



**Yorkshire
Housing**

Investor Presentation

October 2023

Nick Atkin, Chief Executive
Andy Oldale, Executive Director Finance & Governance



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Agenda

- 1 Introduction to Yorkshire Housing
- 2 Our Homes and Customers
- 3 Development
- 4 ESG
- 5 Board & Leadership Team
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- 7 Treasury & Funding
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- 9 Summary
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Highlights

- Our 22/23 Financial Performance was solid, despite some significant headwinds.
- Launched a new strategy at the start of the year.
- Retained our G1 rating following an In-depth Assessment (IDA).
- Retained our A3 Moody's rating, albeit with a negative outlook and lower underlying rating.
- Completed the development of over 500 new homes.





Introduction to Yorkshire Housing



**Yorkshire
Housing**

News At Ten Headlines

19,000 homes

20 local authorities

8,000 new homes

800 employees

£145m turnover

£1.1bn asset base

£950m facilities

New Business Strategy



**Yorkshire
Housing**

Our vision and customer promise...

Our customer promise...

Making it possible to
have a place you're
proud to call home.



Our vision...

To be the UK's best
housing provider.

Our strategic priorities...

1 Customer obsessed

Improving our customers'
and colleagues' experience.



2 Homes and places to be proud of

Creating places people are
proud to call home.



3 Pre-emptive

Our game-changing shift to
dealing with issues before
they happen.

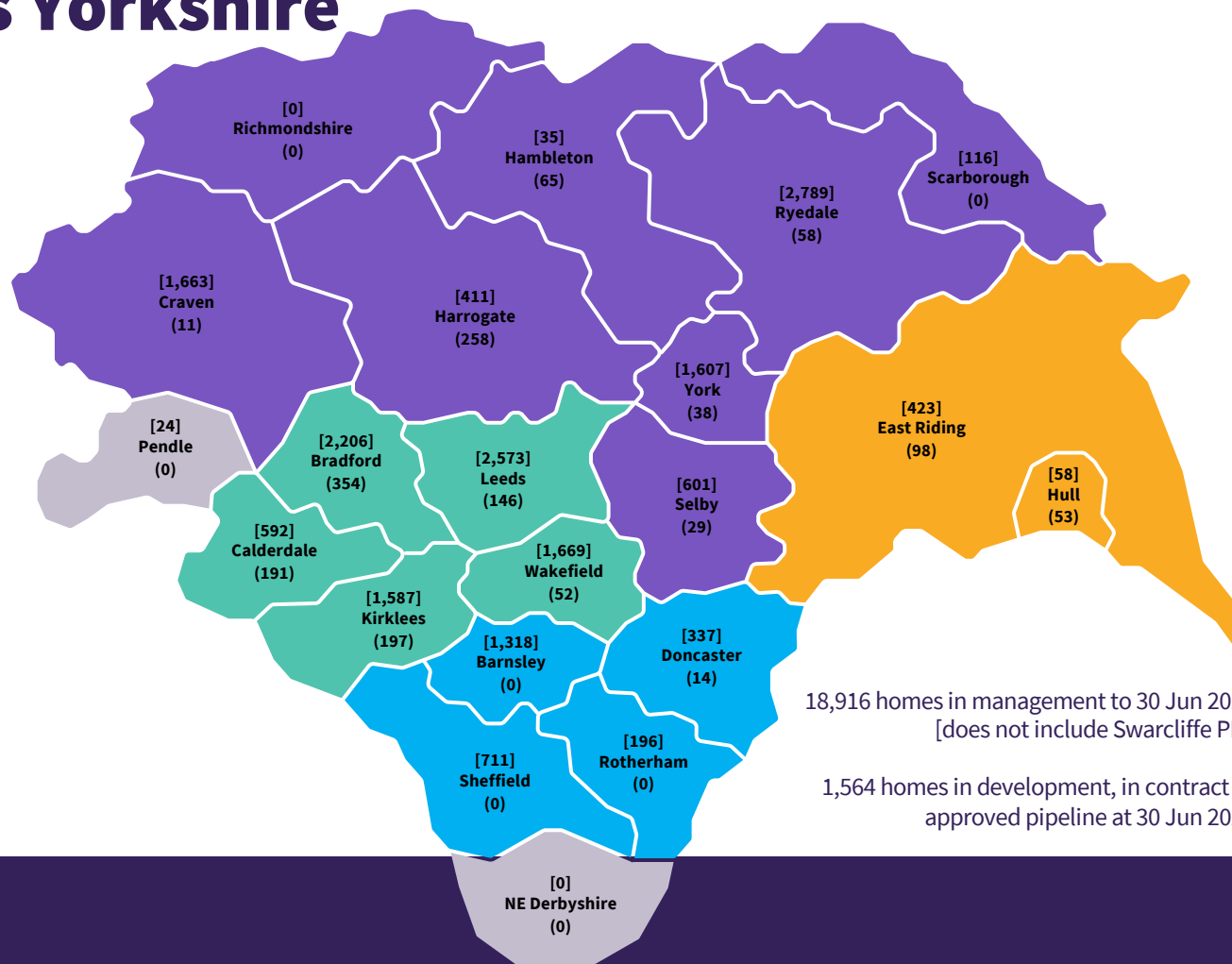


Our Homes and Customers

We operate across Yorkshire

Existing and new homes: June 2023

- West Yorkshire Combined Authority
 - South Yorkshire Mayoral Combined Authority
 - York + North Yorkshire
 - East Riding and Hull
- [] Homes in management
() Homes in development



18,916 homes in management to 30 Jun 2023
[does not include Swarcliffe PFI]

1,564 homes in development, in contract or
approved pipeline at 30 Jun 2023

Our homes at a glance...

100% 

Of our homes are in Yorkshire - too reet!

16,520 

Are rented homes

81% 

Of our homes are heated by gas

82% 

Customers satisfied with the quality of their home

557 

Are leasehold

345 

Are market rent

1,212 

Are low cost home ownership

4% 

Of our homes are heated by solid fuel or oil... but not for long!

