

Allia C&C Treasury Advice in Scotland

“Experts in impact and ESG
finance”



Allia C&C

An ethical financial services company

- ▶ Allia C&C is an ethical financial services firm, owned by a charity and dedicated to supporting charities and other impact organisations
- ▶ Surpluses are reinvested back into the community through Allia Impact initiatives
- ▶ We support your organisation by providing efficient and proactive support on business planning, treasury management and fundraising.
- ▶ Founded in 1999, it is regulated by the Financial Conduct Authority
 - Staffed by an experienced team of financial executives
 - Providing a wide range of services for raising and managing debt
 - With offices in London, Cambridge and Glasgow
 - Operating through four principal divisions

Advice

Advice on Treasury & Funding; liability management

Debt Capital Markets

Arrangement & lead management for established, mid-sized borrowers.

Trading and Brokerage

Servicing professional and institutional investors.

Bond Services

Administration services for special purpose bond issuers.

Supporting Scottish Housing Associations

Relationship focused, flexible and user friendly

- ▶ Allia C&C has been supporting Housing Associations in Scotland since 2014.
 - managing the Scottish Charitable bond programme,
 - providing c.£380m of Loans and Grants for new social housing
- ▶ Operating out of Glasgow, with an experienced team of Housing Association advisors, it provides a wide range of financial services:
 - Regular market information (including Quarterly Business Plan Assumptions)
 - Support and validation on business plans
 - Reviews and recommendations on Treasury Management Policy (TMP's)
 - Annual debt reviews, including analysis of the optimal debt portfolio
 - Guidance on rates and sources of funding
 - Advise on financial governance and support through regulatory reviews
 - Updates on the terms and conditions available on debt.
 - Arrangement and execution of debt from banks, private placements and public bonds including aggregators. Support the client through the whole process from conducting an independent tender exercise to supporting the completion of the legal process.
 - Assistance in preparing funder updates including developing social impact reports and ESG credentials.

A proactive approach to providing support

Detailed understanding and expertise of financial markets

- ▶ A window on the markets
 - Regular economic updates
 - Current market pricing on debt
 - Up-to-date derivative valuations
- ▶ Regular cycle of reports to Management and the Board
 - Simple user-friendly format
 - Using heat charts to highlight risk
 - Charts and tables to highlight opportunity
- ▶ Outlining full range of options
 - Highlighting benefits/drawbacks of each
 - Discussing deliverability
 - Outlining timelines
- ▶ Supported by
 - Regular Board presentations (as required)
 - Management and Board training

Treasury Risk	Score	Comment
Interest Rates	7	With nearly 80% of debt on fixed rates, there is limited exposure to increasing interest rates and the impact that could have on the business plan
Covenants	3	Gearing covenant is compliant but treasury strategy shows it becoming constrained in next X years with little headroom. Interest cover appears to fluctuate above and below covenant level.
Refinance	5	Portfolio has a long average life of the debt but there is c.£XXm in refinancing occurring in the next 5 years.
Security	7	Sufficient unencumbered security to have flexibility for new funding.
Maturity	7	Current facilities out to xxx and average loan life OF c. XXyears. This is due to a skewness in PP funding with other main providers being shorter dated in comparison.
29 out of 40(72.5%)		

Commentary on the market

a. Economic Background

Sentiment in the financial markets was seriously undermined during May by the third set of poor inflation figures for the UK. This led investors to revise their expectations on peak interest rates to 5.5% or above and triggered a significant sell off in both the Gilt and swap markets with the BoE now expected to hike the Bank Base Rate further at the next MPC meeting on the 22nd June by a minimum of 25bps. The miss on inflation has triggered considerable concern that the fall in UK inflation is not keeping pace with the US and Europe.

