



bpha Update

October 2021

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Executive summary



Our vision, mission and values

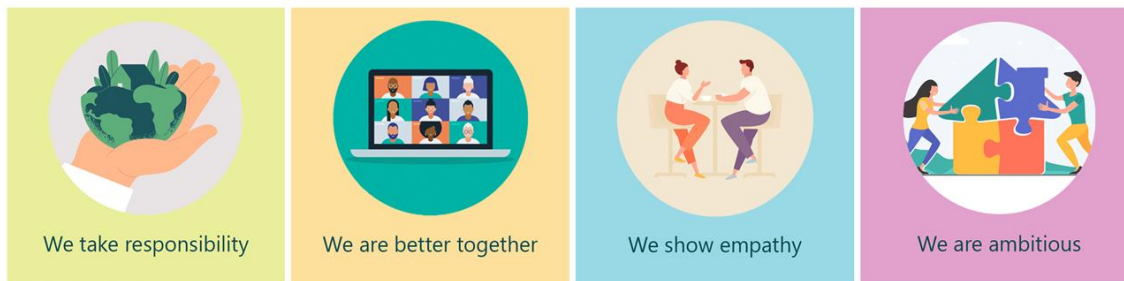


Our vision - To build communities where people can live happily in a home they can afford.

Our mission - To build and maintain quality homes and thriving communities by being increasingly efficient and always considering the needs of those we house.



