



**EMH Annual Review
meeting
with Standard & Poor's**

S&P Global

8 December 2023



Presenters

Name	Position
Chan Kataria OBE	Group Chief Executive
Geoff Clarke	Executive Director – Finance
Christine Ashton	Executive Director – Housing
Chris Jones	Executive Director – Development
Jonathan Dwyer	Head of Treasury
David Russell	Group Chair



Agenda

1. EMH

2. Operating Environment and Strategy
3. Development Programme
4. Environment, Social and Governance 2023
5. Operational Performance
6. Financial and Treasury update
7. Business Planning Outlook
8. Appendix



Credit overview: Robust financial performance despite recent economic backdrop

Key 2022 performance metrics

£121.7m Turnover	£31.8m Operating surplus
26.2% Operating margin	178.0% EBITDA-Major repairs included
48.2% Gearing	1.58% Voids
£235 Net assets	343 New units developed in year

Key 2023 performance metrics

£130.0m Turnover	£31.4m Operating surplus
24.2% Operating margin	141.4% EBITDA-Major repairs included
49% Gearing	1.45% Voids
£243 Net assets	466 New units developed in year

Strong credit

- Strong financial position
- Robust governance
- High quality stock

Regulator of Social Housing: G1/V2

S&P: A+, Outlook Negative

Debt restructure – lower refinancing risk

- Removed restrictive interest cover including major repairs covenants
- Significantly increased headroom
- Interest cover **includes** asset disposals and in 2023 **excludes** interest rate break costs of £3.4m

10.5% reinvestment in 2023

(2022: 8.5%)

21,795 units in management

(2022: 21,411)

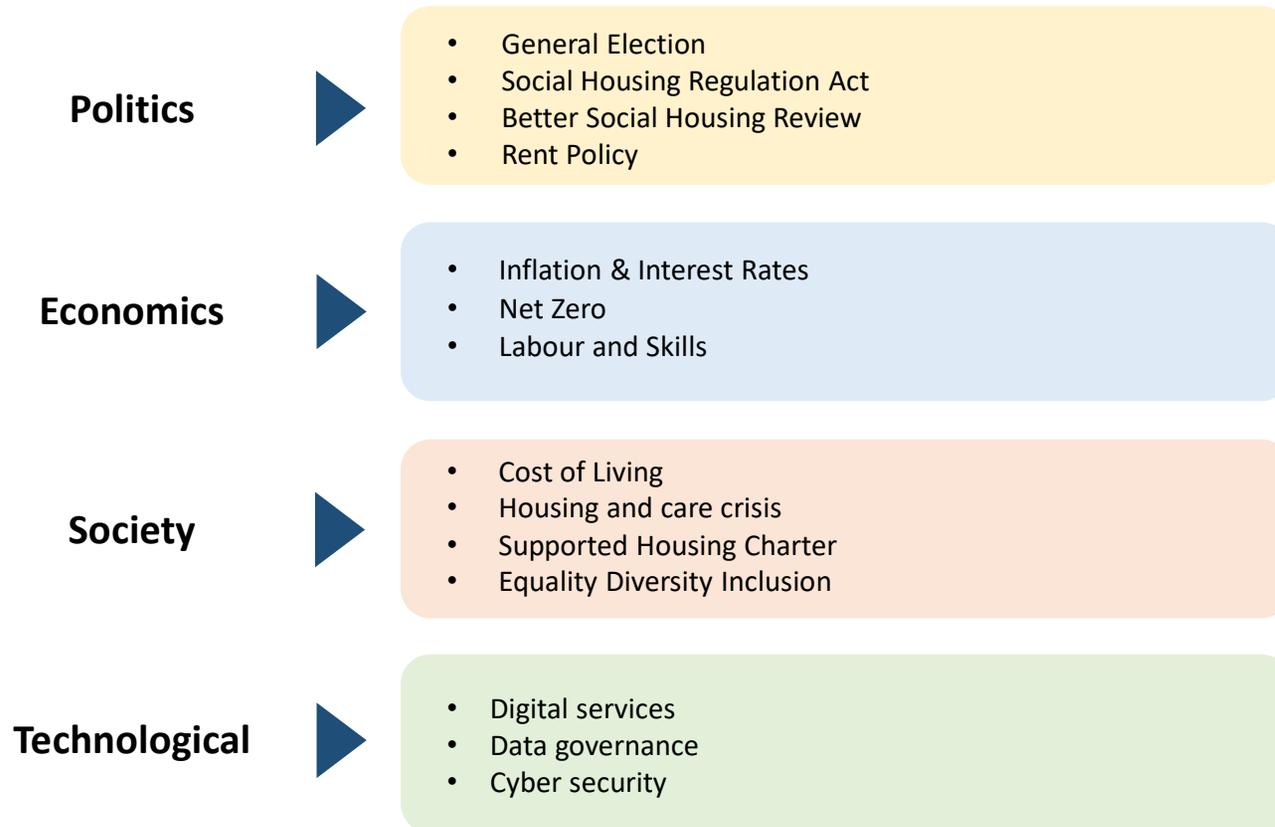


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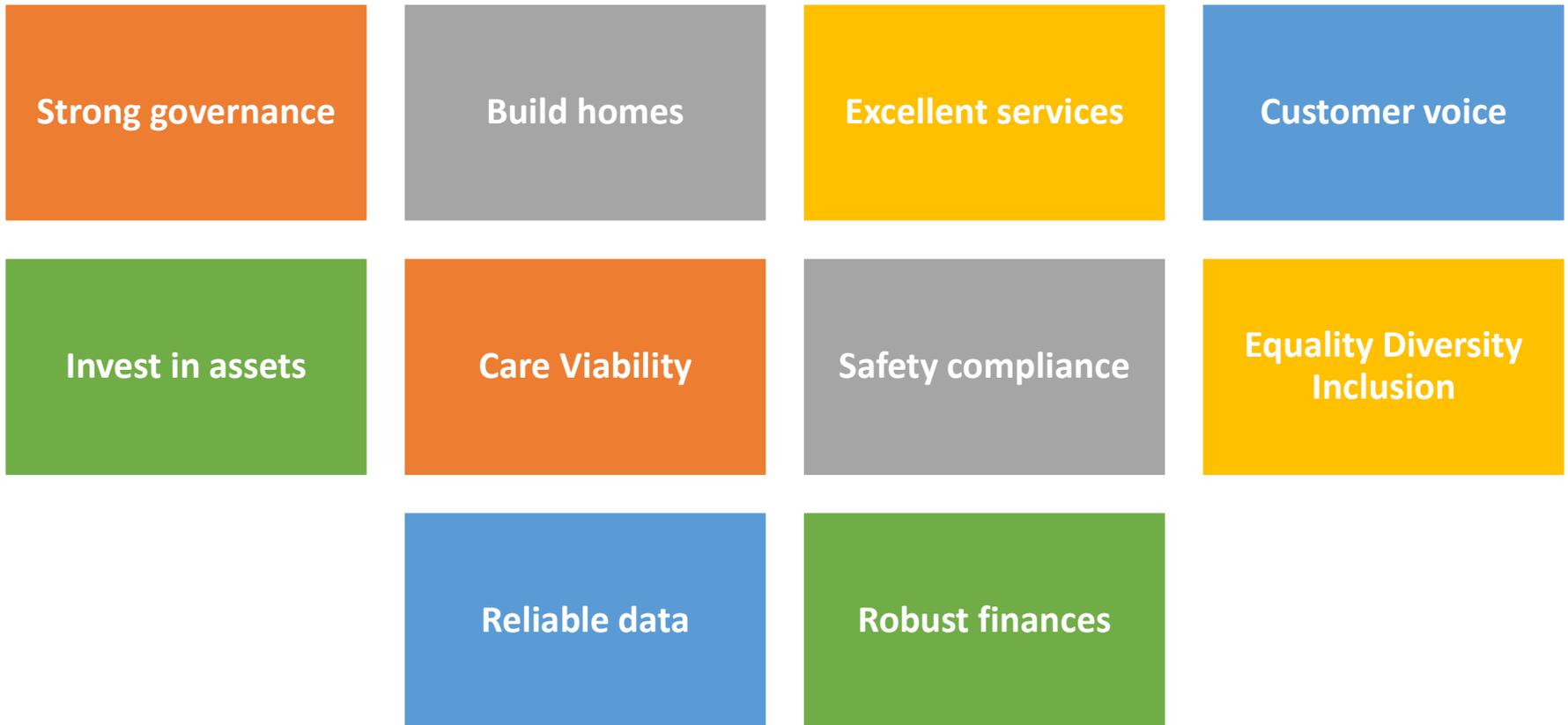


