



bpha Update

01 February 2023

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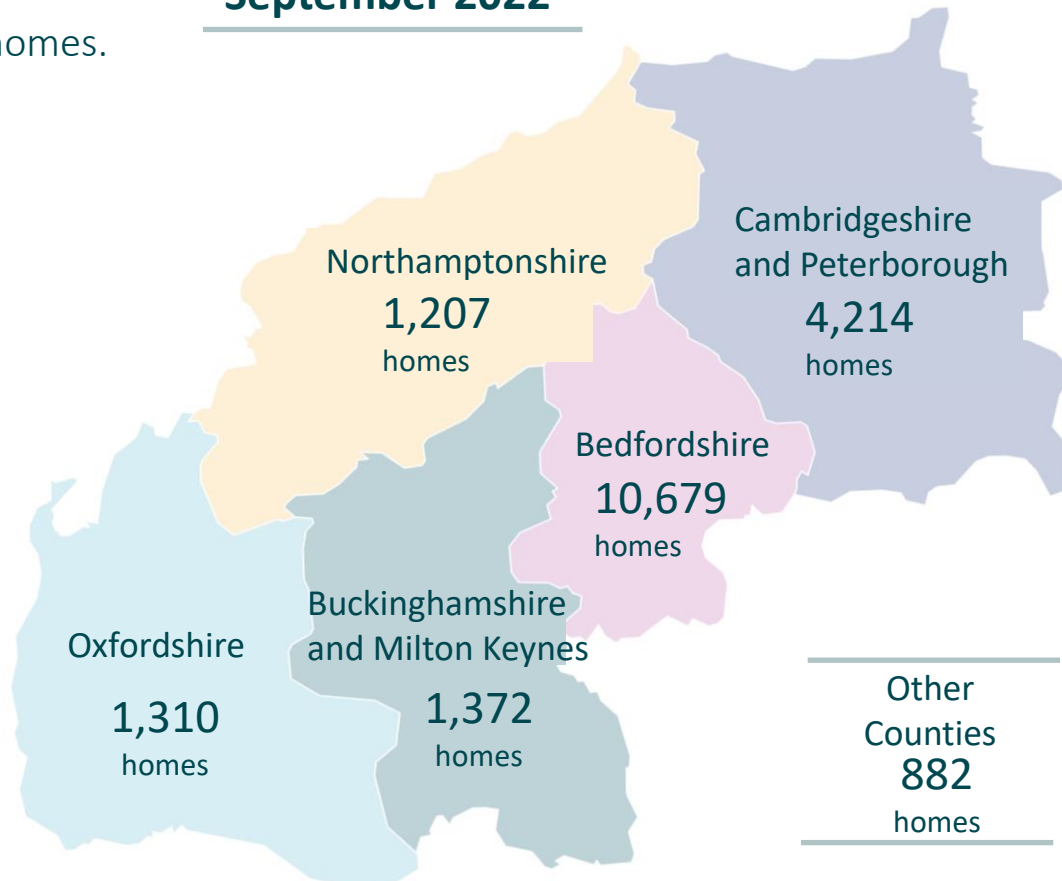
# 1. Executive Summary

# bpha – core operating area

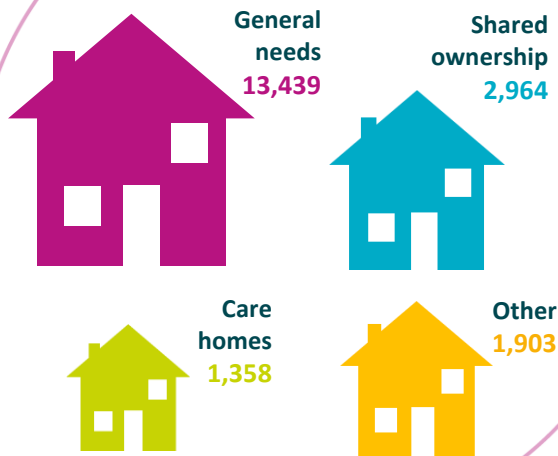


- ◆ Our core operating area is the strategically important Government designated growth area of the Oxford to Cambridge Arc.
- ◆ Over the last 6 months we acquired 97 homes.

