Notting Hill Genesis unaudited trading update for the financial year ending 31 March 2022

FY 2021/22 trading update

Notting Hill Genesis (NHG) intends to publish its full-year (FY) 2021/22 audited accounts by the end of July. In the unlikely event of a delay beyond July, we will notify the market of the updated timing via an RNS announcement.

Ahead of publication of our FY 2021/22 audited accounts we provide within this announcement an update on:

- Operational performance
- Key events and areas of focus
- ESG and our Sustainable Finance Framework (SFF)
- Development and sales
- Treasury position

Operational update

Over the last year we successfully managed the challenges of covid, whilst also developing coherent strategies to address the demands of building safety and net zero carbon. We are aware of the overall global economic pressures and taking action to mitigate the adverse impact on our residents and business.

The covid pandemic has affected our business, slowing down sales and lettings and increasing tenant arrears. These impacts were however anticipated and effectively managed. We are gradually finding life returning to normal, with strong improvements in all areas. We are holding all our governance meetings in person and encourage our suppliers, auditors and other partners to meet us face to face whenever possible.

Now that we can revisit our residents at home, we are moving forward our repairs programme. We have made a strategic decision to invest more in our homes so that we can continue to let them for generations to come. We are committed to making our buildings safer and secure. Our 'Re:new' programme will upgrade our homes towards net zero carbon requirements and improve the fabric of our homes to make them warmer and easier to heat. We have budgeted significant investment over the next decade to guarantee the longevity of our stock and improve living conditions for all our residents. Alongside this, we also delivered 1,346 new homes.

We deployed a significant fire safety programme of rectification of facades and firestopping on our taller buildings. Where possible, we have required the original contractor to put things right and have sought government funding, insurance monies and third-party contributions. Nevertheless, a significant cost must be borne by our organisation and sufficient funds have been set aside to deal with what remains to be done. Throughout, we have done our utmost to keep all affected residents assured about their safety and to help any leaseholders who need to sell their homes. Our communication programme has been extensive.

The combination of two years of merger integration, followed by two years of covid restrictions, has impacted on our efficiency and effectiveness. We enter the new financial year with a strategy focused on making the organisation more customer-centric, improving homes and neighbourhoods, maximising value for money in our service delivery and deepening our commitment to safety and the green agenda.

Figure 1: A summary of key operational performance indicators

Indicator	Description	FY 2022	FY 2021
Occupancy	Number of homes let as a % of those available	98.80%	98.00%
Re-let time	Number of days taken to re-let a home	72 days	66 days
Rent collection rate	Rent collected as a % of rent receivable	99.3%	100.50%
Current arrears	Current tenant arrears as a % of annual rent due	5.80%	5.50%
Housing benefit tenants	Tenants who have some/all rent paid by housing benefit direct	33%	36%
Universal credit tenants	Tenants who have some/all rent paid by universal credit direct	23%	20%
Gas servicing	Homes with landlord's gas certificate as % of those requiring one	99.91%	99.93%

Key events and areas of focus

- **Canada Water sale:** we previously reported the sale of NHG's remaining interest in a site in the Canada Water area of Southwark to Art Invest Real Estate. The site sold for £140m with a £60m balance payable. A further £30m was paid on 31 December 2021 and the balance of £30m is due in September 2022
- **The Paragon estate:** following decant of all the blocks in October 2020 due to safety concerns, we carried out a series of surveys and investigations to determine the baseline condition of all 6 blocks at Paragon and to inform on full remediation cost
- **Fire remedial works:** the safety of our homes and customers is paramount to what we do. We have removed ACM from the 7 schemes with buildings over 18m that we were responsible for. We have also carried out 681 visual surveys and 370 intrusive surveys (including all buildings over 18m) and reduced waking watch by installing temporary alarms. We have completed remedial works on a further 17 blocks in addition to the ACM works. We are still confident that the overall net cost will be within what we have provided for (£173m) in our strategic plan

At the commencement of financial year 2021/22, the Board set a budgeted surplus of £82.7m. Despite challenges faced, our finances have remained strong and robust. After taking account of the above factors, we expect to publish results that show a surplus significantly higher than this.

ESG and our SFF

NHG has issued a sustainable finance framework which can be accessed from our website. We estimate that around 12,000 homes will require investment to reach an EPC 'C' level or better. We estimate that this will cost just over £20m and these improvements will be delivered by 2030.