The Financial Markets:

The financial markets in May were dominated by concerns over inflation and the risk that rising wage demands could embed this into the UK economy:

1. Inflationary pressures

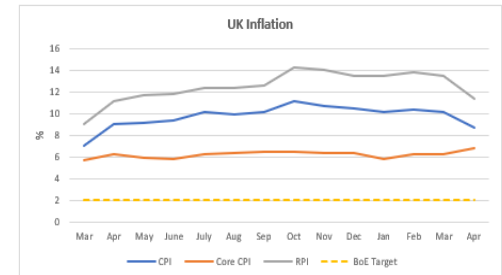
On Wednesday 24th May the ONS released disappointing UK inflation figures for the third month running, with CPI at 8.7% for the twelve months to April. This is a drop on the previous month but significantly above expectations of 8.2% and higher than Europe and the US. Concerns were heightened by the rise in Core CPI – an important indicator on future interest rate policy – which has risen by 1% since the start of the year.

Global Trends in Inflation

	2022				2023			
	Q1	Q2	Q3	Q4	January	February	March	April
CPI - Actual	7.0%	9.4%	10.1%	10.5%	10.1%	10.4%	10.1%	8.7%
CPI - Consensus	6.7%	9.3%	10.0%	10.5%	10.3%	9.9%	9.8%	8.2%
Core CPI	5.7%	5.8%	6.5%	6.3%	5.8%	6.2%	6.2%	6.8%
RPI	9.0%	11.8%	12.6%	13.4%	13.4%	13.8%	13.5%	11.4%

	2022				2023			
	Q1	Q2	Q3	Q4	January	February	March	April
US	8.5%	9.1%	8.2%	6.5%	6.4%	6.0%	5.0%	4.9%
Eurozone	7.4%	8.6%	9.9%	9.2%	8.6%	8.5%	6.9%	7.0%
Germany	7.3%	7.6%	10.0%	8.6%	8.7%	8.7%	7.4%	7.2%

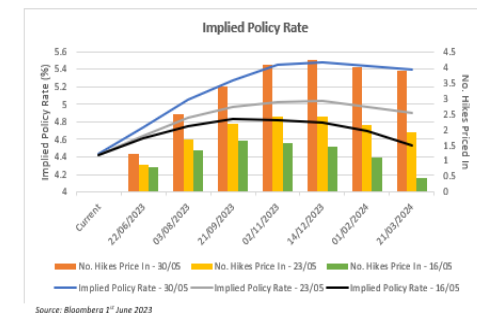
Source: Bloomberg 1st June 2023



Source: Bloomberg 1st June 2023

2. Interest Rates

Consequently, expectations about interest rate policy at the Bank of England rose sharply. Market forecasts of the peak in interest rates rose by almost 1% over the last month. Currently the Overnight Index Swap market suggests a peak rate of 5.5%, with some economists even suggesting rates of 6%+. This contrasts with expectations prior to the inflation announcement as seen below:



Source: Bloomberg 1st June 2023

Retained Treasury Services

Efficient and user-friendly support and advice for all your treasury needs.

- ▶ Advise on Treasury Management Policy & Strategy
- ▶ Generate regular economic and financial updates
 - Monthly market reports
 - Quarterly business plan assumptions
- ▶ Analyse economic assumptions & the business plan
- ▶ Review debt portfolio & borrowing capacity
- ▶ Analyse funding requirements & treasury strategy
- ▶ Advise on all funding alternatives
- ▶ Guidance on ESG and impact reports
- ▶ Provide board training
- ▶ Offer Ad hoc treasury advice

CASE STUDY | River Clyde Homes

- Allia C&C are the retained treasury advisor
- Appointed in 2022 after a full competitive procurement process
- Reviewed the TMP, and Treasury Strategy
- Supported River Clyde on new funding required for the business plan
- Successfully completed £155m of new debt from two bank lenders.

CASE STUDY | Govanhill HA

- Allia C&C are the retained treasury advisor
- Appointed in 2021 after a competitive procurement process
- Reviewed the TMP, and Treasury Strategy
- Reviewed and validated business plan
- Provided general investment advice
- Ad hoc treasury queries throughout the year

Business Plan Modelling

Detailed understanding of the HA business model

- ▶ Sophisticated financial modellers
- ▶ Qualified in Brixx
- ▶ Operating own proprietary business model
 - Flexible
 - Easy to use
 - Puts modelling back in your control.
- ▶ Staff training
- ▶ Validation of assumptions
- ▶ Checking on outcomes
- ▶ Support for special needs on modelling

CASE STUDY | Angus HA

- Angus Housing Association is an early adopter of our proprietary business plan model
- Experienced difficulties with their last model provider and took on Allia C&C after a tender process.
- Model designed for use by Angus and its bank lenders as part of their credit process.
- Angus found the ability to adapt the model in house and model different scenarios valuable as an aid to long-term planning.
- The banks were able to navigate the model with ease.
- Approved by Bank credit department as a 30-year business plan model.

