

Greensleeves Care - Trading Statement

15 August 2023

Highlights

- Greensleeves Care faced a number of challenges in the year to March 2023 arising from economic conditions and a number of one-off events. As a result, it has generated a net deficit of £15.9m in the accounts which translates into an underlying surplus of £1.2m and EBITDA of £8.0m when adjusted for non-recurring items and development drag. We set this out below.
- At the same time, Greensleeves Care has managed to grow underlying income, broadly maintain CQC ratings and continue to expand operations in line with its strategic business plan.

Operating performance

- Occupancy levels have continued to recover following the Covid-19 pandemic although homes experienced restrictions on admissions particularly during the first half of 2022/23. Despite this, occupancy levels in mature homes were at 91% at March 2023. Fill rates for our growing homes were slower than expected but overall occupancy for the year was 87%.
- These levels have continued to improve since March 2023. Mature homes are now operating at pre-pandemic levels with most growing homes also progressing well. Overall occupancy is now at 90%.
- During 2022/23, agency usage and fees increased, with costs doubling compared to the prior year. Much of this arose through operational issues at a few key homes. Continuing focus on reducing agency staff usage together with other cost reduction measures and improved procurement practices are now favourably impacting trading performance and cash generation.
- Operational difficulties at Viera Gray House resulted in a temporary curtailment of the admission of new residents. The issues within the home have now been resolved but the costs incurred in correcting identified issues, coupled with a block on admissions during the process, negatively impacted 2022/23 financial results by approximately £1.0m.
- Our services continue to be highly rated by residents, family and friends, with a Carehome.co.uk group score of 9.5 out of 10 and 18 of our homes achieving this score or greater.
- Overall, colleague turnover levels continue to significantly outperform the sector with a rate of 12.4% at the end of June 2023 against a sector average of 29%.
- Our CQC ratings continue to outperform the sector as can be seen from the table below.

CQC Ratings Analysis	Greensleeves		Sector
	Homes	%	%
Outstanding	2	7.4%	4.4%
Good	21	77.8%	76.9%
Requires Improvement	4	14.8%	17.2%
Inadequate	0	0.0%	1.6%
Total inspected	27	100.0%	100.0%

One Greensleeves Care home is awaiting inspection
Sector data is CQC published at July 2022

Digital Transformation

- The Digital Transformation project is progressing well with the electronic care planning module expected to be fully installed across the Trust by March 2024. Further integrated modules are also in varying stages of development.

Property

- At March 2023, our capacity to provide care had increased to 1,252 residents across 27 care homes, an increase of 64 bedrooms at our one new home - The Meadowcroft in Tooting, South London.
- During the year, the Trust instructed Knight Frank to carry out a revaluation of freehold assets. The last valuation recognised in the accounts took place in 2014, and a revaluation was deemed appropriate to better reflect their fair value in the accounts. The revaluation resulted in a total of £16.4m being added to the carrying value of these assets, which was made up of both upwards and downwards valuation movements. Downwards valuations of properties are recognised in the SOFA to the extent that they do not reverse a previous revaluation balance in the revaluation reserve. This has resulted in a cost of £7,418k being charged to the SOFA.
- The renovation of Mount Ephraim House in Tunbridge Wells suffered further setbacks during the year following a serious flood that incapacitated all the heating and electrical plant and equipment. Following remedial works, the home successfully opened in June 2023 and has already welcomed 17 residents. The renovated and extended home now has capacity to provide care to 57 residents.

Development and disposals

- The Trust currently has two properties for sale:
 - Croxley House was replaced by our new home Clarendon Lodge and terms were agreed during 2022 to sell the home. Unfortunately, a protracted right of way documentation issue with the local council has delayed the sale. Some progress has been made in resolving the issue and it is expected that the sale will complete during the final quarter of 2023.
 - The closure of St Cross Grange, expected to take place in October 2022, will now take place in September 2023 following transfer of the operations of the home to a new facility operated by another local not for profit operator. The negative financial impact of this delay is estimated at £0.5m. Terms have been agreed for the sale of St Cross Grange and the transaction is expected to complete shortly after the home is vacated.

- Planning applications were submitted at two sites for replacement of our homes in Newport Pagnell and Westfield. Planning approval has been received for the new home in Newport Pagnell and a decision is expected soon for the Westfield development. Funding options are being considered prior to the commencement of construction. The operations of Tickford Abbey and Whitegates will transfer to the new homes when completed and the existing homes subsequently marketed for sale.
- Delays in the opening of The Meadowcroft reduced anticipated surpluses accruing from this home by £0.3m during the year.

Environment and Sustainability

- Greensleeves Homes Trust is committed to year-on-year improvements in operational energy efficiency and is pleased to report a reduction in our Intensity Metric
- Ongoing energy efficiency measures include:
 - Replacing lighting with high efficiency LED units.
 - Installation of smart meters and water meters.
 - 100% renewal electricity across the Trust.
 - Replacement of non-fossil fuel heating system installed at The Manor.
 - New central waste management company used, resulting in greatly improved recycling rates and significant cost savings.
 - Introduction of a cycle to work scheme for staff, reducing car usage.
 - 10% minimum social value weighting applied in procurement contracts.
 - Annual reduction in quantity of single use plastics purchased.
- Measures being considered for the future include:
 - 100% of new build capital projects will achieve BREEAM Excellent and 100% of refurbishment projects will achieve BREEAM Very Good and will include EV charge points.
 - Replacement of single use products with reusable alternatives, where this can be achieved without compromising on infection control.
 - Creation of food waste action plans to reduce food waste in our homes.
 - Installation of non-fossil fuel heating system at all existing homes.
 - Installation of PV (solar panels) to as many existing homes as possible.
 - ESG analysis and potential use of carbon off-setting to reduce the Trust's carbon footprint.

Financial Outcome

- An analysis of the movement between reported and underlying performance is set out below:

	£'000
Reported deficit	(15,933)
Depreciation	3,410
Loan interest	3,381

Reported EBITDA	(9,142)

Non-routine items:	
Asset revaluation	7,418
Exceptional agency spend	1,607
Viera Gray House	1,045
Delayed occupancy recovery	961
St Cross Grange	458
The Meadowcroft	332
Mount Ephraim House	263
Delayed Croxley House sale	196

Total non-routine items	12,280

EBITDA before development drag	3,138
Development drag	4,863
Underlying EBITDA	8,001

Current trading performance

- 2023/24 performance to date is slightly behind expectations; latest forecasts indicate that Greensleeves Care will meet Budget targets for 2023/24.
- Longer term financial performance is expected to continue to improve as the benefits to operating margins resulting from our development activity continue to be felt and the development drag of new build homes becomes less material to our overall performance.

Commenting on the results, Chris Doherty, CFO, said:

Although operating conditions have been difficult, recovery from the impact of the covid pandemic continues on a sustained basis and Greensleeves Care remains financially strong with good growth in underlying income, driven largely by the quality of our care provision coupled with acquisition and development activity, and low levels of gearing.

The Trust has a sustainable business model based on approximately 75% of our residents being privately funded, coupled with a commercial approach to cost control.

Our development pipeline is healthy, and any activity is subject to rigorous capital investment appraisal to inform strong investment decisions.

Greensleeves Care continues to outperform the market in most key indicators of performance.