Bromford.

Trading update

For the year ended 31 March 2024

Contents

Full year highlights

G1/V1
Regulatory ratings

A+/A2
Credit ratings

Our S&P rating is now A+ (stable) without relying on government support

47,304
Homes owned and/or managed

1,191
New affordable homes

No open market sale

£60m+
Investment in our existing homes

£314m
Turnover

85%
Social housing lettings contribution to total turnover

£110m
Operating surplus

34%
Operating margin on social housing lettings

41%
Asset gearing

1.9x
EBITDA MRI interest cover

Sustainability golden metrics

Sustainability Linked Loans:

ABN·AMRO
LLOYDS BANK
BARCLAYS
NatWest
HSBC
SMBC

89%
Homes at EPC C or above

31.7 kg/m²
Scope 1, 2 and 3 emissions

55%
Market-social rent differential

551
New social rent homes

91%
Customer advocacy

10,285
Average live repairs

25
Customers coached into employment or training

9:3
Board and executive male:female ratio

3.8%
Gender pay gap

3.9%
Ethnicity pay gap

8.7
Colleague sick days

99.98%
Decent Homes Standard

100%
Gas and fire safety

20
Complaints upheld by Ombudsman

0
Adverse regulatory findings

Key figures

Robert Nettleton
Chief Executive Officer

Key figures	31 Mar 24	31 Mar 23
Turnover	£314m	£290m
Social housing lettings turnover	85%	83%
Operating surplus (excluding asset sales)	£95m	£91m
Operating margin[1] on social housing lettings[2]	34%	34%
Overall operating margin[3] (excluding asset sales)	30%	31%
Net arrears[4]	4.9%	4.0%
Asset gearing[5]	41%	40%
EBITDA MRI interest cover[6]	1.9x	1.9x

Sustainability	31 Mar 24
Number of new social rent homes	551[a]
Homes at EPC C or above	89%
Gender pay gap[7]	3.8%

“

We are very pleased to present our 2023-24 results. Despite persistently high-cost inflation, which has had a material impact on many of our customers, and a government-imposed rent cap, we have maintained our key metrics and ratings. This has enabled us to develop new homes at scale as we delivered 1,191 affordable homes in the year and continued to secure our pipeline for the years ahead. Importantly, we increased our investment in our existing homes by 13% to more than £60m, including an additional £3m in response to the increased demand for repairs and to address condensation, damp and mould.

At the same time, we have successfully launched the final piece of our new Microsoft Dynamics ERP system with the asset management module; improved our customer advocacy score to 91% (2023: 83%); and secured over £1m of grant income for our communities. In the first year of the Regulator’s Tenant Satisfaction measures we achieved an overall satisfaction score of 85%.

We appreciate there is more to do. Disappointingly, we had 20 complaints upheld by the Housing Ombudsman, including five for serious maladministration, around the themes of repairs and complaint handling. We recognise the ongoing challenges and continue to make improvements through key learnings.

Looking ahead, we will continue to deliver our Bromford Strategy 2023-2027 and build on our core strategic pillars of place, scale and impact. As we pursue our growth plans to take advantage of new opportunities, we will remain focused on our current and future customers and our core business of social housing; maintaining our operating model and consolidating our strong financial position.

a. An additional nine new homes were acquired in the year

Financial performance

Paul Walsh
Chief Finance Officer

Despite the ongoing challenges in our operating environment we are pleased to report another strong set of financial results. We are determined to provide homes that our customers are proud to live in whilst remaining committed to financial discipline.

Total turnover exceeded £300m in the year with 85% coming from our core business of social housing. We are pleased to have delivered a social housing operating margin of 34%, maintaining our performance from the previous year and continuing to deliver sector leading performance. We knew this year would be a challenge with cost inflation exceeding the rent cap, and we maintained our focus on driving efficiencies. Our strategic cost review has delivered £5m of savings in the year and helped offset the additional investment required to manage higher-than-anticipated repairs and address instances of condensation, damp and mould in our homes. We invested an additional £3m in repairs year on year which has driven the shortfall in net surplus compared to budget.