Operating Environment





Top 10 Strategic Priorities





Business Plan Metrics 2023 – 2026

Our mission & values

We provide housing and care to improve opportunities for people.

Integrity
Diversity
Openness
Accountability
Clarity
Excellence

Doing the basics
BRILLIANTLY!

Homes	Care and Support	People	Growth	Business Resilience
<p>89% overall customer satisfaction</p> <p>85% fairness and respect</p> <p>100% compliance with Decent Homes Standard</p>	<p>Financial viability – 5% surplus</p> <p>Quality rating – all services at least ‘Good’ plus half or more ‘Outstanding’</p> <p>Service user ratings – at least 4.5 average rating</p> <p>Below 14% voluntary colleague turnover</p>	<p>Leadership gender profile – 4% gap</p> <p>Leadership ethnicity profile – at least 14% BAME leaders</p> <p>Board gender profile – 50% female Board membership</p> <p>Board ethnicity profile – 25% BAME Board membership</p> <p>Health and Safety ISO accreditation – all business units accredited or re-accredited</p>	<p>400 – 500 new homes built or acquired</p> <p>2 x new extra care schemes on site</p> <p>500 new homeowners</p>	<p>Value for Money – increased by less than consumer price index inflation</p> <p>2 years minimum liquidity</p> <p>125% minimum headroom cover</p> <p>Data security and privacy accreditation – ISO/IEC 27001 accreditation</p>



Dynamic approach to Risk Management

Risk	Risk appetite	Residual Risk
Assets that fail to meet statutory and/or regulatory requirements	Minimal	Primary (16)
Failure to provide affordable landlord and neighbourhood services that respond to the diverse needs of our customers and communities	Minimal	Primary (16)
Failure to deliver our development programme	Open	Primary (16)
Failure to maintain reliable and secure data	Open	Contingency (15)
Non-compliance with health and safety requirements	Minimal	Contingency (15)
Inability to provide effective, compliant and viable care and support services	Minimal	Contingency (12)
Insufficient liquidity and unstable financial viability	Minimal	Contingency (12)
Ineffective governance	Minimal	Operational (12)
Unable to achieve the organisation's strategic people objectives	Open	Operational (12)

- **100% stock condition surveys** – not cloned
- **Increasing Customer Voice**
- **Only developing Strategic partnership programme** – 2,492 units until March 2028
- **Net cost of development managed** – improved grant per unit
- **2023 Refinancing outcome:**
 - **Interest rates** – 94% fixed average maturity 20 years. Fixed more facilities recently.
 - **Liquidity** – 35 months
 - **Refinance** – Only £6m repayable in next 4 years
- **Accessing grant funding for investment in stock** - Social Housing Decarbonisation Fund and WarmFront
- **Rationalising office buildings** - across the group
- **No stock over 6 storey and no cladding issues**



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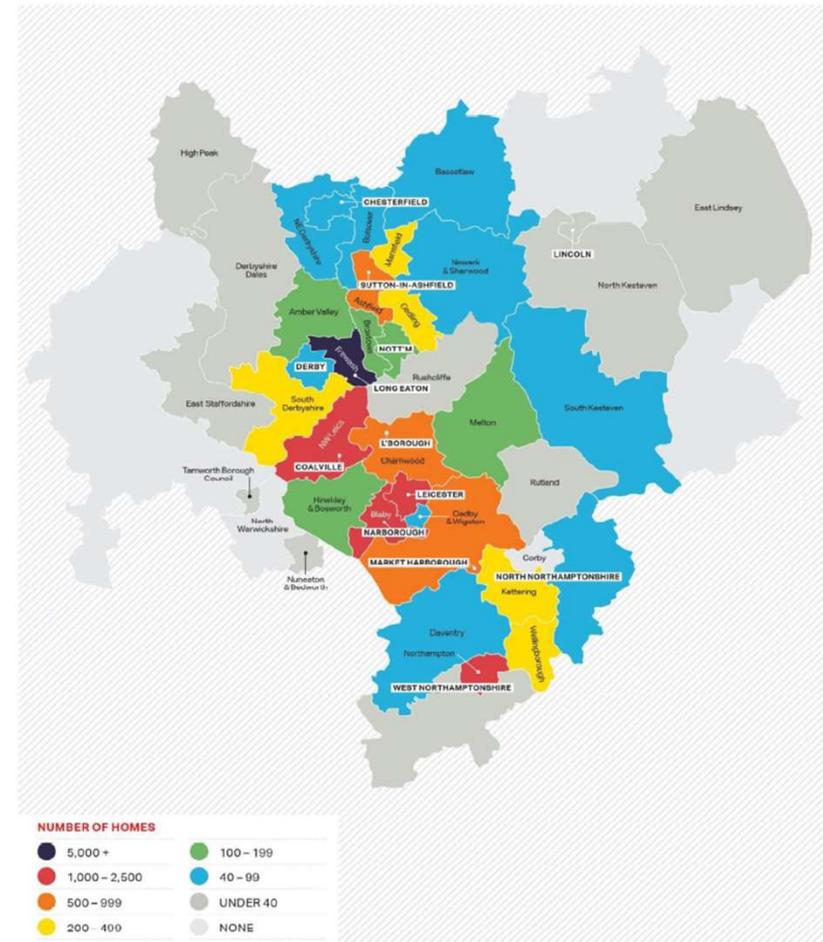
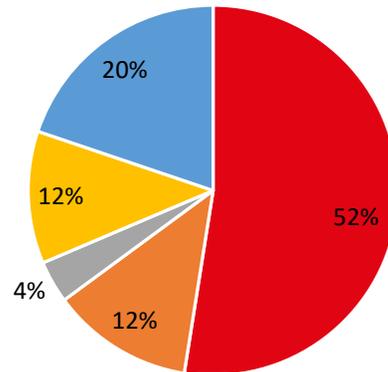


