



# Notting Hill Genesis Funders Day

25 November 2020



# Today's Agenda



Ian Ellis

Chairman's Introduction

Kate Davies

Chief Executive's Overview

John Hughes

Our Development Programme

Katie Bond

Sales and Fire Safety

Maame-Yaa Bempah

Results

Paul Phillips

Our Finances



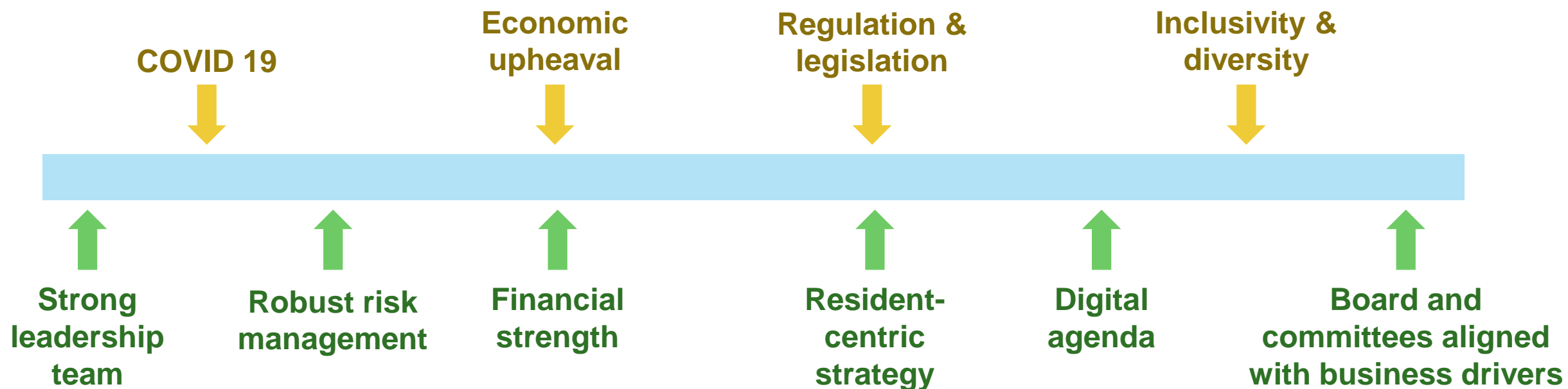
# Notting Hill Genesis Funders Day

Ian Ellis – Chair



# Increased challenges for our sector...

## But NHG well placed to meet them.



# Group Board



**Ian Ellis**  
Chair



**Elaine Bucknor**  
Deputy Chair



**Fred Angole**



**Stephen Bitti**



**Linde Carr**



**Kate Davies**



**Jane Hollinshead**



**Bruce Mew**



**Alex Phillips**



**Paul Phillips**



**Richard Powell**

# Executive Board



**Kate Davies**  
Chief Executive



**Paul Phillips**  
Chief Financial Officer



**Carl Byrne**  
Group Director of Housing



**Andy Belton**  
Chief Operating Officer and Deputy Chief Executive



**Mark Vaughan**  
Group Director of Commercial Services



**Vipul Thacker**  
Group Director of Central Services



**John Hughes**  
Group Director of Development



**Katie Bond**  
(appointed 22 January 2020)  
Group Director of Sales and Building Safety



**Elly Hout**  
(appointed 30 April 2020)  
Group Director of Assets



# Notting Hill Genesis Funders Day

Kate Davies – Chief Executive



# Summary:



- NHG is one of the largest housing associations in the UK, with 65,000 homes (of which, 55,000 are in London).
- Based in the community, we provide homes for lower-income households in and around the capital.
- We aim to do more for our residents and make a bigger difference for those in housing need.
- We want to create thriving residential communities that are home to people from all walks of life.



Stratford Halo

# The General Environment:



2020 has turned out to be a very challenging year!

- Covid-19
- Very tough sales environment
- Political challenges:
  - Brexit
  - Mayoral Election 2021
  - Local Elections 2022
- Resident safety agenda





# Safety – Covid-19:



## **Keeping our staff and residents safe during the Pandemic:**

- We have implemented our Business Continuity Plans and set up a Covid-19 working group to keep abreast of the evolving situation.
- All staff who are able to work from home.
- During the first lockdown, we moved to carrying out emergency repairs only.

