



# Notting Hill Genesis Funders Day

27 November 2019





# Notting Hill Genesis Funders Day

Ian Ellis – Chair



# Today's Agenda



Ian Ellis

Chairman's Introduction

Kate Davies

Chief Executive's Overview

John Hughes

Our Development Programme

Maame-Yaa Bempah

Results

Paul Phillips

Our Finances

# Chairman's Introduction



I was appointed to chair Notting Hill Genesis in September. Since that time, I have had the opportunity to take a look at this new organisation.

- I have met with all Board and Executive members
- I have looked around the housing that we have and talked to some of the front line staff who look after our customers
- I have chaired my first AGM and met with our shareholders, many of whom have been involved in Notting Hill Genesis since the early days

So what did I find?

# Chairman's Introduction



- Huge organisation - home to as many people as a small town
  - Committed, talented people - establishing one culture post merger - strong sense of social purpose
  - Forward thinking - own workforce and embracing technology
  - Risk aware - reduced sales = reduced development - financially robust
  - Health and safety - Grenfell Tower and embedded in BAU
  - New focus on customers - tenants are our residents - providing decent homes is our primary purpose
- “We shape our buildings & afterwards our buildings shape us”**

# Group Board



**Ian Ellis**  
(Chairman)



**Stephen Bitti**



**Linde Carr**



**Bruce Mew**



**Jenny Buck**



**Jane Hollinshead**



**Alex Phillips**



**Elaine Bucknor**



**Richard Powell**



# Executive Board



**Kate Davies**

Chief Executive  
and Board  
Member



**Paul Phillips**

Group Finance  
Director and  
Board Member



**Andy Belton**

Chief Operating  
Officer and  
Deputy Chief  
Executive



**John Hughes**

Group  
Director of  
Development



**Carl Byrne**

Group Director  
of Housing



**Mark  
Vaughan**

Group Director  
of Commercial  
Services



**Vipul Thacker**

Group Director  
of Central  
Services



**Jeremy Stibbe**

Group Director  
of Regeneration  
and Assets



# Notting Hill Genesis Funders Day

Kate Davies – Chief Executive



# Summary



- Notting Hill Housing Trust & Genesis Housing Association amalgamated in April 2018 to create Notting Hill Genesis (NHG).
- NHG is one of the largest housing associations in the UK, with 65,000 homes (of which, 55,000 are in London).
- NHG's main purpose is to work in communities in and around London to provide homes for lower-income households.



# The General Environment



The environment is changing:

- Very tough sales environment.
- Political challenges:
  - General Election 2019
  - Mayoral Election 2020
  - Local Elections 2022
- Resident safety agenda.



# Post-Grenfell



- The focus on landlords' responsibility for health and safety has increased sharply as a result of the fire at Grenfell in June, 2017
- Board approved targets met for gas, fire risk assessments, fire risk assessment actions, domestic electrical installation reports, water quality risk assessments and asbestos surveys
- Post the publication of the Hackitt Review
  - seven ACM removal projects.
  - four completed.
  - three in contract - two (where we are building owner) completing in February 2020 & one (where we are leaseholder and freeholder in control of programme with NHBC funding) completing November 2020.
  - 148 over six storey/18m buildings - surveys under way with review work to be completed during 2019/20
    - survey programme will be extended to review timber frame buildings
- Lender concerns about MHCLG guidance is affecting mortgage availability for resales.

