Notting Hill Genesis unaudited trading update for the financial year ending 31 March 2023

FY 2022/23 trading update

Ahead of publication of the Notting Hill Genesis FY 2022/23 audited accounts this announcement provides an update on:

- Operational performance
- Key events and areas of focus
- Environmental, Social and Governance (ESG) performance and Sustainable Finance Framework (SFF)
- Equality, diversity and inclusion
- Development and sales
- Treasury position

Operational update

At the commencement of financial year 2022/23 the Board set a budgeted surplus of £69.2m and we expect to publish results that exceed the budgeted surplus.

Our focus during 2022/23 has been on refreshing our relationship with our residents, balancing the need to invest in existing homes and services with maintaining our financial strength in the face of increasing costs and reduced margins. In addition, we remain committed to building much needed new homes and meeting our sustainability goals. In 2022/23, we delivered 459 new homes and started on site for a further 459. We also published our first sustainability strategy setting out how we will ensure we are carbon net zero by 2050.

We have recently concluded a significant research and insight project to ensure we are shaping our future resident services around resident priorities. Much of this work builds upon the initiatives undertaken during the period of 2022/23. Notably, we developed an in-house app to enhance the management of service charges and implemented various measures to effectively address cases of damp and mould.

We are pleased to confirm that in 2022/23 we delivered our entire planned investment programme. Furthermore, as part of work to improve our existing homes, and with input from residents, we have developed and introduced a new standard for void relets. In addition to general improvements, we now carry out substantial refurbishments that were originally scheduled for a later stage, ensuring that newly tenanted properties have updated kitchens, bathrooms, new extractor fans, and are redecorated. This approach significantly reduces initial issues encountered by residents upon moving in and minimises disruptions from planned maintenance work during the early years of their tenancy. Repair costs are also lower in the medium term because void improvements are completed to a higher standard.

We have successfully completed a 12-month pilot to review how we design and manage our estates, of which we have around 600 of various sizes and complexity. By focusing on specific estates and drawing upon the expertise and best practice gained from our regeneration programmes and community initiatives, the pilot has effectively enhanced the resident experience. It has also laid the groundwork for a new structure and operating model for our estates and places in the future.

In line with our strategic focus on core activities we transferred the bulk of our extra care business to a new registered provider. The transfer has released funds for reinvestment elsewhere in our business at the same time as ensuring a better overall service for residents and greater opportunities for extra care colleagues who are now employed by a more specialist provider able to offer more bespoke support and better career development options.

Our remediation programme for properties with building safety issues continues to progress. As previously, we have required the original contractor to put things right where possible and have sought government funding, insurance monies and third-party contributions to complement the funds we have already earmarked to complete the programme. We have also made steady progress during 2022/23 to ensure we meet new legal requirements around building safety, including those around maintaining a 'golden thread' of information for our taller blocks.

Figure 1: A summary of key operational performance indicators

Indicator	Description	FY 2023	FY 2022
Occupancy	Number of homes let as a % of those available	99.2%	98.8%
Re-let time	Number of days taken to re-let a home	47 days	72 days
Rent collection rate	Rent collected as a % of rent receivable	99.8%	99.3%
Current arrears	Current tenant arrears as a % of annual rent due	5.3%	5.8%
Housing benefit tenants	Tenants partially/fully funded by housing benefit	27%	33%
Universal credit tenants	Tenants partially/fully funded by universal credit	21%	23%
Gas servicing	Homes with gas certificates as % of those needing one	99.95%	99.91%
Repairs customer satisfaction	Customer satisfaction for completed repairs	83.5%	84.7%
Resident satisfaction	Overall Resident satisfaction with a service received	76.4%	73.9%

Key events and areas of focus

- **Extra care:** During the financial year, we withdrew from providing extra care services and sold 415 extra care units to Housing 21**.**
- **Building safety remedial works:** Our commitment to ensuring fire safety was prioritized in 2022/23, building on the work that started last year**.** This work is partly funded by grant from the Building Safety Fund, remediation commitments by original contractors and our own budgeted provisions. Alongside these remediation works we are taking the necessary steps to ensure that we can meet all the requirements of the Building Safety Act 2022 as the government's implementation timetable comes into effect.

ESG and our SFF

While our social and governance credentials remain strong, investment in our homes is a key priority for Notting Hill Genesis. We estimate that around 12,000 homes will require investment to reach an EPC C level or better. These improvements are scheduled to be delivered by 2030 and are expected to cost just over £20m.