Our Values



We take responsibility

We are better together

We show empathy

We are ambitious

Celebrating 30 years

Successful growth over 30 years



Total homes owned or managed at year end

1990

2020

7,280
homes

19,235
homes

Stock value
£63.5m

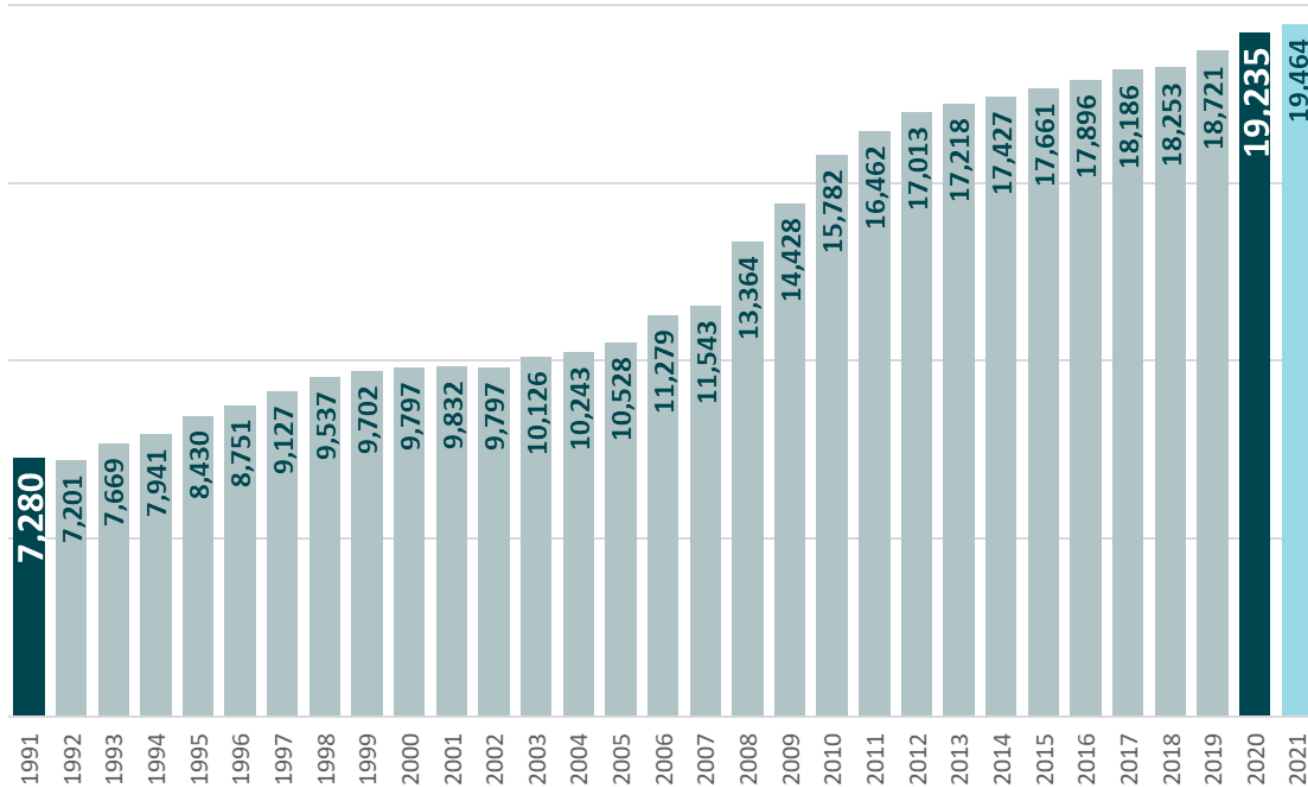
Stock value
£1.2bn

Total loan
facility
£130m

Total loan
facility
£1.1bn

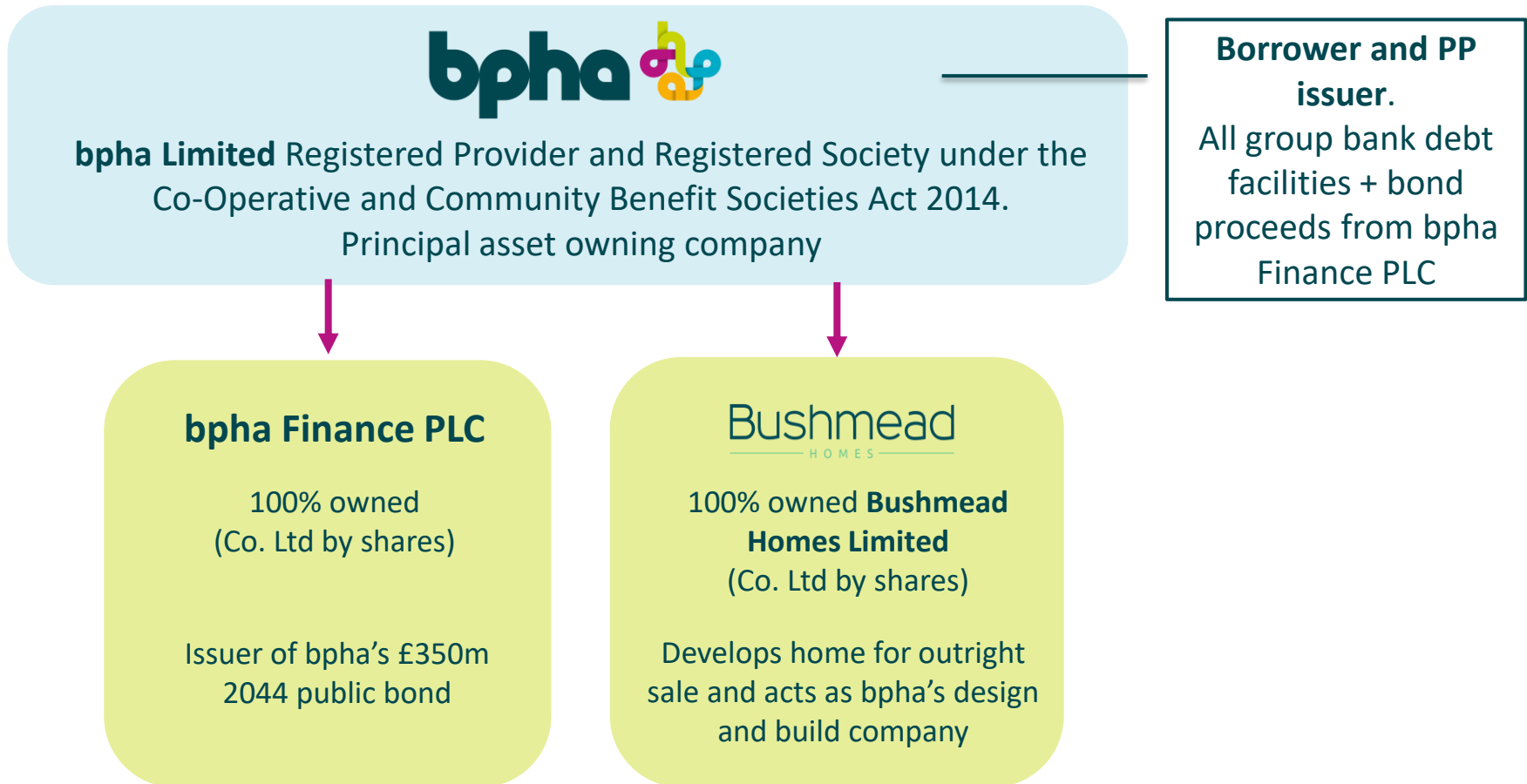
102
staff

438
staff



Corporate structure

Simple and efficient



- ◆ bpha also participates in two joint ventures – the Oxfordshire Partnership Trust and the Gloucestershire Partnership Trust which are providing elderly persons care. bpha Limited acts only as landlord and holds no equity interest.

Non-executive Board members



Prof. Paul Leinster CBE

Chair

- Professor of Environmental Assessment at Cranfield University
- Former Chief Executive of the Environment Agency
- Extensive experience of environmental, planning and infrastructure issues



Bob Tattar

Non-Executive Director

- Qualified Chartered Accountant with 25 years experience.
- Finance & Commercial Director with substantial experience in commercial and residential real estate
- Finance Director at Martin's Properties'



Katherine Horrell

Chair of Group Treasury Committee

- Group Treasurer with 20 years of experience in finance
- Combined and ran international treasury teams in US and UK.
- ACT Council member



Paul High

Chair of Bushmead Homes Board

- A chartered surveyor with 36 years' experience in residential development, property and project management in the housing association sector
- 25 years' senior management team experience



Ian Ailles

Chair of Audit & Risk Committee and Senior Independent Director

- Currently Director General of the House of Commons
- UK CEO of Thomas Cook and member of the Global Executive Committee
- Head of Finance at NatWest Markets



Dr Geraldine O'Sullivan

Non-Executive Director

- Consultant Psychiatrist and Executive Director, Quality and Medical Leadership of the Hertfordshire Partnership University NHS Foundation Trust
- Non-Executive Director of the Norfolk and University Hospitals NHS Foundation Trust



Shirley Pointer

Non-Executive Director

- Over 20 years' senior HR experience gained in the private and public sectors
- Director of HR for the Department of Health
- Non Executive Director of the Cambridge University Hospitals NHS Foundation Trust

Executive Leadership Team (ELT)



Kevin Bolt

Chief Executive Officer

- MD of Step-Change Management, a change management consultancy which worked with bpha since 2012
- Interim change leader at ACC Liverpool and various NHS organisations
- Managing Director of Orange Glo Europe
- Director of Well Well Well, Merrydown plc, Wells Soft Drinks and Appletise



Julian Pearce

Chief Financial Officer

- Proven track record as a senior executive operating at Board level
- CFO of NHS Property Services
- Experienced KPMG Partner providing advice to the property and house building sector
- Finance Director of Commercial Real Estate at Lloyds Bank



Jeff Astle

Director of Development & Sales

- Experienced Development Professional with over 25 years in Residential Development and Sales
- Experience spans Private, Affordable, Intermediate and Specialist Housing
- Formerly Development Director at the Guinness Partnership



Anna Humphries

Director of Customers & Services

- Formerly Divisional Director East/South for The Abbeyfield Society
- 20 years experience in the housing, support and care sectors
- Understanding of the customer, and the housing and care journey that they travel



Gosia Motler

Director of Strategy & Corporate Finance

- Senior corporate finance professional
- Over 20 years' experience in treasury, business planning and strategic finance including M&A
- 12 years as Group Treasurer and Financial Planner at Wheatley Housing Group
- Joined bpha in August 2016 as Head of Corporate Finance



Paul Cook

Director of Property Services & Compliance

- Joined bpha as Head of Property Services in Nov 2016
- A Chartered Construction Manager with over 30 years' experience
- Previously Head of Technical Services at Aldwyck Housing Group

Executive Leadership Team (ELT)



Lindsay Todd

Director of HR & Employee Engagement

- Senior HR professional and skilled HR generalist
- Experienced in leading and managing HR and L&D teams in the public and private sectors
- Formerly Head of People at Aldwyck Housing Group
- Joined bpha in February 2016 as Head of HR



Philippa Spratley

Director of Governance & Compliance

- Experienced governance professional
- Senior solicitor with governance, compliance, legal and commercial experience
- Joined bpha in January 2015 as Company Secretary



Eddie Kelly

Director of External Affairs

- 20 years experience in HR, communications, brand and customer engagement
- Track record in driving business growth, performance and corporate reputation
- Previously with Catalyst Housing Group and Richmond Housing

Corporate strategy & strategic risks



Corporate strategy



Maximising delivery of bpha's social purpose in:

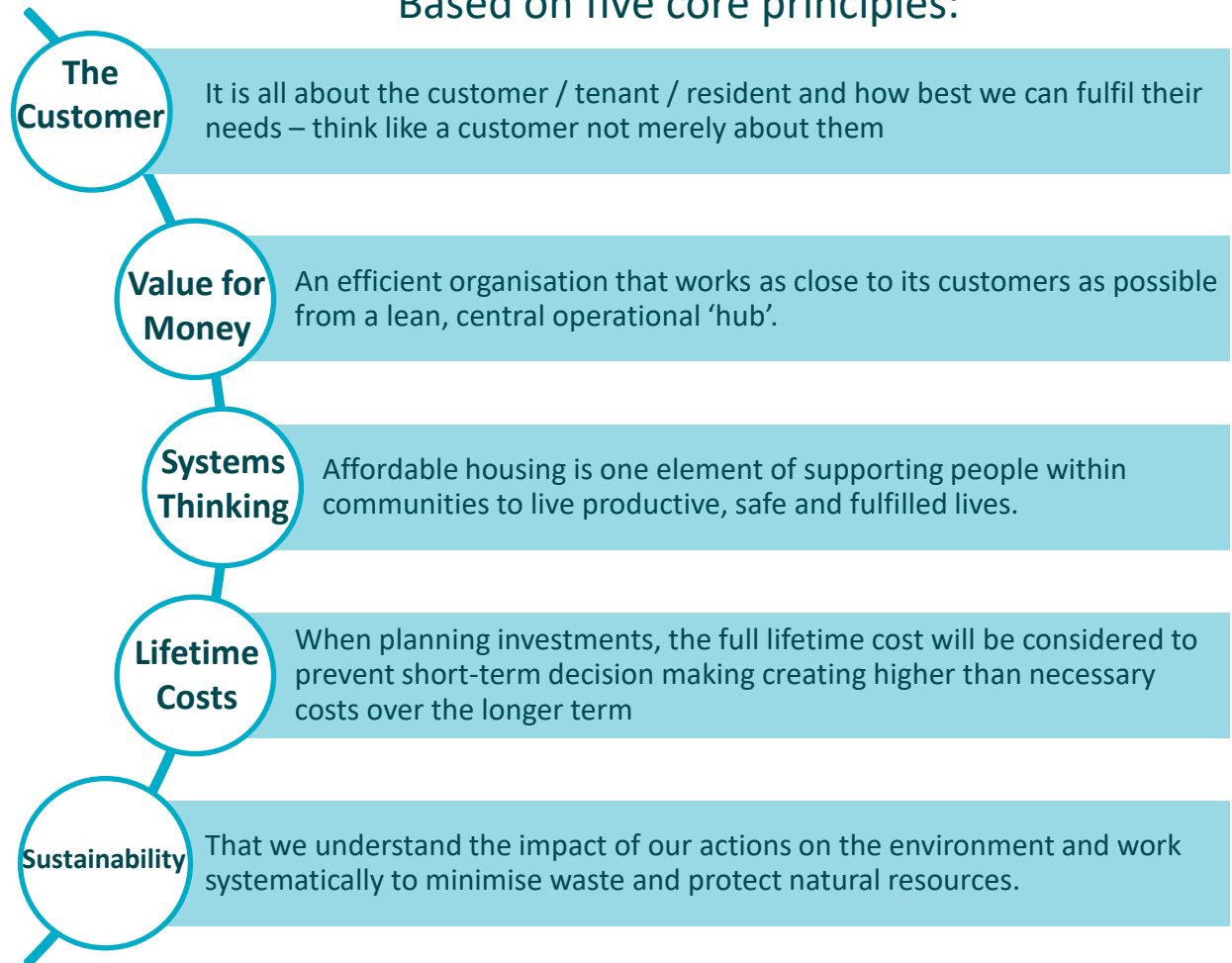
Customer
Experience

More Affordable
Homes

High Quality
Homes

Shaping the
Future

Based on five core principles:

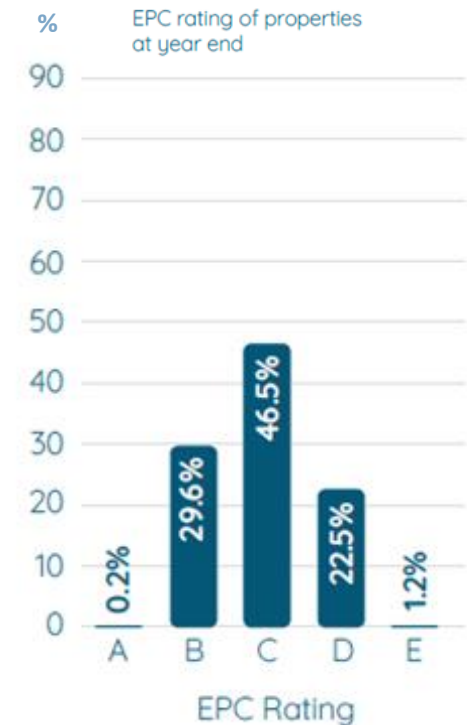
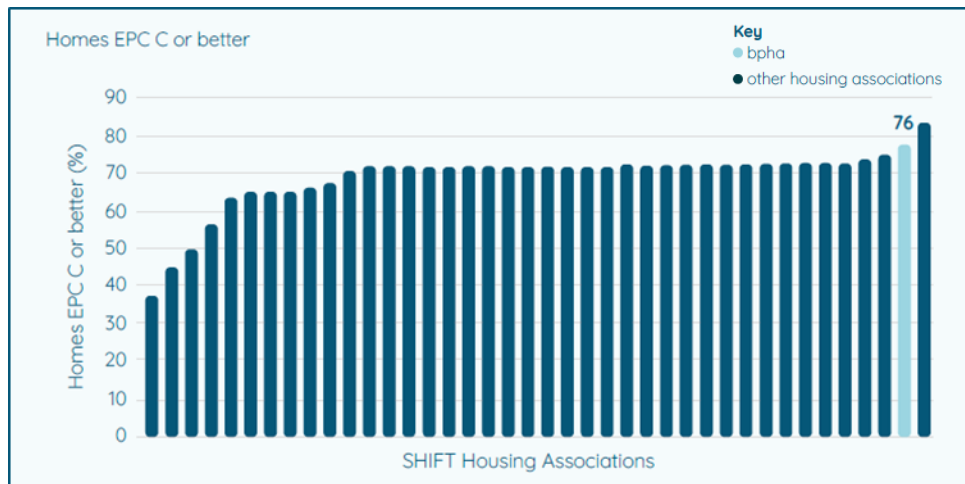


Environmental Strategy

Commitment to the long-term reduction of our carbon footprint



- ◆ We have prepared our first bpha Sustainability report which follows the SRS framework for housing associations.
- ◆ To support this initiative, bpha is working with SUSS Housing and has adopted SHIFT Environmental Sustainability model.



- ◆ Our Environmental strategy sets out to ensure:
 - All homes have a minimum Band C EPC rating by 2035
 - Target to achieve SHIFT Gold within the next two years
 - Aim to achieve SHIFT Platinum rating by 2035



Principle risks

Evolved dynamic risk management process



- ◆ Strategic risks are risks that affect bpha’s long term strategic objectives. Strategic risks are identified by the Board and monitored through Audit and Risk Committee
- ◆ The Board has identified four key strategic risks:



Economic Outlook

- This reflects the potential impact on bpha’s strategic objectives of changes in the external economic environment.



Policy Change

- This reflects the potential impact on bpha’s strategic objectives of changes in policy at local, national or international level



Capacity & Capability

- This reflects the potential impact on bpha’s strategic objectives of lack of capacity and capability – this could be financial and/or operational (systems and people)



Data & Information Management

- This reflects the potential impact on bpha’s strategic objectives of insufficient, incorrect or insecure data in an increasingly digitalised world.