# Our Residents



- Performance levels broadly static with pre-merger position.
- Implementation of new model for service delivery in progress. Completion in February 2020.
- Improvement in resident satisfaction through a combination of digital & local services.
- 8000 residents already using Workwise self service platform

## Results to Quarter 2

Resident Satisfaction<sup>1</sup>: 65.2%

Group Occupancy Levels: 98.8%

Group Income Collection: 98.5%



<sup>1</sup>Source: Group Baseline Satisfaction Survey January 2019

# Our Financial Strength



- Assets valued at £19.7bn (vacant possession)
- 2018/19 surplus before tax of £107.2m
- Operating margin of 30.7%



# WorkWise Platform (Digital Transformation)



- In production (18 months for staff and 6 months for residents – 6000 residents have signed up so far)
- Web services for residents and staff + back-office automation/efficiency
- Underpins NHG systems integration and operating model
- £11m development costs (2017-2019).
- Three-year payback (2019-2021)
- Built on Microsoft Cloud technology with digital links to operational partners. Provides digital core for the future (eg to integrate AI & robotics solutions)
- Talking to other housing associations about collaboration



# Our People and Our Work



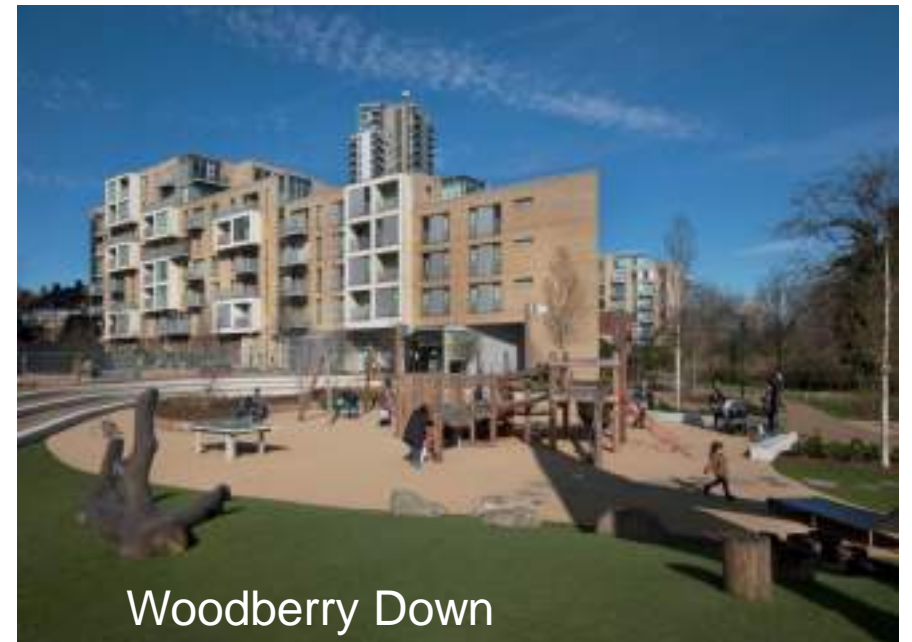
## Staff Promise

- Engaged workforce to focus on retention, stability and support during change
- Internal recruitment providing development for our staff
- Positive diversity outcomes

# The future of NHG



- Merged in April 2018 – 2-3 year integration plan
- Deliver digital transformation, improved services for residents and staff and £20m of efficiency savings
- Operating model being implemented
- Accommodation rationalisation
- Residents at heart of organisation re-design
- Integration complete by 1 April 2020
- New Corporate Strategy is coming ...