## **Care settings and vulnerable tenants:**

- The safety of our frontline staff was of particular concern, but we were able to source hundreds of PPE products for colleagues in Care & Support.
- We maintain strong infection control measures across all of our care services and we have not seen a spike in Covid positive cases.
- We remain vigilant with regard to the wellbeing of staff and residents.

# Building Safety:



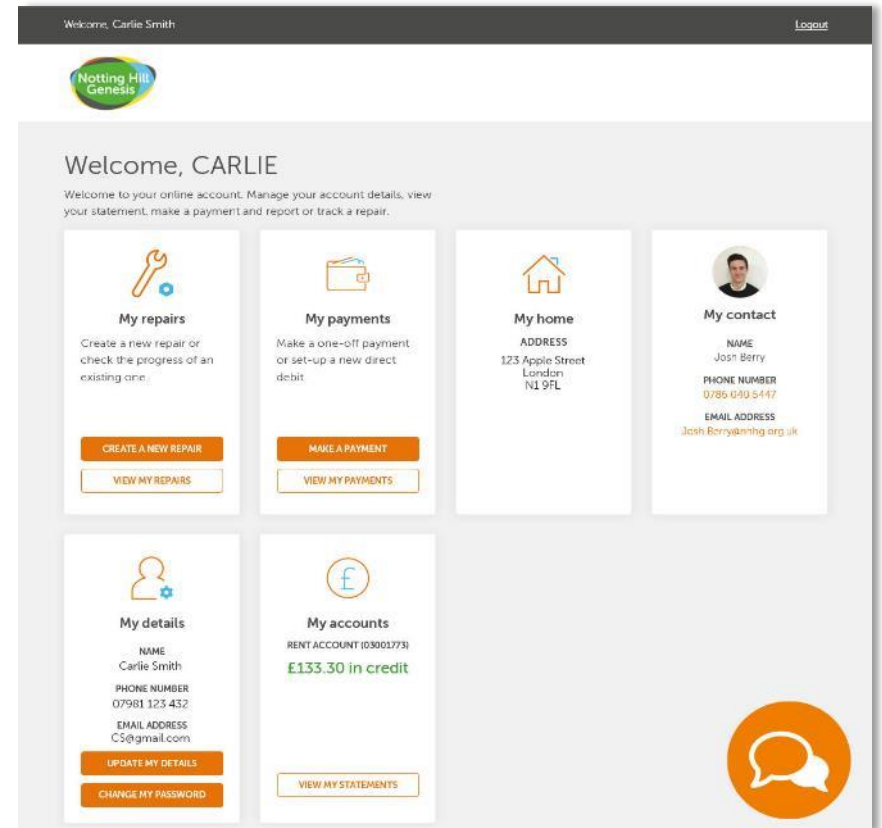
- We have appointed a new Director of Building Safety.
- We are developing a clear strategy to ensure our buildings and residents are safe and that we are compliant with emerging Legislation.
- We are carrying out a programme of intrusive survey and developing a remediation programme on the back of them
- We have 5 projects on site with 38 progressing to site
- Overall building safety plan – will be covered by Katie Bond, Group Director of Sales & Building Safety
- Paragon – will also be covered by Katie Bond



# Digital Transformation & WorkWise Platform



- Business pivoted to digital operations in response to Covid.
- WorkWise - engaging customers online, empowering staff, optimising operations and transforming services.
- 500,000 transactions processed since 2018. 38% (25,000) of households are using online self-service.
- Microsoft Cloud technology - digital core for the future - allows us to integrate with operational partners (eg Plentific).
- WorkWise - a digital platform for the Housing Sector?



# Diversity:



- We are looking at NHG's approach to equality and anti-racism and the importance of the Black Lives Matter movement.
- Board, sub-committee and senior management recruitment – clear targets set.
- In March 2020 we signed the G15 pledge to double the number of BAME Board members over the next five years.
- We are leading members of the G15 sub-group looking at various initiatives to improve diversity across the London housing sector.
- We are working hard to ensure that out talented black colleagues get the opportunities, training and experience they deserve.
- Stop the Clock reset day – a staff conference was arranged to work with colleagues to better understand what needs to change and to put a plan of action in place.



