Financial Statements

for the year ended

31 March 2024

PA Housing

Paragon Asra Housing Limited

Community Benefit Society Registration Number 7536

Homes an Communities Agency Registration Number 4849

2023/24 *Highlights*

Overall customer satisfaction (renters)
62%

Liquidity
£477m

£64.6m
Spent on improving and maintaining homes

Properties with EPC rating A-C
78%

Operating margin from social housing lettings
23%

Income gains for residents
£6.9m

Turnover
£207m

New homes sold
176

Housing assets
£2.23bn

Borrowing
£1.31bn

Rent arrears
3.8%

New homes built
365

Social housing cost per unit
£6,490

Homes owned and/or managed
24,317

Contents

Board members, Executive and Advisors

Group Board

Suki Kalirai – Group Chair
Andrew Carrington
Kim Francis
Kathleen Harris-Leighton
Rahul Jaitly
Jo Banfield (appointed 3 July 2023)
Susan Goldsmith (appointed Board member designate 3 July 2023 and Board member from 1 August 2023)
Tim Hill (appointed 1 August 2023)
Tim Jennings (appointed 3 July 2023)
Tom Vaughan (appointed 3 July 2023)

Associate Member

Emma McLachlan (appointed 1 September 2023, appointed as a full Board member 1 September 2024)

Other Board members in the year:

Steve Amos (resigned 31 July 2023)
Curtis Juman (resigned 31 July 2023)
Katherine Lyons (resigned 30 October 2023)
Anne Turner (resigned 31 December 2023)

Executive Team

Michael McDonagh – Chief Executive
Charles Ellis – Executive Director of Asset Management (permanent from 1 June 2023)
Simon Hatchman – Executive Director - Resources
Suzannah Taylor – Executive Director of Development (from 1 June 2023)

Other Executive Team members in the year:

Ben Thomas – Executive Director – Core Services and Transformation (from 5 February 2024 to 22 May 2024)
Adil Rashid – Executive Director of Development and Assets (to 31 May 2023)

Company Secretary and Registered Office

Lucie Westbury
Case House
85 – 89 High Street
Walton on Thames
Surrey
KT12 1DZ

Auditor

KPMG LLP
1 Snow Hill
Snow Hill Queensway
Birmingham
B4 6GH

Solicitor

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Chair and Chief Executive Statements

Chair's statement

Welcome to our 2024 annual report and financial statements, in which we reflect on a year of positive early progress as we work to rebuild our service delivery model in line with our residents' needs and priorities.

I noted in our 2023 annual report that our resident satisfaction ratings needed to improve. This has been absolutely central to our work over the past year, the philosophy being that our service design and delivery must start from the perspective of the people who live in our homes. We have worked to improve connectivity with our residents at all levels of the organisation including within the Board, and I have personally met with and spoken to a number of residents during the year. This has informed our new Corporate Plan, designed from the resident lens and supported by a range of aligned Enabling Strategies which set out how our key business activities will drive significant and sustained service improvement.

This central push to develop better services and stronger resident satisfaction means that we embrace change. We believe that the established social housing delivery model needs to be refreshed and modernised in a number of ways. We are a learning organisation - we want to try new things, be innovative and develop a culture where our people can test out ideas without fear of failure.

This is a change in approach for PA Housing, which was previously quite traditional and cautious in its service design and delivery. We have started to implement some new working methods including:

Significantly increasing our cohort of Neighbourhood Coordinators and placing them front and centre of our relationship management work with residents. We now have an average patch size of 400 homes per Coordinator, which is significantly smaller than sector norms. This gives our people a much better chance of understanding who lives in our homes, building a trusting relationship and meeting their service needs.

Redesigning our responsive repairs service, including expansion of our in-house team to service all homes in the Midlands, and pilot utilisation of the Plentific repairs ordering platform to introduce a more flexible approach involving smaller and more local contractors. We feel there is much more potential here to develop a different repairs model which is more suited to the modern world.

Complete modernisation of our approach to more complex tenancy issues, moving from a model which focused on enforcement action too much to one which is more people-centric, giving stronger support to victims of criminality and anti-social behaviour, and strengthening our work to safeguard more vulnerable residents.

Release of additional funds to accelerate investment in our homes and estates, to drive up standards, improve satisfaction and reduce the responsive repairs burden. Our planned maintenance budget for 2024/25 is some £10m higher than our expenditure in 2023/24.

It is still early days and we anticipate that the journey towards a place where we are delivering consistently high levels of service will take several years. But the early feedback from our residents has been positive on the whole, they see that we are working hard to improve and we are acknowledging where the traditional approach hasn't worked. Of course we still have challenges and we are still letting down too many residents. Complaint volumes remain high although they have now started to reduce and again we are working to strengthen our learning culture when things go wrong. This has included work with the Housing Ombudsman, and we have drawn on the expertise of residents in our own and other providers' social homes to support our diagnostic work.