Woodberry Down

# Our development programme

## John Hughes

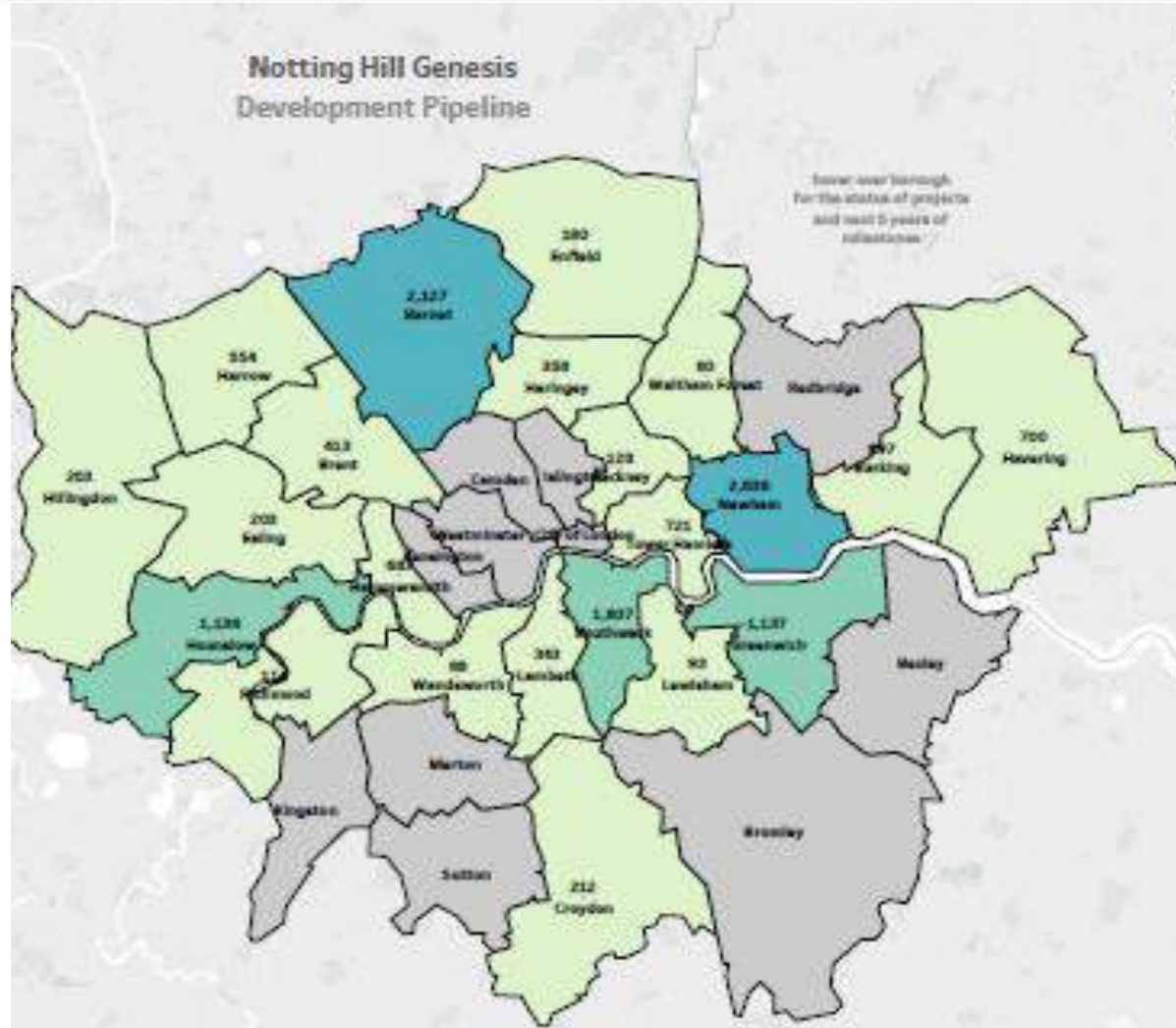


# Residential market indicators

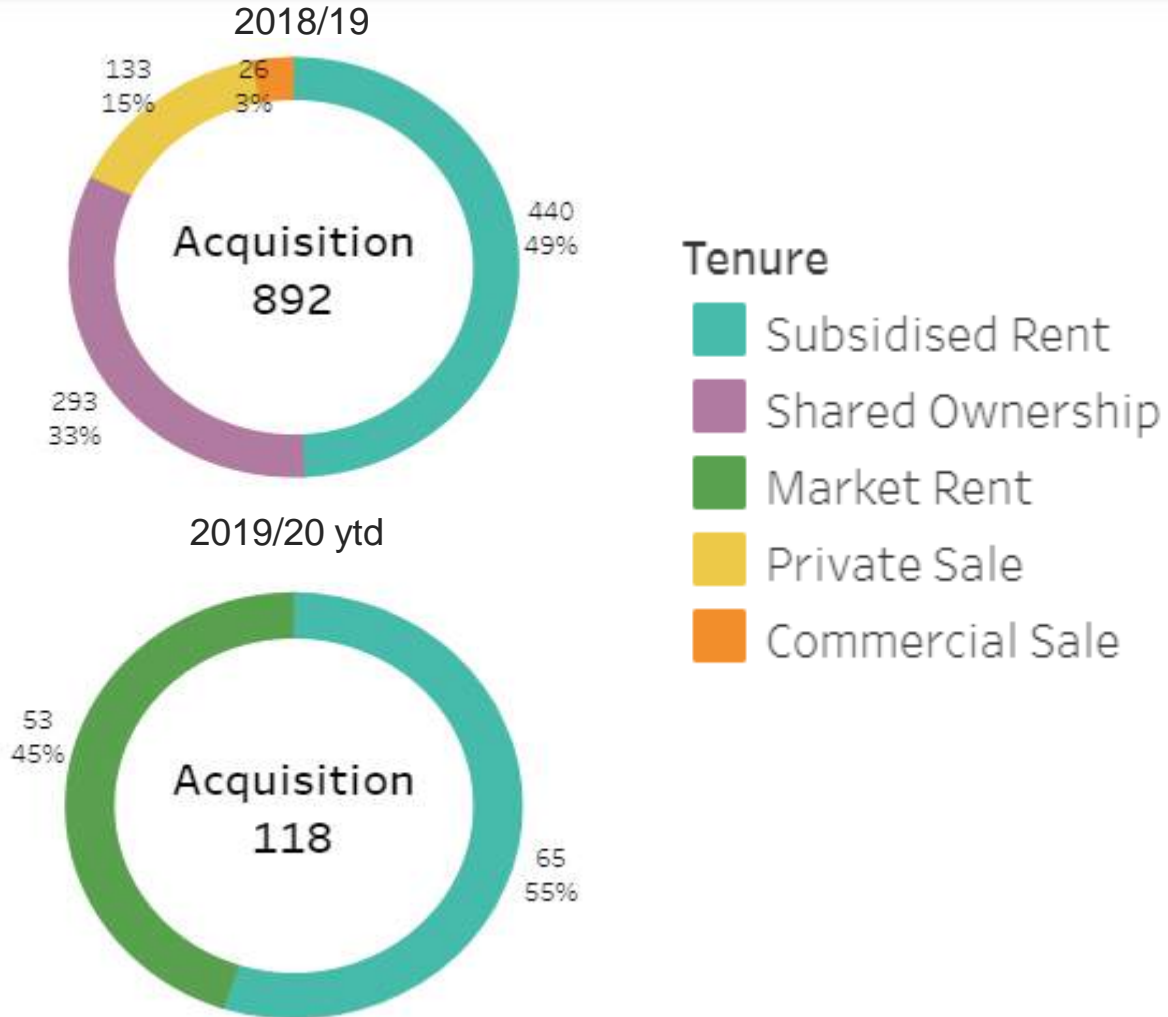


- Sales volumes stable
- House price under some pressure but holding up
- Housing starts down
- Political uncertainty
- Reduced development programme

