Notting Hill Genesis Funders' Day

23 November 2021

15:00 - 17:00

Pewterers' Hall, Oat Lane, London EC2V 7DE

Today's Agenda

Ian Ellis	Chairman's introduction
Kate Davies	Chief Executive's overview
John Hughes	Development programme
Katie Bond	Sales and fire safety
Elly Hoult / Maame-Yaa Bempah	ESG
Maame-Yaa Bempah	Financial results
Yomi Okunola	Finances

Chair's introduction

Ian Ellis

Our mission, vision, values and strategy

Group Board

Ian Ellis
Chair

Fred Angole

Stephen Bitti

Elaine Bucknor

Kate Davies

Claire Kober OBE

Arike Oke

Yomi Okunola

Ingrid Osborne

Alex Phillips

Richard Powell

Executive Board

Kate Davies
Chief Executive

Yomi Okunola
Chief Financial Officer

Andy Belton
Chief Operating Officer and Deputy Chief Executive

Katie Bond
Group Director of Sales and Building Safety

Carl Byrne
Group Director of Commercial Services

Elly Hoult
Group Director of Assets and Sustainability

John Hughes
Group Director of Development

Vipul Thacker
Group Director of Central Services

Mark Vaughan
Group Director of Housing

Kate Davies, Chief Executive

Notting Hill Genesis

Kate Davies – Chief Executive

Summary

- NHG is one of the largest housing associations in the UK, with 66,000 homes (of which, 60,000 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

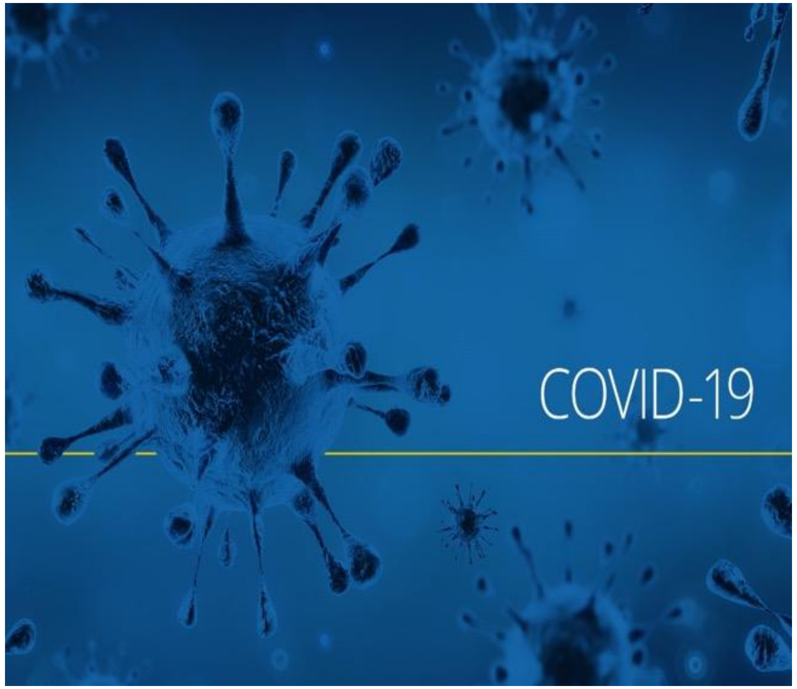
- We want to create thriving residential communities that are home to people from all walks of life

Stratford Halo

In a challenging environment:

- 1,342 new homes (one third are social homes)
- 67.5% resident satisfaction
- Success in care and support
- Surplus of £144.7 million (last year)

Coming out of Covid - Reflect, Reset, Reconnect



- More working in the office
- Big focus on being out and about
- Meeting residents at home

Building Safety

- Building Safety directorate embedded
- Have developed a risk-based strategy to ensure our buildings and residents are safe and that we are compliant with emerging Legislation
- Visual and intrusive inspection survey programme is well under way – the outputs of which are forming the remedial works programme
- 39 live bids with Building Safety Fund
- In addition to this, we have three projects that are completed, three significant projects on site and a further 27 progressing to site
- Overall building safety plan – will be covered by Katie Bond, Group Director of Sales and Building Safety