Our finances are fundamental to our service improvement ambition and we need a solid financial bedrock to enable investment at scale and drive sustained improvement. With this in mind, it is pleasing to confirm that our 2023/24 financial statements report strengthened performance as the UK economy started to emerge from the extreme economic pressures of the previous year. Our core operating performance metrics have moved in a positive direction and the Board's financial targets were met.

As always, the support of our lenders and investors is invaluable and hugely appreciated. At the end of the year we completed a project to deliver the next phase of our funding requirement, drawing in £370m of new facilities. Our bank lenders also supported our drive to enhance capacity for investment through restructure of key covenants. This will hugely help our residents as we work to improve homes and estates over the next few years.

Our programme to build social homes continues, although as I flagged in our 2023 report we have slowed down the pace of build while we focus on core service improvement priorities. Trading conditions in the house building sector have been tough and some of our contractors have succumbed to this challenging environment. This means that a small number of sites have stalled while we work to appoint new contractors and complete the build. Inevitably, costs increase as a result and this year's accounts include an impairment entry to represent the loss of value incurred compared to original expectations.

Keeping our residents safe in their homes remains absolutely paramount. The recent conclusion of the Grenfell Tower Phase Two Inquiry and the associated report serves as a timely and sobering reminder of the challenge that we must meet, alongside all other agencies and stakeholders who contribute to our built environment. This includes the contractors who need to address the defects found in homes they built, and we sincerely hope now that there will be no more deferral of this work. For our part, we will continue to invest all that we need to so that the highest safety standards are maintained on behalf of residents.

On the people front, our change agenda has included looking at how we operate across the business. We have reconfigured a number of teams to better meet delivery objectives, including increasing resources where this is the right thing to do. These exercises are always unsettling for colleagues, but people see the reasons behind the change and what we are trying to achieve. I am grateful for their continued diligence and hard work as we continue the drive to make PA Housing a stronger organisation.

The financial year also saw a new intake of Board members, replacing previous colleagues who had reached the end of their term. The refreshed group has settled in

Chair's statement

quickly and under my leadership we are working hard to steer PA Housing along the right course.

So a busy year certainly, with a number of challenges along the way, but one in which we have made a solid start on the business rebuild journey. We have confidence in the strategy we've set and we are starting to see our change decisions pay off. There is much more to be done but we feel much better placed now to sustain the improvement journey.

Suki

Chief Executive's statement

This was my first full year as PA Housing's Chief Executive. It has been a busy year with a number of challenges to work through, but also positive and joyful moments as we work to create an organisation our residents can be proud of.

I have been very clear that we are a people business, not a property business. Our residents' needs and priorities drive what we are trying to achieve, and everything we do must be viewed through their lens. In last year's financial statements, I spoke about my early findings on organisational culture after arriving at PA, noting it as a key area for focus and improvement. Recognising this, over the past year we have significantly increased our efforts to interact with residents, listen to what they feel about our services, and start to build stronger relationships with them. This is important at all levels of PA. Most weeks I will visit communities where our homes are located so that I can hear directly from residents about their experiences, and our wider senior team will also regularly be out and about to experience what things are like on the ground.

This approach permeates through our operations, and we have invested significantly to expand our team of Neighbourhood Coordinators who are present in our communities every day. This investment allows us to truly get to know who lives in our homes and how we can best meet their needs. We have also increased resources in other key service areas where we see the need to change the pace and scale of our work. This includes tenancy sustainment (supporting residents through financial hardship), safeguarding (ensuring more vulnerable residents have access to appropriate support) and damp and mould (working to address known issues and managing risk more proactively).

This change in our working culture has helped us to look differently at wider opportunities to hear our residents' voices. In September 2023 we carried out our annual resident satisfaction survey by knocking on every resident's front door and asking the questions face-to-face, rather than relying on telephone or electronic surveys. This produced over 5,500 survey responses and a rich level of insight beyond the standard survey questions as conversations developed on doorsteps.

Then in February 2024 we held with our first 'all-residents call', where our residents were invited to attend a virtual session which I hosted, talking through our service priorities and responding to questions from residents. We will be continuing with these sessions in the year ahead as we seek to maintain open and honest dialogue with the people we house.

Our new Corporate Plan, supported by a range of aligned enabling strategies, takes the resident lens and applies it to what we need to progress and deliver over the next five years. There is a lot of ambition within the Corporate Plan and this is simply because residents have told us about the areas where we need to significantly improve. In some cases, this will mean thinking differently about our service delivery models, rather than merely trying to update and refine what we have done before.

Work is underway and over the past year we have accelerated some key actions and decisions to start moving service standards onto a stronger footing. Our day-to-day repairs service is absolutely critical for residents. We must get it to a consistently high and reliable service standard. During the year we changed our main contractor serving homes in London and Surrey and put new arrangements in place, demonstrating that we are prepared to take a hard commercial stance on behalf of residents. We expanded our in-house repairs team in the Midlands to improve our direct control and ownership of service quality. These are positive steps but there is still a long way to go and the service must get better. We are looking at ideas to achieve this with like-minded partners.