Operating geography – Strong East Midlands presence focused on social housing

Top 5 Local Authorities	Number of properties	Percentage
Erewash	5,463	29%
Blaby	2,753	14%
North West Leicestershire	1,666	9%
West Northamptonshire	1,533	8%
Leicester	1,526	8%
Other	6,050	31%
Total – Owned Social Housing	18,991	100%
Total – Owned and Managed	21,411	

Social Housing units by tenure

- General needs - social rent
- General needs - affordable rent
- Supported housing
- Shared ownership
- Sheltered Housing





Development: Programme Highlights

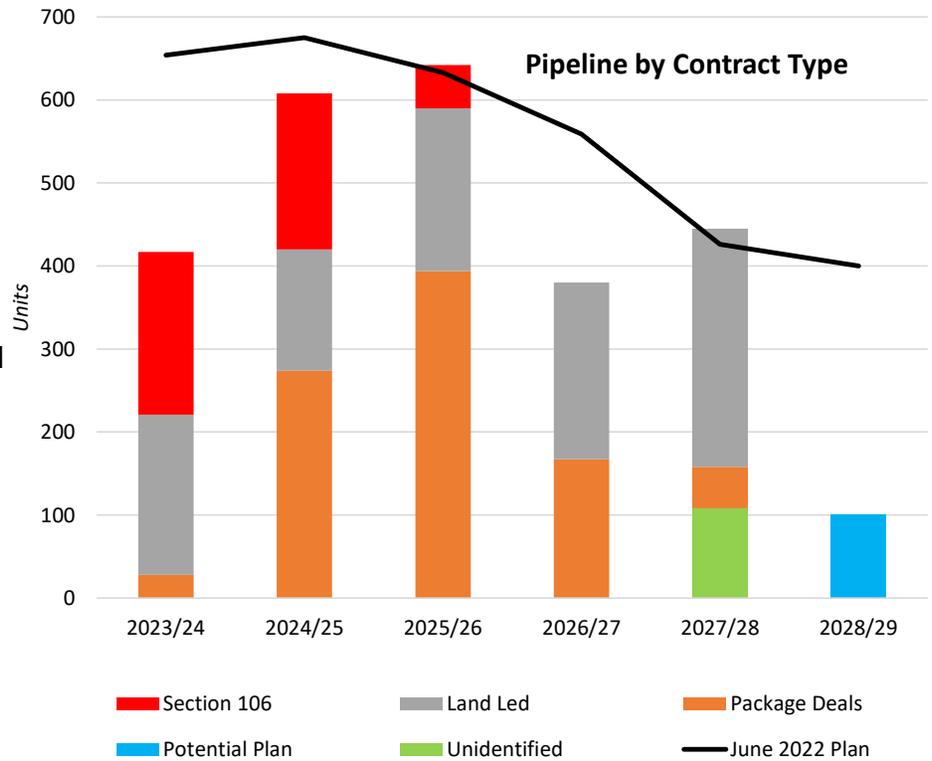
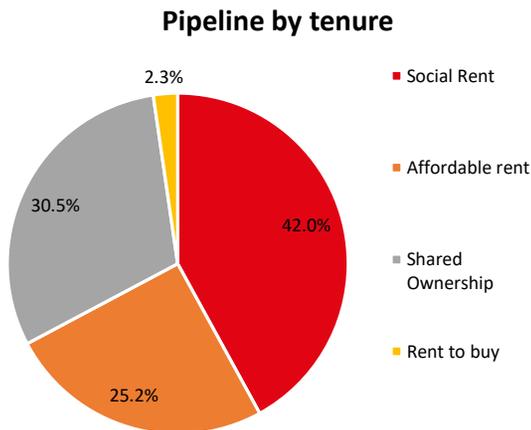
- **Strategic Partnership** – A renegotiated programme, Strategic Partnership 2 grant increased by £23m
- **Per unit grant increased**
- **Modular Homes** reduced requirement
- **Partners** – Midland Heart & Futures
- **Reduced risks** - Removal of market sale product and a focus on Social Rent
- **Wide range of contractors**
- **Strong partnerships** with key local authorities giving access to land
- **Continued strong demand** for emh Shared Ownership
- **Proactive risk management** – shifting risk priorities in heightened risk environment





Development Pipeline

- **De-risked programme:**
 1. Reduced quantum
 2. No outright sales
 3. Increased social rent
- Land led gives emh more control
- Focus on core social housing
- Post 2028 development dependent on risk appetite and operating environment



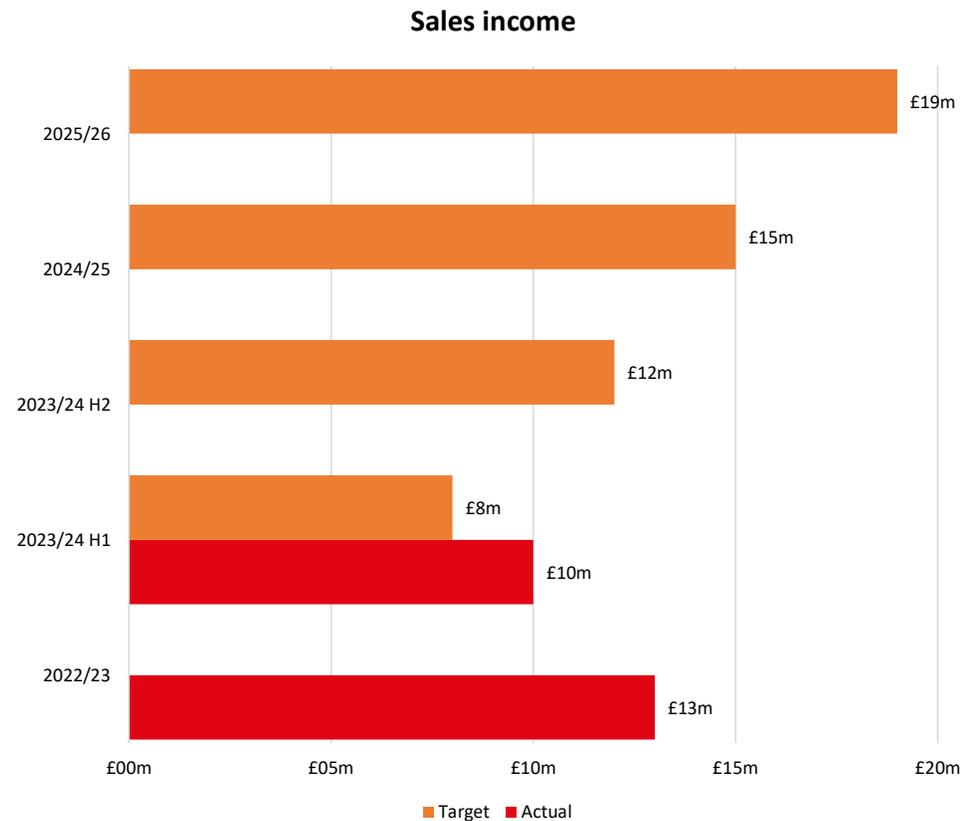
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Committed - %	96%	87%	71%	58%	5%	0%