99.9% 

Of our homes meet the decent homes standard

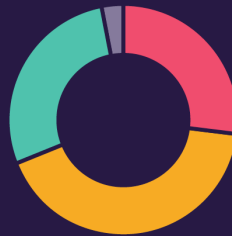
1,200 

Swarcliffe PFI

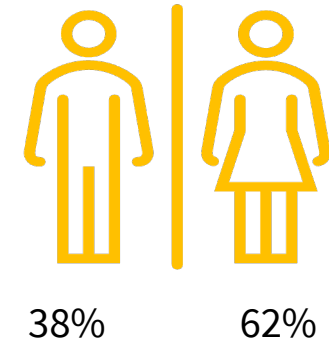
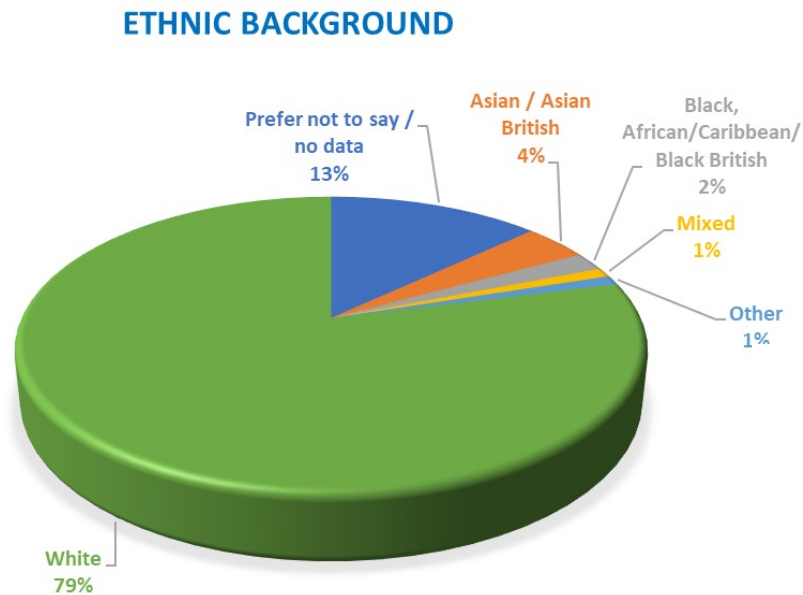
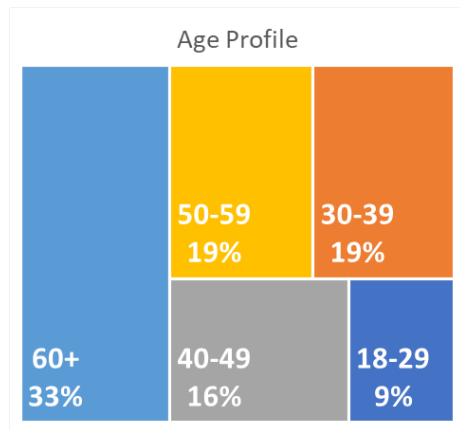
Our homes split by number of bedrooms:

27%  **42%** 

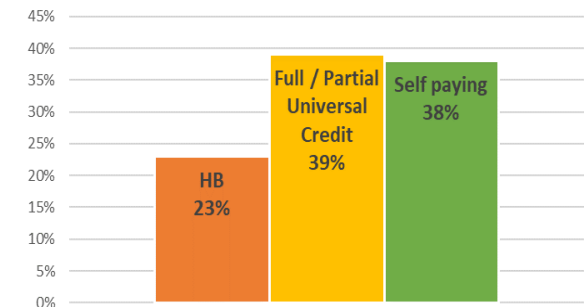
28%  **3%** 



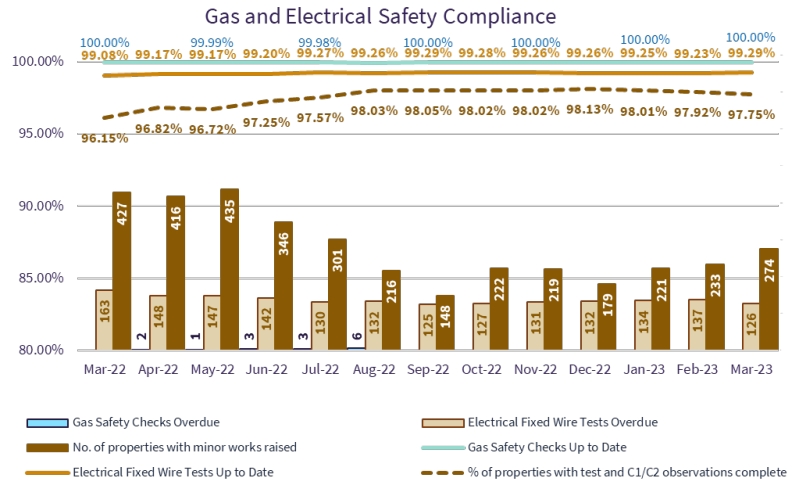
Our customers at a glance...



Rental Payments

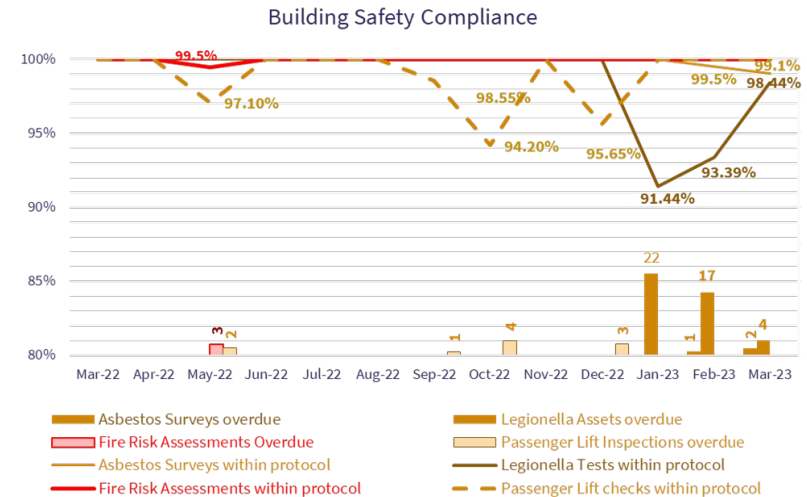


Health & safety



Compliance and RIDDORs

- High level of compliance throughout 2022/23.
- Biggest challenge is forcing access, especially for FWT.
- There were two RIDDORs during the year.