Day-to-day contact from residents, on repairs and other issues, is another key touchpoint and one where we have taken firm action to move forward. We have merged our main resident teams on the phones every day into a single team operating out of our Leicester office, and we have invested in new telephony technology to improve the efficiency and quality of daily interactions. It is early days, but we are starting to see a real positive improvement in call answering and reduced wait times, and the team continues to work with colleagues around the business to improve our ability to resolve resident requests quickly.

These are a couple of examples of areas where we have identified the need to improve and have taken steps to make it happen, but there are many more. The feedback and insights our residents provide help us to define and prioritise our work plan, recognising that we operate in an ever-changing world and our Corporate Plan will need to remain agile in response to these changes. Our vision is all about residents being proud to live in our homes and our people being proud of the difference they are making. While there is a long way to go, we have made a solid start and I feel optimistic about our future in an environment where all social housing providers are rightly under the spotlight.

The report and financial statements which follow share more details about our early progress and the further work we have planned. Our 2023/24 results reflect a strong financial outcome, in line with our plan as the UK economy started to recover from the higher inflation and interest rates shocks of the previous year. This leaves us well placed to meet future challenges, and the ongoing support of our funders and investors is greatly appreciated. Our property investment programmes will start to ramp up from 2024/25, ensuring more of our residents benefit from improvements to their homes which should in turn start to alleviate pressure on responsive repairs and related resident contacts.

Finishing where I started, as a people business it's my colleagues who are working so hard every day to improve how we do things. Their feedback has helped the senior team and Board to shape our future plans and I know how committed everyone is to making PA Housing a successful and energised organisation which delivers for our residents. We are united in our belief that we are on the right path, and I am hugely grateful to colleagues for their effort and good spirit over the past year.

Mike

Strategic Report

Strategic Report: Our Strategy

About Us

PA Housing ('PA') is a provider of social housing with over 24,000 homes in London, Surrey, and the Midlands. Our main offices are in Walton-on-Thames and Leicester.

Our purpose is to provide warm, safe, and affordable homes and related services to those who need them.

Our vision is that the people who live in our homes will be proud of where they live, and the people who work for our organisation will be proud of the differences they make:

- Residents' voices will shape what we do and help us be the best that we can be.
- People trust we'll do what we say we're going to do.
- Our homes will be warm, safe, and well maintained.
- To look back at what we have done in 5 years' time and be proud of what we've achieved.

PA has a proud heritage of providing services for people from diverse backgrounds in our communities and continues to support people from all backgrounds who cannot access housing on the open market.

Our Operating Model and Corporate Plan

We are a not-for-profit community benefit society and our surplus is held in reserve for continual reinvestment in new and existing homes, over time enhancing the scale and quality of our safe and affordable housing.

Our core activity is that of a landlord of social and affordable rented homes and the provision of low-cost affordable housing through shared ownership. We also provide management services to over 1,500 leaseholders, we offer a range of independent living services for older residents, and we own and manage a small number of non-social rented homes and commercial properties.

We are much more than just a landlord - we want to build great communities and neighbourhoods and support our residents to sustain their tenancies. We have a role as a community anchor in localities where we have a number of homes, and this brings with it wider responsibilities and priorities/

Whilst our primary focus is to provide great services to our existing residents, we continue to play our part in addressing the national housing shortage and we are steadily growing the business through our new build programme in partnership with contractor house builders.

We launched a new operating model on 1 June 2023 which sees our colleagues reorganised into new teams that are focussed on providing better services and communication with residents. This included additional investment into key-resident facing teams so that resources could be increased to meet residents' needs.

We recruited five new Non-Executive Board Members who joined PA in July and August 2023 as a number of our existing Board members were due to retire. A further Associate Board Member joined us in September 2023 and was appointed to the Board Member effective 1 September 2024. We have reset our strategic priorities and objectives and during the year we published our new Corporate Plan, supported by a range of aligned Enabling Strategies covering our key areas of business operations.

Delivering future improvement

Our focus is on our core services and driving improvements to them for our residents. The environment in which we operate continues to change and provide challenge. Residents rightly expect high service quality and the social housing sector faces increasing scrutiny from a range of stakeholders including the media. More broadly, ongoing political and economic uncertainty influences our planning and delivery.

The regulation of the social housing sector has changed with the introduction of the new consumer standards:

- The Safety and Quality Standard
- The Transparency, Influence and Accountability Standard
- The Neighbourhood and Community Standard
- The Tenancy Standard

The new regulatory regime fully aligns with our own commitment to provide homes that are decent, safe and well maintained, quality landlord services, and to treat residents with fairness and respect.

Strategic Report: New Corporate Plan 2024-2029

In early 2024 we launched our new five year Corporate Plan. This was much more than merely a refresh and renewal of the previous Plan. Instead, it represented a complete step-change in our service delivery approach and ambition.

The new Plan is built on feedback from residents, colleagues and stakeholders. Fundamentally, it addresses how we are going to improve our services and create an organisation which we and residents can be truly proud of. The starting point is an honest recognition that our current standards are not good enough and need to improve.