Our overall operating margin reduced slightly year on year to 30%, largely a consequence of the lower margins seen on the first tranche sale of shared ownership homes at 21% (2023: 26%). This was, however, significantly better than budgeted which helped generate c.£2m additional sales surplus, partially offsetting the cost pressures above.

85%
Social housing lettings contribution to total turnover

34%
Operating margin on social housing lettings

30%
Operating margin

Statement of comprehensive income	31 Mar 24 Actual	31 Mar 24 Budget	31 Mar 23 Actual
Turnover from social housing lettings	£267m	£267m	£239m
Turnover	£314m	£310m	£290m
Operating surplus (excluding asset sales)	£95m	£100m	£91m
Surplus after tax (excluding fair value gains)	£67m	£72m	£64m

Margins	31 Mar 24 Actual	31 Mar 24 Budget	31 Mar 23 Actual
Operating margin[1] on social housing lettings[2]	34%	36%	34%
Overall operating margin[3] (excluding asset sales)	30%	32%	31%
Overall operating margin[3] (including asset sales)	35%	37%	37%
Operating margin on shared ownership (first tranche)[8]	21%	17%	26%

Key financial ratios	31 Mar 24 Actual	31 Mar 24 Budget	31 Mar 23 Actual
EBITDA MRI interest cover[6]	1.9x	2.1x	1.9x
EBITDA interest cover (funder covenant)[9]	3.2x	3.3x	3.1x
Social housing interest cover[10]	1.9x	2.0x	1.6x
Asset gearing[5]	41%	41%	40%

Liquidity	31 Mar 24 Actual
18 month liquidity requirement[11]	£257m
Cash and undrawn facilities	£538m
Liquidity ratio[12]	2.1x
Unencumbered stock (number of homes)	8,413
Unencumbered stock (debt capacity)	£695m

Contents

Treasury and sustainability

Imran Mubeen
Director of Treasury

3.2x
EBITDA interest cover

£538m
Cash and undrawn facilities

2.1x
Liquidity ratio

A+/A2
S&P / Moody's credit ratings

“

We continue to unlock our balance sheet capacity and deliver new funding to realise our new homes and sustainability ambitions whilst maintaining our strong single A credit strength.

We delivered £150m of new drawn funding, as we co-created a new pathway to funding with Legal and General Investment Management to raise £50m, and then returned to the traditional private placement market to secure a further £100m with North American and UK investors. We also expanded our portfolio of revolving credit facilities to £450m across six funders, all linked to our sustainability golden metrics. We continue to pioneer sustainable finance in our sector and our portfolio now includes the first loans linked to reducing our Scope 1, 2 and 3 carbon emissions, improving our customer advocacy and actioning our outstanding repairs.

Our Sustainability Linked Loans (SLLs) all carry appropriately stretching ESG targets as we seek to drive positive outcomes for our customers and colleagues. We acknowledge that, by definition, we will not always meet every target. One of the benefits of our SLLs is the greater visibility and accountability they provide on ESG performance. We fell short against our first year target for coaching customers in employment or training (25 against a target of 100). We have already implemented valuable operational lessons from the first year and have invested in additional dedicated resource to drive this initiative forward to meet our targets next year.

We will return to the market for new funding over the coming year with significant capacity for additional borrowing. We will strengthen and develop our relationships with our existing investors and we will continue to explore opportunities to diversify our funding streams, building on the success of our inaugural roundtable with European investors.