Building Safety

- YH does not own any high rise blocks but manages Foster House, a high rise block in Sheffield.
- YH has lease interests in 5 blocks with cladding. 4 of these have had cladding removed, with the remainder awaiting Building Safety Fund approval.

Damp, mould & disrepair

In early 2022 we established a Damp, Mould & Disrepair Task Force to unify and strengthen our approach to this issue.

In the summer we commissioned an internal audit from KPMG and we have been working on improvements suggested by this review.

In response to recent events we have reviewed and further strengthened our approach to damp and mould cases, including:

- Creating a dedicated Damp & Mould Response Team.
- Taking direct responsibility for administering fungicidal treatments.
- Strengthening our no access policy.
- Adding Damp and Mould to our strategic risk register.
- Enhancing our reporting – adding it to our H&S reporting – now ‘the big 7’.
- Ensuring we meet the principles of ‘Awaab’s Law’



Development

Demand for affordable housing

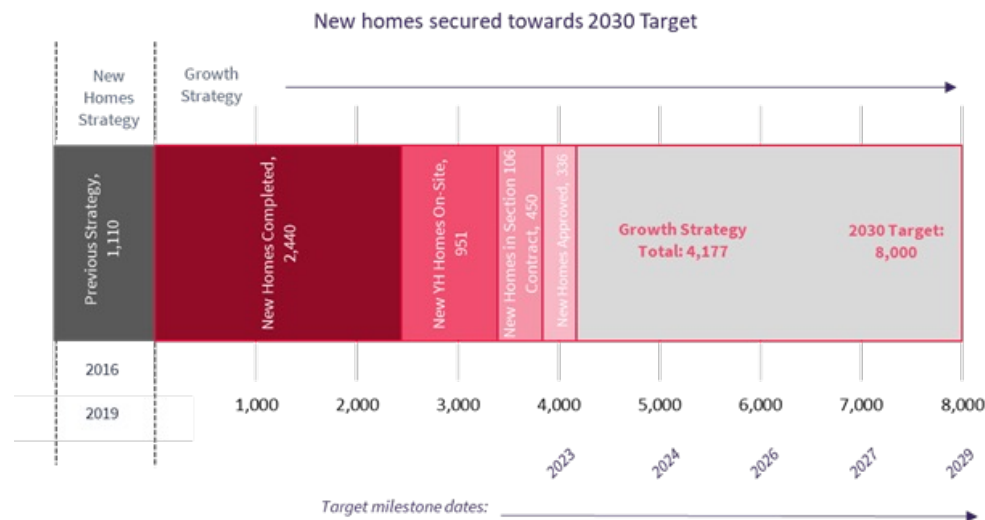
The latest data from the DLUHC suggests there are nearly 160,000 households on the waiting list for affordable homes in Yorkshire and Humberside.

Our supply:

- We have nearly 15,000 properties that are subject to the rent regulation regime and these are spread across 18 different local authorities.
- We have a pipeline of new affordable housing to help meet the demand in Yorkshire & Humberside.
- On average our properties that are subject to rent regulation were rented out at 80.1% of the LHA and 64.8% of the median private rental.



Growth strategy

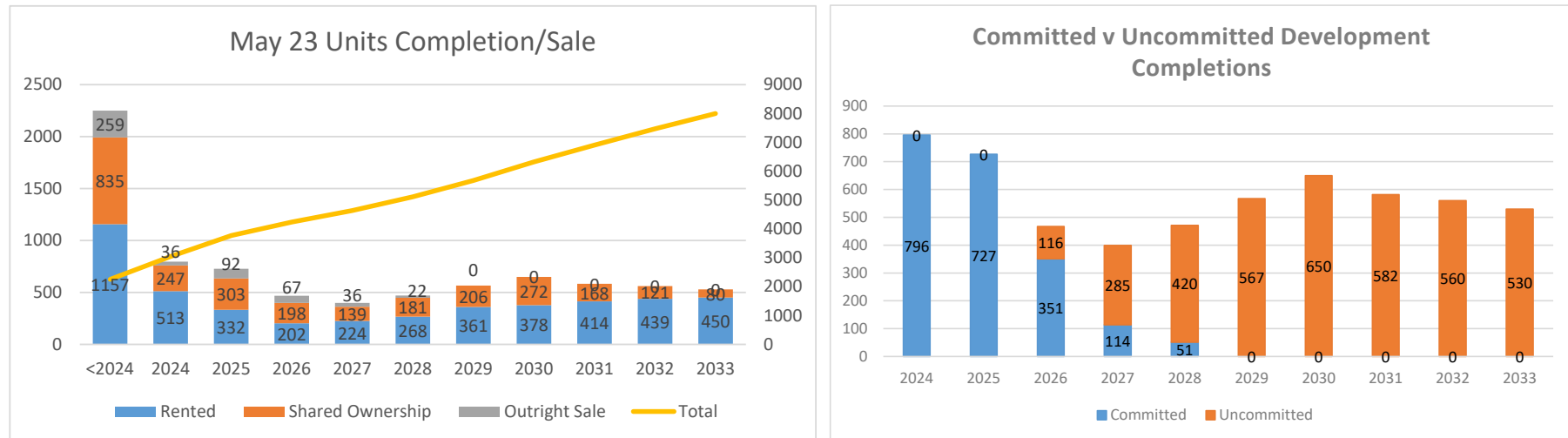


We plan to build 8,000 high quality new homes by 2033 (previously 2030) - with and without the use of grant and subsidy.