# Quality Services:



3.3% increase in overall resident satisfaction to 68.5% driven by new operating model

- being treated as a valued customer up 3%.
- satisfaction with repairs and maintenance up 3%.

Strong growth in uptake of self-service channel with 23,000 customer registrations in first year.

- 80% of payments now made through self service.
- 20% of repairs since launch growing month on month

Improved resident insight and role in governance with residents on all Board committees and Group Board.

Local officers made personal contact with residents through covid lockdown offering help with welfare benefits and other supports.



# New Homes:



- Over the last five years we have developed 8,000 new homes
- Due to market conditions we reduced our activity in 2019/20 and only started 665 homes
- Acquisition of plots was also down at 518
- We have been prudent in the face of market challenges, Brexit and Covid



# Our Financial Strength:



- Assets valued at £20.1bn (vacant possession)
- 2019/20 surplus before tax of £98.1m
- 2020/21 surplus forecast to be similar to 2019/20



# The future of NHG:



- Being bold, innovative and having the confidence of our convictions will continue to drive us forward to reach our goals.
- We believe in housing that works for everyone.
- Celebrating the diversity of both our resident and employee communities, we commit to profoundly changing the balance of power in our organisation in order to authentically reflect them.





# Sales and Fire Safety

Katie Bond

# Building Safety



- The focus on landlords' responsibility for health and safety has increased sharply as a result of the fire at Grenfell in June 2017
- Responding to a change in legislation and regulatory environment.
  - Consolidated Advice note
  - Fire Safety Bill
  - Draft Building Safety Bill
- Buildings have been risk rated on height, wall build up and balconies.
- 98 buildings over 18m that we are responsible for which will require a building safety case.
- Intrusive surveys carried out on 76 buildings
- Interim measures (waking watch and temporary alarms) in place in 40 buildings

# Building Safety



- ACM removed from all 7 NHG managed buildings over 18m
- 11 buildings under 18m with ACM with replacement works planned
- Programme of remedial works being developed following outcomes of intrusive surveys.
- 5 remedial projects on site 38 more progressing following intrusive surveys.
- 64 intrusive surveys planned for 2021/22.
- Building Safety Fund
  - 9 buildings submitted
  - 9 to be submitted in November
  - 19 targeted for December
- Requirement for EWS1 forms is affecting mortgage availability for resales and staircasing.
- We have obtained 4 EWS1 forms for existing buildings with 4 due on completion of minor remedial works.

# Building Safety - Paragon



- Paragon is a scheme consisting of 6 blocks that was developed for Presentation (Touareg Trust) by Berkeley First Limited (BFL)
  - 114 intermediate market rent flats
  - 107 Shared Ownership flats
  - 839 student rooms
- Multiple building defects which we have been investigating over a number of years.
- Issues relate to cladding (non combustible), fire safety (cavity barriers and fire stopping) and structural defects.
- Recent advice from structural engineer and fire engineer doesn't support a phased decant whilst works are completed.
- On 19<sup>th</sup> October we informed all residents we were decanting the site.
- All students rehoused in alternative student accommodation.
- Leaseholders and tenants in interim accommodation.
- Reviewing long term options for site: remediate, dispose or redevelop.

# Sales to 30 September 2020



- Covid-19 has presented a challenging environment for sales but our performance has been good.
- Quickly adapted to new environment with shift to digital channels and virtual tours to maintain a pipeline of reservations.
- Tenure changes to reduce unsold homes

As at 30 September, the position was as follows:

- We had sold 165 shared ownership homes with a turnover of £26.6m and a surplus of £7.2m.
- We had sold 78 outright sales homes with a turnover of £43.2m and a surplus of £7.9m. This excludes the sale of the site at Canada Water

# Sales to 30 September 2020



- As at the half year stage, sales were behind target on number of completions and revenue but slightly above target on surplus due to a reduced cost of sales and marketing spend.
- Our forecast for the year is to complete on 566 sales.