**19,664**  
**total homes**  
**September 2022**



## Homes by tenure type



# bpha Customers



## Tenancy Sustainment

Growing numbers of vulnerable customers in general needs homes, supported by specialist officers to sustain their tenancy and their home

## Home ownership

3,600 Shared Owners and Leaseholders living in communities across the region

## Meeting housing need

The range of accommodation owned and managed by bpha enables homes to be provided to most vulnerable groups whether it be individuals or families

## Independent Living

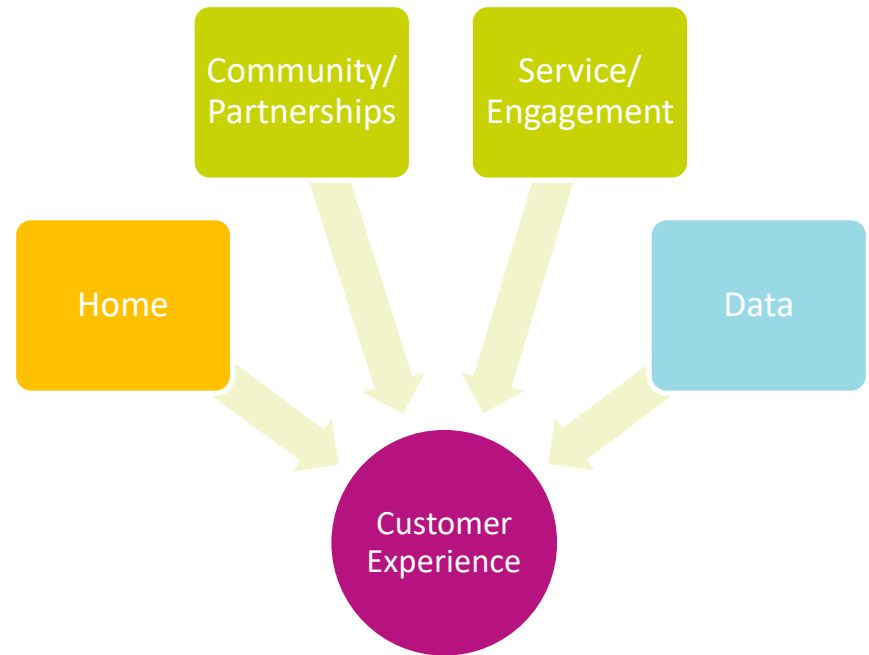
Across the region work with over 1,500 customers who live in a variety of accommodation types where care and support is provided by bpha and partners to enable independence, giving health and well being benefits

# Customer at the forefront



“bpha will through a better understanding of customer as individuals provide the right services at the right time to meet their housing needs and aspirations”

- ◆ Engagement strategy developed with Customers, centralised plan, in place and monitored
- ◆ Service Improvement Team – new and understood
- ◆ Cycle of Service - Touchpoints, Thought points, Tragic and Magic – Actions Taken
- ◆ Working with customers to get the basics right – IHMS
- ◆ ‘a home not a house’
- ◆ Knowing ‘our’ customers – the importance of data



# bpha is a strong organisation

## Good track record and effective management



- Stable, highly capable leadership team – consistent direction, working to clear strategies, deliver for today ... looking to the longer term
- GPTW – Best large employer accreditation, endorsed approach to engagement and employee welfare
- Excellent progress with:
  - Customer Service – CRM, Customer portal, tenancy sustainment, welfare fund
  - Launch of In-house Maintenance Service
  - Towards net zero – Decent homes, average SAP >75, on target for Band C by 2030
  - Investment in Bedford Tower Blocks
  - New homes – committed to developing our pipeline in a tough market



# Current operating environment



## Housing agenda

- Housing shortage – priority to build
- Planning reform – first homes, reduced S106, new SO model
- Building delays and increasing costs
- MMC development

## Increasing regulation

- Housing White Paper – e.g. tenant engagement and satisfaction
- Health & safety compliance
- Building safety compliance
- GDPR