Strategic Asset Management

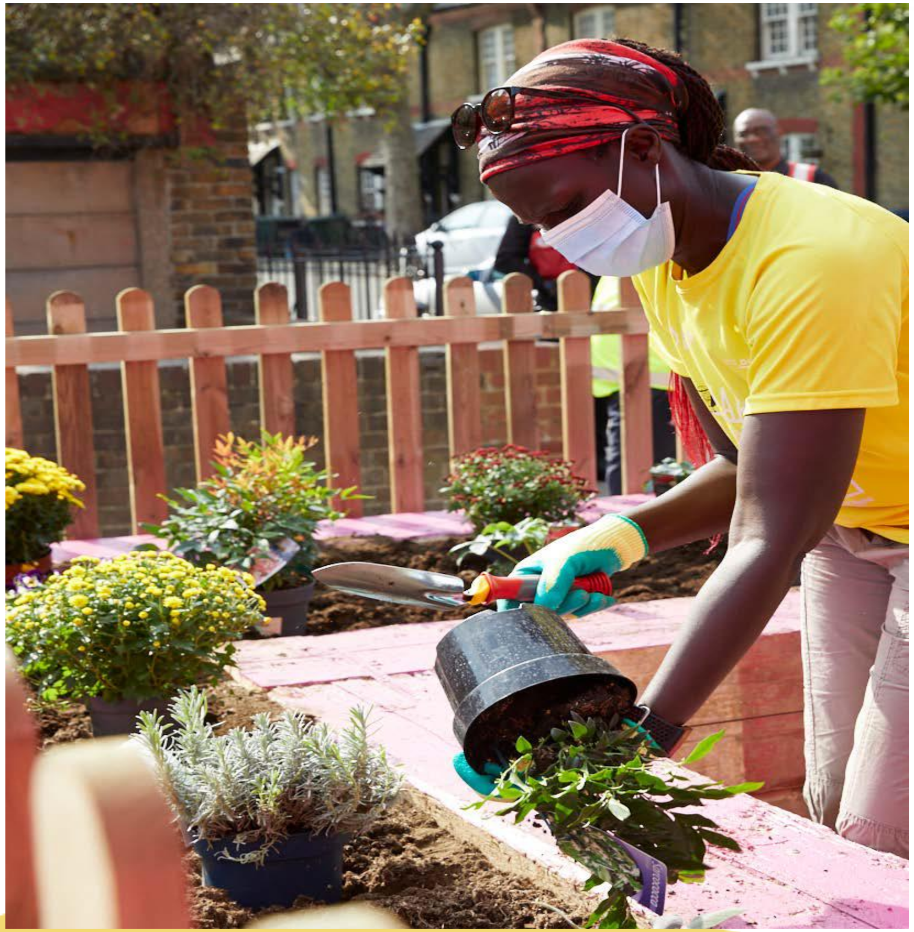
Apart from building safety we are focused on environment performance and general improvements to the social housing stock:

- Approved funding of £193m to 2030 for planned investment and to achieve EPC C for 12k homes
- Developing a sustainability and long-term investment strategy for 21/22
- Procurement of a new planned investment framework for 22/23

New Homes

- Over the last five years to 20/21 inclusive, we have developed 7,573 new homes
- In 2020/21 there were 955 starts on site
- In 2020/21 we acquired 780 plots
- We have been prudent in the face of market challenges, Brexit and Covid