Shared ownership sales

Strong first tranche sales but financial plan not reliant on cash or profit

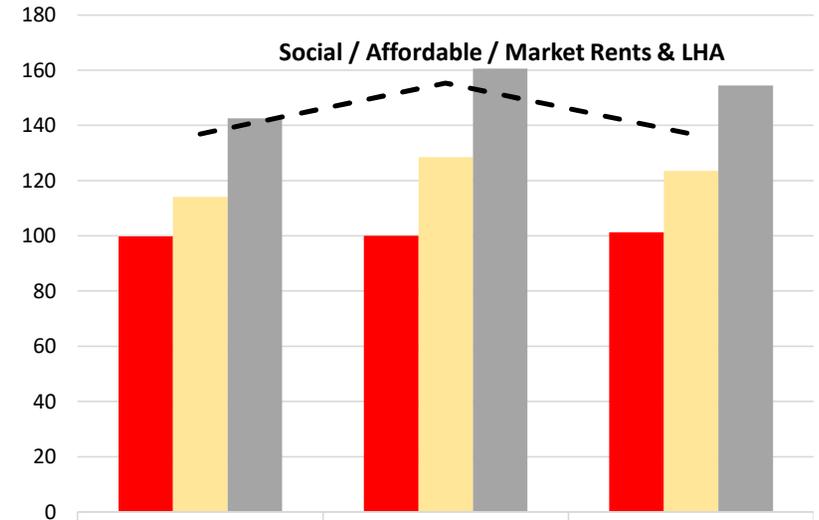
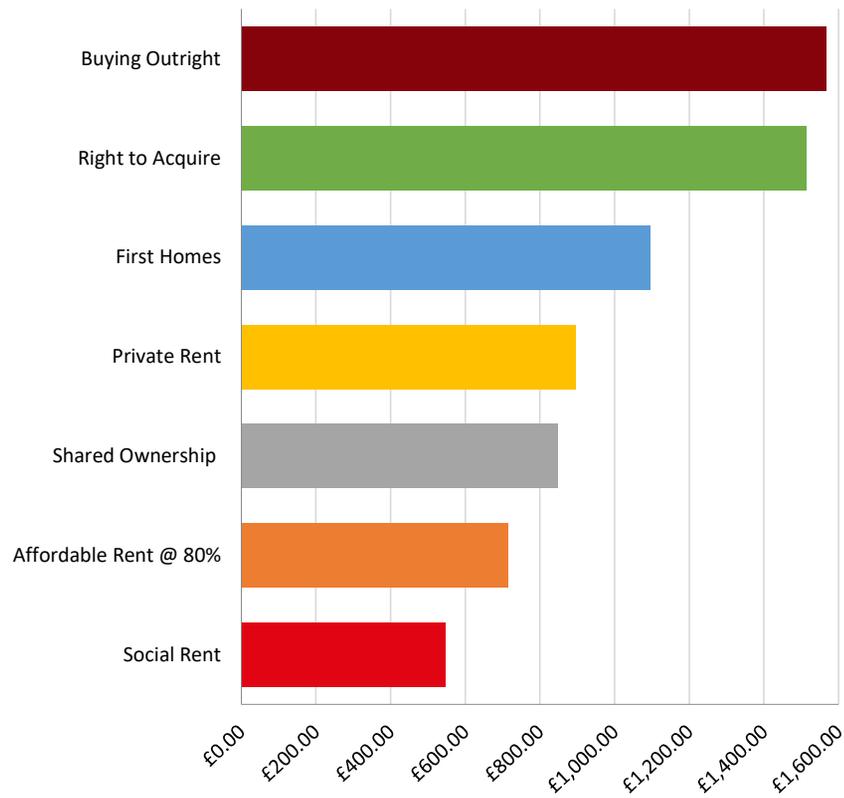
- Meets local demand - sustainable schemes
- Average age 33 years
- Average income £33k
- Average initial share 34%
- Financial plan profit March 2023 - £947k vs £1,570 actual
- Cash flow stress tests assumes no sales income for 12 months
- No outright sale
- Current financial year sales:
 - Strong margins: 31% vs budget 10%
 - Good rate of sales: 147 year to date vs 135 whole 2022/23





Development affordability

Your Homes - Monthly Cost



	Erewash	Blaby	North West Leicestershire
EMH avg. rent	100	100	101
Affordable rent	114	128	124
Market rent	143	161	154
LHA	137	155	137



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Environmental, Social and Governance Report

2023 ESG report outlines emh's commitment to:

Environment

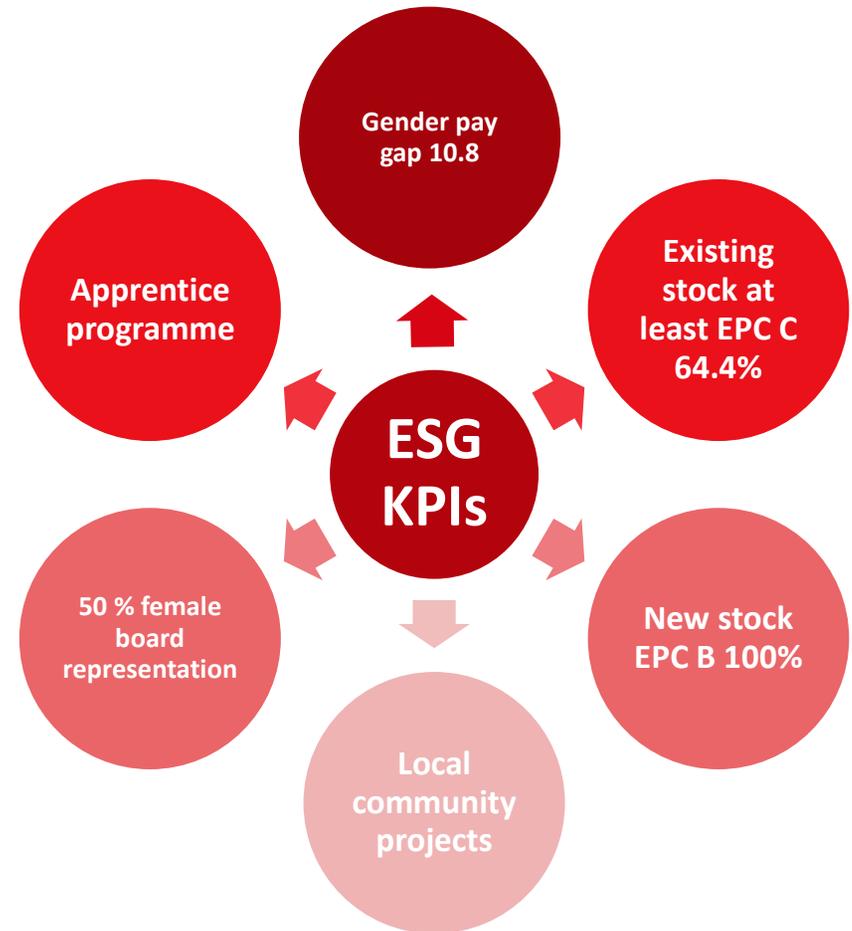
- We continue to focus on improving the energy efficiency of our existing homes and have achieved minimum EPC rating of C on 64.4%.
- All existing home to reach EPC C by 2030
- All new homes have an EPC rating of B.
- By 2050 all heating will come from clean sources in line with Net Zero targets.

