

Sovereign Housing Association's Quarterly Performance Update covering the 9-month period to 31 December 2021

2022 Q3 Trading Update 31 December 2021

During this busy quarter, we have seen an improvement in our customer satisfaction scores to 79% over the period and our Customer Service Centre has seen a strong performance, with customer call wait times reduced to less than a minute from a target of fewer than two minutes.

We are also pleased to [publish our inaugural Environmental, Social and Governance \(ESG\) report](#). We believe we are performing well against the measures set out in the Sustainability Reporting Standard for Social Housing. This is only the start of our ESG journey, by further embedding ESG within the business we will make good progress through the delivery of our Homes and Place Standard.

Despite the difficult environment our Operations teams are working hard to get our empty homes into a lettable condition for our customers and Development teams are working with our contractors to take delivery of new houses. The programmes continue to face headwinds with specific risks around materials shortages and increased prices, along with longer lead times to fill vacancies.

In September 2021, we identified gaps in our historical data relating to statutory safety checks for communal areas. We immediately established a recovery programme to establish which blocks required up-to-date safety checks and those programmes are now complete or scheduled to be completed by the end of February 2022. We referred ourselves to the Regulator and on 26 January 2022 we were issued with a Regulatory notice.

[For more details see our full statement.](#)

Quarter 3 Performance Update

Our unaudited management accounts for Q3 2021/22 show operating surplus and overall surplus declining slightly, as expected, as we continue to face headwinds as mentioned above (Q2 £36.4m and £21.9m, Q3 £32.5m and £19.6m).

The development programme has continued to be slower than expected due primarily to resource and material availability issues impacting the whole of the building sector, we are monitoring closely and expecting to be slightly ahead of last year's 1,099 units, with current full year expectations to deliver close to 1,200 units.

- Homes in management of 60,607
- Turnover was £106.0m (Q2 21/22: £104.9m) +1%
- Operating surplus was £32.5m (Q2 21/22: £36.4m) -11%
- Overall surplus was £19.6m (Q2 21/22: £21.9m) -11%
- New homes completions YTD of 751 driven by the impact of the Covid variant, resource and material shortages
- Current development pipeline of 8,513 homes
- 121 sales completions (Q2 21/22: 121 sales) unchanged.

Treasury and Golden Rules

Sovereign operates within a number of Financial Golden Rules that underpin our treasury and risk management. We have a minimum liquidity Golden Rule, instantly available financing was £508m which equates to 35 months of forecast headroom. Considering the cashflow requirements included in the latest business plan we expect to need extra financing in the next financial year to fund development spend and maintain liquidity in line with our Golden Rule.

There is significant headroom against our Interest Cover and Gearing Golden Rules, creating protection against our underlying debt facility covenants.

We continue to maintain headroom against all our Golden Rules.

Protection principle	Forecast	Trend	Threshold	Headroom	Definition
Liquidity	35	v	< 18 months	17 months	18 months as a minimum, where available cash plus committed and ready-to-draw borrowing facilities (excluding retained bonds) must exceed forecast cash flows excluding all uncommitted development spend and all income from development sales and asset sales.
Market risk	15.6%	v	< 40%	24.4% £101.7m	Sales / turnover
Performance	32.9%	^	> 30%	2.9% £10.1m	Operating surplus (excluding all development and asset sales) / turnover on rolling three year basis
Sustainability – interest cover	234.3%	v	>121%	113% £68m	10% minimum level of headroom against all lenders' interest cover covenants
	£141m		>110%	124% £75m	
Sustainability - gearing	44.6%	v	<71.25%	27% £1221m	5% minimum headroom against all lenders' gearing covenants
	£2048m		<75%	30% £1393m	

Corporate Affairs

Sovereign is actively engaging with political stakeholders on social housing regulation, including submissions to the Levelling-Up, Housing and Communities Select Committee inquiry into the regulation of social housing and the government's consultation on new Tenant Satisfaction Measures.

We are working closely with Homes England to address the challenges faced by leaseholders in buildings requiring fire safety remediation or the removal of unsafe cladding and we were recently successful in a bid for funding to support this work. We await the outcome of the government's recent commitment that leaseholders should not have to pay for this work themselves.

In January 2022, Mark Washer met with Steve Brine MP to visit a new scheme in Winchester, along with development partners Berkeley.

The Chair of our Resident Board Partnership, Joyce Ward, was awarded an MBE in the New Year's Honours List, in recognition of her contribution to the social housing sector.

RNS Number: 2025A
Sovereign Housing Capital Plc
31 January 2022

ENDS

For more information, please contact:
Graeme Gilbert, Treasury Director, Sovereign Housing Association
07392130856 Graeme.Gilbert@Sovereign.org.uk

Jane Carmichael, PR Specialist, Sovereign Housing Association
07825 054673 Jane.Carmichael@Sovereign.org.uk

Disclaimer The information contained herein (the "Trading Update") has been prepared by Sovereign Housing Association Limited (the "Parent") and its subsidiaries (the "Group"), including Sovereign Advances Ltd, Sovereign Housing Capital PLC (the "Issuers") and is for information purposes only.

The Trading Update should not be construed as an offer or solicitation to buy or sell any securities issued by the Parent, the Issuers or any other member of the Group, or any interest in any such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

Statements in the Trading Update, including those regarding possible or assumed future or other performance of the Group as a whole or any member of it, industry growth or other trend projections may constitute forward-looking statements and as such involve risks and uncertainties that may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Trading Update and neither the Parent nor any other member of the Group undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise.

None of the Parent, any member of the Group or anyone else is under any obligation to update or keep current the information contained in the Trading Update. The information in the Trading Update is subject to verification, does not purport to be comprehensive, is provided as at the date of the Trading Update and is subject to change without notice.

No reliance should be placed on the information or any projections, targets, estimates or forecasts and nothing in the Trading Update is or should be relied on as a promise or representation as to the future. No statement in the Trading Update is intended to be an estimate or forecast. No representation or warranty, express or implied, is given by or on behalf of the Parent, any other member of the Group or any of their respective directors, officers, employees, advisers, agents or any other persons as to the accuracy or validity of the information or opinions contained in the Trading Update (and whether any information has been omitted from the Trading Update). The Trading Update does not constitute legal, tax, accounting or investment advice.

www.sovereign.org.uk/investors

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.