This was confirmed when we collected our 2023/24 Tenant Satisfaction Measures survey information. Only 62% of surveyed renting residents and 38% of surveyed home owners confirmed overall satisfaction with the service they receive from PA Housing. Similarly, the survey results for specific service areas gave lower levels of satisfaction than we need to achieve.

Beyond the statistics, our numerous ongoing conversations with residents have given us a clear understanding of key areas for improvement. These include our day-to-day repairs service, our responsiveness to incoming queries, our visibility out and about on estates, and our work to support victims of anti-social behaviour.

We have already made a start on actions to address these and other areas where residents want us to do better. But we recognise that this will be a long journey and some of the changes we make will take some time to bed in. Not everything will work perfectly first time and we are prepared to try different approaches in a measured way to arrive at the best long-term solutions.

The new Corporate Plan sets out our service development priorities for the next few years in relation to:

- Resident services
- Resident engagement and communications
- Asset management
- Growth
- Our people
- Finance and value for money

Year 1 priorities are set out in granular and measurable form. Priority themes for years 2 onwards are identified but will be subject to review and refinement, recognising that we operate in a changing world and we must be prepared to flex our plans in response.

The Plan sets out our headline vision for five years from now, thinking about how we would like our residents and the people who work for PA Housing to describe us, and what our homes and estates will look like.

Enabling Strategies

For the first time, the Corporate Plan is supported by a range of aligned Enabling Strategies which were prepared alongside it. These cover in more detail our plans and activities within key business areas, which when brought together will ensure delivery of the Corporate Plan objectives:

Resident Strategy focused on four themes for the people who live in our homes: Being heard, creating vibrant neighbourhoods, being proud to pay, and being visible in our neighbourhoods.

Asset Management Strategy setting out our plans to deliver safe, warm, more energy-efficient and well looked after homes; and wider improvements to our blocks and estates.

Growth Strategy covering how we intend to deliver high quality and sustainable new homes within thriving communities, undertake active asset management and regeneration, and manage associated risks.

People Strategy built on the themes of culture; talent; enabling high performance;, pay and reward; flexibility; and equality, diversity and inclusion.

Technology Strategy setting out how we will develop our digital engagement, application systems, cyber-security infrastructure, use of innovation and smart technology, and data governance.

Financial Strategy confirming our work around the three pillars of stewardship, efficiency and capacity.

Value for Money Strategy explaining how we work to achieve the best combination of cost and quality to meet residents' requirements, taking into account our financial resources.

Communication Strategy explaining how we will oversee all internal and external communications; protect and promote our brand and reputation; and create a thread of consistency and quality in everything we do.

Board oversight

The Board, supported by its Committees, is continuously reviewing and monitoring progress against the measurable actions stated in the Corporate Plan and Enabling Strategies. Our plans have genuine ambition and we recognise that not everything will be easily deliverable, particularly when taking into account future environmental challenges which will inevitably place further demands on our resources.

The Board will give strategic direction on where, how and when our plans and targets need to be refined, including allocation of resources to meet changing priorities.

Delivery against these plans and targets will form the bedrock of our broader service delivery narrative, working alongside our operational and financial performance metrics to provide a joined-up view of how we are using available resources to achieve the best possible outcomes.

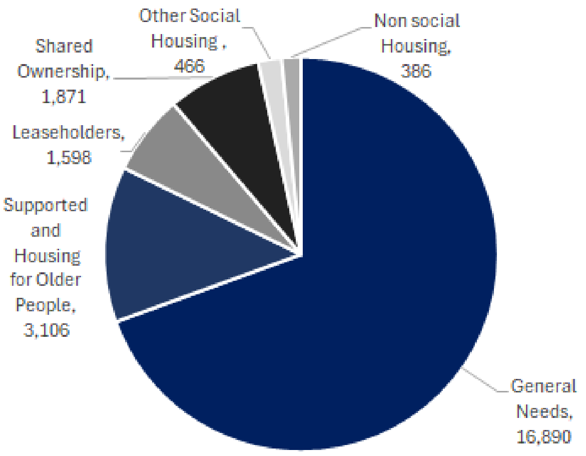
This work will continue to be framed by our honesty about what's working well and what isn't, with feedback from our residents at the heart of the evidence we gather to assess the success or otherwise of our actions. We are determined to get this right – that will include overcoming future challenges and setbacks and we are building resilience into our business model to enable this.

Strategic Report: Safety and Quality of Homes

Our residents' homes

We own and / or manage over 24,000 homes in 63 local authorities, split roughly equally across our core operating areas of London, Surrey, and the East Midlands. Looking at the places with highest concentration, 36% of our homes are in London, 23% in Elmbridge and 17% in Leicester. Over 98% of our homes are social housing, including homes which we manage on behalf of leaseholders who were previously social renters or shared owners. Our small portfolio of non-social housing includes 117 market rented properties and 223 properties for healthcare workers at King's Mill hospital in Nottinghamshire.