## Challenging economic environment

- High inflation, how long will it last?
- Increasing interest rates
- Rent cap and future rent policy uncertain
- Cost of living / affordability issues
- Labour market and material shortages

## Environmental considerations

- Sustainability & energy efficiency
- Stock investment – EPC C and above
- Carbon net zero targets
- Emerging technologies and associated costs

## Technology & digital

- Data security and management
- Increased cyber security threats
- Digitalisation and automation
- Use of Artificial Intelligence
- Remote working

We continue to assess the potential impact of the operating environment on our business model and stress test our business plan

## 2. Financial Results



# Strong financial position

March 2022



19,618

homes owned or managed  
(2021: 19,464)

307

homes built or acquired  
(2021: 366)

205

Shared ownership sales  
(2021: 124)

A+ (Stable)

Standard and Poor Rating  
(2021: A+(Stable))

42%

Operating margin on core operating business  
(2021: 43%)

134%

EBITDA MRI (% of interest payable and similar charges)  
(2021: 151%)

£62m

Operating surplus  
(2021: £60m)

V1 (updated June 2022)

Regulator of Social Housing viability rating  
(2021: V2)

100%

Homes have met Decent Homes Standard since 2010

£35m

Invested in maintaining and improving our existing homes  
(2021: £26m)

£50m

Invested in new homes  
(2021: £38m)

G1

Regulator of Social Housing governance rating  
(2021: G1)

# Strong financial position

September 2022



19,664

homes owned or managed  
(Sep 2021: 19,527)

97

homes built or acquired  
(Sep 2021: 172)

56

Shared ownership sales  
(Sep 2021: 103)

A+ (Stable)

Standard and Poor Rating  
(Sep 2021: A+(Stable))

43%

Operating margin on core operating business  
(Sep 2021: 45%)

149%

EBITDA MRI (% of interest payable and similar charges)  
(Sep 2021: 167%)

£32m

Operating surplus  
(Sep 2021: £36m)

V1

Regulator of Social Housing viability rating  
(Sep 2021: V2)

100%

Homes have met Decent Homes Standard since 2010

£17m

Invested in maintaining and improving our existing homes  
(Sep 2021: £13m)

£25m

Invested in new homes  
(Sep 2021: £29m)

G1

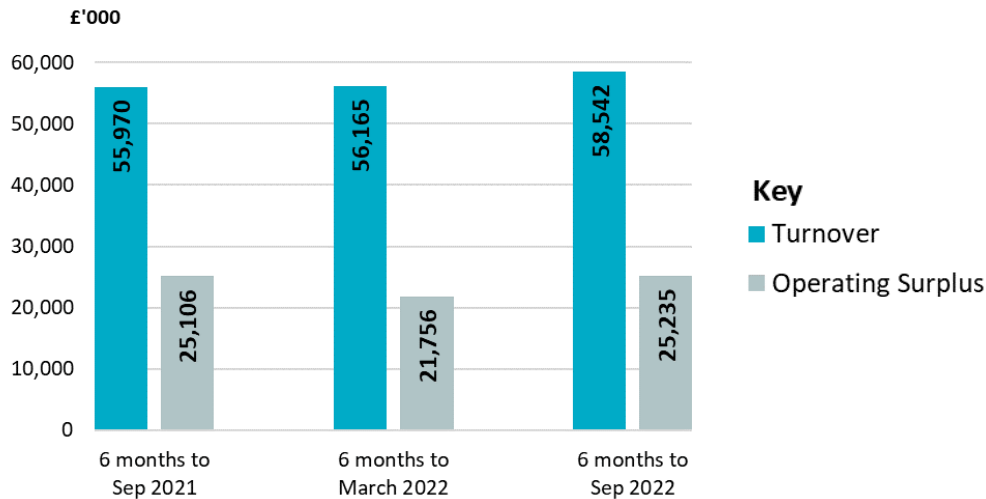
Regulator of Social Housing governance rating  
(Sep 2021: G1)

