

Citizen Housing Group

31 January 2024

Citizen Housing Group trading update for the period ending 30 September 2023

- Citizen Housing Group (“Citizen”) is today issuing its consolidated trading update for the six months ended 30 September 2023 (Q2 2023/24).
- These figures are unaudited and for information purposes only.

Highlights

- Citizen owns and manages **31,960 homes** across the West Midlands in Coventry, Birmingham, Solihull and across the counties of Herefordshire and Worcestershire
- Citizen is currently graded **G1 / V2¹** which was regraded reflecting Citizen’s accelerated EPC spend
- Citizen maintains an **A3 (stable) Moody’s credit rating²**
- Turnover for the period was **£97.4m**
- Social housing lettings turnover contributed to **92%** of total turnover
- Operating surplus (including asset sales) for the period was **£25.6m**
- Operating surplus (excluding asset sales) for the period was **£24.0m**
- Overall operating margin (excluding asset sales) was **24.6%**
- The surplus after tax for the period was **£9.5m**
- Gearing as at 30 September 2023 was **37.5%**
- Interest cover (EBITDA only) as at 30 September 2023 was **2.24x/224%**

Commenting on the results, Gary Booth, Chief Financial Officer, said:

“Overall the results for the first six months were slightly behind budget for this stage of the financial year with maintenance costs higher than budget and the slow down in the housing market has seen a reduction in first tranche shared ownership sales and outright sales. Operating margin at 24.6% is slightly below the 26.3% we had anticipated at the half year stage. We are pleased to be accelerating energy efficiency investment in our remaining 4,000 homes which are currently rated below EPC C and anticipate having all homes rated a minimum of EPC C by the end of 2025.”

1 As at 25 October 2023 <https://www.gov.uk/government/publications/regulatory-judgement-citizen-housing-group-limited/current-regulatory-judgement-citizen-housing-group-limited-25-october-2023>

2 As at 21 December 2023 <https://www.citizenhousing.org.uk/wp-content/uploads/2023/12/Moodys-Investors-Service-Credit-Opinion-Citizen-Housing-Group-Limited-21Dec2023.pdf>

1. Financial Performance

1. Income and Expenditure

	Q2 2023/24 £m	Q2 2022/23 £m
Turnover (Social Housing Lettings)	89.6	82.1
Expenditure (Social Housing Lettings)	(67.5)	(55.8)
Surplus (Social Housing Lettings)	22.1	26.3
Turnover (Overall)	97.4	94.9
Expenditure (Overall)	(73.4)	(65.5)
Operating Surplus (Overall) – excluding fixed asset sales	24.0	29.4
Operating Surplus (Overall) – including fixed asset sales	25.6	32.1
Total Surplus after Tax	9.5	18

Commentary

- For the period ended 30 September 2023, the Group has achieved an operating surplus excluding fixed asset sales of £24.0m
- Planned maintenance, gas and compliance are £0.5m over budget to date which includes overspends of £0.3m for fire risk inspections (all FRAs are now completed for the year) and £0.3m electrical testing and remedial works
- For the year ended 31 March 2024, the Group is forecast to achieve an operating surplus excluding fixed asset sales of £47.9m and the forecast operating margin for the year is 23.64%

2. Key Performance Indicators

	Q2 2023/24	Q2 2022/23
Operating Surplus – excluding fixed asset sales	24.6%	31.0%
Social housing lettings as % of turnover	92.0%	86.5%
Sales income as % of turnover	5.4%	11.1%
Interest cover EBITDA	223.9%	303.9%
Interest cover EBITDA (MRI)	86.4%	240.9%
Gearing - HPAC	37.5%	35.8%
Net Debt per unit	£24.9k	£21.5k

Commentary

- Monitoring against financial covenants has altered with the transition away from EBITDA (MRI) and Net debt per unit gearing ratios to EBITDA only and Historic Cost of Properties (HPAC) in 2023/24. Both remaining firmly within funders' requirements.
- Interest cover is shown in both years on an MRI and EBITDA only metric, reflective of the proactive investment Citizen is strategically making in its existing assets.

3. Funding

	Q2 2023/24	Q2 2022/23
Total agreed Debt	855.4	782.2
Drawn Debt	745.4	682.2
Cash	52.2	97.3
% debt fixed	87.5%	95.9%

Commentary

- £855.4m of total agreed debt as at Q2 2023/24 with £745.4m drawn
- Simple treasury portfolio consisting of bank funders, aggregators and two public bonds
- Recently secured £100m RCF (signed in December 2023) further bolsters liquidity with new funder for Citizen.
- Cash management strategy ensures security and liquidity for the group.