To meet the government's objective of decarbonising all sectors there is an expectation that our homes will need to be carbon neutral by 2050. The current estimated cost of this is £700m however costs and technology deployed are still uncertain. As such, we have factored these costs (as well as the £20m related to EPC C) into the final 20 years of our 30-year business plan.

By enhancing the accessibility of our Environmental, Social and Governance (ESG) performance data, we are demonstrating to our residents and other stakeholders the positive impact that we are making against these goals. It underscores that by investing in our organisation, stakeholders are contributing to positive social and environmental impacts. We have also chosen to report our environmental, social and governance (ESG) performance in line with the Sustainability Reporting Standard for Social Housing (SRSSH), published in November 2020.

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." The needs and wellbeing of our residents remain core to everything we do.

NHG has issued a sustainable finance framework which can be accessed from our website.

Equality, diversity and inclusion

We will shortly publish our annual equality, diversity and inclusion report, setting out the work we have completed over the past year in this important area. The report focuses on activities with and for both colleagues and residents, reflecting our ongoing commitment to ensuring the make-up of our organisation reflects the diverse communities with whom and in which we work.

Development and sales update

We plan to continue to expand our business through development growth. We have set a target to deliver 5,000 new homes by 2028 by delivering around 1,000 homes per year. We are on track to achieve this goal with 1,465 under construction and capacity for a further 6,000 homes within the landbank. The programme is targeted to deliver 70% regulated affordable homes.

The overall amount of money spent on new homes in 2022/23 was £267m, a decrease of £68m in comparison to 2021/22 (£335m). We are forecasting an increase to £399m in 2023/24.

The following table provides details of acquisitions, starts and completions in 2022/23 compared to 2021/22.

Figure 2: Development programme as at 31 March 2023

	Acquisitions		**Starts**		**Completions**	
Tenure	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Low-cost rental	336	363	353	570	217	448
Shared ownership	317	301	48	505	60	382
Market rent	-	-	-	-	18	303
Private sale	-	222	-	310	-	5
Joint ventures	44	-	58	-	164	208
Total	**697**	**886**	**459**	**1,385**	**459**	**1,346**

We started the financial year with 275 unsold homes and took handover of an additional 60 homes during the year. As at 31 March 2023 only 32 homes were unsold. Our average sales time was 13.2 weeks.

Figure 3: Unsold homes as at 31 March 2023

Category	**Shared ownership**	**Private sale**	**2022/23 Total**	**2021/22 Total**
Unsold homes as at 1 April 2022	**215**	**60**	**275**	**548**
Homes completed as originally intended	60	-	60	387
Homes transferred to London Living Rent tenure	-	-	-	(76)
Homes sold on a plot by plot basis	(246)	(57)	(303)	(424)
Bulk sale to private investor	-	-	-	(160)
Unsold homes as at 31 March 2023	**29**	**3**	**32**	**275**

Treasury update

As at 31 March 2023 NHG Group had £1,145.4m of available liquidity, comprising £1,098.3m of undrawn available loan facilities and £47.1m cash. Our average life of drawn debt is 15.2 years and our average cost of drawn debt is 4.12%.

Figure 4: Group debt position as at 31 March 2023

Entity	Facilities £m	Drawn £m	Undrawn £m
Notting Hill Genesis	3,448.7	2,621.7	827.0
Notting Hill Home Ownership Limited	466.9	195.6	271.3
Folio Treasury Limited	250.0	250.0	-
GenFinance II plc	250.0	250.0	-
Group	**4,415.6**	**3,317.3**	**1,098.3**

Figure 5: NHG debt maturity profile

Financial years ending 31 March	Debt maturity £m	Debt maturity %
2024	31.6	1.1
2025	28.1	1.0
2026	25.0	1.0
2027	37.1	13.7
2028	313.0	16.6
2029-33	1,004.2	23.8
2034-43	1,065.2	24.3
After 2043	813.1	18.5
	3,317.3	**100.0**

Our fixed / floating mix as at 31 March 2023 was as follows:

Category	Target			Actual
	Lower	Central	Upper	
Fixed	50%	75%	105%	**100%**
Floating	(5%)	20%	40%	(2%)
Inflation-linked	0%	10%	20%	2%

As at 31 March 2023, our security and unencumbered asset position was as follows:

	Homes	Security value £m
Charged and allocated	38,331	7,450
Numerical apportionment security pool	2,130	357
Unencumbered	17,213	3,491

Under the £2billion secured note programme, 2,130 homes 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.

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