

# Remedial plan update

UPP (Plymouth Three) Limited

31 August 2021



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## Background

### Introduction

We refer to the Common Terms Agreement dated 5 March 2013 between, amongst others, UPP Bond 1 Issuer plc (the "Issuer") and the Issuer Security Trustee ("CTA") and the Monitoring Services Agreement dated 5 March 2013 between, amongst others, the Issuer and the Monitoring Adviser (the "Monitoring Services Agreement").

In accordance to Paragraph 1.4 of Part 1 of Schedule 10 of the CTA, a Trigger Level 2, Phase 1 Monitoring Trigger Event occurred as the UPP (Plymouth Three) Limited (the "AssetCo") did not have Projected AssetCo DSCR or Historic AssetCo DSCR on the Test Date of equal to or greater than 1.05:1, and the Projected Senior DSCR and Historic Senior DSCR greater than 1.15:1. The Test Date being 31 August 2019.

As a result of the additional deposit to the sinking fund the ratio at the test date fell below the required minimum level and at the Test Date was 0.53:1 which gave rise to the Trigger Level 2, Phase 1 Monitoring Trigger Event.

Under such event there are additional requirements the AssetCo must adhere to:

- The AssetCo is required to develop a remedial plan which includes a proposed cure period, specific and measurable milestones, including appropriate timeframes for achieving such milestones, known as "Performance Objectives";
- The Bond Monitoring Advisor (MA) must actively engage with the AssetCo and shall have consultation rights and be given the right to comment on the remedial plan but will not have approval rights in respect of the remedial plan.
- Provide quarterly reporting (to be provided to the MA between 5 and 10 Business Days prior to the relevant quarter-end, where a quarter-end is 30 November, 28 February, 30 May and 31 August annually) against the Performance Objectives. It is recognised that the MA is required to, inter alia, provide a quarterly report stating its views and analysis of the event.

This report is the update required under the remedial plan as outlined above.

## Update on Performance Objectives

The following Performance Objectives were agreed to form the basis of the remedial plan:

- **Occupancy**
- **Investment works**
- **Student feedback on the Works**
- **Lifecycle Report**

### Occupancy

#### *Measure*

- To satisfy the Monitoring Trigger Event Remedy the occupancy Performance Objective is to achieve occupancy of 94.5% which would result in on two consecutive Test Dates a Historic Senior DSCR of greater than 1:15:1.
- Occupancy is forecast to be 99% at the AssetCo for the year 2020/21.
- Occupancy is forecast to be 99% at the AssetCo for the year 2021/22.

#### *2019/20*

Occupancy for the 2019/20 year was confirmed at 98.7%. This reported credit and void position was maintained despite the early departures of students as a result of the Covid-19 crisis.

#### *2020/21*

Occupancy for the 2020/21 year was confirmed at 99.6% which exceeded the remedial plan target and this is despite the adverse effect of the unavailable rooms temporarily removed as a result of the cladding issue.

#### *2021/22*

In order to support the continued strong performance on occupancy levels and subject to University co-operation, UPP has agreed a targeted continuing student campaign to secure c.125 students for AY21/22.

In addition, based on competitor analysis, UPP worked with the University to open the booking portal for applications in February 2021.

The timeline and KPI's for this are set out in Table 1 below:

**Table 1: Measure, KPI's and timelines to achieve occupancy**

No. Measure	Timing	KPI	Dependency
1 University decide on returner strategy	1 Dec 20	University decision made whether to peruse returners made	None
2 Returner campaign designed and agreed	2 Feb 21	Campaign launched	1
3 Bookings for returners opened	15 Feb 21	Booking portal open	2
4 Targeted number of returners secured	31 May 21	Directors and University satisfied with the number of returners	3
5 Booking portal open for applications	15 Feb 21	Booking portal open	3
6 Monitor bookings	15 Feb 21	Level of bookings monitored and reported.	5

Updates are provided against the measures detailed in the table above:

- **Measure 1** - University decide on returner strategy
  - A Partnership Board was held on 25 November 2020 to review the returner proposals and a target of 125 returners was agreed.
  - The University have cited timings as critical given the CV19 epidemic.
- **Measure 2** - Returner campaign designed and agreed
  - In line with 2020/21 the micro-site was re-introduced by UPP in conjunction with the University <https://plymouth.theaccommodationhub.com/> linked to the University website.
  - Rooms at Robbins, Gilwell, Radnor and Pilgrim are available for students to book as singles, or groups with a range of contract lengths to increase appeal
- **Measure 3** - Bookings for returners opened
  - The booking portal opened for returners in the first week of February 21 with a target cohort of c.125 students.
- **Measure 4** – Secure target number of returners
  - There is a clear target and plan to achieve the target returner numbers as described above.
  - Limited success on returner applications due impact of pandemic and rent rebate issues.
- **Measure 5** – Booking portal open for applications since February 2020
  - The booking portal was opened for both returning and new student applications.
  - Student applications reported up by c.18%

- **Measure 6** – Monitor and report on bookings
  - The UPP Lettings and Revenue Manager is working closely with the University to report on and monitor bookings on a weekly basis. A live dashboard has been developed to monitor and track progress. Prior to full credit and void discussions with the University.
  - University commenced contracting students in May which was 2 months earlier than 20/21.
  - Contracting has tracked ahead of 20/21 throughout the cycle and the University is on course to deliver 99%+ occupancy for 21/22.

In addition, a more flexible rent option has been included by adding a 50-week rent option has been included with the rent spread across 46 weeks to bring the headline rent to a competitive level to that of other operators.

A monthly marketing and allocation forum has been diarised with the University team to review progress and share best practice, although this was paused from March 2021 onwards owing to University staffing pressures as a result of COVID.

### Investment works

#### *Measure*

2019/20 reinvestment works were completed in a timely manner and within budget.

The Lifecycle Report section below provides commentary on reinvestment works planned for 2020/21 including those carried forward from 2019/20.

### Student feedback on the Works – no update

There are no continued focus group engagements envisaged. Feedback will be obtained via the annual student survey.

### Lifecycle Report

The reinvestment programme for 2020/21 includes the following planned activities:

- Robbins glazing renewal to staircases H, K, L and M (phase 3 of 3).
- Installation of new glazing panels to the staircase atrium roof canopy at Robbins Blocks C, E, F and G. Panels were incorrectly manufactured in 2019/20 so were not installed and the existing roof retained and sealed.
- Flooring and decoration to staircases C, E, F, and G in Robbins.
- Bedroom refresh throughout Robbins including replacement of old timber bed frames and ensuite adaptation to syphons.
- Replacement of blinds in Gilwell (under review).

All works are completed in readiness for the student intake in September, except for the following items which have been deferred to 2021/22:

- Replacement of blinds in Gilwell (under review).
- Block G staircase decoration due to resource constraints and volume of work.
- Replacement of bookcase shelving in study bedrooms at Robbins due to delayed supply caused by manufacturing labour shortages which would have impacted on completing the project before intake.

Specific progress reports have been provided to the MA under separate cover.

The financials will be updated following the 2020/21 year end reconciliation process.

## Cladding Update

As referenced in the Half Year Summary to 28 February 2021, UPP commissioned fire safety survey works in 2020, which identified a number of recommended remedial actions to the cladding at Plymouth Francis Drake.

Stage 1 works (as identified by the fire engineer's report) have already been completed. Preliminary Stage 2 works progress are progressing, with Kier Construction engaged under a pre-contract services agreement at the timing of writing, while a full planning application is considered by Plymouth City Council. A detailed scope of works is also agreed. The nature of these works mean that the building can remain in occupation during the planned remediation period through the 21/22 academic year. As disclosed in the Half Year Summary for the period to 28 February 2021, it is proposed that the works will be funded by the AssetCo, with a potential claim against the original contractor, Balfour Beatty, also being considered.

The Issuer and AssetCo are in ongoing discussions with Monitoring Adviser and Security Trustee to work through the consent requirements and any further enhanced monitoring required for the proposed remedial works.