# bpha financial results

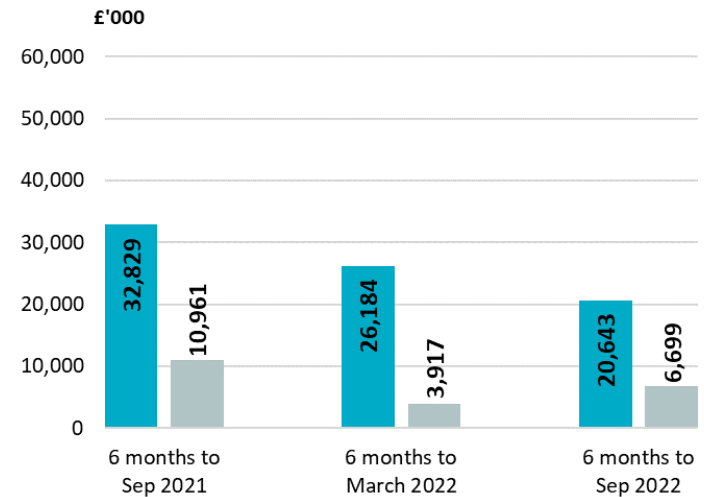
## Performance by business area



### Core Operating Business



### Development and Sales Business



- Our core operating business is efficient at delivering a strong and stable financial performance.
- The addition of 97 new homes and the rent increase at the start of the year increased turnover to £59m.
- Increased operating surplus of £25m comfortably exceeds net interest costs.
- Our core operating business achieved a margin of 43% during the first half of the year, above our 40% target.

- Our development and sales business experienced a drop in turnover in the first half of the year to £21m inline with expectations.
- First tranche shared ownership sales returned to normal activity levels reducing from 103 to 56 sales. This has driven a drop in surplus to £7m. Asset sales continue to perform well.
- 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



### Statement of cash flows

	Unaudited results for six months to		Audited results year to	
	30 Sept 22 2022/23 £'000	30 Sept 21 2021/22 £'000	31 Mar 22 2021/22 £'000	31 Mar 21 2020/21 £'000
Net cash flows from operating activities	33,127	32,057	64,174	60,181
Interest paid	(17,327)	(19,293)	(37,224)	(38,772)
<b>Operating cash flow net of interest</b>	<b>15,800</b>	<b>12,764</b>	<b>26,950</b>	<b>21,409</b>
Improvements to housing properties	(8,070)	(6,577)	(21,152)	(13,570)
Other items	(1,190)	(482)	(79)	1,422
<b>Operating cash flow net of interest, capex and other</b>	<b>6,539</b>	<b>5,706</b>	<b>5,719</b>	<b>9,261</b>
Proceeds from asset sales	12,153	15,100	26,831	18,497
First tranche shared ownership sales	8,490	17,729	32,183	21,364
<b>Operating and sales cash flow</b>	<b>27,183</b>	<b>38,535</b>	<b>64,732</b>	<b>49,121</b>
Development spend	(24,711)	(28,921)	(52,411)	(45,412)
Net movements in borrowings and deposits	2	(550)	(2,667)	20,680
Swap breakage costs	(7,521)	(5,440)	(34,297)	-
<b>Net cash flow after development activities</b>	<b>(5,048)</b>	<b>3,624</b>	<b>(24,643)</b>	<b>24,389</b>