Environmental	31 Mar 24	31 Mar 23
Homes at EPC C or above[13]	89%	87%
Scope 1, 2 and 3 emissions	31.7 kg/m^2	n/a[a]

Social	31 Mar 24	31 Mar 23
Market-social rent differential[14]	55%	54%
Number of affordable homes completed	1,191[b]	1,265
of which social rent homes	551[b]	554
Customer advocacy[15]	91%	83%
Average live repairs[16]	10,285	n/a[c]
Customers coached into employment or training[17]	25	n/a[c]

Governance	31 Mar 24	31 Mar 23
Board and Executive male:female ratio	9:3	9:4
Gender pay gap[7]	3.8%	6.5%
Ethnicity pay gap[18]	3.9%	4.4%
Colleague sick days[19]	8.7	n/a[c]
Landlord compliance:		
Gas safety	100%	100%
Fire safety	100%	100%
Decent homes	99.98%	99.99%
Complaints upheld by Ombudsman	20[d]	9
Adverse regulatory findings	0	0

a. Data rebaselined for 31 March 2024

b. An additional nine new homes were acquired in the year

c. Introduced as a golden metric in FY2023/24

d. Of which there were five service failure, ten maladministration, and five severe maladministration

Case study

Governance: Mental health training empowers colleagues to support customers

The cost of living crisis isn't just putting a strain on household wallets, it's having a serious impact on people's wellbeing and mental health and in some instances resulting in self-harm.

Research published by Mind in October 2023 revealed that the cost of living crisis has led to 6% of the UK population to consider ending their lives. One in five people have reported worsening depression and people receiving Universal Credit are more than three times more likely to consider suicide because of the cost of living crisis. Many of our colleagues who are talking to customers face-to-face every day were expressing and reporting more concerns about the mental health of our customers, so we decided we needed to do something to enable colleagues to support our customers.

HR business partner Tuesday Wilmott said: "We already had an online suicide awareness course available to colleagues, so we looked into what else we could offer. We felt the most comprehensive package for colleagues was for suicide first aid training and agreed to offer the opportunity to take part to two cohorts of customer-facing teams. This enabled us to upskill colleagues who had expressed a direct interest in the subject."

We appointed Grassroots Suicide Prevention, a nationwide organisation which empowers people to save lives through education to run two sessions with our colleagues. The first session was given to colleagues who meet customers in their homes every day but do not have ongoing relationships with those customers, such as engineers from our Service Delivery team. The course gave learners the skills needed to identify someone who may be thinking about suicide through tutor-led role-play, group work and audio-visual presentations.

The second cohort was made up of colleagues who do hold the main relationships with the customer and consisted primarily of some of our neighbourhood coaches. This course provided colleagues with an interactive and emotionally engaging learning experience that encouraged them to empathise with a person having thoughts of suicide. And by using the learning from the course the hope is that colleagues can help individuals who are having thoughts of suicide to stay safe and well.

Ben Lea, M&E manager said: "It was truly insightful and provided valuable insights into approaching individuals in specific ways, recognising certain behavioural patterns, and identifying traits. As a leader, this knowledge equips me with the tools to be more attentive and aware, enabling me to better support and look out for others' well-being. It's a subtle reminder of the importance of checking in on people regularly."

The training was funded through part of the savings from our portfolio of Sustainability Linked Loans with our investors.

Director of treasury Imran Mubeen said: "We believe that Sustainability Linked Loans (SLLs) can be a catalyst for positive change both within our business and the wider community. Our six SLLs are linked to eight sustainability objectives in our 2023 – 2027 Bromford Strategy, which provide greater visibility and accountability on our ESG ambitions as we become a more sustainable organisation. By utilising the savings from these loans we can drive meaningful change that supports our customer and colleagues by providing initiatives such as these suicide awareness training sessions."

Customer experience

Paul Coates
Chief Customer Officer

With a renewed focus on the quality of our homes and customer experience, we are delighted that our internal measure of overall customer advocacy for the year ended 31 March 2024 improved once again to 91% (2023: 83%). We welcome the introduction of Tenant Satisfaction Measures (TSMs) which allow the Regulator and, importantly, our customers to hold us to account against our delivery. In our first year of data collection we have benchmarked our performance against our peer group and are pleased to have delivered top-quartile performance against key measures.

We continue to support our customers through a number of initiatives. Our cost-of-living working group has delivered over 9,400 positive interventions, helping customers secure just under £1m in additional income since its inception in June 2022. In total, we have responded to 45,000 cases on our online customer portal since it was established in October 2022, across a range of requests from wellbeing support to repairs. We were particularly pleased to help customers reduce their utility bills by launching a programme of shower installations, and have made many homes warmer by fitting new carpets.