Our development programme  
John Hughes

# Residential market indicators



- Residential land market remains resilient
- There is capacity in the construction market, tender price down
- Volume of house sales are up
  - Pent up demand from first lockdown
  - Stamp duty holiday
  - Low cost of borrowing
- Market challenges
  - Increasing unemployment
  - Fragile economy and Government debt
  - Brexit, Covid 19
- Overall cautious optimism

# Development spend



Year	(£m)
• 17/18	542
• 18/19	654
• 19/20	468
• 20/21	124 spend to-date



Manor Place, Walworth

# Acquisitions



- 15/16      801
- 16/17      3,102
- 17/18      1,172
- 18/19      896
- 19/20      518
- 20/21      744 year to-date



Residents at Peckham Place

# Starts on site



- 15/16 750
- 16/17 2,425
- 17/18 1,776
- 18/19 1,018
- 19/20 665
- 20/21 349 year to-date



Kidbrooke Station Square

# Completion of new homes



- 15/16 1,170
- 16/17 1,152
- 17/18 991
- 18/19 2,111
- 19/20 1,977
- 20/21 752 year to-date



Lampton Road, Hounslow



# 2019/2020 Results Maame-Yaa Bempah

# 2019/2020 Results



Focus on entities with external debt and significant investment:

- Notting Hill Genesis Group
- Notting Hill Genesis
- Notting Hill Home Ownership
- Folio London Limited

# Consolidated Statement of Comprehensive income



## Key numbers

Item	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Turnover	731.5	670.6
Operating surplus	153.6	135.3
Turnover from social housing lettings	478.3	476.3
Surplus on sale of existing properties	27.8	34.0
<b>Overall surplus before tax</b>	<b>98.1</b>	<b>104.1</b>

# NHG – Statement of Comprehensive income



## Key facts

- Turnover down by 12.9% from £561.6m to £489.3m
- Turnover from Social Housing lettings down by 0.7% from £427.8m to £424.6m
- Surplus excluding sales up by 44.7% from £30.2m to £43.7m
- Surplus on sale of existing properties down by 24.8% from £12.9m to £9.7m
- Surplus up by 23.9% from £43.1m to £53.4m

Overall, sales up by £12.9m and associated surplus down by £3.2m. Fair value gains up by £0.4m.

# NHHO – Statement of Comprehensive income



## Key facts

- Turnover up from £202.5m to £255.2m
- Surplus before gift aid decreased from £40.4m to £38.9m
- Surplus on disposal of assets decreased from £21.3m to £17.7m
- Gift aid to NHG and Notting Hill Community Housing of £28.7m (2019: £34.0m)

# Consolidated Statement of Financial Position



## Key facts:

- Invested £468.0m (2019: £654.4m) in new housing
- Received £10.8m of Grant (2019: £140.4m)
- Housing properties carried at £6,593.0m (2019: £6,595.3m) - VP value £20.1bn (2019: £19.7bn)
- Borrowings increased from £3,471.0m to £3,486.2m
- Gearing decreased to 40.7% (2019: 40.9%)

# NHG - Statement of Financial Position



## Key facts

- We invested £52.9m (2019: £163.5m) in new housing
- £9.3m of Grant receivable (2018: £97.2m)
- Housing at cost now £5,427.4m (2018: £5,498.6m) - VP value over £17.4bn (2019: £17.3bn)
- Borrowings up to £3,230.5m in 2020 from £3,204.7m in 2019

# NHHO - Statement of Financial Position



## Key facts

- Invested £145.0m (2018: £288.8m) in new housing
- Received grants of £1.2m (2019: £73.8m)
- Properties held for sale was £128.4m (2019: £248.7m), of which £28.7m (2019: £35.0m) was for sale to other Group members
- £26.1m (2019: £85.0m) of properties held for sale represented finished homes
- Housing assets at cost stood at £800.4m (2019: £825.7m)
- Borrowings down to £422.5m from £532.1m

# Folio London Limited (FLL)



- Folio London's core function is to operate the NHG market rent portfolio
- The number of homes owned and/or managed by Folio increased from 1,681 to 2,960 during the year
- At 31 March 2020, the value of completed investment properties was £476.8m (2019: £370.9m)
- The historical cost of properties at 31 March 2020 is £389.5m (2019: £295.0m)
- Seeking capital growth and income return

