



# Performance Update

For the period ending  
30 June 2016

Great homes. Great communities. Great people.

great  
places  
HOUSING GROUP

This performance update is Great Places Housing Group's first report aimed at ensuring our investors and other stakeholders receive regular, timely information regarding the current and projected performance of the group. In future we will publish these reports on a quarterly basis and aim to produce them within one month of the relevant quarter end.

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# Financial performance

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Turnover for quarter 1 was £29m and the net surplus was £4.1m. Both figures are ahead of budget due primarily to strong shared ownership sales performance. We remain confident that the budget surplus for the year of £11m will be delivered.

All financial covenants were comfortably met at the quarter end. Our Fitch credit rating remains 'A+' with a stable outlook. Our Moodys rating is 'A2' with a negative outlook. We continue to be assessed as V1/G1 by the HCA. Our 2016 business plan is available on the website.

Falling interest rates in the quarter pushed up mark to market exposure on the group's free standing derivatives to £56.5m at 30 June, with £33m of cash collateral posted to meet counterparties' security requirements.

New debt drawn in the quarter was just £4m.

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# Operational performance

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Eight of our 11 critical success factors (CSFs) were being achieved at the quarter end, with an expectation that all 11 would be achieved by the end of the year.

Amongst the CSFs, overall satisfaction is 87.1% and repairs satisfaction is 92.3%, both being very close to target. Current arrears (3.7%) and re-let times (19.4 days) continue to show excellent performance. Both are well ahead of the phased target and reflect continuing strong demand.

We expect to complete 498 new development handovers in the year with the first quarter delivery of 53 units being in line with expectations. We completed 64 first tranche sales and 16 outright sales in the quarter through our commercial subsidiary Cube, well ahead of budget.

# Outlook

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The implications of the Brexit vote will be a period of uncertainty while the terms of any new relationship with the EU are negotiated. Great Places Housing Group is carefully watching all aspects of its business, most notably property sales performance, for any signs of weakness in the market, and in particular a slowdown in sales volumes or a fall in values. We will also ensure we remain alert to changes within the political environment, notably around the commitment to home ownership and the devolution agenda.

The group remains well-hedged against interest rate risk, with over 80% of debt at fixed rates of interest. However with a high proportion of hedging by way of stand-alone interest rate swaps, collateral requirements for the increased mark to market exposure has grown, as referenced in section 2.

The group's medium term strategic response to the June 2015 rent reduction - a programme of activities under the banner 'Building Greatness' – continues to be implemented as planned. The objective of

this programme is to generate ongoing operational efficiencies of £10m per annum within the next five years, through a broad range of initiatives including:

- Continuing procurement efficiencies.
- A series of major IT investments in areas such as mobile working, customer access and our contact centre.
- Establishment of an in-house repairs materials distribution centre (DC) which is generating significant cost benefits in respect of materials costs, making savings well in excess of traditional procurement options. The DC also facilitates greater control over waste disposal costs, travelling time and overall labour productivity.
- Business transformational review and redesign of all processes across the group, to drive out waste, duplication and inefficiency.

We remain confident that 'Building Greatness' will deliver the £10m per annum of cost savings that are needed to offset the impact of the rent reduction.

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# Feedback

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We welcome feedback on this performance update.

Please contact Phil Elvy, Executive Director of Finance, on **0161 447 5028** or **[phil.elvy@greatplaces.org.uk](mailto:phil.elvy@greatplaces.org.uk)**.

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