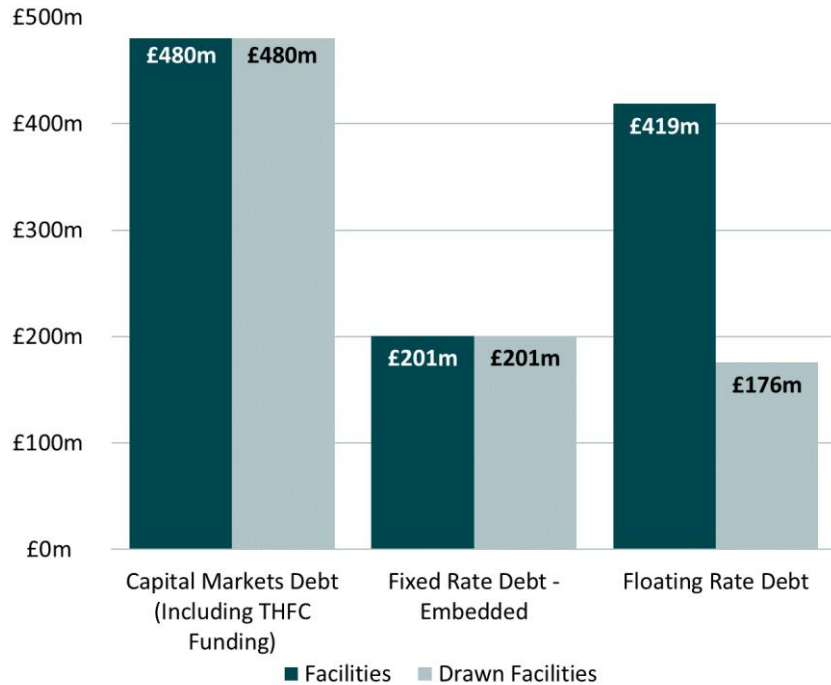
- Our net cashflow from core operating activities continue to cover both debt interest and capital expenditure on existing assets.
- Our net cashflow from operating activities combined with the proceeds from sales was greater than our development expenditure, this was mainly due to the labour and material shortages delaying our development programme.

# Debt portfolio

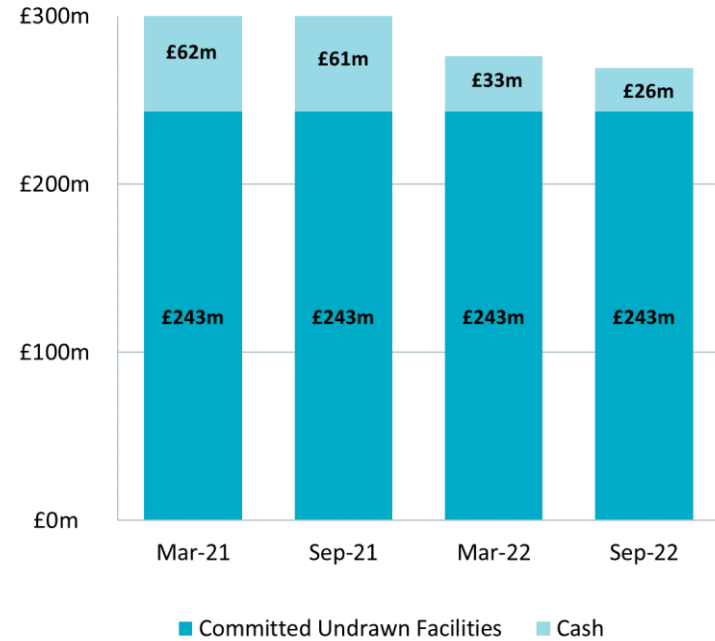
## Current facilities



Debt Facilities



Liquidity Headroom



**£1,099m**

Facilities

**£856m**

Drawn debt

**80%**

Of our loans at fixed rates

- ◆ Our liquidity headroom remains strong as we continue to utilise excess cash from our Private Placement in 2020.
- ◆ Our strong liquidity means that all future committed developments can be funded from existing facilities.