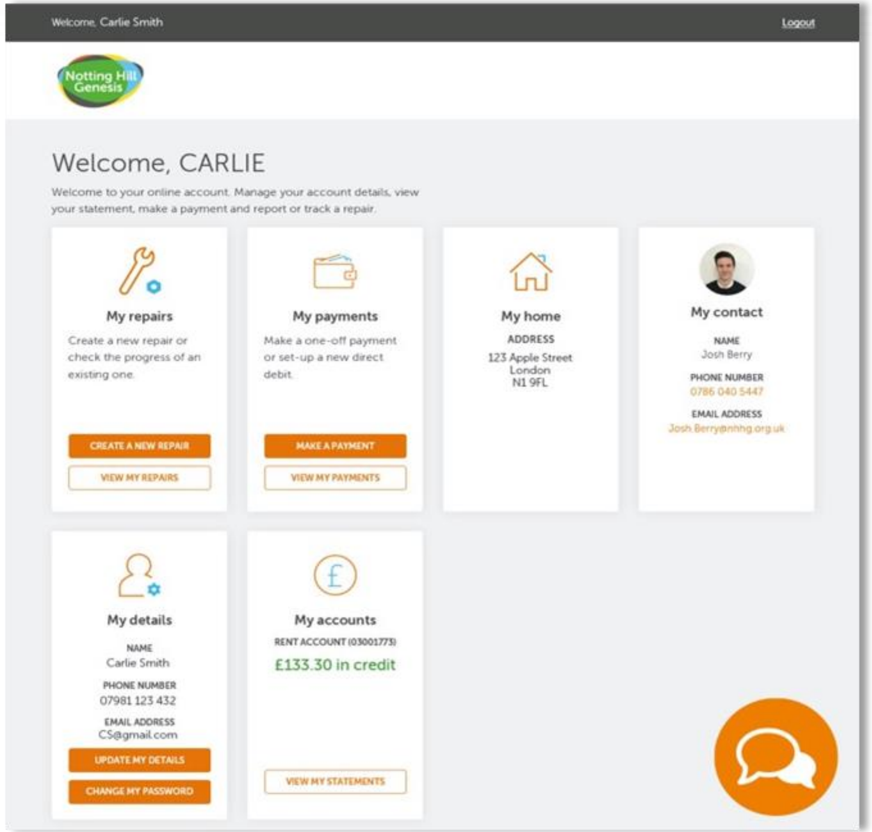
Progress on green issues



- Increasing global focus on climate change and regulations mean a greater prioritisation of environmental issues
- In August we published our ESG Report
- We raised a green bond to support further development of social housing

Digital Transformation and Workwise Platform

- Residents and staff like it
- Over 1.2m transactions processed
- 60% (or 38,000) residents registered for self-service – target is 75%
  - 50% of ‘housing management’ transactions are now initiated online through resident self-service website
- Digital integration with operational partners
- Moving all systems to ‘The Cloud’
- Ahead of the pack – showcasing WorkWise and talking to other HAs



Our Race at Work Action Plan

- Black Lives Matter
- We listened to the experience of our ethnic minority colleagues; ‘Big Conversation’ and ‘Stop the Clock’
- Race at Work Action Plan
- 40% B.A.M.E at the top
- Recruitment, promotion and policies reviewed
- We are working to create an open and honest culture in which all of our talented staff are able to thrive

Our Financial Strength

- Assets valued at £21.3bn (vacant possession)
- 2020/21 surplus before tax of £144.7m
- 2021/22 surplus forecast to be similar to Budget

Commitment to Quality

Three major projects on going:

- Improving the assets – safety, sustainability, and satisfaction

- Improving the environment

- Improving communication and services

Our development programme

John Hughes

Residential market indicators

- Residential land market remains resilient
- There is capacity in the construction market, but cost pressures
- Market challenges:
  - Fragile economy and Government debt
  - Brexit, Covid 19
  - Labour shortages
  - Material shortages, and inflation
  - Consolidation of contractors, but new entrants
- Overall cautious optimism

Development spend

Year	£'m
• 17/18	542
• 18/19	654
• 19/20	468
• 20/21	296
• 21/22	119.7 actual at Sept

Manor Place, Walworth

Acquisitions (units)

Year	No.
• 15/16	801
• 16/17	3,102
• 17/18	1,172
• 18/19	896
• 19/20	518
• 20/21	780
• 21/22	653 year to-date

Residents at Peckham Place

Starts on site (units)

Year	No.
15/16	750
16/17	2,425
17/18	1,776
18/19	1,018
19/20	665
20/21	955
21/22	1,124 year to-date

Kidbrooke Station Square

Completion of new homes (units)

Year	No.
15/16	1,170
16/17	1,152
17/18	991
18/19	2,111
19/20	1,977
20/21	1,342
21/22	1,000 year to-date