Financial results

Strong financial position

March 2021



19,464

homes owned or managed
(2020: 19,235)

366

homes built or acquired
(2020: 651)

124

Shared ownership sales
(2020: 173)

A+ (negative)

Standard & Poor's rating
(2020: A+ (negative))

43%

Operating margin on core operating business
(restated 2020: 43%)

£60m

Operating surplus
(2020: £60m)

151%

EBITDA MRI (% of interest payable and similar charges)
(2020: 144%)

V2

Regulator of Social Housing viability rating
(2020: V1)

100%

Homes have met Decent Homes Standard since 2010

£26m

Invested in maintaining and improving our existing homes
(2020: £27m)

£38m

Invested in new homes
(2020: £79m)

G1

Regulator of Social Housing governance rating
(2020: G1)

Operational Structure

Two distinct independent business areas



Core Operating Business*

- ◆ Generates 73% of turnover (FY 2021).
- ◆ Primarily comprises social housing lettings, (FY 2021: 91% of core operating business turnover).
- ◆ Less affected by open market factors.
- ◆ Strong and steady cashflows cover debt interest and capital expenditure on existing assets.

*bpha core operating business includes contract income and surplus from non social units such as care homes and investment properties. Salary expenditure relating to development and asset sales are excluded from our core operating business.

Development and Sales Business

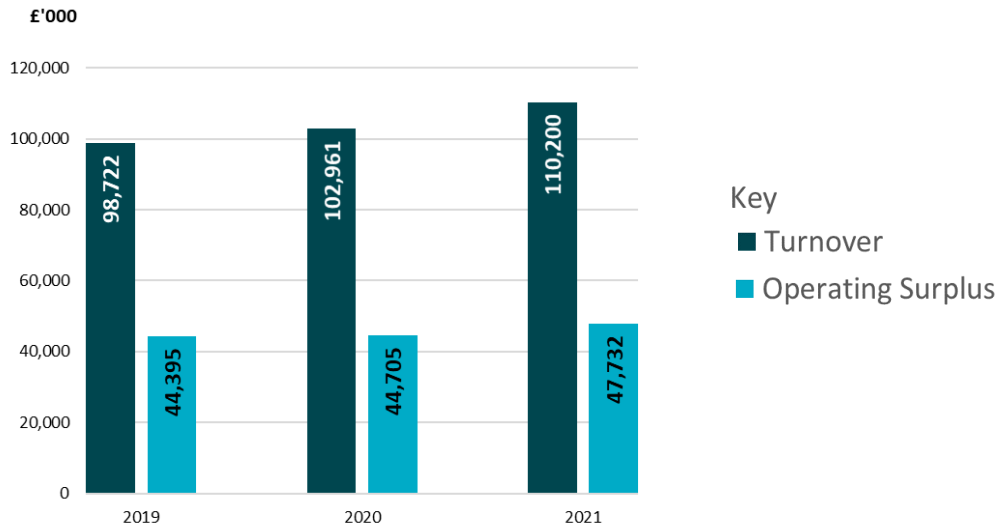
- ◆ Generates 27% of turnover (FY 2021).
- ◆ Builds affordable homes in our area of operation, the Arc.
- ◆ Some properties are sold and so are more subject to market conditions.
- ◆ Carefully controlled development programme ensures we maintain strong finances.
- ◆ Our development programme and property sales were impacted by the Covid-19 pandemic.

bpha financial results

Performance by business area

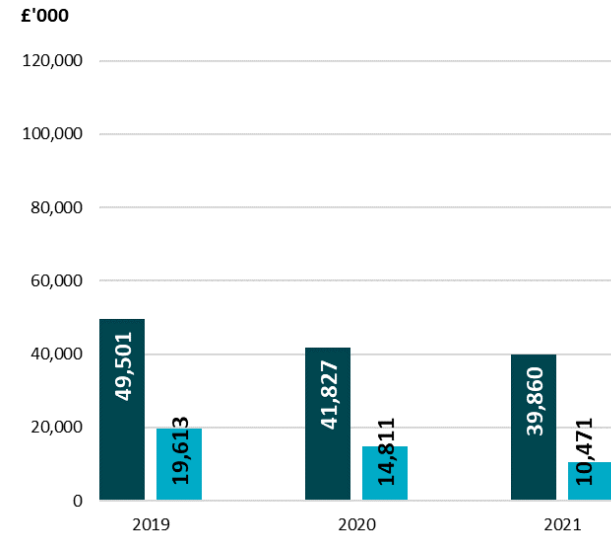


Core Operating Business



- Our core operating business is efficient at delivering a strong and stable financial performance.
- The addition of 366 new homes and the first rent increase following the four years of statutory reductions increased turnover to £110m.
- Increased operating surplus of £48m comfortably exceeds net interest costs.
- Our core operating business achieved a margin of 43% during the year, above our 40% target.

Development and Sales Business



- Our development and sales business experienced a drop in sales during the year to £40m (2020: £42m) as development completions fell as a result of COVID-19 government restrictions.
- First tranche shared ownership units sold also fell from 173 to 124 which was still a creditable performance in a difficult market.
- Neither business is dependent on the other, so our core rental business is less affected by open market factors.

bpha financial results

Strong cash generation and no reliance on sales



	2017 £'m	2018 £'m	2019 £'m	2020 £'m	2021 £'m
Group cash flow					
Net cash from operating activities	65.5	57.1	60.0	58.7	60.2
Net interest paid	(34.9)	(33.2)	(34.8)	(38.0)	(38.8)
Operating cashflow net of interest	30.6	23.9	25.2	20.7	21.4
Improvements to housing properties	(11.4)	(11.8)	(14.1)	(14.1)	(13.6)
Other items	2.7	4.1	(0.8)	(0.3)	1.3
Operating cashflow net of interest & capex & other	21.9	16.2	10.3	6.3	9.1
Proceeds from asset sales	21.0	24.9	23.7	18.5	18.5
First tranche shared ownership sales	20.8	21.4	25.8	23.3	21.4
Operating and sales cashflow	63.7	62.5	59.8	48.1	49.0
Development spend	(69.7)	(79.7)	(122.0)	(82.7)	(45.4)
Net movements in borrowings and deposits	28.9	(7.0)	58.8	58.6	21.2
Net cashflow after development activities	22.9	(24.2)	(3.4)	24.0	24.8