Social

- We focus on providing people with homes they need and put our tenants & local communities at the forefront of our decision making.
- To provide safe and healthy homes, we support our communities through cost-of-living support and hardship funds, programmes with the aim of building skills for employment, and high-quality homes.

Governance

- Our strong governance framework and internal teams have allowed to 50.0% female board representation and 16.7% BAME representation.
- We have good gender pay gap metrics of 10.8%.





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Customer service

New consumer Regulation and Tenant Satisfaction measures

- Self-assessment carried out and reported to board.

Better Social Housing Review

- Reviewed reactive repairs service and implementation underway.
- Neighbourhoods service delivery model has been reviewed and this will be locally based with an enhanced front line service that will make it more community focused and visible to customers.
- Digital delivery will be enhanced to support this approach.

Housing Ombudsman

- No severe maladministration and comply with the compliant handling code.

Customer Voice

- Resident Influence Committee established that will form part of the formal governance structure.
- Strong scrutiny panel which reviews key service areas such as complaints with a strong relationship with emh homes Board.
- Customer Voice structures reviewed with strong resident influence on ground.

Internal Maintenance Service

- New business plan and increased commercial approach with Value for Money review completed.
- Increase percentage of works carried out.
- Reduce use of external contractors.
- More control and VAT savings.

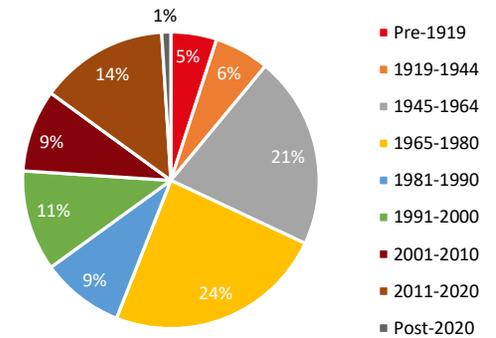




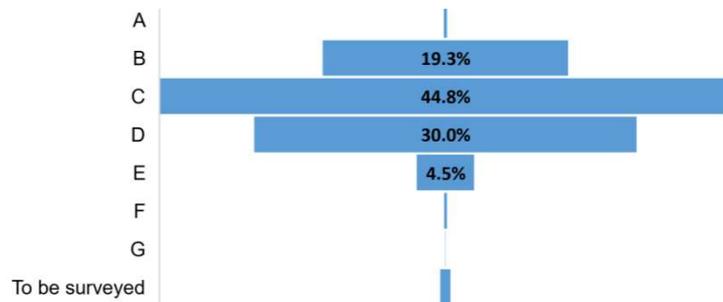
Property Portfolio and Asset Management

- Stock condition surveys – all properties to have a survey less than 5 years old by March 2024.
- Decent homes compliance rate 97.2%
- The emh housing portfolio is well maintained, having benefitted from significant previous investments. The average age of the rented stock is 58 years. Only 11% pre – 1945.
- Fire Safety – no buildings over 18m or cladding issues.
- New stock appraisal model - effective asset investment and disposal decisions
- Damp and Mould – ongoing focus improved and “Silent Voice”

