024. This positive variance is primarily due to underspends on the planned maintenance programme which are now expected to remain below budget for the full year. The increased spend on responsive repairs has continued and is now over budget by £1.6m at the end of Q2. We have revised up our outturn accordingly, with forecast spend on responsive and void maintenance of £29.6m being £4.0m ahead of that budgeted.

Demand on the responsive repair service remains high, but there has been a continued improvement in reducing overdue works which stood at just under 10% of total work in progress at the end of September 2024.

Development handovers have increased over the second quarter on our new build programme, with the 338 homes handed over at the end of Q2 having a favourable impact on performance.

Initially announced on 17 July 2024, Longhurst Group is in advanced merger talks with Grand Union Housing Group. The proposed merger and final business case have been approved by the respective boards and the merger is now expected to complete before the end of December 2024.

Longhurst Group and Grand Union Housing Group held a joint investor update on 5 November 2024, to update investors on the merger, its objectives, and the proposed group structure.

Financial performance

A net surplus of £15m and operating margin of 28% is reported for the Q2 period to 30 September 2024.

Income and expenditure

The increase in turnover is a result of inflationary increases applied to rental income, lower void losses, and higher sales income.

Operational expenditure is favourable to the budgeted position for Q2, due to the phasing of expenditure and project reprioritisation whilst the proposed business combination is progressed. Costs are expected to increase over the second half of the year and repairs expenditure continues to be monitored closely; with demand for responsive repairs remaining at a heightened level and planned high-value delivery of investment in existing homes.

138 shared ownership first tranche sales have been achieved, an increase of 63 when compared to the prior year (2023/24: 75) generating an additional £8m of sales income. The £1m surplus on properties not developed for outright sale relates to staircasing and asset sales.

Interest payable and financing costs remain reasonably consistent year-on-year due to the level of fixed rate debt being 93% (Q2 2023/24: 96%); the slight reduction being attributable to strong performance on development, with increased expenditure and the resultant impact on capitalised interest. Interest receivable has reduced in line with lower cash balances being held.

	Q2 2024/25 (unaudited) £m	Q2 2023/24 (unaudited) £m
Turnover	100	83
Cost of sales	(13)	(5)
Operating costs	(58)	(58)
Operating surplus	**29**	**20**
Surplus on sale of properties not developed for outright sale	1	1
Interest receivable	-	1
Interest payable and financing costs	(15)	(16)
Corporation tax I&E	-	-
Net surplus	**15**	**6**

Key performance indicators

Our increased operating margin and interest cover metrics are a result of the aforementioned turnover increases and underspend in the first half of 2024/25. Sales income as percentage of turnover is also higher due to the increased number of property sales achieved, and gearing is consistent with new assets developed and loan drawings for the associated development expenditure.

	Q2 2024/25 (unaudited)	Q2 2023/24 (unaudited)
Operating margin (overall)	28%	24%
Operating margin (social housing lettings)	32%	24%
Sales income as % of turnover	16%	9%
EBITDA interest cover	258%	205%
EBITDA MRI interest cover	174%	134%
Gearing	52%	52%

Funding

The increase in the level of drawn debt is a result of net drawings from the Group's revolving credit facilities, predominantly for the development of new homes and investment in existing stock.

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

	Q2 2024/25 (unaudited)	Q2 2023/24 (unaudited)
	£m	£m
Drawn debt	768	759
Undrawn facilities (secured)	146	170
Undrawn facilities (to be secured)	-	-
Cash	7	52
Weighted average debt cost	4.3%	4.3%
% of net debt fixed	93%	96%
Derivative mark-to-market (liability)	2.2	0.7

Golden Rules

The Group monitors financial performance against the following golden rules.

The rules, which are reviewed annually, create an early warning system for board; providing insight as to where mitigating actions may be required against those in amber, and must be taken against those in red.

Although increased expenditure forecast in the latter half of the year is expected to reduce the margins reported, sufficient headroom will be maintained.

	Green	Amber	Red	Q2 2024/25
Loan Gearing	≤62%	>62%<64%	≥64%	**52%**
Interest Cover	≥170%	≥155%<170%	<155%	**258%**
Interest Cover - EBITDA MRI (includes SHDF Net Carveout)	≥130%	≥115%<130%	<115%	**174%**
Interest Cover - Social Housing Lettings	≥120%	≥100%<120%	<100%	**142%**
Operating Margin	≥25%	≥21%<25%	<21%	**28%**
Operating Margin - Social Housing Lettings	≥30%	≥26%<30%	<26%	**32%**

TRADING UPDATE / Q2 2024–2025

Operational performance

Q2 results

	Q2 2024/25 (unaudited)	Q2 2023/24 (unaudited)
Void losses	2.3%	3.0%
Rent arrears	2.0%	1.9%

Void losses

Void levels have reduced significantly but remain above target due to void works required. We have been successful in clearing the backlog of responsive repair works, despite the increased demand, and the Group is now operating at 'business as usual' levels. As such, we are able to return focus to empty homes and we're working closely with our contractors to meet targets in this area.

Once works are complete, our general needs properties are let quickly and we're currently working with our local authorities to improve referral rates for specialised housing.