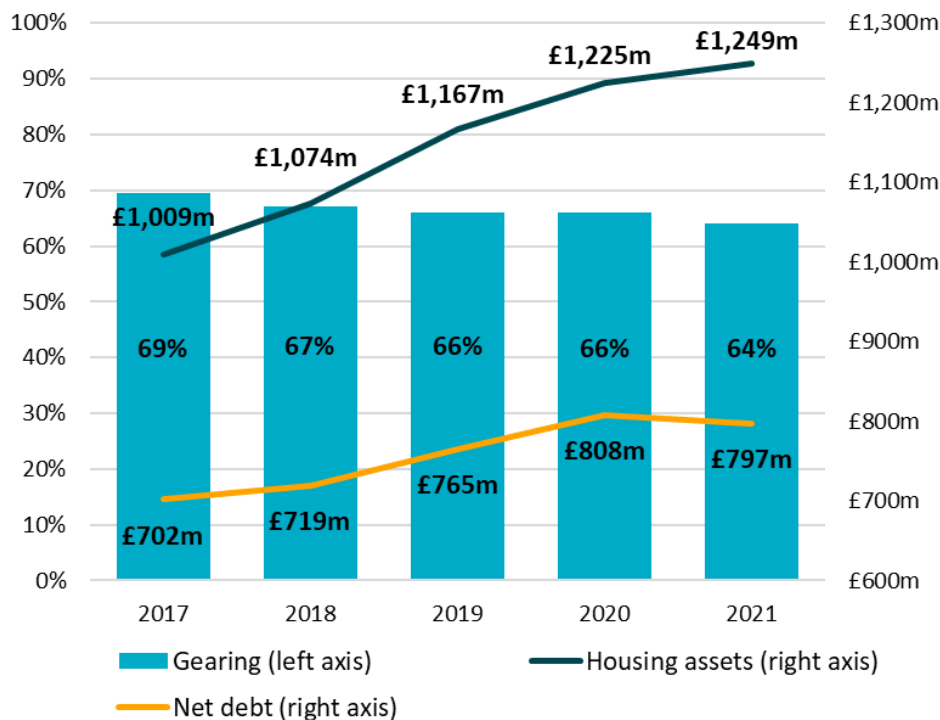
- Our net cashflow from core operating activities continue to cover both debt interest and capital expenditure on existing assets.
- Our net cashflow from operating activities combined with the proceeds from sales was greater than our development expenditure, this was due to the slowdown of our development programme because of the pandemic.

bpha financial results

Balance sheet strength and stable gearing



Gearing, assets and debt



- bpha received the final instalment of its 2020 Private Placement (£49m) in May 2020, this was partially offset by reductions to bank revolving credit facilities and syndicated facilities during the year. Cash balances increased by £25m reducing net debt to £797m.
- The value of bpha's housing assets has continued to rise, increasing by £24m during the year, mainly as a result of a net 229 unit increase in our property portfolio. This reduced our gearing to 64%.

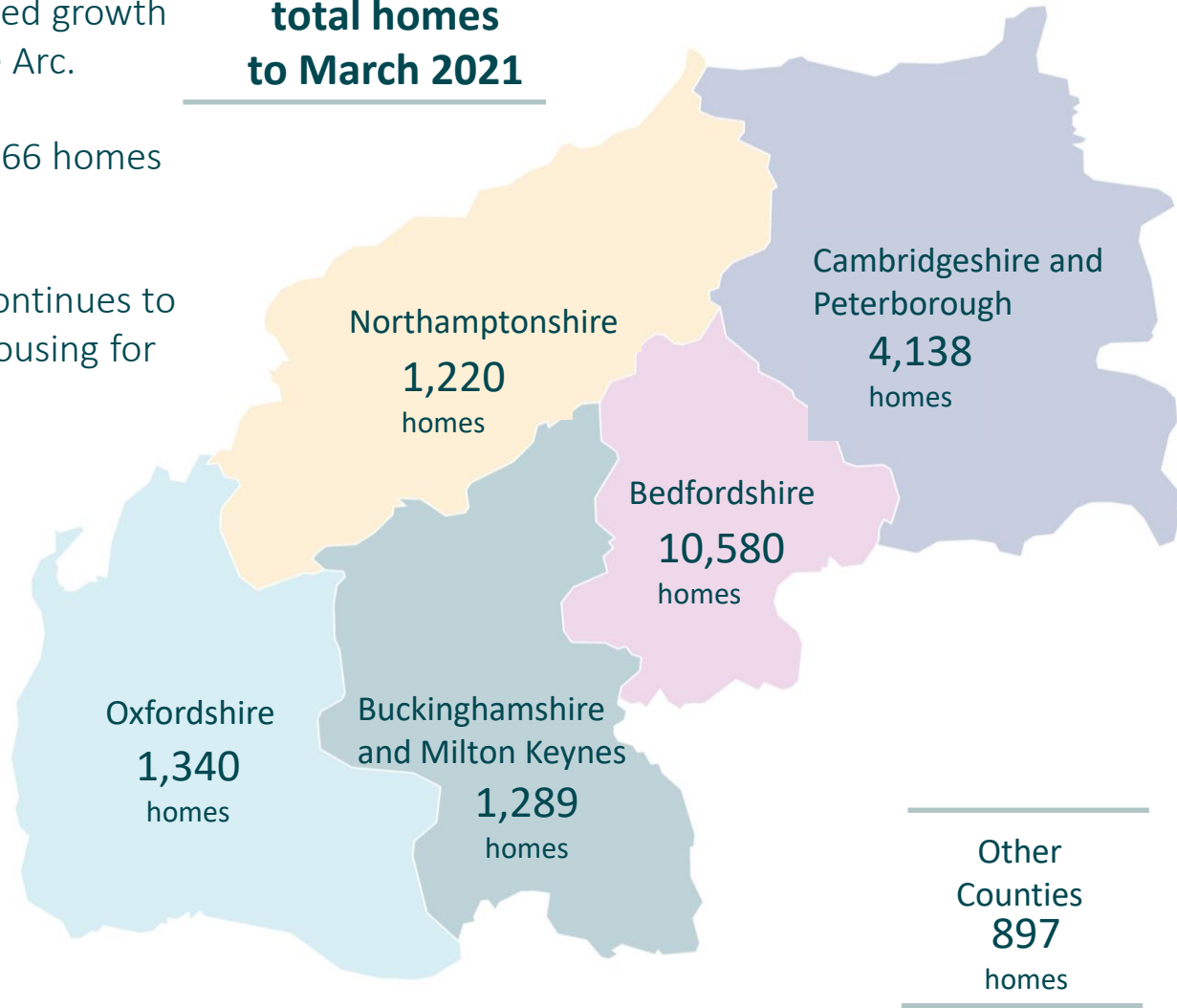
Operational performance

bpha – core operating area

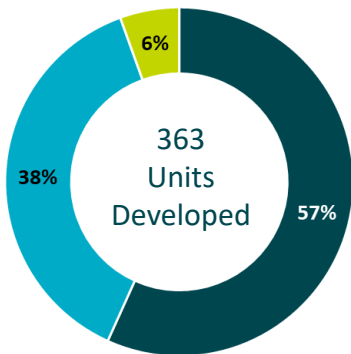


- ◆ Our core operating area is the strategically important Government designated growth area of the Oxford to Cambridge Arc.
- ◆ Over the last year we acquired 366 homes of which 363 were newly built.
- ◆ Our development programme continues to be focused on core affordable housing for rent and shared ownership.