Homes by tenure



Safety of residents in their homes

The safety of our residents remains paramount and we commit significant resource and financial capacity to ensure all homes are safe to live in. Our building safety programme monitors the status of all safety inspections and any subsequent required improvements to maintain a fully compliant safety regime. By its nature this work is ever-evolving and at any point in time there will always be some actions in progress to keep compliant. This will include cases where we may struggle to gain access to homes in order to carry out safety checks, and we will take legal action where necessary to enforce our access rights and meet safety obligations.

Our Board closely monitors building safety performance. This includes day-to-day compliance with health and safety legislation and progress on significant remediation projects. As at 31 March 2024 our status against all building safety compliance measures was as follows:

Gas: Compliant Safety Record in place	99.82%
Fire: In-date Fire Risk Assessment in place	99.14%
Electrical: Test conducted within past 5 years	96.57%
Asbestos: Properties surveyed	98.80%
Legionella: Risk assessment in place	100%
Lifts: 6-monthly insurance inspection in place	96.80%
Playgrounds: Inspections completed	100%
Pressure vessels: Inspections completed	100%
Gates / shutters: Inspections completed	86.00%

All of these results are in line with or an improvement on the prior year end position, reflecting our continued investment to prioritise building safety compliance across all programmes.

Damp and Mould

Treating and preventing damp and mould remains an ongoing challenge for the sector. Again, the status of our homes is not static and new cases can occur at any time.

Our dedicated Damp and Mould Team assesses reports of condensation and damp and mould and will work with residents to take action and prevent it from returning in the future. During the year we have increased staff resources in this area, recognising the importance to residents.

We are developing our approach to proactive damp and mould prevention, recognising the challenges in doing so when the majority of our homes were built a number of years ago.

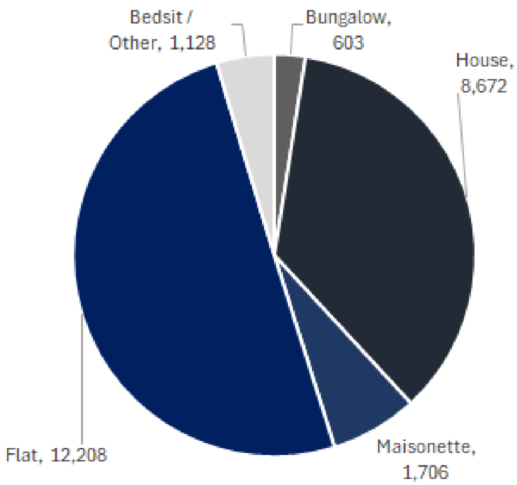
As at the end of the financial year we had no homes with outstanding Category 1 damp and mould action, the most severe rating under the national Housing Health and Safety Rating System.

Stock condition and Decent Homes

As at 31 March 2024, we had 102 (2023: 107) homes that did not meet the Decent Homes standard. Of these, 101 residents had refused the offer of work to improve their property whereas one resident had refused access to carry out essential electrical works. All properties where access was obtained were fully compliant with the Standard. We continue to work with residents to arrange access to their home and carry out works where possible.

95.4% of our homes and blocks have been surveyed for stock condition in the last five years. Again, the 4.6% of homes falling outside of our 5-yearly survey standard are those where we have been unable to gain access for a full survey to be conducted. In total. Our in-house surveying team completed 4,628 surveys in the year and this work is phased in order to inform our asset investment programmes in a timely manner.

Homes by property type



Strategic Report: Safety and Quality of Homes

Fire safety remediation

PA has six blocks of flats (including two adjacent to each other on the same estate) where significant fire safety remediation works are required. During the year we negotiated extensively with the original building contractors, in order to progress the projects towards start on site. This has progressed well and the projects are expected to start on site in 2024/25, with completion in 2025/26.

We also have a portfolio of smaller fire safety remediation projects, some of which relate to older blocks where the original building contractors are no longer in existence. Where required we continue to provide 24 hour waking watch and fire cover arrangements, with regular inspections to ensure the safety of our residents.

The majority of the costs associated with these projects will be borne by the building contractors. PA's estimated residual liability is c.£22m; this has been factored into our approved business plan.

Planned maintenance

Ramping up our capacity for investment into our homes and estates is a key element of our broader service improvement plan. Higher investment levels should lead to increased satisfaction, alongside knock-on benefits in reducing the demand for responsive repairs and associated incoming resident inquiry volumes, and lowering energy costs for residents. We have worked with our funders to release further investment capacity from 2024/25 onwards.

In 2023/24 we invested £15.5m in replacement of components in our homes (2023: £16.7m). Our investment in revenue planned maintenance programmes, including cyclical decorations, major estate works projects and building safety, totalled £21.7m (2023: £20.5m). These figures will increase significantly over the next few years as we utilise the additional investment capacity we have created.