Lampton Road, Hounslow

Sales and fire safety
Katie Bond

Building safety

- The focus on building safety remains high with Government and the media
- Dedicated team reviewing the regulatory and legislative environment
- Fire Safety Bill has Royal Assent but not yet introduced
- Building Safety Bill now in the Committee stage; biggest change to fire safety in a generation
- New Shadow Regulator in place within the HSE developing their approach to regulation
- Changes to Building Regulations to support legislative improvements

Building safety - continued

- Risk based approach, looking at the height of the building, the occupants of the building and its external wall make up
- Undertaking intrusive surveys to identify defects
- Engaging with original contractors
- Access Building Safety Fund and insurers (NHBC) where we can, to support the remediation process
- Where there is a residual cost, recharge to leaseholders but capped
- Residual cost to NHG estimated at £173m which is built into the Strategic Plan, to be funded over 10 years

Building safety – progress to date

- 97 buildings over 18m where we are 'responsible' identified; 7 that had ACM remediated
- ACM identified on 12 Buildings under 18m in the remediation programme
- 167 intrusive surveys undertaken with 34 further surveys to be undertaken in 2021/22
- 9 blocks on 3 schemes remediated
- 3 large schemes are on site with 15 blocks being remediated by the contractor at their cost
- EWS 1 forms for 393 blocks issued unlocking 559 transactions for customers which had been held up until these were received
- 39 Bids submitted to Building Safety Fund, 2 offers of funding received to date

Sales to 30 September 2021

- Overall slight average value growth year on year (+1.3%) with sales of flats slower and values of flats falling

- New working environment with shift to digital channels

- **As at 30 September, we sold:**
  - 95 shared ownership homes with a turnover of £17.8m and a surplus of £3.6m
  - 59 outright sales homes with a turnover of £29.5m and a surplus of £5m
  - 160 homes as part of bulk deal with a turnover of £37.6m and a surplus of £2.9m
  - 136 homes through JV or partnership with a turnover of £52.1m sales with a surplus of £8.1m

Sales to 30 September 2021

- As at the half year stage, sales were behind target on number of completions but slightly above target on revenue and surplus due to completing more private sales against forecast.
- Our latest forecast is to achieve 610 sales completions generating a revenue of £148.9m and a surplus of £20.9m
- We are forecasting a further £13.2m surplus from JV and Partnership sales
- Current unsold homes is 354 with a revenue of £108m

Sustainability and ESG
Elly Hoult/Maame-Yaa Bempah

Policy landscape

- Future Homes Standard requires **low-carbon** heat in all new homes from **2025**
- The Clean Growth Strategy (2017) states that the Government wants as many homes as possible to be Energy Performance Certified **(EPC) Band C by 2030** where practical, cost-effective and affordable
- To meet this target we need to retrofit **c12,000 homes** over the next ten years
- The Minimum Energy Efficiency Standards (MEES) require an **EPC band E** in **private rented**

Our homes

KEY:
Units: Single lettable dwellings
Cores: Internal communal areas of buildings
Buildings: Structures containing multiple lettable dwellings
Estates: Multiple buildings sharing the same common areas

Notting Hill Genesis

Victorian Properties

15%

- 10101 Units
- 2486 Cores
- 2658 Buildings
- 215 Estates

- Most poor performing homes (4539 below EPC C)
- Second highest repairs per unit (4.46 repairs pupa)
- Most investment required (£16k pu over 10 years)
- Most homes in conservation area (59%)

Typical issues:
- Damp / mould
- Disrepairs
- Low energy performance

1900s to 1950s Properties

13%

- 8527 Units
- 1464 Cores
- 1644 Buildings
- 333 Estates

- Avg investment per annum
- 3802 homes below EPC C

Typical issues:
- Asbestos
- Disrepairs
- Leaks
- Low energy performance

1950s to 2000s Street Properties

8%

- 5741 Units
- 119 Cores
- 310 Buildings

- Highest level of repairs (5.53 repairs pupa)
- Avg investment per annum
- 2967 homes below EPC C