2. Operating Performance

	Q2 2023/24	Q2 2022/23
Void rental loss	0.68%	0.73%
Rental arrears	3.45%	3.87%

Commentary

- Our void loss is consistently in upper quartile performance compared to our peers, and we are in an improved position from last year.
- We have seen year on year improvement in our arrears position, despite significant challenges posed by cost-of-living increases for many of our customers. This is testament to the tight controls in process and significant investment in support for our customers including money and energy advisors, employment advice and digital inclusion support.
- Customer satisfaction through transactional surveys remains in line with target with overall satisfaction of 4.55 out of 5 (compared to target of 4.53)

		Actual Performance Q2 2023/24	Target Performance 2023/24	Actual Performance 2022/23	Actual Performance 2021/22
Income Collection	%age of current tenant rent due not paid	3.45%	3.65%	2.60%	2.63%
Stock Management	%age of rent lost through being vacant	0.68%	0.78%	0.65%	0.71%
Repairs & Maintenance	%age repair appointments kept	98.01%	98.50%	94.60%	97.35%
	%age of emergency repairs completed in 24 hours	99.08%	99.50%	99.02%	98.60%
	%age of non-emergency repairs completed in 12-day target	61.97%	75%	63.75%	70.59%
Safety in the Home	%age of homes with a current gas safety certificate	99.95%	100%	99.94%	99.97%
	%age of homes with a current/valid EICR (communal)	100%	100%	100%	100%
	%age of homes with a current/valid EICR (domestic)	98.75%	100%	94.96%	99.30%

	%age of Fire Risk Assessments (FRA) completed	100%	100%	100%	100%
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3. Development and Asset Management

1. Development Delivery

- Continued strong track record of development delivery with 1,864 affordable homes delivered from 2019-2023
- Citizen plans to deliver 2,846 affordable units over the next 5 years, 32% of the Affordable Programme is committed. In addition to this c. 50 units per year are targeted for build-for-sale tenures
- Homes built to Citizen Future Home standard
- Citizen expects to complete c. 740 new homes for the fiscal year ending 31 March 2024, having completed 263 homes in the first half of the year.

Unit Type	Housing completions Q2 2023/24
Social rent	130
Affordable rent	51
Shared ownership	51
Rent to Buy	12
Open market sales	19
Total	263

2. Sales: performance and unsold stock

Unit Type	Sales Q2 2023/24
First Tranche Shared Ownership	44
Open market sales	2
Total	46

- Citizen has completed 46 sales as at Q2 2023/24 – Citizen expects to complete 142 sales for the financial year ending 31 March 2024.
- Market Sale activity is conducted through Signature / Citizen New Homes Limited, the Group's build-for-sale subsidiary.
- Citizen holds 103 unsold homes at 30 September 2023 in total (79 shared ownership, 24 for outright sale)
- Citizen holds 42 homes which have remained unsold for over six months in total (36 shared ownership, 6 for outright sale).
- Average margin on Shared Ownership sales remains above 25% (25.5% at Q2 FY 2024) (28.9% FY 2023) / 22.9% (FY 2022)
- Average margin on market sales properties remains above 25% (26.1% at Q2 FY 2024: 23.9% FY 2023) / (25.5% FY 2022)

3. Asset Management

- The 2023-2026 Asset Management Strategy responds to the requirement to create a more sustainable asset base against the backdrop of rising costs and an ambition to improve the quality of some of our homes
- Demand-led approach to re-focus delivery model with a geographically focused strategy to meet local need, underpinned by data.

- Our current financial plan includes just over £1.1bn of investment in homes over the next 30 years.
- The safety of our homes and our residents are of paramount importance to Citizen.
- Citizen has 38 higher-risk buildings that are 18m or above in height - all blocks have been inspected by our consultant Fire Engineers
- The West Midlands Fire Service have also completed a full inspection programme on all high risk buildings, which included our blocks over 18m and there are no further actions arising.
- Citizen have successfully implemented the use of a cloud based digital modelling and data collection platform (TwinnedIT).
- Citizen track damp and mould through weekly reports and a proactive approach is in place, identifying hot-spots and procuring a programme of works to support the responsive service
- Citizen are installing 1,000 environmental monitors in our homes that are more prone to damp and mould to provide predictive maintenance data through a web-based portal in addition to mechanical ventilation.

4. *Sustainability*

- Updated [Sustainability Strategy for 2023-2026](#) published further Citizen's consistent track record of environmental sustainability.
- Citizen's environmental strategy sets out our high-level environmental objectives and defines our key priorities for the next three years. Delivering against our action plan will enable us to demonstrate meaningful environmental improvements that will provide benefits to our customers and staff.
- Since 2012, Citizen has installed external wall insulation in over a third of its homes
- ~84% of homes are currently rated at EPC C or above
- During 2021/2 we successfully obtained a £1m grant from the Social Housing Decarbonisation ("SHDF") fund to retrofit 95 of our least energy efficient properties
- In addition, during 2022/23 Citizen, through collaboration with Coventry City Council, achieved a grant of £23.8m from the next wave of SHDF funding
- Including the grant from the Social Housing Decarbonisation Fund, Citizen is investing nearly £74m to bring more than 2,000 homes up to EPC C ahead of the Government's target of 2030

Case Study: ***Social Housing Decarbonisation Fund***

- Under SHDF 2 – Citizen are working with Coventry City Council to improve the energy efficiency of more than 2,000 homes in Coventry over the next two and half years
- £23.8m grant for energy efficient works to improve the Energy Performance to an EPC rating of a C
- Works on the homes will predominately improve the fabric and ventilation of a property including, cavity / external wall insulation, increased loft insulation and improving ventilation to reduce the potential for mould growth



This trading update contains certain forward-looking statements about the future outlook for Citizen. These have been prepared and reviewed by Citizen only and are unaudited. Forward-looking statements inherently involve a number of uncertainties and assumptions. Although the Directors believe that these statements are based upon reasonable assumptions on the publication date, any such statements should be treated with caution as outlook may be influenced by factors that could cause actual and audited outcomes and results to be materially different. Additionally, the information in this statement should not be construed as solicitation or recommendation to invest in Citizen's bonds.

For further information, please contact:

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