Like most of the sector, we have faced high demand for repairs with the introduction of Awaab's Law. We had 10,285 repairs outstanding on average across the year and have committed to reducing this to 8,000 by March 2025, which is within our target operational range. We will continue to invest in our homes and enhance our customer experience through our newly-launched asset management system which will deliver a more efficient and more responsive service.

91%
Customer advocacy
(internal measure)

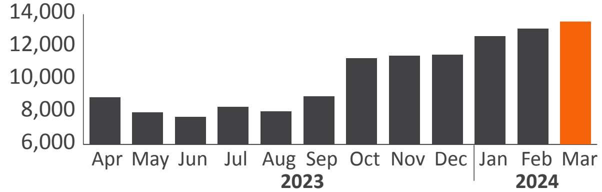
85%
Overall satisfaction
(Tenant Satisfaction Measure)

89%
Customers recommend
their neighbourhood coach

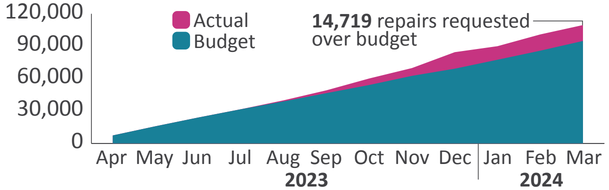
"My new carpet makes it a lot warmer, looks nicer and I'm proud to call this my home"

– customer feedback on new carpet initiative

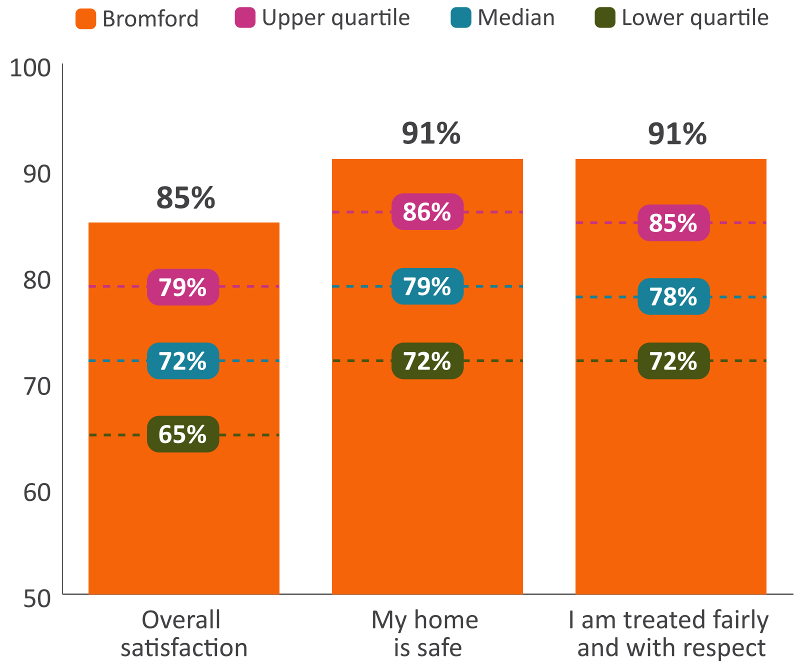
Outstanding repairs



Cumulative repairs demand



Tenant Satisfacton Measures (TSMs) performance versus our peers[a]



a. Housemark TSM FY2023/24 mid-year results. Peer group consisted of 189 landlords choosing to submit mid-year TSM results for the period April to September 2023.

Case study

Environmental: Making our homes more energy efficient

We're committed to ensuring all of our homes are energy efficient and as warm and affordable for our customers to live in as possible.

Over the past year we have handed over the keys to customers of some of the most energy efficient homes we have ever built. But at the same time as building new homes with high EPC ratings, we have also been continuing to improve the energy efficiency of some of our older properties. Among the worst rated properties we owned were our pre-cast reinforced concrete (PRC) homes.