There is an expectation that our stock will need to be carbon neutral by 2050. This is likely to cost about £700m on current estimates. However, there is a high level of uncertainty as to the costs and, indeed, the appropriate technology. Given this, we have factored these costs (apart from the first £20m referred to in the previous paragraph) into the final 20 years of the 30-year business plans.

Making our ESG performance information more accessible will demonstrate to our residents and other stakeholders the positive impact that we are making against these goals. It will demonstrate that by investing in our organisation, stakeholders are contributing to **positive social** and **environmental** impacts.

We aim to develop new affordable and sustainable homes, as well as improving the sustainability of our existing homes. Through our strategic objectives we will carry out our mission to "build and maintain quality affordable homes, creating diverse and thriving communities." Residents are at the core of everything we do.

Development and sales update

We plan to continue to expand our business through development growth. We have set a target to deliver 7,000 new homes by 2027 by delivering 1,400 homes per year. The programme will be composed of about 70% regulated affordable homes. Figure 2 below details breakdown by tenure.

Figure 2: Composition of development targets

Tenure	Homes per year
Affordable rent	500
Shared ownership	350
Intermediate market rent	150
Private sale	200
Market rent	200
TOTAL	**1,400**

The overall amount of money spent on new homes in 2021/22 was £335m; an increase of £82m in comparison to 2020/21. We are forecasting an increase to £388m in 2022/23 which will continue to grow in future years.

The following table provides details of acquisitions, starts and completions in 2021/22 compared to 2020/21. The joint venture sales are managed by our JV partner and are not included in the unsold homes numbers.

Figure 3: Development programme as at 31 March 2022

	Acquisitions		Starts		Completions	
Tenure	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Low cost rental	363	354	570	465	448	391
Shared ownership	301	206	505	290	382	495
Market rent	-	-	-	-	303	37
Private sale	222	219	310	192	5	299
Joint ventures	-	-	-	-	208	120
Total	**886**	**779**	**1385**	**947**	**1,346**	**1,342**

During 2021/22 we saw solid sales performance, reducing our unsold homes by 50%. This was achieved through plot sales and the sale of 160 homes at Brent House to an institutional investor on a bulk basis.

Of the 275 homes unsold as at 31 March 2022, 65% have been unsold for over six months.

Figure 4: Unsold homes as at 31 March 2022

Category	**Shared ownership**	**Private sale**	**2021/22 Total**	**2020/21 Total**
Unsold homes as at 1 April	313	235	548	610
Homes completed as originally intended	382	5	387	794
Homes transferred to London Living Rent tenure	(76)	-	(76)	(43)
Homes transferred to market rent tenure	-	-	-	(228)
Homes transferred between sales tenures	15	(15)	-	-
Homes sold on a plot by plot basis	(313)	(111)	(424)	(477)
Bulk sale to private investor	(106)	(54)	(160)	(108)
Unsold homes as at 31 March (units)	**215**	**60**	**275**	**548**

Treasury update

As at 31 March 2022, NHG had £1,041.2m of available liquidity, comprising £964.7m of undrawn available bank facilities and £76.5m cash. Our average life of drawn debt is 15.6 years and our average costs of drawn debt is 4.04%.

Figure 5: Group debt position as at 31 March 2022

£m	**Facilities**	**Drawn**	**Undrawn**
Notting Hill Genesis	3,556.8	2,721.8	835.0
Notting Hill Home Ownership Limited	273.1	143.4	129.7
Folio Treasury Limited	250.0	250.0	-
GenFinance II plc	250.0	250.0	-
Group	**4,329.9**	**3,365.2**	**964.7**

Figure 6: NHG debt maturity profile

Years	Debt maturity £m	Debt maturity %
2023	25.9	0.8%
2024	31.2	0.9%
2025	31.0	0.9%
2026	28.0	0.8%
2027	120.2	3.6%
2028-32	927.9	27.6%
2033-42	1,108.8	32.9%
> 2042	1,092.2	32.5%
	3,365.2	**100.0%**

Our fixed / floating mix as at 31 March 2022 was as follows:

Category	Target			Actual
	Lower	Central	Upper	
Fixed	50%	75%	120%	99%
Floating	5%	20%	40%	(1%)
Inflation-linked	0%	5%	15%	2%

As at 31 March 2022 our security and unencumbered asset position was as follows:

	Units No	Security value £m
Charged and allocated	39,507	7,382
Numerical apportionment security pool	2,245	357
Unencumbered	18,079	3,064

Under the £2,000,000,000 secured note programme, 2,245 units are currently charged to the numerical apportionment security pool.

This trading update contains certain forward-looking statements about the future outlook for NHG. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Enquiries

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