19,464
total homes
to March 2021



Development Activities

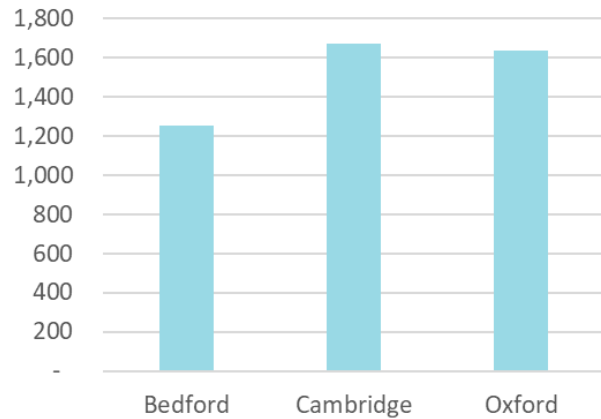


- Social and Affordable
- Shared Ownership
- Private/Commercial

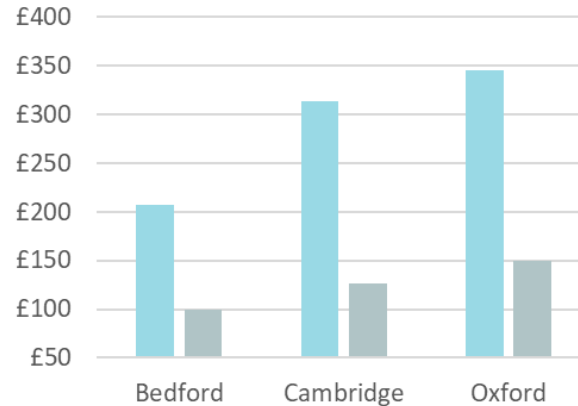
Demand for affordable housing



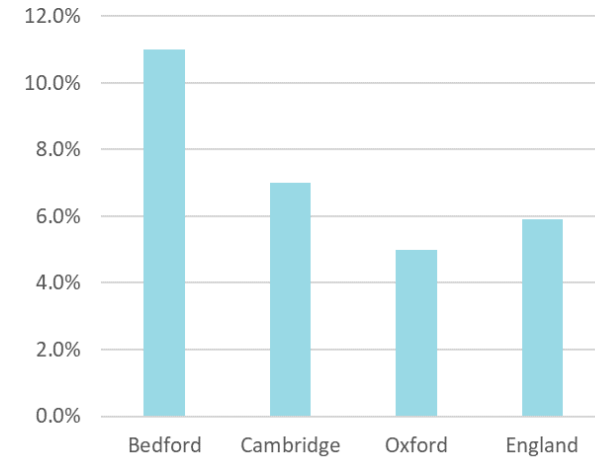
Number of households on LAs' waiting list- 2020



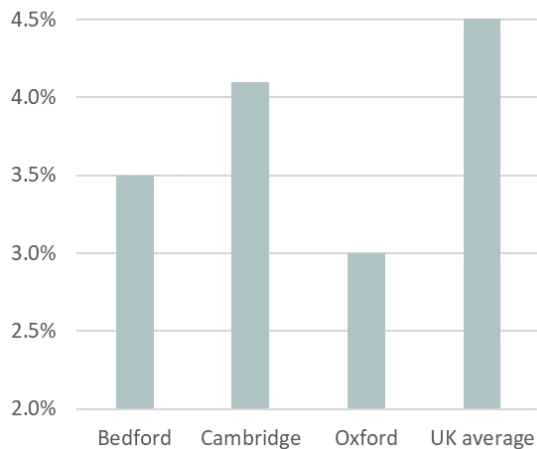
Market vs bpha weekly rent- 2021



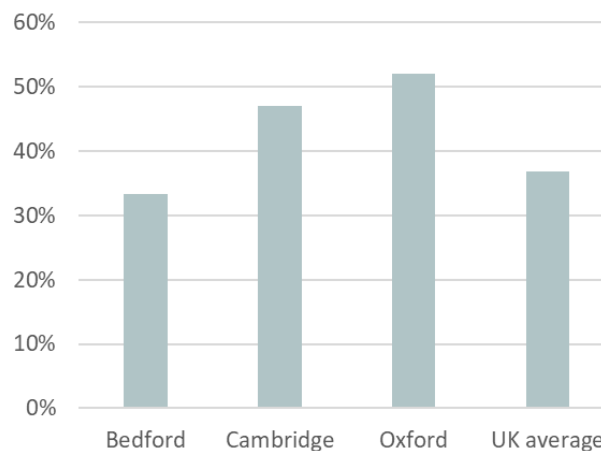
Population growth 2016 to 2026



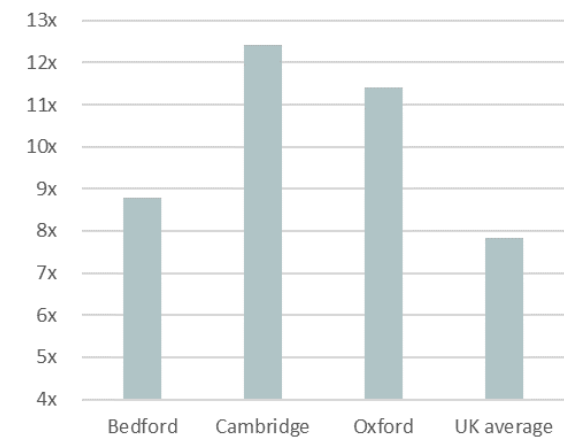
Unemployment- 2020



Rent as a % of Pay- 2021



Median house price / earnings- 2020



Sources: ONS, Nomi & GOV.UK

Operational performance

Customer focused



- We aim to create an organisation where our employees strongly identify with our social purpose, and where delivering exceptional service for our customers is at the heart of everything we do.

- Customer Committee established to bring the voice of the customer into the board.

- Widening the choice of channels to enable better communication with and for customers. Choice is key.

- We have implemented a new omnichannel contact system and continue to develop our Customer Relationship Management System

98.9%

Occupancy levels for all tenancies including shared ownership

Home

Managing 15,409 homes

Retirement Living

Managing 1,350 homes

	Q1 score	Q2 score	Q3 score	Q4 score
Overall satisfaction 2020/21	77%		77%	
Overall satisfaction 2019/20	75%	74%	76%	75%

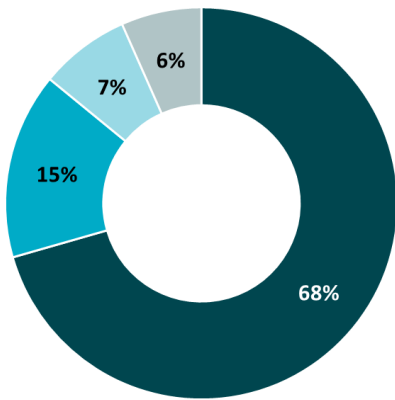


Asset strength

Stock quality

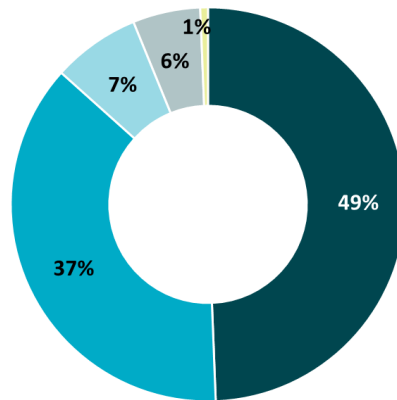


Homes by usage



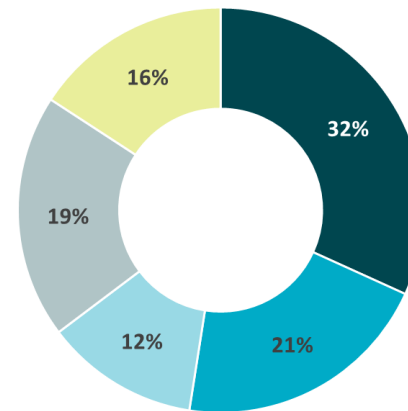
General Needs	68%
Shared Ownership	15%
Care homes	7%
Other	6%

Homes by type



House	49%
Flat	37%
Care home	7%
Bungalow	6%
Other	1%

Age profile of homes



0 - 10 years	32%
11 - 20 years	21%
21 - 40 years	12%
41 - 60 years	19%
61+ years	16%

100%

of homes have met decent homes Standard since 2010

53%

of our homes are under 20 years old

3

Fire officers employed

◆ During the year, we invested £26m in maintaining and improving our existing homes.