Typical issues:
- Leaks
- Low energy performance
- Disrepairs
- Asbestos

1950s to 2000s Blocks

15%

- 10419 Units
- 1002 Cores
- 942 Buildings
- 323 Estates

- Avg investment per annum
- 2428 homes below EPC C

Typical issues:
- Potential overheating
- Asbestos

Post 2000s Schemes

49%

- 33458 Units
- 1485 Cores
- 1141 Buildings
- 525 Estates

- Lowest level of repairs per unit (2.81 repairs pupa)
- High levels of defects
- Lowest level of investment required (£3.7k pu in 10 years)
- Good energy performance (2176 homes below EPC C)

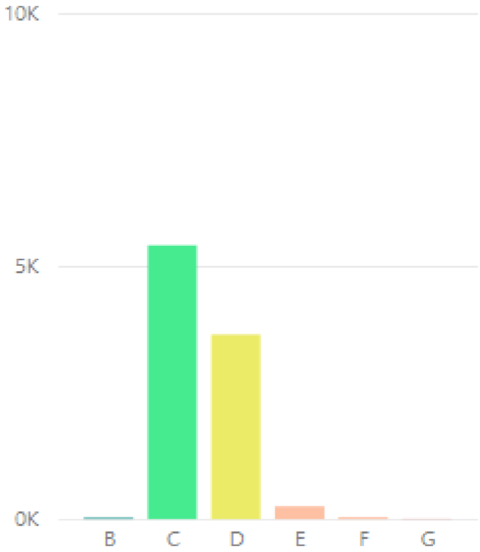
Typical issues:
- Electrical and M&E issues
- Heat networks
- Leaks
- Potential overheating