We will offer a wider range of homes which meet local needs and demands of our customers including social and affordable rent (50-60%), shared ownership (30-40%) and market sale (<10%).

We aim to produce low carbon homes which are more efficient to build and reduce the running cost for our customers.

Growth strategy – Future plans



Our plans for development are indicative in terms of timing and tender type.

Market sales represents < 10% of our overall development over the next 3 years and we have taken out all uncommitted market sale from our latest plans.

We remain flexible on the timing and tenure of our uncommitted development.

Weavers Chase, Silsden

- **Construction type** - Timber Frame
- **Contractor** - Lindum
- **156 new homes**; 36 affordable rent, 76 shared ownership and 44 rent to buy mix of 2,3 and 4 beds
- **Acquisition** March 2021
- **SoS** 4th May 2021
- **Completion** March 2024
- **Total build cost** – £21,016,789
- **Land value** - £6,340,000
- **TSC** - £29,759,631



Broad Oak Farm, Linthwaite

- **Construction type** - Timber Frame
- **Contractor** - P Casey & Co Ltd
- **125 new homes**; 47 affordable rent, 44 shared ownership and 34 rent to buy mix of 2,3 and 4 beds
- **Acquisition** February 2022
- **SoS** March 2022
- **Completion** October 2024
- **Total build cost** – £18,600,000
- **Land value** - £3,800,000
- **TSC** - £25,400,000





ESG

ESG – Sustainable Reporting Standard

We've produced our second SRS report for 2022/23 and published this on our website in September.

At Yorkshire Housing we're committed to improving our impact on the environment, supporting our customers and providing a high standard of governance.

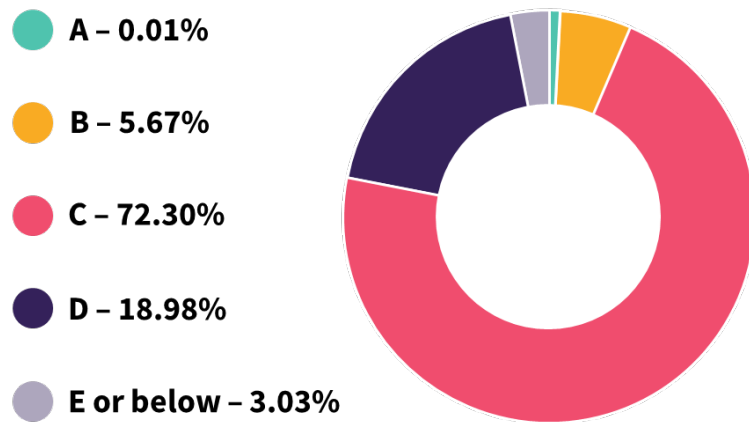
By reporting against the same measures as others in the sector we hope to demonstrate our commitment to ESG and contribute to the transparency of the whole sector on ESG.



Environment – Energy Efficiency



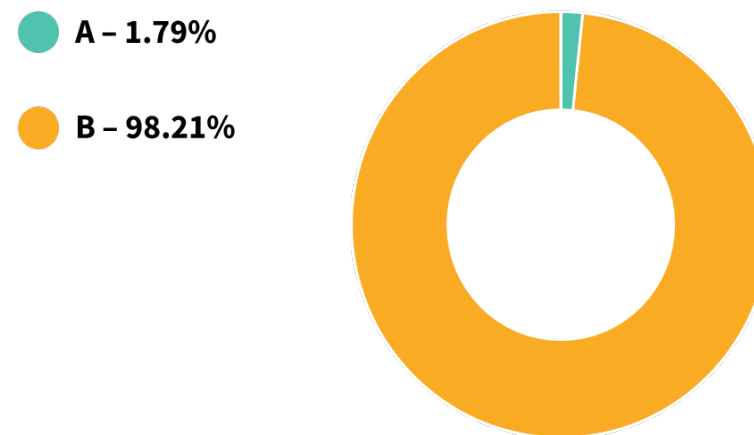
EPC rating of our existing
16,618 homes



We continue to make good progress in our ambition to ensure all our homes are at least EPC C by 2030.



EPC rating of our 224 new
homes built in 2022/23



All our new homes are a minimum of EPC B and we're looking at how we make them more efficient in the future.



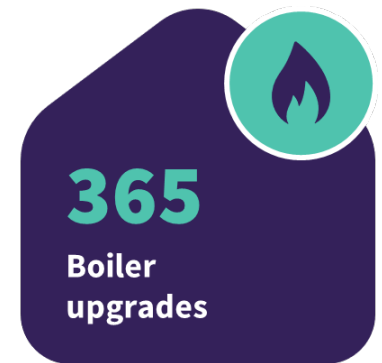
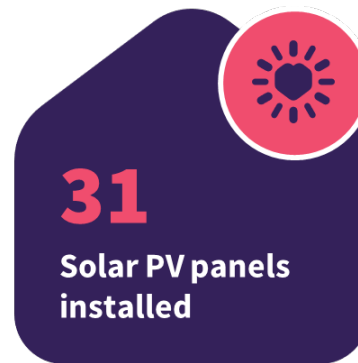
**Yorkshire
Housing**

Environment – Key Facts

In early 2023 we launched our Active Asset Management Strategy which includes a core commitment to reducing the environmental impact of our homes and business.

To do this we are investing £100m in our assets, with £8m of this directly committed to improving the energy efficiency of our homes to reach EPC band C by 2030.

Here is some of the progress we have made in the last year.



Environment – Case Study

Staxton Retrofit Case Study

In March 2022, Yorkshire Housing was successful in bidding for the Social Housing Decarbonisation Fund (SHDF) as part of a consortium with West Yorkshire Combined Authority. We received 190k in grant funding to support delivery of a £1.3m investment improving the energy efficiency of our homes in Staxton, North Yorkshire.

Our customers' homes in Staxton were fitted with External Wall Insulation (EWI), new windows and doors, air source heat pumps and solar PV panels.

100% of properties attained a band C EPC.

It's early days for us in understanding all the benefits these improvements are bringing our customers but early monitoring is showing customers are getting an average of 166 kWh of electricity a month from their solar panels.