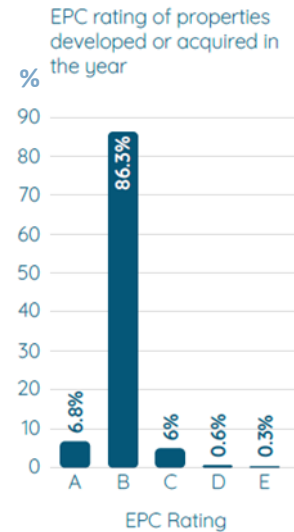
◆ Our Business Plan also includes capital investment on Project Vista (Tower Blocks) over the next 12 years.

Development

New Homes Delivered 2020/21

Environmental considerations

- ◆ 363 of 366 new or acquired homes achieved SAP ratings of C or above
- ◆ 94% new homes achieved an A or B rating
- ◆ Focus on Net-Biodiversity Gain and measures to meet new regulations
- ◆ Further improvements through closer and earlier collaboration with consultants, contractors and s106 Developer partners
- ◆ New Build Specification Review
- ◆ Alternatives to Gas heating and hot water



Development strategy

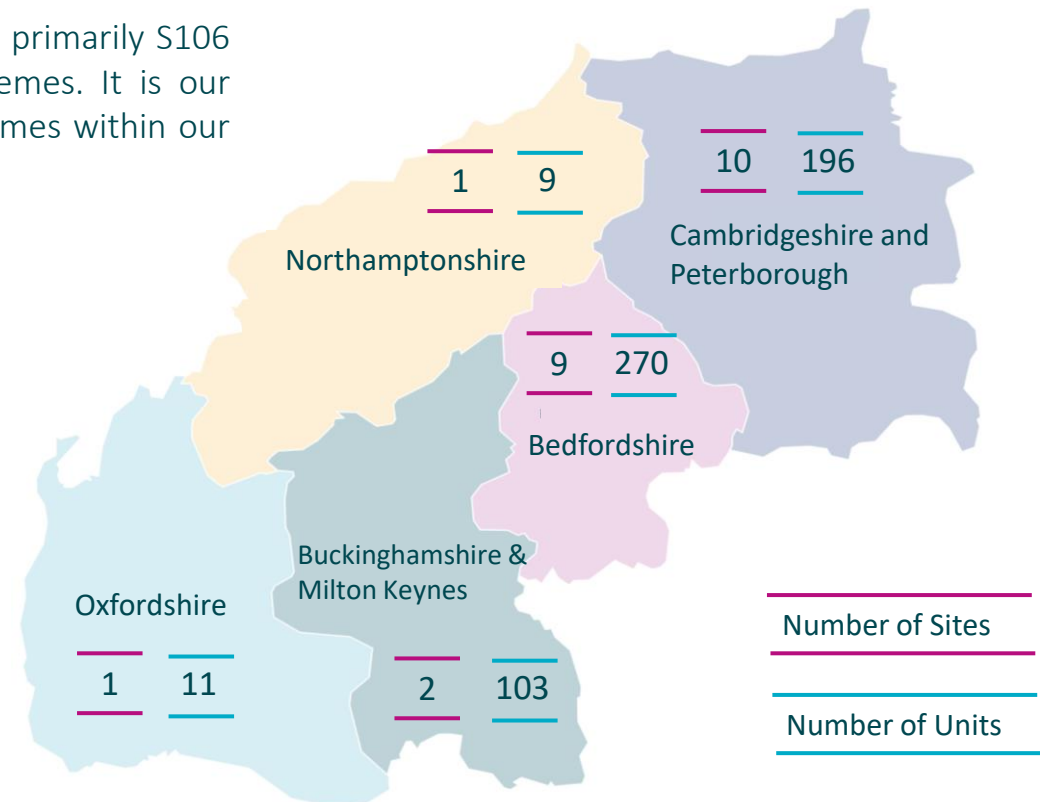
2,399 new homes by 31 March 2023



- Our 5 year strategy to deliver 3,000 units by FY2023 has been revised down following the direct impact of Covid-19 and Brexit. As at March 2021, we have achieved 1,626 affordable units and 19 units for private sale.
- We only develop in our core operational area between Oxford and Cambridge with a central focus on Bedford as this allows us to consolidate service delivery and achieve operational efficiencies. This will also provide us with new growth opportunities going forward as the Oxford to Cambridge Arc develops.
- Our current committed development pipeline is primarily S106 led with some land led and regeneration schemes. It is our intention over time to have more land led schemes within our development programme.

Current development sites

- As at 31 July 2021 we had 23 active sites across our 5 counties of operation.
- Our developments are spread across our core operating area, with no London exposure!



Development criteria

Investment appraisal

- ◆ Strict investment appraisal criteria to ensure new homes developed enhance our financial strength by:
 - ✓ Increasing ongoing surplus generation from core activities
 - ✓ Delivering strong margins
 - ✓ Enhancing overall balance sheet capacity
- ◆ Conservative development assumptions – e.g. no staircasing receipts and no increase in sales values
- ◆ Annual outturn reviews for completed schemes, feeding into further refinement of development assumptions

Programme management

- Impact of potential future schemes is formally reviewed against up to date financial projections, to ensure continued liquidity and sufficient asset security to avoid over-commitment.
- Total capital expenditure commitments, completions profile and sales exposure is also reviewed and considered when approving new schemes.