# FLL – Statement of Comprehensive Income



- Turnover for the year to 31 March 2020 was £18.8m (2019: £12.7m)
- The movement in fair value of investment properties increased from £6.6m during 2019 to £11.4m during 2020
- Operating profit of £24.2m in 2020 compared to £15.2m in 2019
- Interest payable increased from £5.7m in 2019 to £7.6m in 2020
- Profit for the year to 31 March 2020 was £18.2m (2019: £8.7m)
- Average re-let times increased from 16.0 days during 2019 to 29.2days during 2020
- Current tenant rent arrears increased from 0.9% during 2019 to 1.7% during 2020



# 2020-2021 Results to date

# Sales to 30 September 2020



As at 30 September, the position was as follows:

- We had sold 165 shared ownership homes which generated a turnover of £26.6m and a surplus of £7.2m.
- We had sold 78 outright sales homes at a turnover of £177.5m and a surplus of £49.6m.
- Growth in outright sales is due to disposal of Canada Water

As at the half year stage, both the first tranche sales and private sales were behind target.

We have continued with limiting starts on site during the year.

Staircasing is down on last year, with a surplus so far of £9.2m (2019/20: £12.8m).

# Statement of Comprehensive Income



Group	6 months ended 30 Sept 2020	6 months ended 30 Sept 2019
	Actual (£m)	Actual (£m)
Turnover	483.9	343.5
Cost of sales	(147.7)	(59.9)
Operating costs	(190.2)	(200.0)
<b>Operating surplus</b>	<b>146.0</b>	<b>83.6</b>
Surplus - asset disposals	9.2	13.3
Gains from joint ventures	3.0	11.8
Net interest payable	(71.5)	(60.7)
Gains from derivatives	2.1	3.7
<b>Surplus before tax</b>	<b>88.8</b>	<b>51.7</b>

# Statement of Financial Position



Group	As at 30 Sept 2020	As at 31 March 2020
	Actual (£m)	Actual (£m)
Housing properties	6,648.5	6,593.0
Other fixed assets and investments	1,204.4	1,197.3
Net current assets	404.1	454.2
Loans due in more than one year	(3,296.8)	(3,364.7)
Other long term liabilities	(1,532.9)	(1,534.3)
<b>Net assets</b>	<b>3,427.3</b>	<b>3,345.5</b>
<b>Reserves</b>	<b>3,427.3</b>	<b>3,345.5</b>

# Consolidated Cash Flow



Group	6 months ended 30 Sep 2019	6 months ended 30 Sep 2019
	Actual (£m)	Actual (£m)
Cash from operations	219.3	70.2
Net cash outflow from investments and servicing of finance	(82.0)	(70.5)
Purchase & construction of housing	(130.4)	(179.5)
Sale of housing properties	26.9	59.1
Disinvestment/(Investment) in joint ventures	4.3	(1.1)
Other capital (investments)/receipts	(2.6)	27.7
Net debt (repaid)/ drawn	(67.9)	34.4
<b>Decrease in cash</b>	<b>(30.1)</b>	<b>(59.7)</b>

# Other points



## Unaudited position to 30 September 2020

- Surplus to 30 September 2020 – £88.8m against half year budget of £50.1m
- Board budgeted surplus of £101.2m for the full year to 31 March 2021
- Work in progress / unsold homes, including homes still under construction, was £501.7m as at 30 September 2020, compared to £623.9m at 31 March 2020.

The logo for Notting Hill Genesis is a stylized, overlapping oval shape. It features a central green circle, a blue circle to its right, and a yellow circle below it. The text 'Notting Hill Genesis' is written in white, bold, sans-serif font across the green and blue areas.

# Notting Hill Genesis

The background of the slide is a photograph of several modern, multi-story residential buildings. The buildings feature a mix of brick, concrete, and large glass windows. Some balconies have glass railings. The sky is overcast with grey clouds.