# Development operations



# Acquisitions



# Starts on site



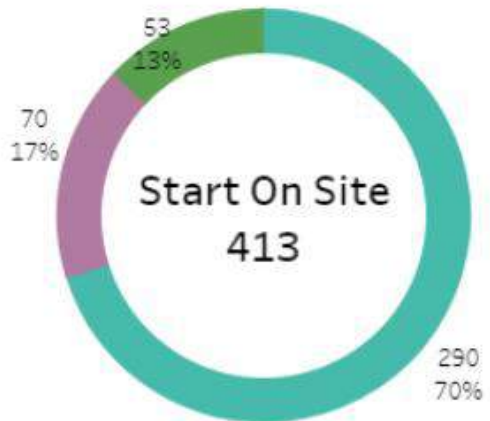
2018/19



## Tenure

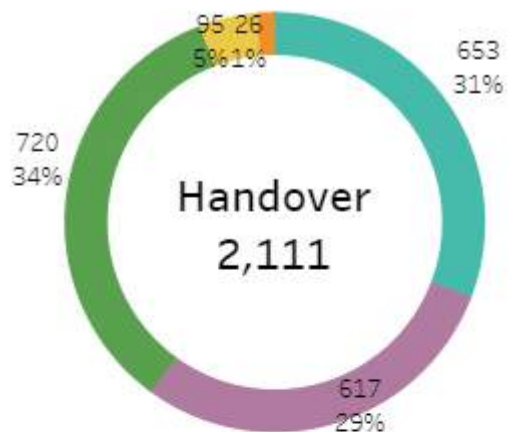
- Subsidised Rent
- Shared Ownership
- Market Rent
- Private Sale
- Commercial Sale

2019/2020 ytd



# Completion of new homes

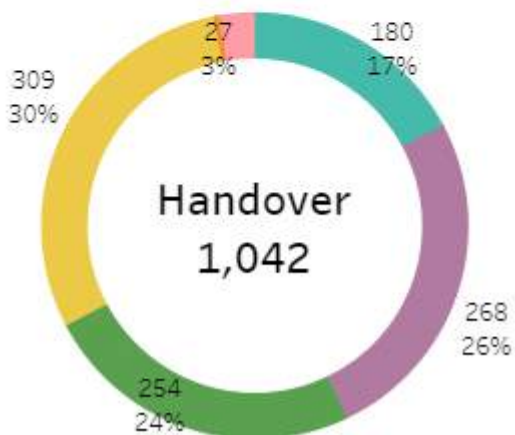
2018/19



## Tenure

- Subsidised Rent
- Shared Ownership
- Market Rent
- Private Sale
- Commercial Sale
- Intermediate Market ...

2019/20 ytd



# GLA grant programme



- £278m funding
- 8,800 homes
- Programme to 2021



# 2018/2019 Results Maame-Yaa Bempah

# 2018/2019 Results



Focus on entities with external debt:

- 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 2019 £m	Year ended 31 March 2018 £m
Turnover	670.6	695.6
Operating surplus	136.5	160.2
Turnover from social housing lettings	468.8	469.4
Surplus on sale of existing properties	34.0	65.0
<b>Overall surplus before tax</b>	<b>105.3</b>	<b>139.3</b>

# NHG – Statement of Comprehensive income



## Key facts

- Turnover up by 3.3% from £543.9m to £561.6m
- Turnover from Social Housing lettings down by 2.1% from £426.4m to £417.3m
- Surplus excluding sales down by 56.1% from £71.3m to £31.3m
- Surplus on sale of existing properties down by 69.0% from £41.6m to £12.9m
- Surplus down by 60.9% from £112.9m to £44.2m

Overall, sales down by £0.3m and associated surplus by £28.7m.  
Fair value gains down by £10.4m.

# NHHO – Statement of Comprehensive income



## Key facts

- Turnover down from £219.6m to £202.5m
- Surplus before gift aid decreased from £61.0m to £39.5m
- Surplus on disposal of assets decreased from £23.0m to £21.3m
- Gift aid to NHG and Notting Hill Community Housing of £34.0m (2018: £56.9m)

# Consolidated Statement of Financial Position



## Key facts:

- Invested £654.4m (2018: £712.0m) in new housing
- Received £140.4m of Grant (2018: £27.8m)
- Housing properties carried at £6,595.3m (2018: £6,426.9m) - VP value £19.7bn
- Borrowings increased from £3,267.7m to £3,471.0m
- Gearing increased to 52.6% (2018: 50.8%)