"I applaud Yorkshire Housing for this investment because it shows they're genuinely committed to improving customer welfare and tackling climate change by working towards becoming a net-zero carbon emissions social housing provider:

Steve MacKenzie, Customer Voice Climate Change Champion

Social – Community Support



Community grant – One Somali Foundation cycling event, Sheffield

Community independence

We manage community spaces, work with partners on community projects, develop place plans, create volunteering opportunities and kickstart new social and educational activities alongside customers. We use social value to measure the impact on customers wellbeing and in YH communities. Our final social value report for 22/23 will be published later this year with an estimated £2m in social value generated from community independence activities alone.

Community and green spaces

- Internal refurbishment of three community spaces using social value returns
- A comprehensive activity programme for all ages delivered across 13 community spaces
- Recruited new Employment & Skills Officer
- Increased grant awards to provide greater flexibility and support for new initiatives
- Delivering events with Ageing Better (HACT) Bradford
- Delivering community events alongside customers and colleagues
- Positive footprints - *young person's raising aspirations project*
- Developing our social value in procurement process to benefit customers and communities

Social: Customer Support

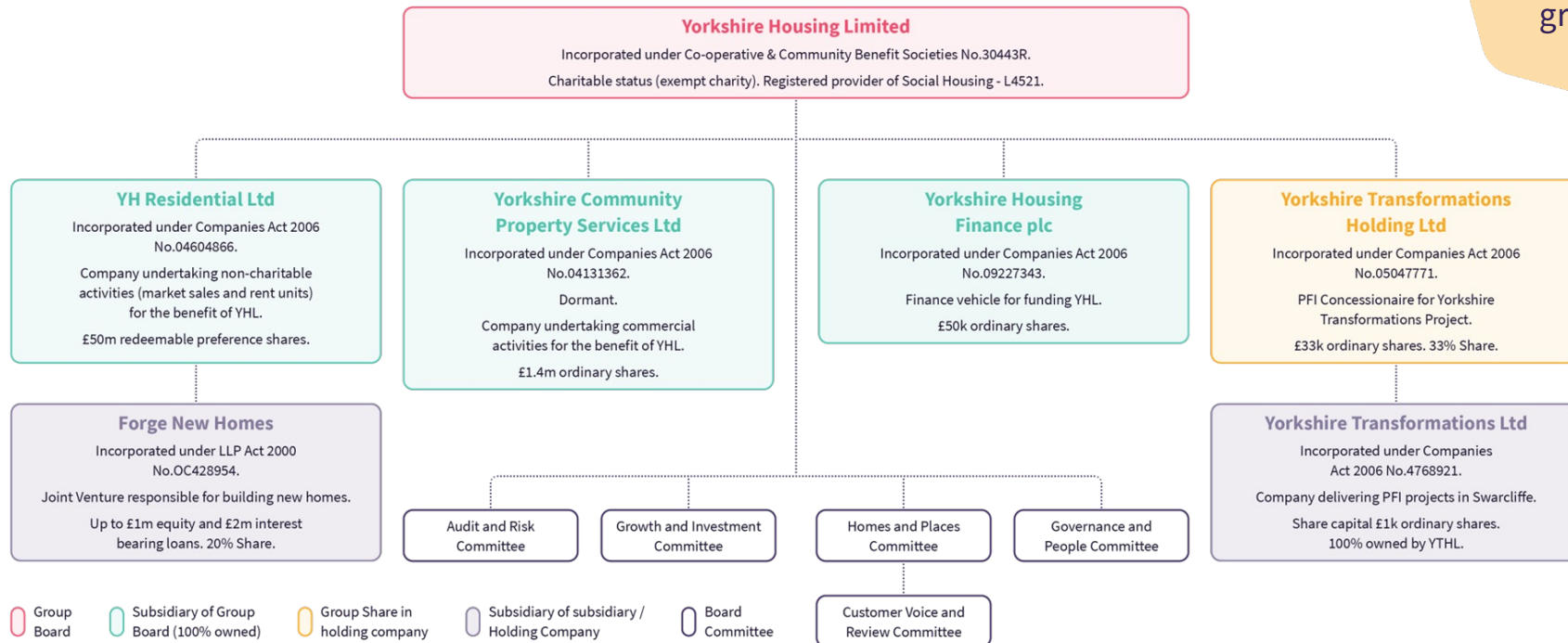
- During 2022-23, the coaching team had over 1,200 referrals and secured over £1.4m of additional funding for our customers and for Yorkshire Housing.
- But this is just a tiny part of what we do in coaching.
- A significant chunk of our impact comes from sustaining tenancies by achieving a range of outcomes: reducing the burden of personal debt; supporting life skills; building customer confidence; getting people into training or employment, creating a safer home and advocating in areas where people need that little bit of extra support and guidance.
- To show the wellbeing impact of our coaching team, we calculate this through social value and we generated over £5 million of social value* in 2022-2023
- *Based on HACT social value calculator.



Governance - Our Structure

Our corporate structure is straightforward and supports good governance

G1 / V2
Regulatory
grading





Board & Leadership Team

Board members



Ingrid
Fife
(chair)



Leann
Hearne



Eleanor
Stead



Ian
Costigan



Isabel
Hunt



Jacqueline
Esimaje-Heath



Russell
Galley



Matthew
Blake

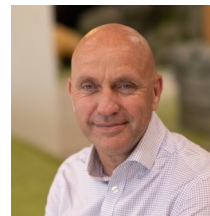


Lisa
Bradley

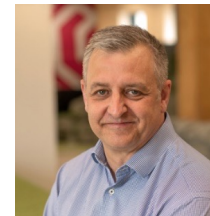
TBC

Full biographies are available on our website: www.yorkshirehousing.co.uk

Executive team



Nick Atkin
Chief Executive



Andy Gamble
Executive Director
Growth & Assets



Andy Oldale
Executive Director
Finance & Governance



Nina Evison
Executive Director
Culture & Performance

tbc
Executive Director
Customer Experience



Financial & Operational Performance

Financial Performance 22/23 – Key ratios

Good financial performance in 22/23

| Statement of comprehensive income | 12 months to | 12 months to |
|---|-----------------|-----------------|
| | 31st March 2023 | 31st March 2022 |
| | Actual | Actual |
| Turnover from social housing lettings | £96.2m | £88.7m |
| Turnover | £145.8m | £148.7m |
| Operating surplus (excluding asset sales) | £28.8m | £22.5m |
| Net surplus before taxation and refinancing costs | £12.4m | £5.3m |