Homes by Age



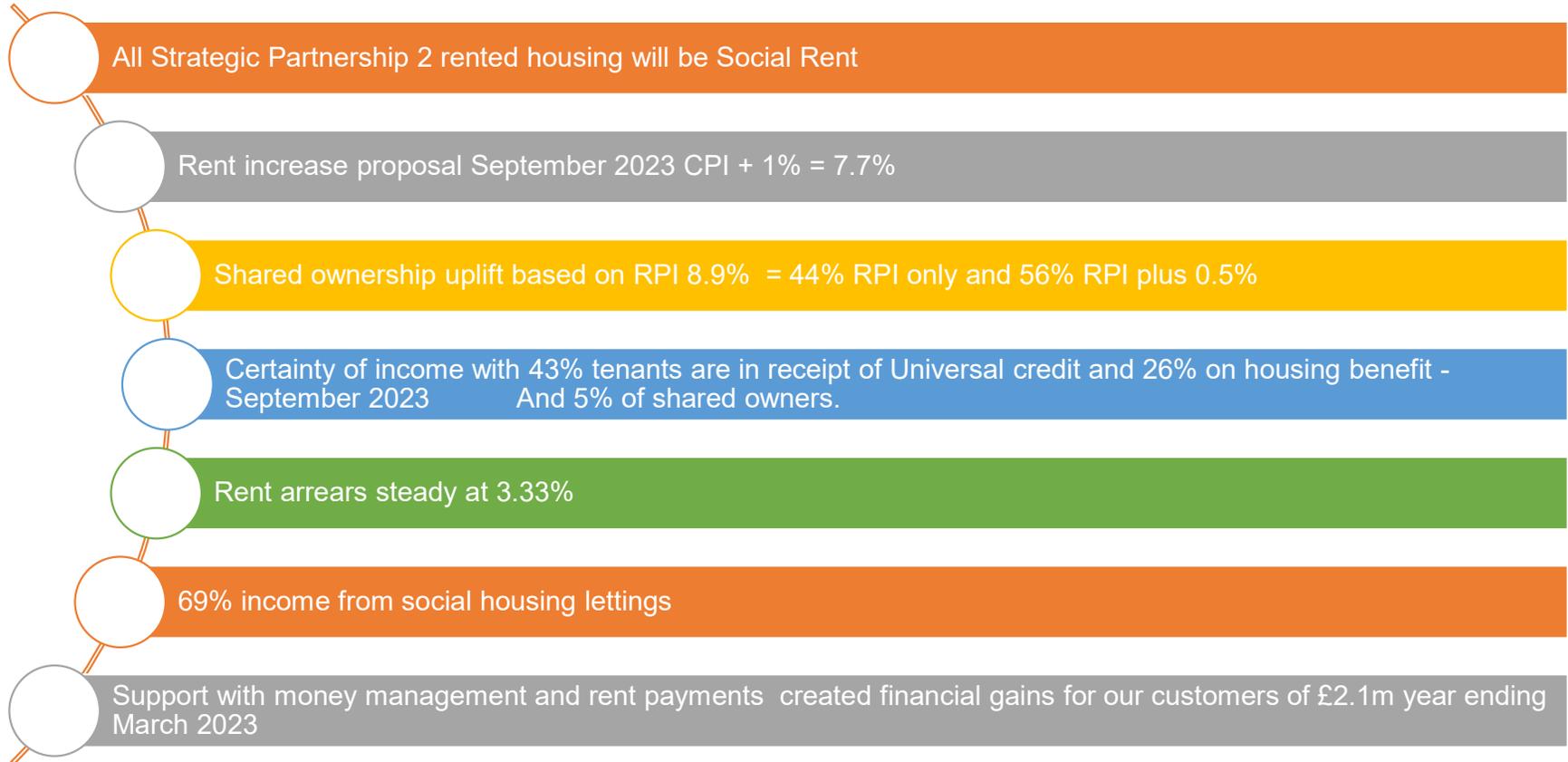
Homes by Energy Rating September 2023



- On target to reach EPC C by 2030 – spend £30m less grant
- Energy Performance Certificate survey of all stock by March
- Social Housing Decarbonisation Fund £3.9m and WarmFront grants £4m for 2023-2025
- Partnership with Blaby and Erewash Councils
- Strategic alliance for building materials with Travis Perkins Group.



Rent and Service charges and income management





Sector Scorecard

	Year to 31 March 2023	Year to 31 March 2022	Sector Scorecard 2022
UNIT COSTS			
Headline social housing unit cost	£3,596	£3,193	£3,864
DEVELOPMENT CAPACITY			
Social housing units developed	466	343	-
Social housing units developed as % of unit owned	2.50%	1.80%	1.74%
Sales completed - SO	135	150	-
Sales completed - Other	101	92	-
OUTCOMES DELIVERED			
Customer satisfaction with services provided	81%	81%	-
Reinvestment %	10.50%	8.20%	8.17%
Rent collected	99.53%	99.80%	-
Voids	1.45%	1.58%	-
Arrears	3.25%	3.26%	-
EFFECTIVE ASSET MANAGEMENT			
Return on capital employed	3.00%	3.20%	3.21%
Occupancy	98.55%	98.50%	-
Ratio of responsive repairs to planned maintenance	1.08	1.16	-

Strong operational performance

In 2022/23 we delivered strong performance against the key measures in the Sector Scorecard during the year and our key highlights include:

- Completed 466 new units – a significant increase compared to the year prior.
- Top quartile performance for total social housing cost per unit – while this has increased by 12.6%, it has broadly been in line with inflation.
 - We see this as a positive outcome as we have been able to invest into our existing properties and continue delivering our commitments to our residents.
- Good business health despite demanding operating environment.
- Achieving 2.50% growth in units maintaining top quartile performance for reinvestment.
- 81% satisfaction that services provides value for money.
- Strong rent collected 99.53%, low voids 1.45% and arrears 3.25% despite challenging operating environment.

- Working with adults with learning disabilities and extra care.
- Deficit for the last two years mainly due to cost of agency staff.
- Ongoing negotiations with Derbyshire County Council to increase rates.
- Current year expected to break even reducing use of agency staff.
- Cash reserve - £6m in bank no debt.
- Trigger points in Recovery Plan shows action to be taken.
 - Current stage – sell non-core assets.
 - Final stage - seek alternative provider to transfer to.
- Will continue to monitor risks and active management by the leadership team.
- Ringfenced finances - no cross subsidisation with Group.





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Historic Financial Performance – 5 year

	2019	2020	2021	2022	2023
Turnover	103,785	111,068	122,604	121,656	130,015
- Sales	7,458	15,290	21,243	12,887	13,051
Operating Surplus	34,904	41,346	37,898	31,831	31,426
Surplus for the year	15,741	21,652	16,087	11,090	6,489
Tangible Fixed Assets - Housing Properties	788,647	848,233	883,812	928,359	993,556
Total Loans & Borrowings	433,824	457,330	500,778	492,201	529,572
Interest payable and similar charges	18,667	19,879	21,608	20,340	24,789
Operating margin (excl surplus on sales)	29.8%	29.0%	28.1%	22.1%	20.2%
Operating margin – social housing lettings	33.0%	33.2%	31.0%	27.8%	23.0%
Interest Cover: EBITDA MRI ¹	184.0%	180.2%	177.4%	178.0%	122.5%
Gearing	51.0%	50.4%	53.1%	48.2%	49.0%

¹ Definition: Operating surplus plus gain on disposal of fixed assets plus interest receivable minus capitalised major repairs plus depreciation, divided by interest payable and financing costs

Financial Highlights – FY23

- For the year to March 2023, the emh group made an operating surplus of £31.4m (FY22: £31.8m) from a turnover of £130.0m (FY22: £121.6m), which equates to an operating margin of 22% (FY22: 22%).
- Social Housing lettings turnover amounted to 69% of total turnover (FY22: 70%) and social housing **operating margin was 23%** (FY22: 28%)
- Delivered **466 new homes** during the year
- Ongoing demand for 1st tranche sales for our Shared Ownership properties achieving **135 sales** in the year and a **£3.5m profit**
- Progress on our Strategic Partnership with Homes England is strong renegotiated grant levels for Strategic Partnership 2 and 1 . All the grant drawn on phase 1 and progress being made on delivery targets.
- Core covenant performance remains strong – the drop in interest coverage is driven by debt restructure £3.4m in FY23 – excluding this it would have been 122.5%. (101.3% including break costs)



Management Accounts: P6 Update (Sept-23)

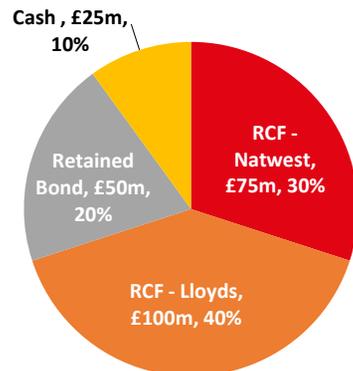
Income Statement £m	EMH Group			EMH Homes		
	Actual	Budget	Variance	Actual	Budget	Variance
Rent, service & support charges	52.6	51.8	0.8	51.8	50.8	1
First Tranche Sales	12.3	8.2	4.1	10.9	6.6	4.3
Other Income	9.5	9.6	-0.1	1.8	1.8	0
Turnover	74.4	69.6	4.8	64.5	59.2	5.3
Operating Costs (exc. depreciation)	46.8	44.3	2.5	36.7	34.1	2.6
Depreciation	9.4	9.0	0.4	9.3	8.9	0.4
Operating Surplus	18.2	16.3	1.9	18.5	16.2	2.3
Operating margin	24%	23%		29%	27%	
Surplus on Sales	1.3	0.6	0.7	1.2	0.6	0.6
Net Interest payable	-10.3	-11.7	1.4	-10.4	-11.7	1.3
Surplus	9.2	5.2	4.0	9.3	5.1	4.2