# 3. Assets

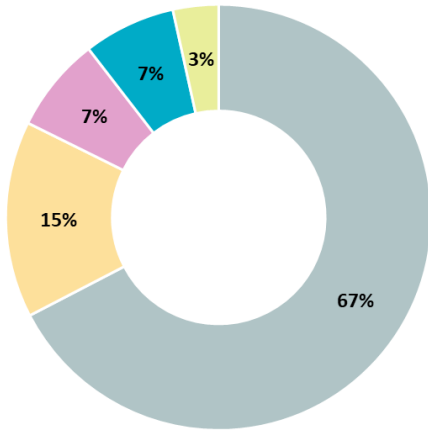


# Asset strength

## Stock quality

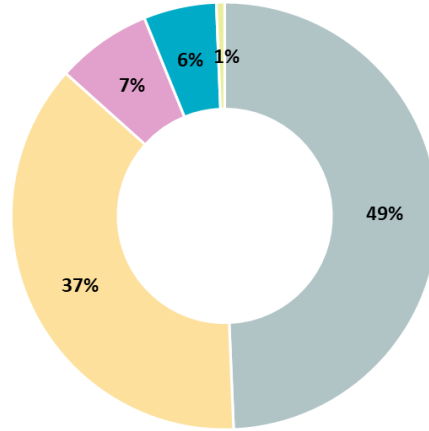


### Homes by usage



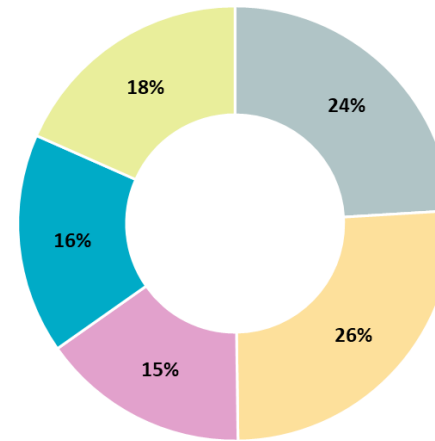
General Needs	67%
Shared Ownership	15%
Care homes	7%
Other	7%
HomeBuy	3%

### Homes by type



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

### Age profile of homes



0 - 10 years	24%
11 - 20 years	26%
21 - 40 years	15%
41 - 60 years	16%
61+ years	18%

**100%**

of homes have met decent homes Standard since 2010

**50%**

of our homes are under 20 years old

**3**

Fire officers employed

- 20% annual stock condition survey
- Damp and Mould inspection and disrepair process in place
- Money Advice - Welfare fund where fuel poverty is identified
- Monitoring via DAC

# Sustainability Report

## SRS framework

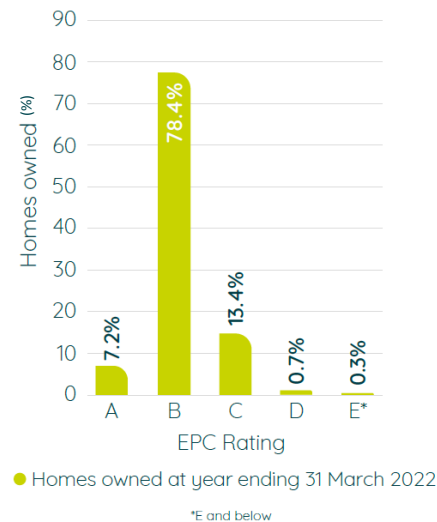


- ◆ bpha has published its second annual Sustainability Report
- ◆ 82% stock EPC rating C or above (2021:76%)

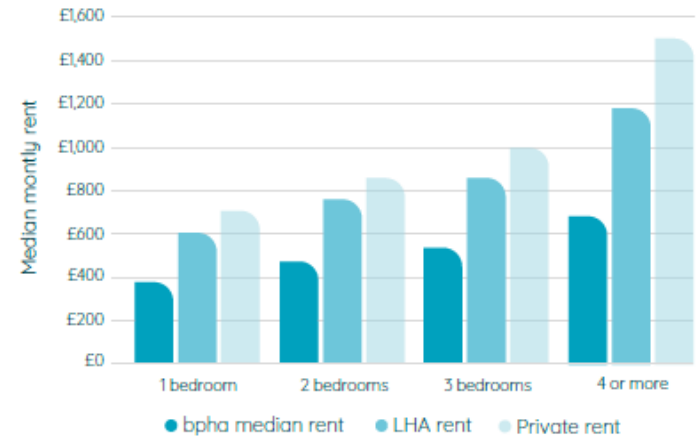
EPC ratings – existing homes



EPC ratings – new and acquired homes to end 2022



Affordability of bpha rent



- ◆ Our environmental strategy sets out to:
  - Ensure all of our homes achieve at least band C by 2030
  - Achieve SHIFT Gold
  - Achieve carbon neutrality in homes by 2050

- ◆ Our median rents on average across the portfolio are:
  - 65% of the Local Housing Allowance (LHA)
  - 57% of private sector rents