These homes were built using non-traditional construction methods in the post-war period as a quick solution to the housing shortage at the time. There were several different types of PRC homes but over time they have all become notorious for suffering from poor insulation and allowing heat to easily escape, making them expensive to keep warm.

We own 1,200 of these properties in South Gloucestershire and over the past ten years have had an improvement programme in place to make them warmer, cheaper to heat and generally improve their external appearance. Now work on the final few blocks of flats is getting underway, which will bring the long-running programme to a successful conclusion.

Of the 1,200 properties, 790 have had external wall insulation fitted to them, transforming their thermal efficiency and increasing energy performance ratings to a C. And with homes becoming more energy efficient, customers have had to use far less energy to keep them warm. Those living in the most common type of PRC home that we own, are now using two thirds of the energy they were previously.

In addition to fitting external wall insulation, the homes in the programme have also benefited from other improvements including new windows, doors and roofs, loft insulation, fascias and soffits. Homes have been redecorated externally, while footpaths, gates and fences have also been repaired or replaced.

Investment Delivery Manager Fay Gorick said: "This has been a long-running programme and we're incredibly proud of the improvements we have made to people's homes through this project over the years. Making these homes more energy efficient has improved the homes and lives of our customers; the new insulation means homes stay warmer for longer, which means customers are potentially using less energy than they did before, and potentially seeing savings on their energy bills."

Ms Manca a customer who recently had work completed to their home said: "It's very good, and a lot warmer than before, before it was really drafty, I do feel the benefit and I don't have the heating on as much as I used to."

Completing the work on these properties has helped to increase the total number of Bromford homes with an EPC rating of C or above to 89% and we are committed to bringing all homes up to this level by 2028.

Building new homes

Cath Jarrett
Director of Sales and Marketing

Amanda Swann
Development Director

This year we have built on our impressive development track record, delivering 1,191 new affordable homes. Almost half of these are for social rent, offering the most accessible route to housing to those most in need in our communities. We are proud to remain a leading developer of social rented homes; we were the third highest developer of social rented homes over the last five years.

We have ambitious future development aspirations, and plan to deliver circa 11,000 new low carbon homes by 2032, focusing on affordable tenures to support our core business. This year, one in eight of our new homes was delivered in-house, and we expect this to rise to one in five as we continue to buy land and pursue in-house delivery. In July 2023, plans were approved for 180 homes at Snow Capel, Gloucestershire, and we have also secured land at Matson in Gloucestershire for more than 200 homes, our largest development to date. We continue to leverage £240m of grant funding through wave two of our strategic partnership with Homes England.

We have delivered strong sales results once again this year, outperforming our budgeted expectations. Our focus continues to be on shared ownership, where we see significant demand in our core geographies. We are investing in our multi-channel marketing strategy and are proudly helping to lead the national campaign to drive engagement with the scheme. We closed the year at 31 March 2024 with just 49 unsold homes, of which 42 were only handed over in March 2024 and 16 were already reserved or exchanged. As the mortgage market settles and economic conditions continue to ease, we will strive to help even more customers make their dreams of home ownership a reality.