Energy performance by archetype

Victorian Properties

4244
Homes below EPC C

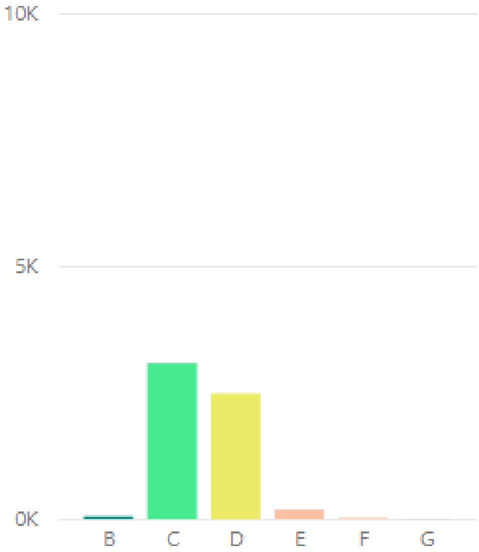
£3,189
Avg cost per unit to reach EPC C



1900s-1950s properties

2862
Homes below EPC C

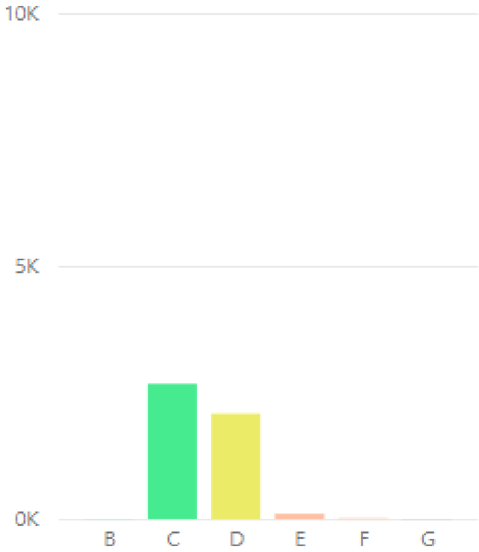
£1,662
Avg cost per unit to reach EPC C



1950s-2000s Street Properties

2474
Homes below EPC C

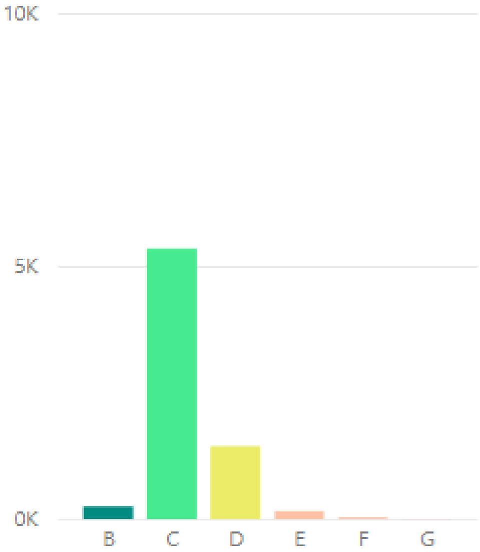
£1,145
Avg cost per unit to reach EPC C



1950s-2000s Blocks / Estates

1741
Homes below EPC C

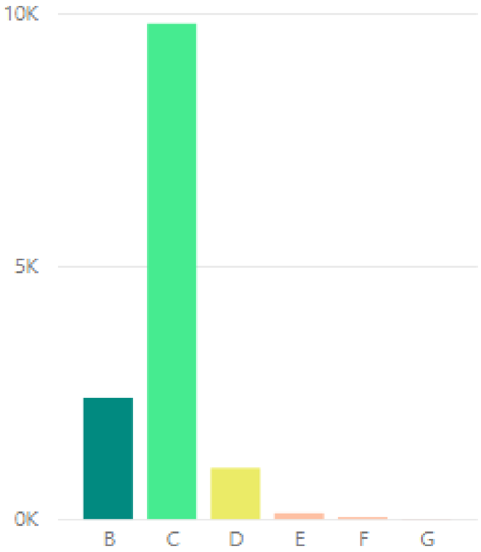
£1,008
Avg cost per unit to reach EPC C



Post 2000s Blocks / Estates

1250
Homes below EPC C

£611
Avg cost per unit to reach EPC C



Quantifying the investment

The total investment required to achieve **EPC C** in our stock (c12,000 homes) is estimated to be **c£21m by 2030**

The total investment required to achieve **zero carbon** is estimated to be **£700m by 2050**

ESG risks

- External cost pressures on the organisation
  - Mitigation: projected spend built into strategic plan
- New technology is untested
  - Mitigation: assess the implementation and operation of new initiatives prior to investing
- Measurement of targets
  - Suite of KPI’s being developed alongside strategy

ESG opportunities

- Chance to support residents in receiving lower fuel bills
- Providing additional homes which are well insulated
- Increase the longevity of stock through implementing sustainable initiatives
- Deliver an increased surplus due to lower cost of interest
- Attract (and retain) staff who view ESG as a priority for their employer
- Reprofile our portfolio to meet our ESG requirements

ESG at NHG

Sustainability group established in January 2021:

- Sponsored by Group Assets and Sustainability Director
- Chaired by Financial Services Director
- Senior colleagues from across the business including Deputy Group Director of Central Services

Sustainability group purpose:

- To promote and coordinate the development and implementation of sustainability initiatives across NHG
- To strategically shape and deliver the sustainability goals of NHG aligned with the corporate strategy
- To provide oversight and monitoring of sustainable projects across NHG

ESG performance of supply chain

- For large contracts, environmental and social impacts are considered in proportion to the contract value
- Build contracts place obligations on contractors in respect of local training and employment opportunities, social value and equality, diversity and inclusion
- We require that all contractors and consultants pay their workers at least London Living Wage
- For our main regeneration schemes, we are driving a range of employment and apprenticeship programmes
- Recent utilities contract included the provision of 100% renewable energy
- Replaced vehicle fleet with electric, including strategically placed charging points

Financial results 2020/21

Maame-Yaa Bempah

Financial results 2020/21 – focus on…

entities with external debt and significant investment:

- Notting Hill Genesis Group
- Notting Hill Genesis
- Notting Hill Home Ownership
- Market rent suite of companies

Consolidated statement of comprehensive income

Key numbers:

Item	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Turnover	909.1	731.5
Operating surplus	201.1	153.6
Turnover from social housing lettings	475.9	467.8
Surplus on sale of existing properties	37.7	27.8
Overall surplus before tax	**144.7**	**98.1**

NHG – statement of comprehensive income

Key facts:

- Turnover up by 7.7% from £489.3m in 2020 to £527.2m in 2021
- Turnover from Social Housing lettings up by 1.1% from £419.6m in 2020 to £424.3m in 2021
- Surplus excluding sales up by 188.3% from £43.7m in 2020 to £126.0m in 2021
- Surplus on sale of existing properties up by 84.5% from £9.7m in 2020 to £17.9m in 2021
- Surplus up by 169.5% from £53.4m in 2020 to £143.9m in 2021

NHHO - statement of comprehensive income

Key facts:

- Turnover down from £255.2m to £217.8m
- Surplus on disposal of assets increased from £17.7m to £22.5m
- Surplus before gift aid decreased from £39.5m to £34.6m
- Gift aid to NHG and Notting Hill Community Housing of £53.0m (2020: £28.7m)

Consolidated statement of financial position

Key facts:

- Invested £334.6m (2020: £468.0m) in new housing
- Received £nil grant (2020: £10.8m)
- Housing properties carried at £6,594.1m (2020: £6,593.0m) - VP value £21.3bn (2020: £20.1bn)
- Borrowings decreased from £3,486.2m to £3,379.3m
- Gearing decreased to 40.0% (2020: 40.7%)

NHG – statement of financial position

Key facts:

- We invested £74.9m (2020: £52.9m) in new housing
- Received £nil grant (2020: £8.5m)
- Housing at cost now £5,510.2m (2020: £5,427.4m) - VP value over £18.3bn (2020: £17.4bn)
- Borrowings decreased to £2,981.7m in 2021 from £3,230.5m in 2020

NHHO – statement of financial position

Key facts:

- Invested £102.3m (2020: £145.0m) in new housing
- Received grants of £nil (2020: £1.2m)
- Properties held for sale was £119.3m (2020: £128.4m), of which £14.3m (2020: £28.7m) was for sale to other Group members
- £17.5m (2020: £26.1m) of properties held for sale represented finished homes
- Housing assets at cost stood at £743.2m (2020: £800.4m)
- Borrowings down to £375.4m from £422.5m

Market rent portfolio

- Prior to the issuance of £250m bond, the majority of market rent properties were held in Folio London Limited, with a smaller number in NHG and Project Light Market Rent
- In October 2020, 10 Folio bond companies were created with a transfer of the relevant market rent properties as security

The results below relate to the market rent portfolio:

- The number of homes owned and/or managed by market rent portfolio increased from 3,094 to 3,201 during the year
- At 31 March 2021, the value of completed market rent properties was £963.1m (2019: £826.8m)
- The historical cost of properties at 31 March 2021 is £830.2m (2020: £715.2m)
- Purpose is both capital growth and income return

Market rent – statement of comprehensive income

- Turnover for the year to 31 March 2021 was £48.5m (2020: £44.6m)
- The fair value of market rent properties increased from £13.1m during 2020 to £21.2m during 2021
- Market rent achieved an operating profit of £23.4m in 2020 compared to £20.9m in 2021
- Average re-let times increased from 29.2 days during 2020 to 55.6 days during 2021
- Current tenant rent arrears increased from 1.7% during 2020 to 4.4% during 2021

Half year results to 30 September 2021

Statement of comprehensive income

Group	6 months ended 30 Sept 2021 Actual (£m)	6 months ended 30 Sept 2020 Actual (£m)
Turnover	419.3	483.9
Cost of sales	(117.5)	(147.7)
Operating costs	(216.2)	(190.2)
Surplus - asset disposals	29.1	9.2
Gains from joint ventures	0.8	3.0
Operating surplus	**115.5**	**158.2**
Net interest payable	(66.1)	(71.5)
Gains from derivatives	5.5	2.1
Surplus before tax	**54.9**	**88.8**

Statement of financial position

Group	As at 30 Sept 2021 Actual (£m)	As at 31 March 2021 Actual (£m)
Housing properties	6,591.5	6,594.1
Other fixed assets and investments	1,262.2	1,228.1
Net current assets	99.2	185.0
Loans due in more than one year	(2,946.9)	(3,048.1)
Other long term liabilities	(1,461.7)	(1,478.0)
Net assets	**3,544.3**	**3,481.1**
Reserves	**3,544.3**	**3,481.1**

