great places HOUSING GROUP

Performance Update

This update covers performance for the period ending 31 March 2020.

Great homes. Great communities. Great people.

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Our Performance Updates are aimed at ensuring our investors and other stakeholders receive regular, timely information regarding the performance of the Group. We will publish these reports on a quarterly basis and will produce them within six weeks of the relevant quarter end.

These results are published in advance of the Statutory Accounts for the year ended 31 March 2020 which will be issued following the AGM in September. The information included is based on unaudited management accounts and other internal performance measures and is subject to concluding the routine annual accounting adjustments as well as any adjustments that arise as a result of the external audit process.

Contents

Key headlines

More details of these headlines are provided in Corporate News, Governance, on page 6.

TRANSFER OF ENGAGEMENTS

Great Places successfully completed the Transfer of Engagements of Equity Housing Group on 1st April 2020. The merger reinforces Great Places' geographical focus around Greater Manchester, Cheshire and South Yorkshire, and the larger Organisation will be financially stronger with greater influence and have increased operational resilience which is particularly of importance given the backdrop of the Coronavirus pandemic.

RSH INTERIM REGULATORY JUDGEMENT G1/V2

The Regulator of Social Housing has regraded Great Places' Governance and Viability rating to G1/V2. This is referred to as an interim judgement following the Transfer of Engagements with Equity and takes into account the previous ratings of both Organisations.

CORONAVIRUS PANDEMIC

The Coronavirus pandemic is having a profound global impact. Great Places has responded effectively to ensure we maintain essential services whilst following Government and HSE guidelines. Our business continuity team continues to meet several times per week to manage the operational effects, developing innovative solutions to some of the challenges faced, to respond to emerging guidance and now to start planning for the eventual recovery phase.

2

Financial performance

The financial performance disclosed here excludes any of Equity's activities, which will be combined with Great Places Housing Association from 1st April 2020.

The management accounts of the Group show full year surplus of £16.5m, £2.5m better than budget. Property sales, including first tranche shared ownership properties and open market sales (less cost of sales), and the sale of fixed assets such as staircasing shared ownership properties, exceeded budget by £2.6m. Net interest costs, repair costs and bad debt expense were all better than budget. Turnover in the year was £113.8m and operating surplus £39.1m.

These are unaudited management accounts and may change during the year end audit process, so the 2019/20 statutory accounts results may differ.

Drawn debt (excluding bond premium and including finance leases) as at 31 March 2020 was £531.7m (March 2019: £535.7m).

Mark to Market exposure on the Group's free standing derivatives was £51.8m, up from £44.9m at 31 March 2019, due mainly to reductions in 15–25 year swap rates. There was £28.5m cash collateral posted to meet counterparties' security requirements, up from £19.3m at 31 March 2019.

We are fair, open and accountable

Liquidity is strong with closing cash balances (excluding cash held on behalf of leaseholders) of £37.1m. Undrawn facilities immediately available are £111.8m of which £106.9m is fully secured, with £73.8m being revolving credit facilities. This does not include our £70m retained bond, which we can sell at any time. Our internal financial "Golden Rules" around interest cover, gearing, operating surplus and operating cash flows funding our investment works were all met at the end of the year.

3

Operational performance

Our performance management centres around our Critical Success Factors ("CSFs") which are designed to focus us on the delivery of our Corporate Plan, and particularly our vision of "Great Homes, Great Communities, Great People". We had ten CSFs for 2019/20, as well as three-year targets and ten-year ambitions within our Corporate Plan. The CSFs give immediate oversight on progress against our vision and key objectives.

As at year end we achieved target or better with seven of our ten CSFs, hitting stretch target with four. Colleague engagement was 86%, which is comfortably above our stretch target of 80%.

We helped 1,431 Households into work, training and volunteering this year, 606 more than the stretch target of 825. Together with the 880 households achieved in 2018/19 we have already achieved our Corporate Plan three-year target to help 2,000 households into work, training and volunteering.

Stretch targets for Arrears and for Average Days per Re-Let were both exceeded this year, with the Universal Credit impact not felt as quickly on arrears as predicted and an improvement on re-let times showing continuous improvement over the past five years.

We exceeded our targets for Trusted Stock Condition Surveys, Development Completions and Group Surplus. At year end there was 96.2% trusted stock data compared to around 85% at the start of the Year. For development completions we built 229 affordable homes against a target of 177. Group Surplus was £16.5M against a target of £14M. We achieved 110 shared ownership sales and 84 Outright sales – in line with our expectations.

The target for Sickness days per colleague was missed this year, with a year end result of 9.3 days, which a significant improvement on the 11.3 days at the end of the last financial year. During March 2020 Coronavirus resulted in more colleagues being absent: without this absence our Sickness days per colleague would have been 8.7.

Overall Customer Satisfaction ended the year at 7.53/10, against a very ambitious target of 7.85/10. However it should be noted that performance remains above the housing association average of 7.35/10. We have also reported increases in satisfaction for seven consecutive months, with the average satisfaction in March being 8.11/10, the highest individual monthly figure reported during the year.

We know, respect and care about our customers.

We also missed the target of 65% for the % of digital contacts, with 62.2% of contacts in March 2020 being digital. This is an improvement on 56.2% reported at the end of the last financial year.

Corporate news

These stories illustrate some of our recent activities, particularly in terms of Environmental, Social and Governance.

GOVERNANCE

RSH Interim Regulatory Judgement

Great Places' viability rating has been regraded by the RSH as G1/V2 in response to the merger with Equity. This is an interim Regulatory judgement based on the regulator's previous assessments of both Great Places and Equity.