Works completed (no. of homes)	2024	2023
Roofs	13	70
Kitchens	362	574
Bathrooms	206	382
Windows and doors	186	431
Heating and boilers	1,038	991
Lifts	5	8

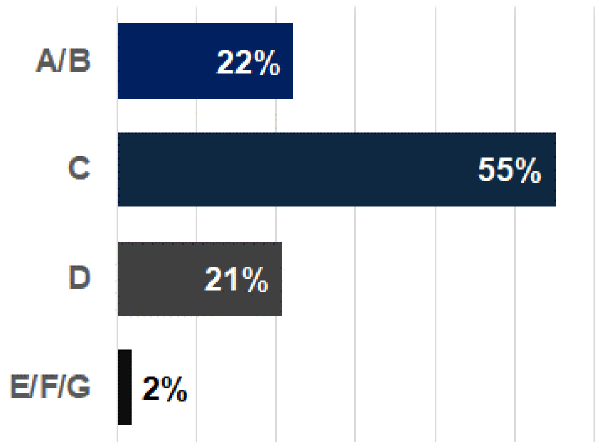
Energy efficiency and sustainability

At the end of March 2024 78% of our residents' homes had an EPC rating at band C or above (2023: 73%). This was slightly ahead of our target, set at 77% at the start of the year and it places us ahead of the average sector position.

There is still much more investment to come though, and we have decided to accelerate this work so that all our residents can benefit from increased energy-efficiency as quickly as possible. We are aiming to achieve 100% compliance with EPC C status by 2029, one year ahead of the national target.

We secured government funding of £1.2m under the Social Housing Decarbonisation Fund wave 2, with PA Housing contributing a further £2.3m. This will improve the energy efficiency of 100 homes in Leicester and the project progressed to plan through the year, with high quality outcomes for residents.

Property EPC ratings



Responsive repairs

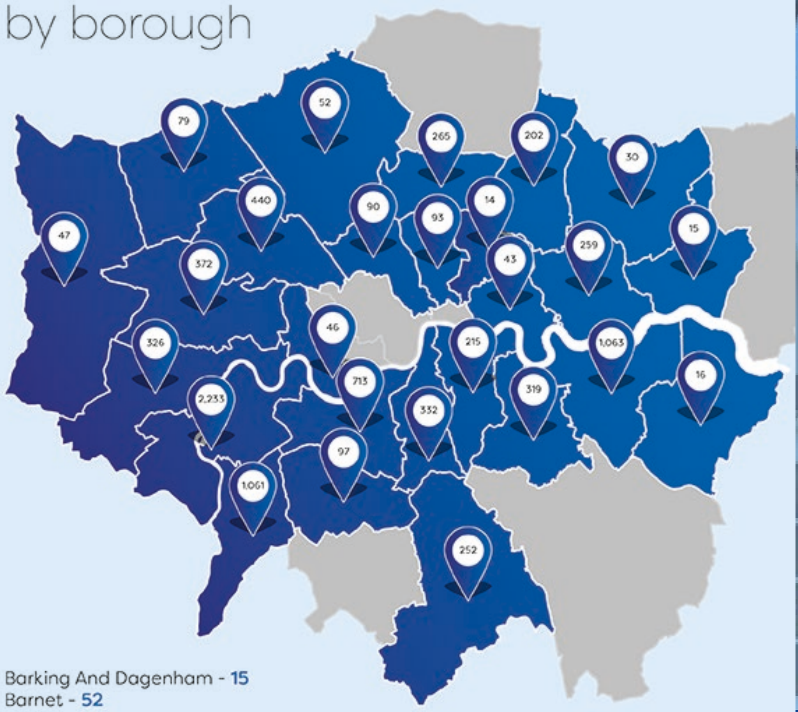
The day-to-day repairs service is a critical one for residents and a key driver of satisfaction levels. We know this is an area where we need to fundamentally improve service quality and this was confirmed when we conducted our annual Tenant Satisfaction Measures survey in September 2023. Only 56% of our renting residents expressed satisfaction with the repairs service and 51% were happy that repairs were being completed in a timely fashion. For home owners these results dropped significantly, to 38% and 26% respectively.

We have taken decisive action to address current performance levels, In June 2023 we terminated the contracted with our London and South East repairs provider, covering two thirds of our homes, and put new arrangements in place with another provider. Meanwhile in the Midlands, from April 2024 we have expanded our in-house repairs team to service all homes.

This has been augmented with pilot use of the Plentific repairs ordering platform, which enables us to bundle together repairs jobs in defined geographic areas so that local repairs providers can bid for the work. This has worked well, helping us to clear the backlog of repairs jobs left by the previous London and South East contractor with good quality outcomes for residents, although pricing levels are less predictable. We will continue to examine all repairs service delivery options, the key being to get to a place where consistently high and reliable service standards can be achieved for residents.

We have also taken the decision to augment the core repairs service with an expanded handyperson service, increasing the in-house team size from two to five operatives. This team's core remit is to offer practical support to more vulnerable residents where the work in question may not be PA's legal obligation, but the resident faces challenges with organising it themselves. This is therefore a value-adding service as part of our wider community investment, and we will assess the impact in the year ahead.