Arranging Funding

Delivering the right solution for your business

- ▶ Highlighting credit strengths
- ▶ Provide guidance on key financial ratios
- ▶ Arranging bank loans, bonds and private placements
- ▶ Refinancing existing debt arrangements
- ▶ Organising competitive tenders
- ▶ Producing Invitation to Tender documentation
- ▶ managing the whole funding tender process
- ▶ Presenting funding options to the Board
- ▶ Overseeing the production of documentation
- ▶ Supporting execution
- ▶ Assisting with ongoing lender and investor relations

CASE STUDY | Angus HA

- Angus were seeking £18m to refinance existing debt and support their development programme
- Allia C&C supported the process by conducting a tender amongst potential bank lenders.
- 3 highly competitive offers received.
- Negotiated further improvements and recommended the optimal funding solution
- Oversaw execution and managed the cancellation of outstanding swaps

CASE STUDY | Kingdom HA

- Allia C&C raised £40m for Kingdom through a £25m private placement and £15m bank facility
- Our work enabled Kingdom to lock into fixed rates ahead of the rise in the cost of borrowing in 2022
- It also allowed to diversify their debt portfolio in an efficient and cost effective manner
- We oversaw the process from initial meetings with lenders, to ensuring all document and requirements were met in a timely manner for Kingdom.

Restructuring the Debt Portfolio

Meeting the changing needs for finance

- ▶ Conduct a capacity review to highlight RSL's ability to support additional borrowing
- ▶ Analyse the existing debt portfolio and determine benefits of restructuring in the current market
- ▶ Highlight funding options
- ▶ Review how they meet the treasury strategy
- ▶ Create the most cost-effective solution for RSL's funding requirements.
- ▶ Calculate cost of unwinding existing financial commitments including swap costs (if any)
- ▶ Support discussions with new and existing lenders
- ▶ Present options to management and the Board

CASE STUDY | River Clyde Homes

- River Clyde contracted Allia C&C to provide an independent review of their debt portfolio
- This outlined lending options and costs, against the background of the TMP's fixed/floating requirements
- Analysis included calculating any breakage costs, new funding requirements and hedging strategy
- Allia C&C set out the options available to River Clyde against the background of current market conditions

CASE STUDY | Muirhouse HA

- Muirhouse were looking at the options to refinance their debt portfolio to create savings
- Allia C&C analysed their business plan, determined their funding needs the impact on covenants
- We highlighted the amount of additional funding available under their existing covenants
- We also set out the funding options best suited to their needs

Ad Hoc Treasury Services

Specific treasury services that meet your individual needs

- ▶ Provision of monthly economic and financial outlook together with quarterly up-to-date business planning assumptions
- ▶ Bespoke reports that highlight any credit-rating changes on leading financial institutions
- ▶ Provide Credit Default Swap (CDS) prices on the major financial institutions
- ▶ Offer custody accounts to clients with our trading and brokerage team

CASE STUDY | Kingdom HA

- Kingdom HA has opened a custody account with our Sales and Trading team
- This allowed Kingdom to place funds into UK government gilts which have offered a higher return than deposit accounts
- The Trading team offers up-to-date yields on different instruments that best fit Kingdom's needs

CASE STUDY | Bield Housing and Care

- Bield tasked us with reviewing their Treasury Management Policy (TMP) in relation to the use of excess funds
- We assessed how those funds were being used against what we believed is acceptable for a regulated housing provider
- Our work provided Bield with advice on how they could proceed to use excess funds and recommended changes to their TMP that would guide what were suitable uses for those funds going forward

Creating funding solutions to suit you

Innovative solutions to difficult problems

- ▶ Allia C&C aims to find solutions for RSLs' particular funding needs. Sometimes these have to be created.
- ▶ We currently run three platforms which each solve different requirements