Rent arrears

Our arrears performance remains strong and we continue to support the economic resilience, health and wellbeing of our customers and our communities. The slight fluctuation in performance is linked to the timing of rent collection with how the calendar month falls.

Repairs and maintenance

Q2 results

	Q2 2024/25 (unaudited) £m	Q2 2023/24 (unaudited) £m
Responsive maintenance	11	8
Void maintenance	3	3
Planned maintenance	4	5
Total maintenance costs	**18**	**16**

We're proud of the significant improvements we've made, with the backlog of repairs works being cleared, and we remain committed to further improving our customer experience. With focus returning to empty homes, void maintenance expenditure is expected to increase over the last half of the year as we undertake works to make homes available for letting.

Repairs and maintenance continue to be key areas of investment for the Group and we're working alongside external surveyors to undertake stock condition surveys for 10,000 homes in 2024/25. This will further enhance our understanding of our homes and the data we hold, enabling us to plan our investment in homes effectively.

Representatives from our contractors Morgan Sindall Property Services and Lovell join Longhurst Group colleagues, Board and Customer Forum members at our SHDF demo home.

Investment in existing homes

Further to the expenditure above, we've invested £9m (Q2 2023/24: £9m) in our major works programme, demonstrating our commitment to providing the homes people want, where they're needed, and 99.65% of our homes meeting the Decent Homes Standard.

Decarbonisation

Our decarbonisation works have continued, with the aim of tackling fuel poverty and improving our customers' health and wellbeing, and we've invested almost £6m so far this year under the Social Housing Decarbonisation Fund (SHDF) programme.

302 of the 581 homes included within the two-year programme have had their decarbonisation works completed and our customers are seeing the benefits of the 1,516 measures installed. We're now moving into the final phase of delivery, with the installation of internal and external wall insulation to be completed by April 2025.

We are jointly bidding for the Warm Homes: Social Housing Fund Wave 3 (previously SHDF) alongside Grand Union Housing Group, with the intention of the grant funding enabling us to further expedite our decarbonisation works.

Contractors inspect one of the homes having its energy efficiency improved as part of our Social Housing Decarbonisation Fund project.

Property development

Handovers and development pipeline

We've continued our strong start to the year, taking handover of 338 homes (Q2 2023/24: 234), and forecasting a further 286 by the end of the year.
Our pipeline has further increased due to newly identified schemes, taking our total to 2,275 at an expected cost of £368m.

Sales

High demand for our shared ownership properties continues, with many homes being sold off-plan. Q2 has seen the Group recognise £20m of income (Q2 2023/24: £11m), generated from the sale of 138 new homes, 56 asset sales, and £9m through the sale of investment property.

Our forecast sales performance for the rest of the financial year reflects our new Surplus Income Policy, following the introduction of Homes England's revised Shared Ownership affordability guidance, effective from 1st August 2024, with sales agreed on a first-come first-served basis, prioritising buyers' affordability for homeownership.

Latest developments

We've recently approved 34 homes to be built at High Dyke, Navenby which will include renewable energy features under the Central Lincolnshire Local Plan. The scheme, which will consist of 14 shared ownership and 20 social rent homes, will be built to achieve EPC A rating, and will include solar panels and air source heat pumps. We plan to start on site in the coming months with handovers expected from April 2026.

ESG report 2023/24

Our 2023/24 ESG report is soon to be released and focuses on our progress across the 12 themes outlined within the Sustainability Reporting Standard for Social Housing (SRS).

We're pleased to include reporting on the Group's Green House Gas emissions for the first time in our 2023/24 ESG report and this, along with our investment in decarbonisation and mitigating action against flooding and overheating, demonstrating our commitment to our environmental responsibilities.

With our continuing investment in decarbonisation, the energy performance of our homes has improved further to that reported in our 2023/24 ESG report. The percentage of our homes with an EPC C or above is now 89%.

Helping our local communities

We continue to help our local communities, with the aim of supporting our customers to improve their health and well-being, and economic resilience. We have helped more than 2,500 people through our community investment programmes, which include a variety of services; from the provision of mental health support for customers, to having dedicated colleagues assisting with employment skills and development.

We are proud to provide funding for a local youth charity, that has a community centre in the heart of one of our largest housing estates, providing youth activities and after school clubs.

An agreement with our developer, Alison Homes, is also helping provide more to local communities through their pledge of £100 per home built at Deepdale Lane, Nettleham. In September 2024 we jointly presented Nettleham Community Hub with £3,800, a space where local residents come together to combat loneliness and nurture community spirit.

Future developments

On completion of the proposed business combination between Longhurst Group and Grand Union Housing Group, we will surpass the large company threshold and require a tax strategy. Our tax strategy and approach to tax will demonstrate our role in society and commitment to our purpose, and will be developed in alignment with the relevant themes included in our ESG report, under the Sustainability Reporting Standard for Social Housing.

Longhurst Group

For further information contact:
Rob Griffiths
01205 204 281
robert.griffiths@longhurst-group.org.uk

Longhurst Group,
1 Crown Court,
Crown Way, Rushden,
Northamptonshire NN10 6BS

0800 111 4013
longhurst-group.org.uk/investors