Turnover from social housing lettings benefitted from reduced voids and additional properties as well as a 4% rent increase.

| Key financial ratios | 12 months to | 12 months to |
|--|-----------------|-----------------|
| | 31st March 2023 | 31st March 2022 |
| | Actual | Actual |
| EBITDA / MRI interest cover (exc refinancing costs) | 123% | 137% |
| EBITDA interest cover (exc refinancing costs) | 212% | N/A |
| Social housing lettings interest cover (exc refinancing costs) | 81% | 78% |
| Gearing | 54% | 52% |

EBITDA Interest cover is key IC ratio as ties into tightest banking covenant.

- Golden Rule > 175%
- Covenant is 155%

Financial Performance 22/23

Group statement of comprehensive income

| | Note | 2023 £'000 | 2022 £'000 |
|---|------|---------------|-----------------|
| Turnover | 3 | 145,795 | 148,693 |
| Cost of sales | 3 | (32,926) | (43,327) |
| Operating costs | 3 | (90,672) | (85,948) |
| Other income | 3 | 100 | (668) |
| Gain on disposal of fixed assets | 6 | 6,464 | 3,722 |
| Operating surplus | | 28,761 | 22,472 |
| Interest receivable and dividends | 7 | 1,053 | 280 |
| Interest and financing costs | 8 | (17,382) | (17,407) |
| Other financing costs - refinancing & break costs | 8 | (1,888) | (35,834) |
| Surplus / (deficit) before taxation (on ordinary activities) | | 10,544 | (30,489) |
| Taxation on surplus | 11 | - | - |
| Deferred tax | 11 | (66) | (123) |
| Surplus / (deficit) for the financial year after taxation | | 10,478 | (30,612) |
| Other comprehensive income: | | | |
| Actuarial gain / (loss) on defined benefit pension scheme | 31 | (1,408) | 3,813 |
| Movement in fair value of hedged financial instruments | 36 | 2,900 | 989 |
| Total comprehensive income for the year | | 11,970 | (25,810) |

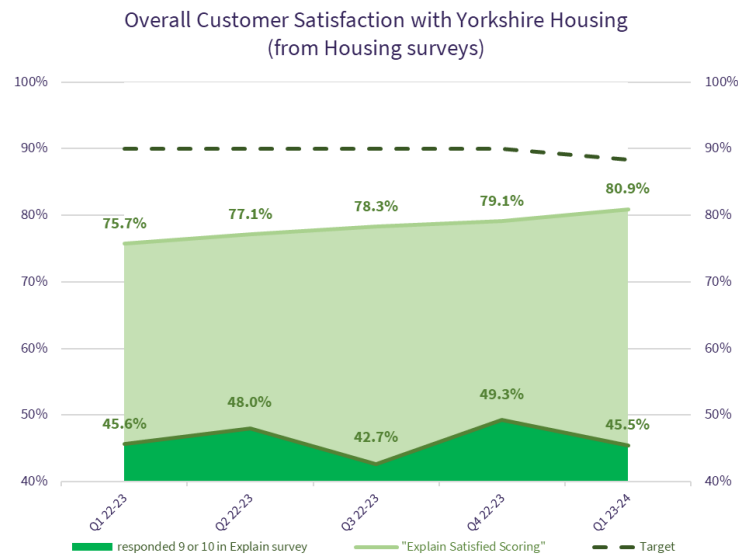
Source : Audited Financial Statements – Group Statement of Comprehensive Income

Good financial performance in 2022/23, despite tough conditions, key points:

- Surplus broadly in line with budget.
- 233 shared ownership units sold, generating a surplus of £4.6m.
- 42 open market sales generating a surplus of £2.9m.
- Pressure on repairs and maintenance costs.
- Surplus benefited from the disposal of 69 strategic disposals, 9 RTA/RTB units and 52 staircasing transactions, and the disposal of our previous head office.

Operational ratios – customer satisfaction

Customer satisfaction is below target but has been improving



Source : July 2023 Board report

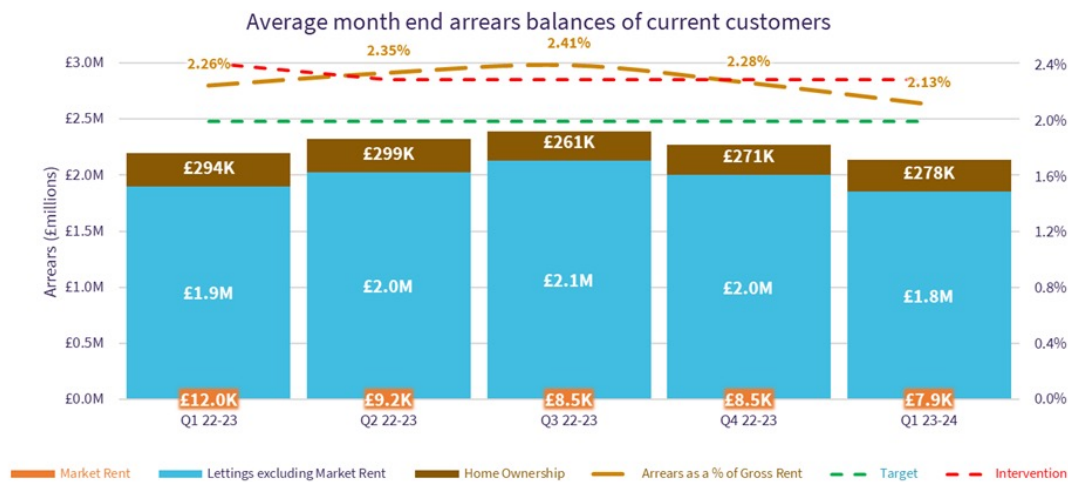
We are seeing increased satisfaction with a decreased backlog in repairs, improvements in lettings and call answering in Q1.