**Funders Day 2020**  
Our Finances – Paul Phillips

# Introduction



I will cover:

- Covenant position
- NHH Exposures
- Future prospects

# 30 September 2020 covenanted ratios



	<b>Gearing</b>	<b>Interest Cover</b>
<b>NHG</b>	50%	191%
<b>NHHO</b>	54%	448%

# Ratings



- S&P assigned an A- rating (stable outlook) on 5 June 2019. This has been reaffirmed most recently on 25 June 2020.
- Fitch reaffirmed an A rating (stable outlook) on 29 July 2019. This has been reaffirmed most recently on 30 October 2020.
- We have not solicited a Moody's rating, but they continue to maintain an unsolicited rating on some NHG bonds.
- The Regulator of Social Housing completed an In Depth Assessment in April 2019, and assigned our compliant rating of G1/V2 in July 2019. This was last reaffirmed on 30 October 2019.

# NHG Group – Value for Money (VfM)



At the time of the merger, the Board set three VfM targets to be achieved over the first three years of the merged organisation (i.e. 1 April 2018 to 31 March 2021).

**We would reduce operating costs by £20m pa over three years.**

The 2020/21 budget (year three post merger) embeds £27.2m pa of merger related savings. Of this, £16.0m relates to back office costs.

**We would review our footprint to operate in fewer areas.** We sold 474 homes in 8 local authority areas in 2018/19 and in 2019/20 sold a further 943 homes in Buckinghamshire, Surrey, West Sussex, Berkshire, Norfolk, Suffolk, Essex and Hertfordshire. Overall, we have exited 41 local authorities since the merger.

# NHG Group – Value for Money - continued



**We would review our temporary housing and care & support businesses to improve margins.**

Temporary housing has improved its operating margin from 2.6% in 2017/18 (the year before the merger) to 3.2% in 2018/19 and to 8.3% in 2019/20. The operation is forecasting an operating margin of over 10% in 2020/21.

Care and support has improved its operating margin from 1.6% in 2017/18 (the year before the merger) to 7.0% in 2018/19 and to 9.3% in 2019/20. This operation too is forecasting an operating margin of over 10% in 2020/21.

# Funding



Although we have substantial amounts of bank finance, the main source of new funding is capital markets:

- Our Folio subsidiary priced a £250m bond in September 2020 secured on 1,523 market rent homes and rated Aa1 by Moody's.
- We received orders of over £700m
- The bond was for a period of 7 years, with an all in cost of funds of 1.248%

We have also secured £300m from the Covid Corporate Funding Facility, of which £255m was drawn as at 30 September 2020.

We do not expect to secure any more capital markets finance before 31 March 2021.



# Exposures

# NHG exposures – build for sale

## 30 September 2020



	2020		2019
	No	£m	£m
Vacant plots	2,333	70	99
On site - spent	639	236	326
On site - committed	-	168	241
Completed homes unsold	108	69	95
<b>Total</b>	<b>3,080</b>	<b>543</b>	<b>761</b>

# NHG exposures – shared ownership

## 30 September 2020



	2020		2019
	No	£m	£m
Vacant plots	2,554	92	92
On site - spent	784	109	252
On site - committed	-	177	128
Completed homes unsold	389	65	141
<b>Total</b>	<b>3,727</b>	<b>443</b>	<b>613</b>

# NHG – group loan book

## 30 September 2020



	£m
Drawn at variable rates	96
Drawn at variable rates - hedged	741
Drawn at fixed rates	2,514
Drawn on an index linked basis	79
<b>Total drawn</b>	<b>3,430</b>
Undrawn and committed	965
<b>Total</b>	<b>4,395</b>

Also holding £72m in cash



# Future Prospects

# Prospects



Taken overall, Covid 19 has had limited effect on the finances of NHG, although it has had considerable effects on the way we work and on our customers.

The Board has set a budgeted surplus of just over £100m and, in spite of the potential costs at the Paragon site, we currently expect to achieve this.

We have put in place substantial liquidity, standing at just under £1bn, and have reduced our development commitments, which improve our risk position and, in general, we are in “risk off” mode (although the rating agencies have yet to see this!). We can also access the capital markets if needed.

Overall, we believe that we are in a solid position for the future.

# And Finally ...



I have been the Chief Financial Officer at Notting Hill Housing and Notting Hill Genesis for 16 years and have presented at these funders' days for over a decade.

I have now announced my retirement and expect to leave NHG in July 2021.

It has been a pleasure working with you all and I wish you all the very best for the future and, if you have been...

**thanks for listening.**



**Notting Hill  
Genesis**