2023 Refinancing Completed – reduced covenant and refinancing risk

- Banking covenants moved to EBITDA only including all sales – significant headroom
- Increased liquidity with £205m revolving facilities 5 year maturing plus extensions
- Increased fixed rates to 94%; weighted average cost of debt 4.74%
- 65% of debt facilities repayable after 5 years
- Only £40m of drawn debt repayable in next 5 years
- £50m retained bond fully secured
- Total facilities: £787m and drawn debt £543m

Application to AHGS
going to credit - £75m



Debt Maturity – 12 months starting November 2023	Debt facility (£m)	%
2024	0.1	0%
2025	5.1	1%
2026	0.1	0%
2027	0.1	0%
2028	271.0	34%
Thereafter	510.6	65%
Total	787.0	100%

Financial Loan Covenants			FY23F	FY24F
Interest Cover	EBITDA all sales	Min 140%	217%	220%
Gearing	Debt : Historic Cost	Max 65%	53%	52%



Treasury Dashboard: as of September 2023

Cash & Liquidity

Cash **£25m** Group
Available facilities
£244m Total **£269m***



Unencumbered assets/ headroom asset cover

£500m value
provide **£330m** extra debt



Drawn debt £543m
with assets over **£1bn**
at cost



Working Capital managed
on daily basis **£15m-£20m**
emh. Minimum A1/P1 credit
rating available same day.

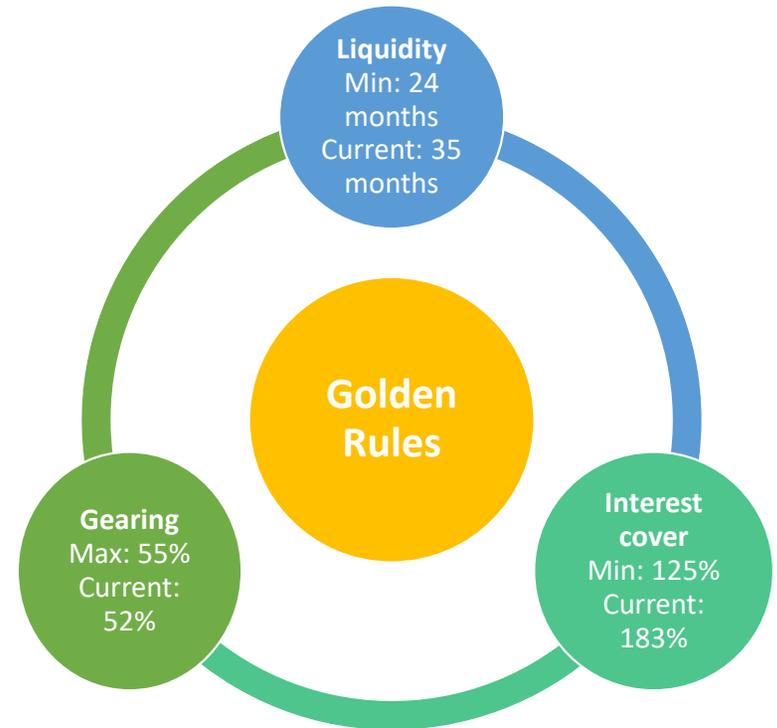
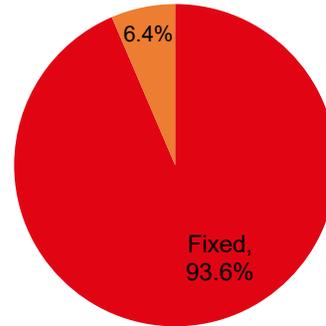


**Weighted average cost of
debt: 4.74%** last year **4.80%**



Net interest payable:
£10.5m versus budget **£11.7m**

Interest Rate Profile



***Retained bonds: £50m fully secured**



Liquidity Analysis – 12 months from September 2023

	£'m
A: Sources of Funding	
Forecasted cash generated from continuing operations if positive	49.2
Cash and liquid investments (current values)	25.5
Proceeds from asset sale (when confidently predicted)	5.9
Undrawn committed facilities which matures after 12m and can be drawn	234.8
Other receipts if applicable	49.6
Total sources of liquidity	374.0
B: Uses of Funding	
Expected capital expenditure over the next 12 months	144.0
Interest and principal payments due on debt over the next 12 months	32.1
Total uses of liquidity	176.1
Key quantitative measures:	
Sources of funding / uses of funding A/B	212.4%



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Current Financial Plan – prudent assumptions

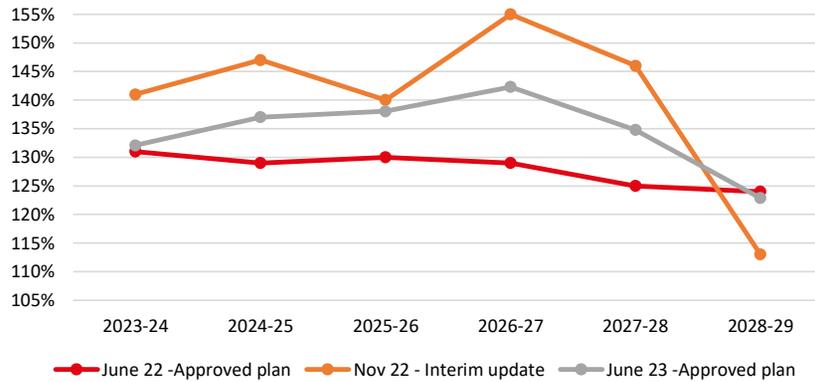
		24/25	25/26	26/27	27/28	28/29
Consumer Price Index	Average in the year	4.00%	3.00%	2.00%	2.00%	2.00%
Rental Income - General needs	Sept previous year	7.00%	4.00%	2.00%	2.00%	2.00%
		7.70%				
Rental Income - Shared Ownership	Sept previous year	7.00%	5.00%	3.00%	3.00%	3.00%
		9.40%				
Maintenance	Average in the year	6.00%	4.00%	3.00%	3.00%	3.00%
Construction - unidentified units	Average in the year	6.00%	4.00%	3.00%	3.00%	3.00%
Property	Average in the year	4.00%	3.00%	2.00%	2.00%	2.00%
Variable interest rate - SONIA		4.44%	3.51%	2.80%	2.80%	2.80%
		5.25%	4.50%	4.50%	4.50%	4.50%
Loan margin		1.25%	1.25%	1.25%	1.25%	1.25%
All in rate		6.50%	5.75%	5.75%	5.75%	5.75%
June 23 Approved Plan						
Proposed where different to Approved Plan						

- Plan remains resilient
- Reviewed assumptions, considering current high-rate environment
- Rental uplift CPI only from April 2026
- Costs increased by inflation plus 1%
- First tranche profits margins low
- Asset disposals cash and profits low
- Shared ownership plan assumes CPI+1% for all units
- Increased fixed rates
- The impact of the revised assumptions are not material in the medium term.
- Time to manage medium term challenges.