Scottish Charitable Bonds

- A platform created with the Scottish Government
- Provides cost effective, medium-term debt
- Fixed rate and unsecured
- Has lent £380m to date to in 35 loans to 21 RSLs
- The platform is management by Allia C&C who also arrange the bonds on behalf of the SG
- See overleaf

RCB plc

- A platform created by Allia C&C to provide unsecured funding.
- Raised funds for RSLs with limited security and/or specialised assets
- to grow development of general needs, specialist housing and care.
- Issues bonds listed on the London Stock Exchange
- Almost £400m issued in 13 deals for 8 charities

MORhomes plc

- A platform created by HAs to deliver long term funding on terms reflecting reality of their portfolios
- Can be drawn unsecured for upto a year; wider eligibility of security
- Strong ESG credentials
- Issued over £500m and lent to 22 RSLs
- Allia C&C manages the platform for MORhomes and has placed a number of the bonds

Scottish Charitable Bond Programme

Simple new development funding solution

- ▶ Allia C&C run the programme to deliver Scottish Government investment via loans and additional grants to assist in the delivery of new affordable homes
- ▶ Key features of the bond are:
 - ▶ Unsecured fixed rate loan
 - ▶ Maturities up to 15 years
 - ▶ No capital and interest repayments required until maturity
 - ▶ Only one financial covenant required
 - ▶ Can be completed quickly within 6 weeks from enquiry
 - ▶ Interest payments fund additional grants for new build housing

CASE STUDY | Home in Scotland

- Allia C&C have helped Home Groups Scotland subsidiary, Home in Scotland raise £15m in funding to build new affordable homes through the SCB programme.
- This was the first time the programme was used for an English parent to gain funding for new builds in Scotland.
- This funding is expected to help deliver 900 homes across Scotland over the next 5 years, which include social rent and mid-market rent.

CASE STUDY | Ore Valley HA

- Ore Valley was a new recipient of the bond programme and were awarded £1.2m to build 40 new build homes.
- It is important for the Programme to be utilised by as many HAs that are building affordable homes to improve communities throughout Scotland.
- Their bond structure also included repayments which has been introduced as part of this cycle of the Programme.

Client Feedback



Marketing Reports

"We receive the monthly funding market update from Allia and find this very informative for both forecasting and benchmarking purposes. It is written in plain English and does not use financial jargon which means it can be used to provide information to our Board members and is particularly useful for those who do not have a financial background."

Retained Treasury Services

"We have recently appointed Allia C&C as our retained advisors after they provided treasury support for the refinance of our bank lending. Allia C&C have the experience and knowledge to support our treasury function. They are proactive in their approach and are very easy to deal with."

Scottish Charitable Bond Programme

"We're extremely pleased to have Allia as a funding partner in Scotland. We found the Allia C&C team excellent to work with - lots of willingness to work together to ensure the loan met our needs and the agreement is written in a way to enable future drawdowns if we want to borrow more."



Arranging Funding

"Given the expertise of Peter and the team, we used Allia in an advisory capacity for a £40m financing exercise in 2021/22 which produced an excellent outcome."



Business Plan Modelling

"Our Business Plan was converted into a format that was simpler both for potential lenders, and AHA staff and Board. Allia staff were extremely helpful in developing the new model with us and are very responsive to our queries. We now have a model that is easy to use, allows for stress testing, and cashflow forecasting has been improved and our Board is very impressed with the output from the model."



Restructuring Debt Portfolio

"Allia C&C undertook initial work that demonstrated the savings that could be made in the current market and carried out an independent competitive funding tender to select the preferred lenders. Peter at Allia C&C provided invaluable support to the Board and I throughout the whole process, including supporting the completion of the Loan refinance."



Ad Hoc Treasury Services

"We sought advice from Allia on the investment of surplus funds into UK Treasury Bonds, the returns on which have considerably mitigated borrowing costs and significantly improved the efficiency of our treasury operations."