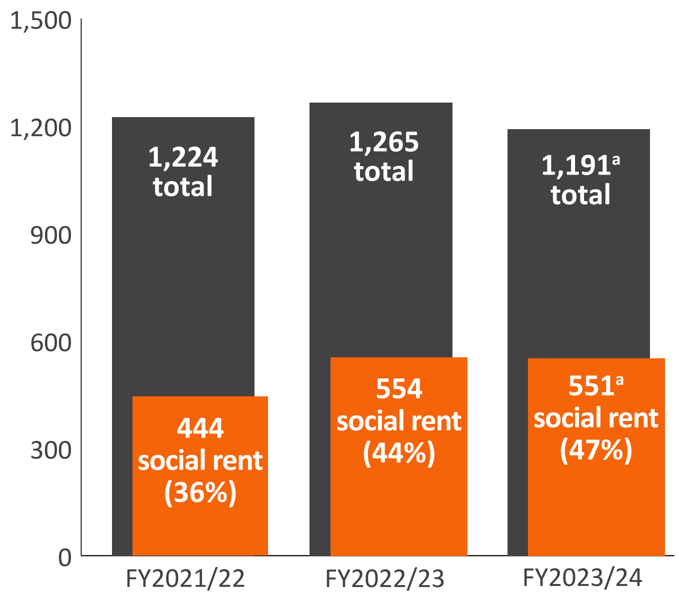
551
Soical rent homes

308
Affordable rent homes

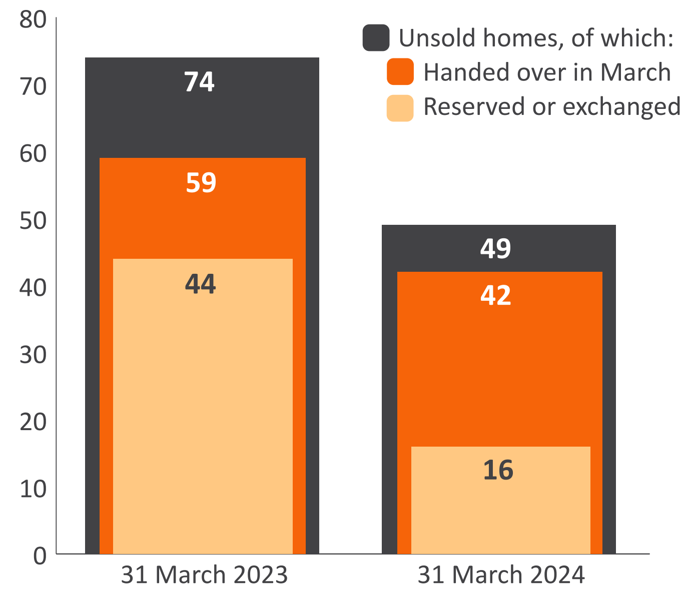
332
Shared ownership homes

c.11,000
Homes by 2032

Homes built



Unsold homes (all shared ownership)



a. An additional nine new homes were acquired in the year

Case study

Social: Largest land deal for more than 200 homes secured

We've signed a contract for a multimillion pound land purchase which will pave the way for a development in Gloucestershire with more than 200 homes.

The deal to buy the 19.5-acre site in Matson close to the M5 motorway, is our biggest purchase to date. The site already has outline permission for 217 homes, which was granted by Gloucester City Council in April 2021. Now we are aiming to submit a full planning application for a mixed tenure development comprising around 50% rental homes plus shared ownership and outright sale, to the city council by the summer.

Operations director Robin Smith said: “We’re thrilled to have secured this land which will provide homes to hundreds of families. It’s our largest land purchase deal to date and demonstrates our growing ambitions to invest in more large-scale projects which allow us to make a bigger impact in the community. Over the months ahead we’ll be focused on drawing up plans to create a vibrant community of modern, energy efficient homes where our customers can thrive. Subject to planning permission, our in-house construction team will lead on the development of the site.

This is a great start to the new year and we are also progressing further deals to secure even more land so we can continue to provide much-needed affordable housing across the region.”

Over the years ahead we have an ambition to reduce our reliance on section 106 agreements and to lead on more of our own developments. Securing this land at Matson fits directly into this strategy.

The land is less than a mile from our previous biggest land purchase at Snow Capel where we have begun developing 180 new homes. Our in-house construction team has also started work on other iconic sites including a 100-home development in Winchcombe in Gloucestershire.

We own and manage more than 47,000 homes across the West Midlands and West of England and with more than 12,000 homes we are the biggest social landlord in Gloucestershire.

Notes

In this unaudited trading update we continue to disclose our sustainability performance alongside our financial performance. We report against the KPIs in our customer and sustainability frameworks as well as traditional financial metrics, communicating our performance by considering the impact we have on our people and places.