# Inhouse Maintenance Service



- ◆ Board approved the decision in April 2021
  - Responsive and voids services, October 2022
  - Electrical repairs, October 2023
  - Kitchens, bathrooms and minor aids and adaptations, October 2024
- ◆ Monitoring via Customer Committee



- ◆ Responsive and voids services – **successfully went live October 2022 on schedule**
- ◆ **November 2022 - Surveying services**
- ◆ Mobilisation of Electrical Repairs underway
- ◆ **Acceleration** of planned works to start in April 2024
- ◆ Consideration of additional work streams- waste collections- fire door inspections- TMV and water temperature checks
- ◆ Customer self service

# Project Vista - phase 1 sites



## Ashburnham Court (55 flats) – Project 1



- Works started on site in October 2021 with completion expected by February 2023
- All new cladding systems 'A1' fire rated
- New district heating system being installed, reducing CO2 and fire risk
- No accidents or incidents to date and work being monitored by independent H&S consultant

## Bury Court (90 flats) – Project 2

- Planning permission granted in March 2022
- Technical designs for block refurbishment now complete
- Work started on site in late November 2022 with completion expected by December 2023
- Wider new build options still being considered



## 4. Development Update

A decorative graphic on the right side of the slide consists of several overlapping curved shapes. At the bottom left, there is a bright orange semi-circle. To its right, a darker blue semi-circle overlaps it. Further right, a large, light blue shape with a rounded top and a white semi-circular cutout on its right side overlaps the other shapes. The overall design is modern and minimalist.

# Development Update



## A challenging environment

- ◆ In common with many other organisations, delivery this year has been hindered by productivity challenges including:
  - Labour and Material shortages
  - Planning delays
  - s106 Developers prioritising private sale completions
- ◆ We anticipate lower completions for 2022/23
- ◆ Our New Business Team continues to progress land led, s106 and Joint Venture opportunities across our operating area
- ◆ Schemes being assessed against financial metrics post the Autumn Statement – revised offers and delays
- ◆ Plans continue to be developed for Bedford town centre regeneration scheme at Greyfriars



# Sales activity



- ◆ Demand for Shared Ownership has remained strong across our area of operation during the year despite the wider macro-economic conditions.
- ◆ Most schemes continue to sell off-plan as a result of effective marketing campaigns and sales efforts though handover delays impacting on sales completions.



## Sales Performance Year to Date

- ◆ Continued oversight by ELT, Development and Assets Committee, ARC and Board.
  - 56 completions achieved to end September
  - Excellent Asset Sales performance against budget



## 5. Conclusions





# Summary

## Our response to the operating environment



- ◆ We are fully aware of the challenges for the sector presented by the current economic environment and the 7% rent cap
- ◆ We start from a position of strong operating and financial performance, however we recognise that for the next couple of years, we will need to focus on protecting core services and looking after our customers
- ◆ Our priorities will therefore be around ensuring efficient infrastructure to deliver:
  - Customer service - meet future regulatory requirements - TSMs
  - Health & Safety
  - Long-term commitment to current assets
  - IHMS – Service and asset protection
  - New homes development – cautiously in the current environment
- ◆ We are currently in the middle of our financial planning process and are in discussions with the Board around potential adjustments to ensure we can maintain our financial strength and credit quality
- ◆ We have an agile business model and can adapt to ensure that we can continue to invest in what is important to our customers

# Summary - September 2022



## 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

**74%**

of total bpha revenue generated from core business

**£25m**

Core operating business operating surplus

## Development & Sales Business

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

**97**

Affordable homes built

**£25m**

Invested in new homes

**£7m**

Development and sales business operating surplus

## Investment

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

**£17m**

Invested in existing homes

**100%**

Homes have met Decent Homes Standard

**19,664**

Homes owned or managed

## Liquidity

High liquidity supports our cash requirement as we continue to utilise excess cash from our private placement and utilise existing bank facilities with no immediate fundraising requirement.

**£243m**

Committed undrawn facilities

**£26m**

Immediately accessible cash