# NHG - Statement of Financial Position

## Key facts

- We invested £163.5m (2018: £290.2m) in new housing
- £97.2m of Grant receivable (2018: £11.4m)
- Housing at cost now £5,498.6m (2018: £5,516.9m) - VP value over £17.3bn
- Borrowings up to £3,204.7m in 2019 from £2,997.6m in 2018

# NHHO - Statement of Financial Position

## Key facts

- Invested £288.8m (2018: £296.0m) in new housing
- Received grants of £73.8m (2018: £27.9m)
- Properties held for sale was £248.7m (2018: £219.2m), of which £35.0m (2018: £54.1m) was for sale to other Group members
- £85.0m (2018: £23.1m) of properties held for sale represented finished homes
- Housing assets at cost stood at £825.7m (2018: £749.8m)
- Borrowings up to £532.1m from £453.1m

# 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 961 to 1,681 during the year
- At 31 March 2019, the value of completed investment properties was £370.9m (2018: £284.7m)
- The historical cost of properties at 31 March 2019 is £295.0m (2018: £215.0m)
- Further growth during 19/20 from development pipeline, and transfer of former Genesis market rent activity to Folio management
- Seeking capital growth and income return

# FLL – Statement of Comprehensive Income



- Turnover for the year to 31 March 2019 was £12.7m (2018: £11.7m)
- The movement in fair value of investment properties increased from £4.5m during 2018 to £6.6m during 2019
- Operating profit of £15.2m in 2019 compared to £12.5m in 2018
- Interest payable increased from £3.1m in 2018 to £5.7m in 2019
- Profit for the year to 31 March 2019 was £8.7m (2018: £9.5m)
- Average re-let times reduced from 31 days during 2018 to 16 days during 2019
- Current tenant rent arrears reduced from 2.2% during 2018 to 0.9% during 2019



# 2018-2019 Results to date

# Sales to 30 September 2019



As at 30 September, the position was as follows:

- We had sold 303 shared ownership homes which generated a turnover of £45.9m and a surplus of £10.9m.
- We had sold 34 outright sales homes at a turnover of £25.8m and a surplus of £0.9m.

As at the half year stage, first tranche sales were ahead of target, while 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 £12.8m (2018/19: £28.3m).

# Statement of Comprehensive Income



Group	6 months ended 30 Sept 2019	6 months ended 30 Sept 2018
	Actual (£m)	Actual (£m)
Turnover	343.5	306.2
Cost of sales	(59.9)	(30.4)
Operating costs	(200.0)	(197.3)
<b>Operating surplus</b>	<b>83.6</b>	<b>78.5</b>
Surplus - asset disposals	13.3	24.8
Gains/losses from joint ventures	11.8	-
Net interest payable	(60.7)	(52.3)
Gains/(losses) - derivatives	3.7	5.2
<b>Surplus before tax</b>	<b>51.7</b>	<b>56.2</b>

# Statement of Financial Position



Group	As at 30 Sept 2019	As at 31 March 2019
	Actual (£m)	Actual (£m)
Housing properties	6,635.1	6,530.3
Other fixed assets and investments	1,117.8	951.1
Net current assets	543.8	505.2
Loans due in more than one year	3,389.9	3,183.8
Other long term liabilities	1,624.6	1,573.2
<b>Net assets</b>	<b>3,282.2</b>	<b>3,229.6</b>
<b>Reserves</b>	<b>3,282.2</b>	<b>3,229.6</b>

# Consolidated Cash Flow



Group	6 months ended 30 Sep 2019	6 months ended 30 Sep 2018
	Actual (£m)	Actual (£m)
Cash from operations	70.2	(13.6)
Net cash outflow from investments and servicing of finance	(70.5)	(72.8)
Purchase & construction of housing	(179.5)	(178.1)
Sale of housing properties	59.1	60.3
Investment in joint ventures	(1.1)	(9.5)
Other capital receipts	27.7	160.9
Net debt drawn/(repaid)	34.4	(30.1)
<b>Decrease in cash</b>	<b>(59.7)</b>	<b>(82.9)</b>

## Other points



### Unaudited position to 30 September 2019

- Surplus to 30 September 2019 – £51.7m against half year budget of £51.0m
- Board budgeted surplus of £97.5m for the full year to 31 March 2020
- Work in progress / unsold homes, including homes still under construction, was £686.5m as at 30 September 2019, compared to £667.4m at 31 March 2019.

