

Sovereign Housing Association's Quarterly Performance Update covering the 12-month period to 31 March 2021

2021 Q4 Trading update 31 March 2021 (unaudited management accounts)

Sovereign has made strong progress against its objectives as set out in our Corporate Plan. Our full year customer satisfaction rating (81.3%) compares favourably with last year (81.1%), we completed 86.7% of repairs 'right first time' compared to a target of 80% and our current social tenant rent arrears have remained stable throughout the past 12 months, ending the year at 3.0%.

By the end of the financial year, we had handed over 1,099 new homes, ahead of our revised Covid target, with only 103 units unsold at year end, 90% of which were handed over from the developer within the last six months.

We continue to move towards a land-led approach for development, having built a pipeline through smaller sites for our near-term programme whilst actively creating partnerships with land owners and developers to build the longer term pipeline.

We have also completed our new [Homes and Place Standard](#) Work to grade all of our core assets against the standard is nearing completion, enabling us to identify where we need to target our spend for upgrading our stock towards net zero targets by 2050.

Full year performance

- Turnover for the year was £417.6m (2019/20: £411.2m), +1.6%
- Operating surplus for the year was £136.3m (2019/20: £135.9m)
- Net margin on sales excluding fixed assets was 14.4% (2019/20: 17.8%)
- Overall surplus for the year to date was £75.7m (2019/20: £79.3m), -4.5%
- Sovereign received re-confirmation of the highest ratings for its Governance and Viability from the Regulator of Social Housing's stability check published on the 15th January 2021. The RSH has recently completed an In-Depth Assessment 'IDA' of Sovereign and we expect the results from this by June 2021.

Quarter 4 performance update

Sovereign's operational and financial performance for the quarter has been good, given the economic climate. Unaudited management numbers show overall turnover, operating surplus and overall surplus improving versus last quarter.

- Turnover was £111.6m (Q3: £110.3m) +1%
- Operating surplus was £34.3m (Q3: £28.3m) +21%
- Overall surplus was £19.1m (Q3: £13.2m) +45%
- 173 Sales completions compared to (Q3: 183 sales) -6%

Treasury

The net interest expense for the year was £61.5m and Sovereign remains in a strong financial position with net debt of £1.85bn and available cash and committed liquidity facilities of £719m, which provides sufficient liquidity to support our short-to-medium term development plans. We have ample headroom under our gearing covenants with housing fixed assets standing at £4.0bn and sufficient levels of unencumbered assets to support future funding requirements.

Land and development

We have had offers accepted on a further 10 sites (700 units) and are working to agree terms prior to entering into contract. We are active in the market, identifying and securing quality sites that will enable us to deliver more than 20,000 homes over the next ten years in line with our business plan.

We are taking a more land-led approach to our development. During 2020/21, 12 land-led schemes were fully approved which will deliver 632 affordable units and 87 open market sales units and we have agreed terms carrying out the necessary planning, technical and legal due diligence to exchange contracts on 13 sites (625 units).

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Note: Figures quoted in the update are based on unaudited management accounts which are subject to review and further adjustments, for example in the areas of pensions, investment property valuation and taxation.