



**REGULATORY NEWS
SERVICE: TRADING
UPDATE**

25 August 2020

The Wrekin
Housing Group

The Wrekin Housing Group trading update for the period ending 31 March 2020

- The Wrekin Housing Group (Wrekin) is today issuing its consolidated trading update for the year ending 31 March 2020 (2020 FY).
- The consolidated year end performance measures set out for 2020 FY reflect the first year of trading of the full Wrekin Group, inclusive of the activities of Choices Housing Association Limited, Old Park Services Limited and Strata Housing Services Limited.
- The preliminary 2020 FY outturn figures are unaudited and for information purposes only. The figures are largely unaffected by the coronavirus outbreak. Stress test modelling by Wrekin identified income collection, increased costs and difficulties in delivering development and some repairs tasks as key risks for 2021 FY, aspects which have been closely monitored to date.
- More detail on Wrekin's response to the Covid-19 pandemic can be accessed on the previous update issued on [30 March 2020 \(RNS number 0664I\)](#).
- In our monitoring so far of 2021 FY, no particular causes for concern have been noted with performance close to budget. As at 16 August 2020, which is the latest point of the housing benefit cycle, arrears stood at 0.61% of the overall rent debit, compared with 0.57% at the same point last year, indicating that income collection is still holding up well.
- Although Wrekin does not rely on market sales to support its development programme, it does dispose of older properties under the Asset Renewal Programme and this programme was suspended during the period of lockdown. The programme is planned to recommence imminently, although it is expected that the volume of sales will be reduced compared with 2020 FY.
- Some development sites were closed at the beginning of the pandemic, although all have now restarted. Planned programmed works were rescheduled in the light of Covid-19 but we expect to complete at least three quarters of the programme during 2021 FY.
- The 2020 FY year-end audit is currently nearing completion and will include an impairment review, as well as any adjustments reflecting the treatment under FRS102 of the financial restructuring during the year. This involved the partial repayment of existing bank loans and mark to market losses on embedded derivatives of £52.1m but reduced the cost of debt by 178bps to 3.18%, representing a reduction in annual interest payments of £1.9m.

Highlights (The Wrekin Housing Group for the period ending 31 March 2020)

Unaudited Financial Metrics

	31 March 2020	31 March 2020	31 March 2019
<i>Statement of Comprehensive Income</i>	Actual	Budget	Actual Restated ¹
Turnover	£92.1m	£91.3m	£95.7m
Turnover from social housing lettings	£73.5m	£72.8m	£73.0m
Turnover from social housing activities (inc. garages, leaseholders, SO first tranche etc.)	£77.7m	£73.9m	£76.9m
Operating Surplus (inc asset sales)	£27.8m	£25.8m	£30.1m
(Deficit)/Surplus after Interest and Tax²	(£59.8m)	(£52.1m)	£9.4m
Margins			
Operating margin on social housing lettings	33.5%	31.8%	35.8%
Operating margin on social housing activities (inc. garages, leaseholders, SO first tranche etc.)	32.6%	31.7%	34.9%
Overall operating margin (including asset sales)	30.2%	28.3%	31.5%
Overall operating margin (excluding asset sales)	27.5%	25.0%	28.0%
Operating margin on shared ownership first tranche sales	34.8%	N/A ³	31.2%
Operating margin on outright sales (asset renewal)	74.6%	64.1%	70.0%
Liquidity			31 March 2020 Actual
18 month liquidity requirement⁴			£39m
Cash and undrawn facilities			£179m
Unencumbered stock			1,865 homes
Credit Rating			
S&P			A / Stable
Regulator of Social Housing			G1 / V1

Notes:

- Comparatives have been restated to reflect like for like group structure.
- This figure reflects a non-cash adjustment in respect of the FRS102 treatment of the refinancing transaction in the year and may be subject to a further audit adjustment.
- No budget provision is made for Shared Ownership sales.
- Defined as Development and Capitalised Major Repairs, offset by cash from operations, income from asset sales, grant income, less net interest payable.

Development: housing completions (31 March 2020) Unit Type	Housing completions 31 March 2020
Social rent	29
Affordable rent	152
Rent to Buy ("In Reach")	68
Home Ownership for People with Longterm Disabilities ("HOLD")	2
Total	251



Comments from Wayne Gethings, Group Chief Executive

“It has been another successful year for The Wrekin Housing Group and we have become financially stronger through the refinancing that took place in October 2019. We intend to sell up to £25m of our retained bond in the near future, which will support our ongoing objectives to make a difference to people’s lives by providing excellent homes and services.

“We recognise that everyone is experiencing unprecedented challenges on account of the coronavirus pandemic and part of our social purpose is about ensuring that our customers can remain safe, receive the services and support that they need and that we adapt our delivery to the future environment in whatever form that takes.

“Our business has remained resilient in the initial phase of the pandemic but we recognise that continuing challenges remain, which is why we retain flexibility of approach. We thank our excellent workforce and strong partners for their delivery so far and look forward to continued progress into the future.”