Minimum IRR

30 year cost of funds + interest cover requirements + risk buffer uplift

Minimum Asset Value

Security value > net development cost

Positive NPV

35 year NPV, no terminal value and no capital appreciation assumed

Treasury overview

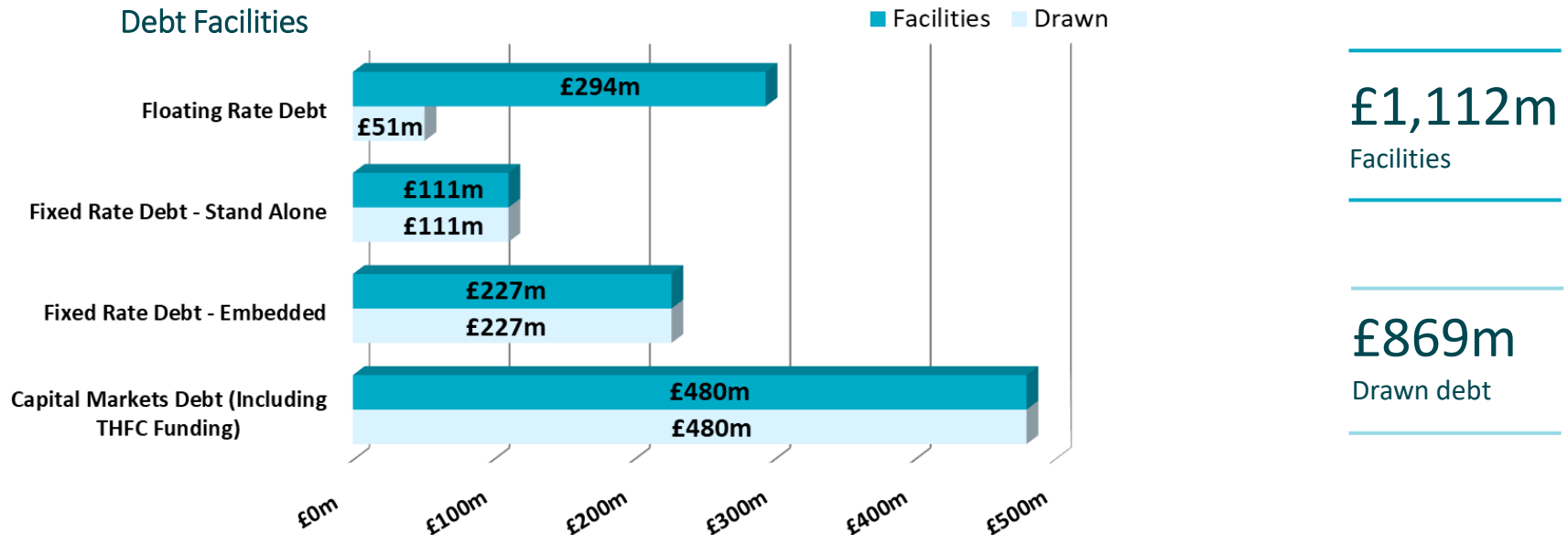


Debt portfolio

Current Facilities



- At 31 March 2021, £869m of funding was drawn against total facilities of £1,112m (includes £3m overdraft) and **£62m** of cash was immediately available.
- Circa 94% of our drawn debt is at fixed rates of interest through a combination of fixed rate loans, capital market funding and a mixture of stand-alone and embedded swaps which are used to fix floating bank debt.
- On 31 March 2021 we broke our £10m HSBC stand alone derivative reducing our MTM exposure and releasing cash collateral.

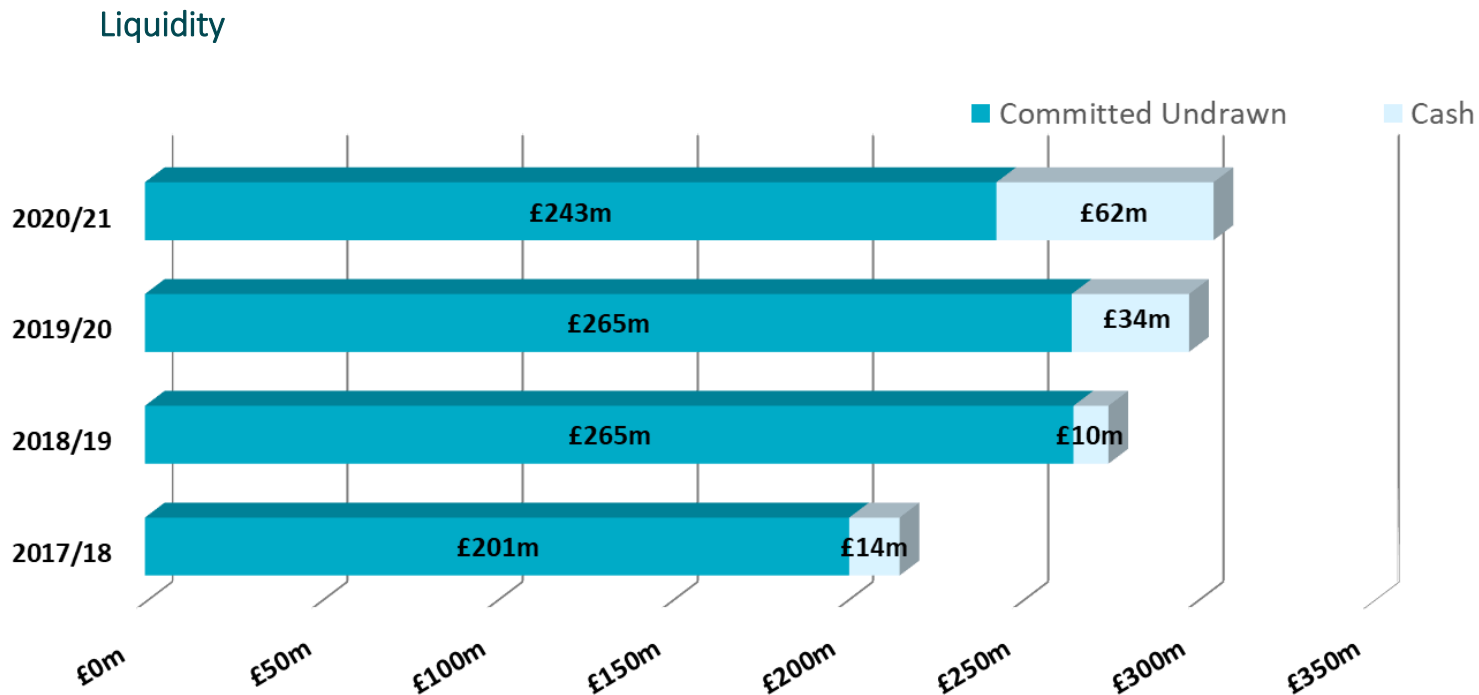


Liquidity levels

Continued strong liquidity levels



- ◆ We have strict liquidity targets to ensure that sufficient liquidity is available to fund ongoing and planned activities.
- ◆ At March 2021 our liquidity headroom remained strong at £258m (£40m RCF not available for immediate drawdown).



Conclusions

Summary - March 2021



Our core operating business continues to deliver strong margins supporting debt interest payments and capital expenditure on existing assets demonstrating resilience throughout the tough environment.

43%

Operating margin
on core operating
business

£48m

Core operating
business
operating surplus

73%

of total bpha
revenue generated
from core business

Regular planned investment in our homes ensures we protect the value of our assets whilst ensuring compliance

£26m

Invested in
existing homes

100%

Homes have met
Decent Homes
Standard

19,464

Homes owned
or managed

Maintained strong income collection whilst continuing to support our customers.

98.9%

Occupancy
rates

2.8%

Gross arrears
(Home)

A flexible development pipeline and robust controls help protect our development business, guide our development programme and prevent us from overcommitting.

343

Affordable homes
built

£79m

Invested in
new homes

£10m

Development and sales
business operating
surplus

High liquidity supports our future growth, we continue to utilise excess cash from our private placement with no immediate fundraising requirement.

£258m

Liquidity
headroom

£62m

Immediately
Accessible cash