We remain determined to make sustainability reporting more transparent, more open, and more regular. We continue to focus on sustainability 'golden metrics' to give visibility to the actions we take to deliver truly sustainable outcomes.

But the way we measure and report these outcomes is evolving over time to reflect our greater corporate understanding, updates in the policy landscape, and developments in technology. Our sustainability golden metrics have therefore been expanded to include our outstanding live repair jobs and the number of customers we have coached into employment or training. These are two of the key measures which represent how we support customer aspiration and empower those in our communities to thrive.

Moving forwards, we will continue to review our golden metrics to ensure they represent the most fundamental drivers of sustainability for our organisation.

Our sustainability reporting approach has empowered us to co-create new linkages with funders and investors, and has enabled us to connect finance with purpose. Having established the first green and governance loans in the sector, we now have a portfolio of six Sustainability Linked Loans attached to eight of our golden metrics across a range of environmental, social and governance metrics.

We are committed to the quality and integrity of our data, and have addressed our previous issues with our Scope 1, 2 and 3 carbon emissions disclosure. We have rebaselined our data to arrive at the 31 March 2024 position which is presented in this update.

These results for 31 March 2024 are unaudited and are provided for information purposes only. The 31 March 2023 comparators are provided on a like-for-like basis.

Notes

1. Operating surplus / turnover
2. General needs, supported housing, affordable rent and low cost home ownership tenures
3. Operating margin including asset sales includes all activity; operating margin excluding asset sales removes gain or loss on disposal of assets
4. Current tenant arrears for general need and housing for older people customers, less expected housing benefit at the end of the year as a % of the annual rent receivable for the year
5. Net debt / housing assets at historic cost
6. (Operating surplus excluding asset sales + interest receivable + depreciation – amortisation of government grant – capitalised major repairs) / interest payable (excluding capitalised interest)
7. Difference between the median hourly pay of male and female colleagues reported on the Gender Pay Gap Service at a snapshot date of 5 April 2023
8. Operating surplus on first tranche shared ownership sales / turnover from first tranche shared ownership sales
9. (Operating surplus excluding asset sales + gain on disposals + depreciation on housing properties + major repairs through the SOCI – amortisation of government grant) / net interest payable (excluding capitalised interest)
10. Operating surplus from social housing lettings / net cash interest paid
11. 18 month cashflow requirement – 20% of sales income + £25m
12. Cash and undrawn facilities / 18 month liquidity requirement
13. Including both existing and new homes
14. The average social rent of our homes in our most recent (2022-2023) SDR submission across our geographies. This is expressed as a percentage of the average market rent across our geographies taken from ONS data for the year to 31 March 2023, reported in June 2023 (private rental market summary statistics in England - Office for National Statistics (**ons.gov.uk**))
15. The total number of respondents who answered a score of 7, 8, 9 or 10 (out of a ranking system of 1 (lowest) to 10 (highest)) to the question “would you recommend Bromford to a friend?”, expressed as a percentage of the number of overall respondents who answered the advocacy question in outbound calls on transactional service areas from the customer care team in the reporting period
16. The total average number of outstanding repair jobs calculated as the average of each of the 12 month end positions up to and including 31 March 2024 (including, but not limited to, repairs relating to condensation, damp and mould) which Bromford has agreed to carry out on its properties but which remain outstanding
17. The number of unemployed residents of Bromford properties who entered either employed work or substantive, career-enhancing training as a result of a Bromford-led coaching programme during the reporting period, as supported by a signed customer testimonial
18. Difference between the median hourly pay of white and ethnic minority colleagues reported internally at a snapshot date of 5 April 2023
19. The mean number of days of sickness leave taken per employee of Bromford in the reporting period

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This trading update contains certain forward looking statements about the future outlook for Bromford. These have been prepared and reviewed by Bromford only and are unaudited. Forward looking statements inherently involve a number of uncertainties and assumptions. Although the directors believe that these statements are based upon reasonable assumptions on the publication date, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual and audited outcomes and results to be materially different. Additionally, the information in this statement should not be construed as solicitation or recommendation to invest in Bromford’s bonds.

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