Our London homes by borough



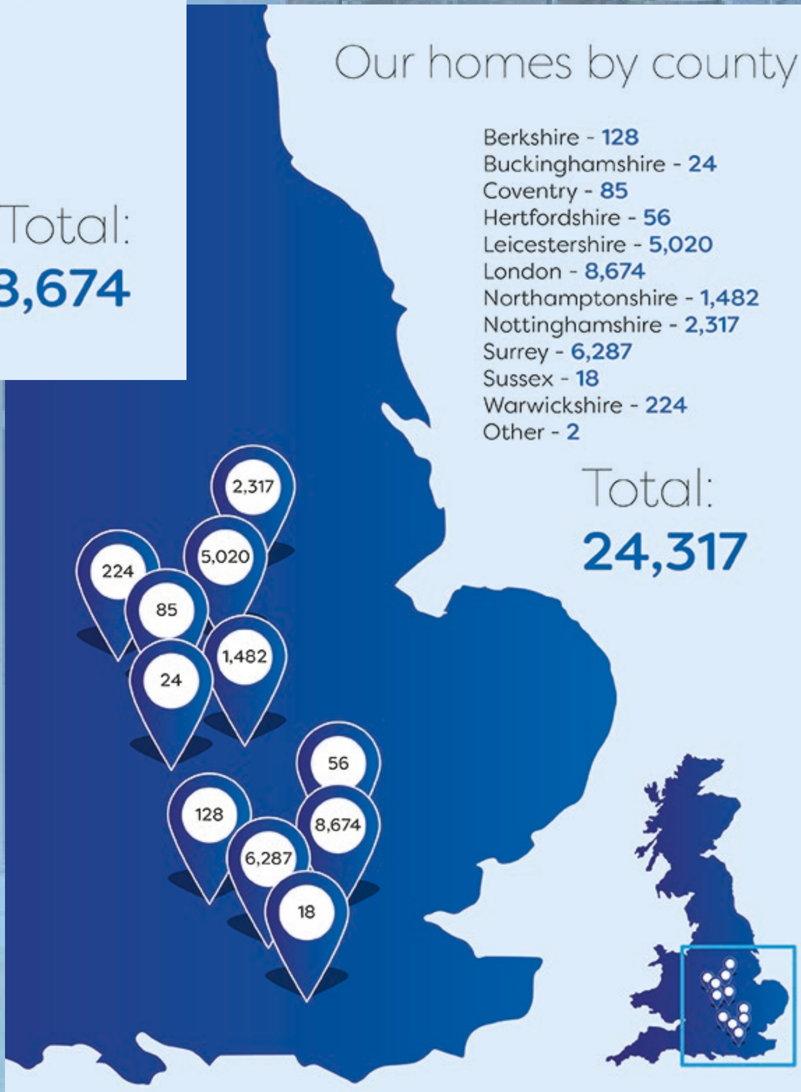
Barking And Dagenham - **15**
Barnet - **52**
Bexley - **16**
Brent - **440**
Camden - **90**
Croydon - **252**
Ealing - **372**
Greenwich - **1,063**
Hackney - **14**
Hammersmith And Fulham - **46**
Haringey - **265**
Harrow - **79**
Hillingdon - **47**
Hounslow - **326**
Islington - **93**
Kingston upon Thames - **1,061**
Lambeth - **332**
Lewisham - **319**
Merton - **97**
Newham - **259**
Redbridge - **30**
Richmond upon Thames - **2,233**
Southwark - **215**
Tower Hamlets - **43**
Waltham Forest - **202**
Wandsworth - **713**

Total:
8,674

Our homes by county

Berkshire - **128**
Buckinghamshire - **24**
Coventry - **85**
Hertfordshire - **56**
Leicestershire - **5,020**
London - **8,674**
Northamptonshire - **1,482**
Nottinghamshire - **2,317**
Surrey - **6,287**
Sussex - **18**
Warwickshire - **224**
Other - **2**

Total:
24,317



Strategic Report: Residents and their Neighbourhoods

Transparency, Influence and Accountability

Diverse needs and engaging with residents

We have changed our ways of working to get closer to our residents and better understand their needs. The feedback we received from residents was critical in this decision – they told us they wanted more local presence and visibility, swifter query resolution and for PA to be more sensitive to individual needs and preferences when delivering services.

Our new neighbourhoods model went live in June 2023. We have doubled the size of our Neighbourhood Coordinators ('NCs') workforce, thus halving patch sizes to an average of around 400 homes per NC. This is well below sector averages and we firmly believe that this additional investment is a critical element of our service improvement plan. The objective for all our NCs is to truly get to know who lives behind the front doors on their patch, and to ensure that residents' service needs are being met.

Day to day, our NCs will be the face of PA for their local residents. We have taken measures to increase their empowerment and ability to respond quickly to local issues arising. This includes an allocated budget for each patch, from which the NCs have autonomy to apply funds to identified estate improvement measures such as car parking upgrades or security improvements.

But they cannot deliver everything themselves and they need the support of our specialist teams to meet residents' particular needs. This will include areas such as repairs and maintenance, safeguarding, and tenancy sustainment. We have been working to improve co-ordination and harmonisation across all teams so that a more timely and seamless service can be delivered.