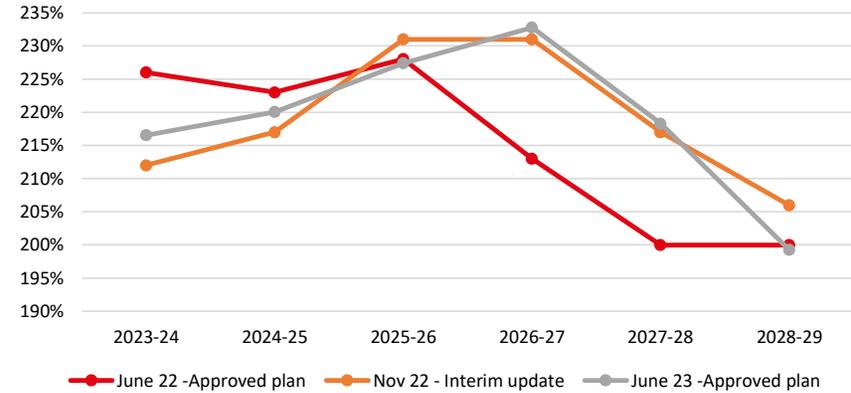


Current Financial Plan – comparison with approved plan

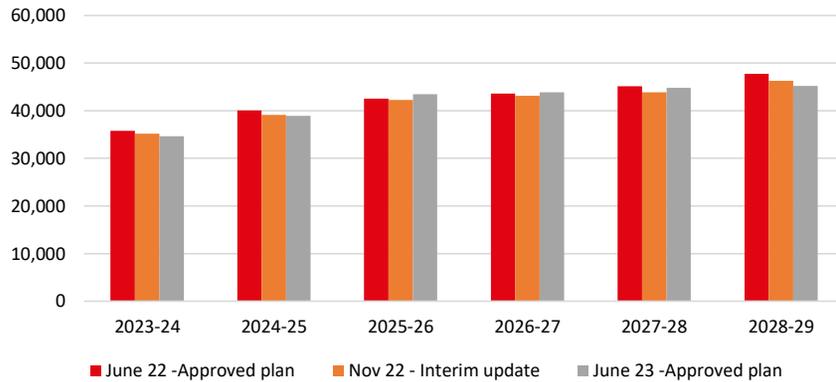
Golden Rule EBITDA MRI all sales



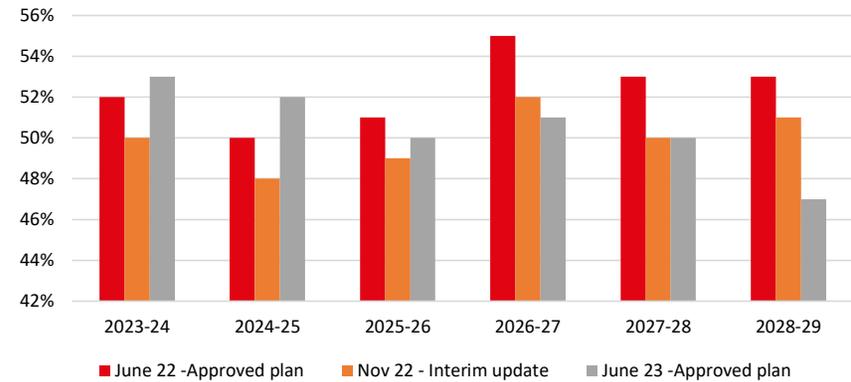
Banking Covenant - EBITDA all sales



Operating Surplus



Gearing - maximum 65%





Stress Testing: Key Risks Identified

Recovery plan includes:

- Board and Executive review strategic priorities
- Disposal of non-key assets - offices
- Stop non-committed development
- Change profile of property investment
- Eliminate non-essential spending
- Disposal of voids

Corporate Risk	Stress Test	Golden Rule Trigger: Interest cover
Base Case		NO
Unable to deliver development programme	10% Increase in Costs 10% Increase in Costs + reduced FT Sales	NO NO
Ineffective Governance / Non-Compliance H&S / Insecure, Inaccurate Data	£5m one off payment + £500k recurring cost	YES
Failure to Deliver Strategic Objectives through our People	Wage inflation doubles in year 2 to 10%	NO
Stock that fails to meet statutory and funding requirements	£4m extra maintenance costs. No maintenance efficiencies.	NO
Threats to Liquidity and Financial Viability	5% Arrears and Bad Debts. CPI Doubles. SONIA 5%.	NO
	Rent Cap 4%.	YES
	Base Rate at 6%	YES
Perfect Storm	5% Voids and bad debts, Staff costs 10%, CPI remains high. SONIA 1% higher. Rent Cap 4%, Care & Support deficit	YES

Key: YES – Minor YES- Significant YES- Critical



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Appendices



Executive Management Team



Chan Kataria OBE, Group Chief Executive

Chan is Group Chief Executive of emh group and has been in this role since 2004. Prior to this he held senior level positions in various local, regional, and national housing organisations. He is currently Board member of the Chartered Institute of Housing and has over the years represented other trade bodies in the sector, including the NHF, PlaceShapers, and Housemark. He is also Board member of the CBI Regional Council and is Honorary Associate at De Montfort University. In his spare time, he is on the Boards of a Hospice and FE College. Chan was awarded an OBE in 2017 for his services to housing in the East Midlands.



Chris Ashton, Executive Director – Housing

Chris joined emh group as an area housing manager in 1996. She is a Fellow of the Chartered Institute of Housing (CIH), and a member of its East Midlands Regional Board. Chris has played a major role in developing the group's social enterprise strategy and building local partnerships to tackle homelessness, financial inclusion, community safety, and dementia-friendly services for older people.



Geoff Clarke, Executive Director – Finance

Geoff has worked in the social housing sector since 1994. He has helped to set up Large Scale Voluntary Transfer (LSVT) housing associations and has worked within Arms Length Management Organisations (ALMOs). He has extensive experience of negotiating private finance deals for a number of organisations and has developed systems for Risk Management and for continuous performance improvement.



Ruth Jennings, Executive Director – Care

Ruth has worked in Social Housing for over 30 years, predominantly within Care and Support services. Her wealth of experience includes the management of registered services as well as leading the development of strategy. She has delivered a variety of commissioned and non-commissioned services ranging from registered personal care for older people, and those with complex physical disabilities, to housing related support for people experiencing domestic violence and homelessness, including asylum seekers and people experiencing mental ill health.



Chris Jones, Executive Director – Development

Chris joined emh group from another leading registered housing provider in 2018. He has over 20 years' experience of multi-tenure, residential development in the public and private sectors. Chris manages the group's Strategic Partnership with Homes England, through which he aims to almost double the number of new homes built over the next five years. He is a lead member of the Quantum Development partnership and strong campaigner for greater housing investment in the East Midlands.



Joanne Tilley, Executive Director – Corporate Services

Jo has been at emh group since 2004. She started her career in housing management and has also worked in research, information, and care and support. This frontline experience gives her a strong insight into what each part of the business needs from the teams she now leads to provide HR, governance, learning and development, health and safety, quality, compliance, co-regulation, communications, and new business. Jo is a member of the Chartered Institute of Housing and Chair of the National Housing Federation's Midlands Governance Special Interest Group.



Corporate Structure