As a significant developer over many years and now established as one of Homes England Strategic Partners, we recognise that this brings risk and sales exposure. We understand the Regulator's perspective that this needs to be carefully managed, so it comes as no great surprise that we have been regraded to V2. This is consistent with the messaging from the Regulator over a number of years, the regrade of several other developing Registered Providers (RPs) and takes into account our recent merger with Equity Housing Group, who held a V2 rating. The regrade has no impact on our ambitious growth targets and we look forward to working with our various stakeholders and partners to deliver the new homes so desperately needed in the North of England.

It is fair to say that all regrades are not the same, so we are pleased to have kept our G1 rating which shows that we have strong governance arrangements to ensure ongoing financial strength, and have an effective risk management framework. We also have a robust business planning and stress testing environment, a simple structure and a consistent strategic approach. These factors have helped us sustain excellent relationships with our many funders and to maintain our credit ratings with both Moody's and Fitch over many years, contributing to the high levels of liquidity that we see as an essential business requirement.

We have recently completed the transfer of engagements of Equity Housing Group, which will make the larger organisation financially stronger, operationally more resilient and able to deliver even better services to our customers. These are outcomes we expect to deliver over the next few years, but greater resilience and strength in depth is already proving beneficial in shaping our response to the current unprecedented Coronavirus lockdown. This includes setting up a £100k Hardship Fund to support those most in need and we are working with our local authority and other partners to ensure it reaches them.

Great Places remains committed to its vision and values, and to achieving profit for social purpose. We have a modern portfolio of homes, providing safe, secure, high quality and energy efficient homes for our customers, backed up by high quality customer service delivery. We have the financial capacity to maintain and invest in our homes, and we expect the costs of meeting enhanced building safety requirements in our predominantly modern portfolio of family houses to be relatively low.

We are committed to developing thousands more much needed new homes over 10 years following the merger with Equity Housing Group. Great Places has been a significant developer of all tenures with an excellent track record over many years, whilst Equity's successful development activity has focused on shared ownership and rural schemes. Our 11,000 new home ambition represents an increase of around 15% over what both organisations had planned individually, clearly showing how this merger will unlock capacity to allow us to do more to tackle the housing crisis.

New Innovation Chain North framework sees 56% increase in tender submissions

The tender period for the new £750m, Innovation Chain North Framework closed on 31st January 2020. The renewed framework aimed at organisations interested in supplying construction works, modular supply and related Consultancy services to a range of housing clients across the North of England, saw a 56% increase in the number of tender submissions. The Great Places development team are now in the process of evaluating the bids and suppliers will be notified of the outcome in late spring 2020.

We promote partnerships, efficiency and value for money.

ENVIRONMENTAL

Energy Efficiency news

Great Places completed the energy efficiency improvement works on one of its key estates in Greater Manchester. This comprehensive programme of works included Party Wall Insulation, Loft and Cavity Wall insulation. The works will be monitored to get a detailed picture of the impact in terms of carbon savings and the customer's financial savings.

Our Distribution centre was moved to a renewable electricity tariff, saving over 6.5 tonnes of carbon per year.

Great Places continues to progress with work on improving our homes in terms of energy efficiency. Unfortunately, the COVID 19 lockdown measures have impacted on planned works. The Group is using this lockdown period to review the energy performance of our homes and plan for what works can be completed post lockdown.

SOCIAL

Great Places collaborates with group planning first 50+ cohousing scheme in Greater Manchester

Great Places is working with Manchester Urban CoHousing (MUCH) to develop homes for residents aged over 50 who want to create a sustainable community, sharing some aspects of their lives whilst retaining individual private living spaces. The aim is to create homes for residents who have chosen to work together to create an environmentally sustainable housing community, which is low cost to run, and where they can gain support from each other. Homes England, the government's housing agency, has awarded MUCH an £86,000 grant from its Community Housing Fund, which will help support the development in the early stages of the project. The development will provide around 20 apartments, alongside shared facilities such as meeting rooms, a kitchen and dining room, gardens and roof space, and bedrooms for visitors.

Great Places to offer post release support to prisoners

Great Places is aiming to help newly-released prisoners adjust to life on the outside thanks to a new initiative. The "United Together" programme offers prisoners leaving HMP Preston 1-2-1 post-release support to help reduce the likelihood repeat offending. The programme followed a successful week-long pilot delivered in conjunction with Active Lancashire and Preston North End Community and Education Trust.

Great Places to deliver new homes in Little Hulton

Great Places Housing Group is to invest £2.7million in a new housing development in Salford. The housing association is to build 21 new homes for affordable and social rent – a mix of one, two and three-bedroom properties in Little Hulton. The new homes will be built on a derelict site, bringing new homes to an area of high demand. This new development is located close to The Wells on Old Lane, an £8.6 million mixed tenure site which is currently delivering 83 new homes.

£7.4million Oswaldtwistle, Lancashire development

The Mayoress of Hyndburn officially broke ground on a £7.4million housing development in Oswaldtwistle at the former John Wood Steel Drums site on Victoria Street where Great Places is building 53 new homes on the 1.3 hectare site. The new homes, a mix of two, three and four-bedroom houses, will be made available for affordable rent. Work on the development is expected to be completed by Spring 2021.

Feedback

We welcome feedback on our performance update.

Please contact Kal Kay, Director of Finance on 0161 447 5029 or at kal.kay@greatplaces.org.uk

The information included within this report is for information purposes only. The Financial results quoted are unaudited. The report may contain forward looking statements and actual outcomes may differ materially. No statement in the report is intended to be a profit estimate or forecast. We do not undertake to revise such statements if our expectations change in response to events. This report does not constitute legal, tax, accounting or investment advice.