Measures being taken to improve include:

- Continuous monitoring and review of customer satisfaction across all service areas as we continue to drive customer obsessed approaches.
- Launch of Fix it First outcomes in August 23
- RAID improvement plan developed and rolled out August 23
- A new centralised complaints team structure to be in place August 23
- New Customer Experience Strategy being developed and will be launched in early 2024

Operational ratios – rent arrears

During the last year we have seen pressure on arrears but managed to hold at just over 2%



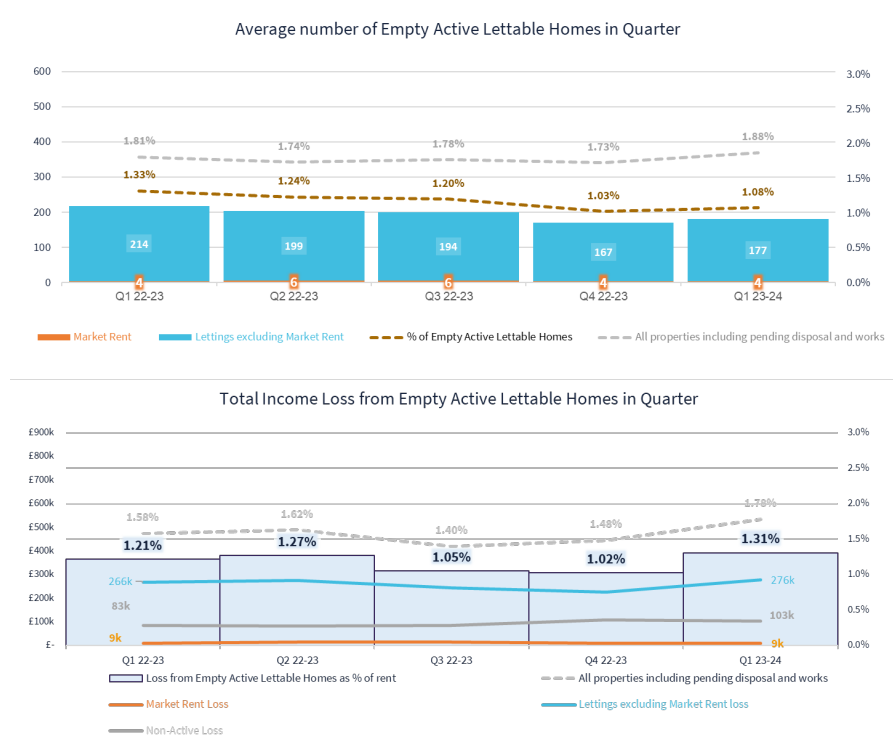
Benchmarking suggests our level of arrears remains well below the average for the sector.

We attribute this to careful monitoring of the level of arrears and the pro-active work we do with customers who are struggling to pay.

This includes providing advice on benefits, budgeting, hoarding, self neglect, domestic abuse, addiction, lack of essential household items, rent arrears, utility debt, credit debt, ill health (physical or mental), employment/volunteering, training and fuel/food poverty.

Source : Performance Clinic KPI report

Operational ratios – empty lettable homes



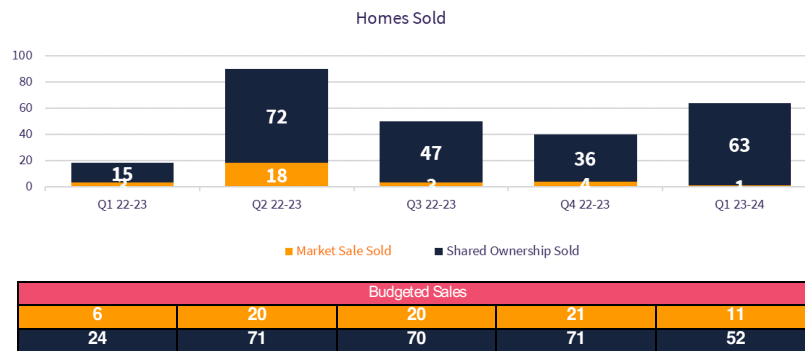
We have made progress in further reducing the number of empty homes over the last year.

- A significant increase in empty lettable homes (voids) at the start of the pandemic has been addressed and we are back to pre-pandemic levels
- Significant increase in the cost of turning around empty homes and looking at how to address this.
- All empty homes go through an evaluation to determine if they are still consistent with our requirements

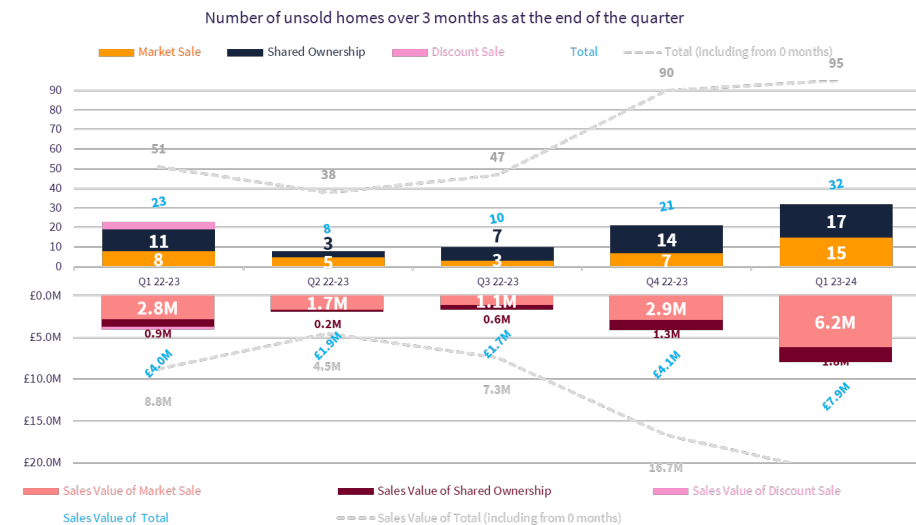
Source : Performance Clinic KPI report

Operational ratios – property sales

Demand for shared ownership has remained strong, whilst market sale demand is subdued



Relatively small number of market sale in pipeline.
Options to switch tenure under active consideration.