The logo for Notting Hill Genesis is a stylized oval shape composed of overlapping green, blue, and yellow sections. The text "Notting Hill Genesis" is written in white, bold, sans-serif font across the center of the logo.

# Notting Hill Genesis

A solid orange horizontal banner is positioned at the bottom of the slide, containing white text.

**Funders Day 2018**  
Our Finances – Paul Phillips

# Introduction



I will cover:

- Covenant position
- NHH Exposures
- Future prospects
- Comment on merger

# 30 September 2019 covenanted ratios



	<b>Gearing</b>	<b>Interest Cover</b>
<b>NHG</b>	46%	173%
<b>NHHO</b>	60%	719%

\*Calculation per loan agreements

## Key events so far

- S&P assigned an A- rating (stable outlook) on 5 June 2019, reflecting reduced sales and higher integration costs, offset by strong lettings and the likelihood of government support
- Fitch reaffirmed an A rating (stable outlook) on 29 July 2019, reflecting demand for social housing and secure cash flow
- We have not solicited a Moody's rating, but they continue to maintain an unsolicited rating on NHG bonds.
- The Regulator of Social Housing completed an In Depth Assessment in April 2019, and confirmed our compliant rating of G1/V2 in July 2019.

# NHG Group – Value for Money



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

Reduced by £4m in 2018/19, £14m in 2019/20, and fully embedded by 2020/21.

**We would review our footprint with a view to operating in fewer areas.** We sold 474 homes in 8 local authority areas in 2018/19 and aim to sell 1,021 more in 21 local authority areas in 2019/20.

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

Temporary housing has improved in 2019/20. The care improvements are dependent on the sales above.

# Funding



Large amounts of bank finance, the main source of new funding is capital markets:

- Issued a further bond in January 2019
- Received orders of over £1.1bn, issued £250.0m
- The bond was for a period of 10 years
- The all-in cost of funds was 2.97%
- We now have a total of just under £2bn of bonds in issue
- Sterling bond markets remain open, financing costs increased by our current rating, which we are addressing by reducing our development programme and controlling costs.



# Exposures

# NHH exposures - build for sale

## 30 September 2019



	2019		2018
	No	£m	£m
Vacant plots	3,598	99	77
On site - spent	1,007	326	263
On site - committed	-	241	296
Completed homes unsold	187	95	21
<b>Total</b>	<b>4,892</b>	<b>761</b>	<b>657</b>

# NHH exposures - shared ownership

## 30 September 2019



	2019		2018
	No	£m	£m
Vacant plots	2,971	92	61
On site - spent	1,107	252	350
On site - committed	-	128	327
Completed homes unsold	473	141	61
<b>Total</b>	<b>4,551</b>	<b>613</b>	<b>799</b>

# NHG – group loan book

## 30 September 2019



	£m
Drawn at variable rates	520
Drawn at variable rates - hedged	749
Drawn at fixed rates	2,173
Drawn on an index linked basis	83
<b>Total drawn</b>	<b>3,525</b>
Undrawn and committed	495
<b>Total</b>	<b>4,020</b>

Also holding £61m in cash



# Future Prospects

# Prospects



Although sales have slowed, we have reduced our development commitment so work in progress remains manageable.

We hope to start about 1,100 homes this financial year.

We secured a £250m bond issue in January 2019 and have sold a further £100m of our 2032 bonds with the proceeds expected in January 2020.

We may seek new bond financing in 2020.

Negotiations with the EIB are ongoing.

Long term plans show the Group, NHG and NHHO in a healthy position.



**Notting Hill  
Genesis**