Consolidated cash flow

Group	6 months ended 30 Sept 2021 Actual (£m)	6 months ended 30 Sept 2020 Actual (£m)
Cash from operations	208.5	219.3
Purchase & construction of housing	(133.2)	(130.4)
Sale of housing properties	89.3	26.9
Disinvestment/(Investment) in joint ventures	(5.0)	4.3
Other capital (investments)/receipts	(0.1)	(2.6)
Net debt (repaid)/ drawn	(101.2)	(67.9)
Decrease in cash	**(16.0)**	**(30.1)**

Results and stock update

Unaudited position to 30 September 2021

- Surplus to 30 September 2021 is £54.9m against half year budget of £46.5m
- Board budgeted surplus of £82.7m for the full year to 31 March 2022
- Work in progress/unsold homes, including homes still under construction, was £432.7m as at 30 September 2021, compared to £548.8m at 31 March 2021

Finances and future prospects

Yomi Okunola

Covenant ratios: 30 September 2021

	Gearing	Interest cover
Notting Hill Genesis	41%	161%
Notting Hill Home Ownership Limited	50%	749%

Ratings

- S&P assigned an A- rating (stable outlook) on 10 February 2021. This still remains the same
- Fitch recently reaffirmed an A rating (stable outlook) on 2 November 2021
- 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 16 December 2020

Value for money (VfM)

We set three overarching key VfM targets at the time of merger.

	Target	Achieved
1	Cost savings of £20m by 2020/21	Savings of £27m by 2020/21 through cost reductions in business support or improvement in individual business metrics Of this £16m was achieved through reduced back office costs
2	Strategic review of Temporary Housing and Care and Support activities	Temporary housing: operating margin up from 2.6% (2017/18) to 9.8% (by 2020/21) Care and support: operating margin up from 1.6% to 12.1% over the same period
3	Review of our geographical footprint	Sale of 474 homes in 8 local authorities in 2018/19 and 943 in 2019/20. Exited 41 local authorities since the merger

VfM continued…

	Aspiration	Where we are
1	Reduction in our office accommodation portfolio through making better use of our buildings	Reduction from eight office sites to three
2	Reduced staff numbers in back office and other teams	*Budget 2019/20 to 2021/22:* 11% reduction in back office staff and 11 % reduction in other teams (7% if 'care' and the direct labour organisation (DLO) transfers are excluded)
3	Digitilisation to move 50% of routine housing transactions online	47% of cases now raised by residents Aim to achieve number of residents with online accounts to 90% by 2025

Build for sale exposure as at 30 Sept 21

	2021		2020
	No.	£'m	£'m
Vacant plots	1,964	45	70
On site – spent	829	263	236
On site – committed	-	171	168
Completed homes unsold	124	70	69
Total	**2,917**	**549**	**543**

Shared ownership exposure as at 30 Sept 21

	2021		2020
	No.	**£'m**	**£'m**
Vacant plots	1,907	75	92
On site – spent	849	82	109
On site – committed	-	216	177
Completed homes unsold	230	38	65
Total	**2,986**	**411**	**443**

NHG Group Debt: 30 September 2021

Debt	£'m
Drawn – secured	3,267
Drawn – unsecured	37
Total drawn debt	**3,304**
Secured undrawn facilities	820
Total facilities	**4,124**

- and holding **£29m** in cash

Future prospects

- **Reinvestment and new supply**: were impacted by the pandemic for 2020/21 but show an anticipated improvement for 2021/22, with supply above the current peer group level and stable over the last three years and in line with our peers
- The **development programme** now returned to the agreed run rate post covid with **1,400 homes per annum** targeted from 2021/22
- **1,400 comprises:** 500 low cost rental, 150 intermediate market rental, 200 market rental, 350 shared ownership and 200 outright sale

Future prospects continued…

- At merger we put in place substantial amount of liquidity lines of about £900m. We are working on extending these and increasing this to just over £1bn. This will support our development commitments, fire remediation works and thermal performance improvements. We are still in a “risk off” mode
- Overall, we believe that we are in a solid position for the future

Questions