Over £1.5 billion raised for charities and responsible businesses through more than 90 transactions



Including:

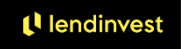

RCB bonds

 You're among friends		
£75m	£18m	£50m
2017-2020	2020-22	2018-20

		
£30m & £50m	£44m	£40m
2016 & 2021	2014-21	2017


Corporate bonds

	
£23m	£50m
2021	2022

	
£600m	£40m
2022	2022

Scottish charitable bonds

	
£13m	£17m
2021	2020

	
£4m	£6m
2020	2020

Experience with Housing Associations

Including:

Scottish Housing Associations

 <p>GOVANHILL HOUSING ASSOCIATION</p>	 <p>Muirhouse Housing Association</p>	 <p>KINGDOM Group</p>	 <p>Angus Housing Association</p>	 <p>river clyde homes</p>	 <p>EILDON GROUP Caring, Committed, Connected, Creative</p>
Debt advisory	Debt advisory and refinancing	Arranged £40m, consisting of PP and bank facilities	Treasury advisory and bank tender	Treasury advisory and bank tender	Treasury advisory
2021 - Ongoing	2021	2021	2021 - Ongoing	2021 - Ongoing	2023

English/Welsh Housing Associations

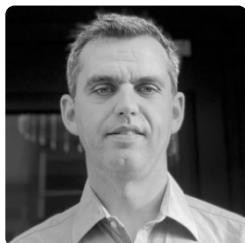
 <p>lyng community association</p>	 <p>MOR</p>	 <p>havant housing association meeting supported housing need locally</p>	 <p>Reside Housing Association</p>	 <p>Golden Lane Housing</p>	 <p>ClwydAlyn</p>
Advice on bank tender	£47.1m bond taps	Board assurance Debt advisory	Advice on bank tender	£44m bonds Treasury advice	Treasury advice Bond funding
2020	2021	2021	2019-2021	2014 - Ongoing	2022

Sector Expertise

- ▶ Our team has extensive experience across a range of sectors.

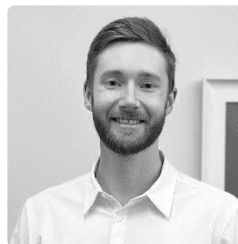


Debt Capital Markets Team



Peter Freer **Head of Allia C&C Scotland**

Has been in the housing sector for over 15 years and worked with RBS, Scottish Housing Regulator and Scottish Government. He has assisted in the delivery of policy and funding solutions across all housing tenures in Scotland.



Alexander Davis **DCM Executive, Scottish Office**

Alex's responsibilities include client advisory services, project management of new issues, credit analysis, and bond market reporting. Prior to joining Allia C&C, Alex was as an Investment Analyst for 4 years and brings experience in financial analysis and forecast modelling.



Adrian Bell **Chief Executive**

Over 40 years' experience in the City. Deputy Chair of Hambros Bank and Chairman of RBC Europe. Adrian also heads the HA team at Chatham Financial. He has chaired and been a committee Chair of two of the UK's largest Housing Associations



Henrietta Podd **Director Debt Capital Markets**

Over 30 years' experience advising public sector, commercial and not-for-profit businesses on fund raising and an expert on bonds and private placements. Henrietta is also Director of Chatham Financial's HA team and a Member of CISI.



Phil Caroe **Director Deal Execution**

Over 10 years' experience in impact investing and execution of transactions. Managed development of the RCB platform and the charitable bond programme with Scottish Government. Advises on impact reporting and Social/Green Bond frameworks.



Archie Dickinson **DCM Executive**

Archie's key areas of responsibility include producing bond market reporting and pricing, project management of new issues and investor updates. In particular, he is responsible for Allia C&C's building society clients.



Duncan Salter **Credit Analyst**

Chartered accountant with broad experience as a group financial accountant, acting for a wide range of HAs and charities on developing their business plans and raising debt from the bank, private placement and public bond markets.

Profit for purpose

- ▶ As part of the Allia charity group, Allia C&C's profits help to fund projects addressing key social issues.
- ▶ One such project resulted in the creation of six new homes, built to provide supported living for homeless people in Cambridge.
- ▶ Cambridge is a high-cost area for land and housing, yet these novel custom-built units are specifically designed to be used on temporary sites available at low or no cost.
- ▶ The project's innovative approach is for the homes to be relocated to another free or low-cost site in the city within the 3-year period of the planning consent, which enables future project costs to be kept affordable.



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Allia C&C