Treasury and Funding

Credit Rating

We have retained our A3 (Negative) Credit Rating with Moodys

Summary

The credit profile of [Yorkshire Housing Limited](#) (Yorkshire, A3 negative) reflects its adequate debt metrics as well as its solid liquidity. The credit profile also takes into account the deteriorated margins, the scale-up in Yorkshire's development programme and a high exposure to market sales relative to peers. Yorkshire benefits from the strong regulatory framework governing English housing associations, and our assessment that there is a strong likelihood of the government of the [United Kingdom](#) (Aa3 negative) intervening in the event of Yorkshire facing acute liquidity stress.

Credit strengths

- » Debt metrics expected to remain in line with peer medians, despite increasing debt
- » Sound management underpins good liquidity metrics
- » Supportive institutional framework

Credit challenges

- » Deteriorated operating performance
- » Ambitious development program and very high market sales exposure

Debt and Liquidity

YH has good levels of liquidity, but these include sale of retained bonds

| Liquidity | 31st March 2023 Actual | 31st March 2022 Actual | Undrawn facilities include £145m of retained bonds (4.125% coupon). |
|--------------------------------|---------------------------|---------------------------|---|
| 18 month liquidity requirement | £98.3m | £87.1m | |
| Cash and undrawn facilities | £365.6m | £375.1m | |
| Liquidity ratio | 372% | 431% | |
| Secured liquidity (months) | 22 mths | 20 mths | |
| Ratio of fixed rate debt | 86% | 84% | |
| Weighted Average Cost of Debt | 3.7% | 3.2% | |

We have sufficient liquidity in place until January 2027, when one of our RCF's is repayable.

Current gilt rates means that our retained bonds would be expensive.

Successful application for funds under the Affordable Housing Guarantee Scheme (AHGS) to provide cheaper long-term funding than retained bonds at rates that work very well within our business plan.

Debt and Liquidity

Some key facts and figures at the end of June 2023

Debt

- Debt at the end of June 2023 amounted to £615.9m against committed facilities of £930.9m.
- In addition to undrawn facilities of £315m, the Group held cash balances of £11.8m, providing total liquidity of £326.7m

Security

- The release of surplus security from existing facilities means that 1,709 properties have been retained on an unallocated basis for use as security against future funding. The value of these properties is £139m.
- The Group also retains a further 2,092 unencumbered units. These have been valued on a desktop basis at an Existing Use Value (EUV) of £143m.

Interest

- The fixed/floating ratio of debt was 82%/18%, and the weighted average cost of capital was 3.93%.
- The current cost of variable debt is 6.18% and continues to increase in line with interest rates on SONIA linked loans.

Compliance

- We have good headroom on all covenants, with EDITDA Interest Cover being our key covenant.



Risks, Mitigations and Outlook

Principal risks, mitigations & outlook

| | Adverse Economic Climate | Assets Investment & Maintenance | Customer Experience | Cyber Security |
|----------------------|---|---|--|--|
| Risk Overview | Issues experienced in the economic climate due to major external events e.g. Ukraine War, increasing energy costs and interest rates | Managing the cumulative requirements of building safety, landlord requirements, home standards, energy efficiency and decarbonisation. | Failure to deliver appropriate, timely, tailored and value add services to existing and future customers. | Systems and data are inadequately protected against theft, loss and corruption arising from cyber security breach. |
| Mitigations | <ul style="list-style-type: none"> • Treasury Strategy & thresholds. • Prudent sales assumptions. • Enhanced Tenancy Services. • Board agreed stress tests, sensitivity, analysis and early warning triggers. • Detailed mitigations plan. • Risk based appraisals. • Supplier framework agreements. • Assurance and technical advisory. • Markets indicators analysis | <ul style="list-style-type: none"> • Stock condition surveys. • Asset Management Strategy • Smart tech & IOT Pilots. • Investment budgets. • Compliance servicing & testing programme i.e., gas & electrical safety. • Repairs Inspections. • Quarterly updates to Growth & Investment Committee, Homes and Places Committee and YH Residential Board. | <ul style="list-style-type: none"> • Great Customer Experience and • Homes and Places Strategy. • Comprehensive policy framework. • Customer experience embedded in teams' performance framework. • Dedicated insight function. • Monthly customer surveys. • Enhanced tenancy services. • Performance and feedback clinics. | <ul style="list-style-type: none"> • IT Strategy and full policy suite. • Encryption and cloud services. • Mobile Device monitoring. • Multi-Factor Authentication. • Security testing. • Disaster recovery and Business Continuity plans & test cycle. • Training & awareness programmes. • Specialist technical security resources and 3rd party assurance |
| Outlook | Inflation now reducing and interest rates slowing down but economic downturn an increasing risk. | Increased regulatory focus on building safety and stock condition data. Uncertainty over decarbonisation costs. | Increased regulatory focus on customer and introduction of new consumer standards. Expansion of Housing Ombudsman. | Continued growth in cyber attacks. Greater sophistication as well as greater frequency. |



Summary





Appendices



**Yorkshire
Housing**

Our history

Yorkshire Housing History

- Yorkshire Housing was formed in 2008 through the formal merging of stock transfers Ryedale Housing Association and Craven Housing both with homes across North Yorkshire along with Yorkshire Metropolitan Housing Association and Brunel and Family Housing Association (whose homes were mainly in West and South Yorkshire).
- The four organisations together had a combined stock of about 13,500 homes.
- Yorkshire Housing has grown and diversified significantly over the last 12 years. We now have around 18,000 homes in management across Yorkshire and aim to be one of the best providers of homes and support.