Data

Management and use of data is a key element of our service improvement journey. We are working to enhance how our data flows around the business, how it is captured to support operational delivery and how it is analysed to give insight to decisions. We have restructured our Data and Insights team and we are working on a new data strategy to govern this important work.

Some of our customer-facing teams have done some good work around data analytics and process automation, and this is leading to better outcomes for residents. This includes within the Customer Contact Centre, where data is used to create a learning culture to incrementally improve performance in response to evolving customer needs, and within the Income team, where we work proactively with residents to support tenancy sustainment and target rent collection efforts.

Complaints

In 2023/24 we received 2,037 complaints which was an 11% reduction on the previous year. While this was a step in the right direction, the volume is still too high and it illustrates that we need to improve services and outcomes for residents to a consistent high level across the piece. We are working to further strengthen the organisational learning culture around complaints so that permanent improvements to our ways of working are truly embedded as a result of the information we receive through the complaints process.

Proportionally more of our complaints came from residents living in London and Surrey, and fewer from residents in the Midlands. This correlates with where we faced the greatest challenges in the year with the quality and reliability of our repairs service, which is the single greatest driver of complaints. Other key complaints themes were around building services (particularly lifts), estate services (primarily cleaning and grounds maintenance), and general communication / service response issues.

We received five findings of severe maladministration in the year from the Housing Ombudsman Service. This was an increase on three such findings in the prior year. Although these cases tend to be relating to historic issues from previous years, it is important again that we learn from the experience and take it as an opportunity to put things right for residents. In the year ahead we will be strengthening our communication with all residents about our learnings from Ombudsman outcomes, including the insights the Ombudsman shares from its wider sector work.

Across all Ombudsman case findings in the year (including maladministration / partial maladministration outcomes), we were ordered to pay over £50,000 in compensation to residents. This is a price of service failure which impacts on available resources for investment.

Our neighbourhoods and communities

Stronger and safer neighbourhoods

Our services extend beyond providing a safe and secure home and our objective is to contribute more widely to the neighbourhoods in which our residents live. The single most important action in support of this during the year was the decision to double the size of our Neighbourhood Coordinators Team, thus halving patch sizes to around 400 homes on average. This will enable each Coordinator to have a stronger presence with residents on their patch, getting to know people better and building stronger relations to support our customer service effort.

This will be particularly important for service delivery to residents with particular needs or vulnerabilities, where we may need to adapt or tailor our approach away from standard policy to meet their requirements. We are starting to introduce this more overtly into our ways of working, for example by providing gardening or tree surgery services for residents where they may technically be responsible for the work but are unable to do so.

In 2023/24 we recorded 4,000 face-to-face interactions with residents, an average of 16 every working day. We expect this number to increase as the new model beds in, and we are targeting that Neighbourhood Coordinators should be spending at least 80% of their time out and about on their patches to meet with residents, assess service standards and deal with issues arising.

During the year we also held 170 surgeries for residents out on estates with specialist teams on hand to provide support, 93 drop-in sessions for general enquiries, and 14 wider stakeholder events with representation from our partners and other local agencies such as the police service and the NHS.

Strategic Report: Residents and their Neighbourhoods

Resident involvement

Our national Resident Assembly, chaired by one of our residents Linda Gray, works in partnership with us to enhance the services we provide to our residents. This involves review of how we are performing, consideration of feedback from residents, and scrutiny of specific service areas to look at where and how improvements could be made. The Resident Assembly links in with our Customer Committee to ensure that the resident voice is strongly heard through our non-executive governance framework.

We also have a number of local Neighbourhood Champions out on our estates, who work with our Neighbourhood Coordinators and other PA staff to assess service delivery at a local level and give feedback on issues needing attention. The Champions are a vital link into our local communities, helping us to build relations as well as get stuff done.

Safeguarding and dealing with more complex tenancy issues

Residents have consistently told us that they want a more victim-centric approach when we deal with complex tenancy issues. These can be in relation to criminality such as cuckooing and tenancy fraud, domestic abuse, anti-social behaviour, or hoarding.

We are also seeing an increasing incidence of residents living in general needs home with vulnerabilities which can lead to safeguarding concerns.

Responding to both of these challenges, at the end of 2023/24 we reshaped our specialist resources in these areas to create a new Tenancy Solutions Team aimed at providing stronger and more appropriate support to residents who need help.

We will continue to work with other agencies, such as the police, social services, local authorities, and domestic abuse advisors, to protect and support victims and ensure perpetrators are brought to justice. Often, this work can be time-consuming and preparing evidence for a legal case will take a number of months, on top of which the court service continues to work through a backlog of cases. Although outside of our direct control, this can be frustrating and worrying for victims who are faced with ongoing risk and distress from perpetrators until such time as a legal resolution can be achieved. We are committed to strengthening our communication with victims so that they feel informed and supported by us throughout the process.

Tenancy

We comply with our obligations under the standards set out by the Regulator of Social Housing. The new approach to consumer regulaton provides a stronger framework against which to assess our activities and performance. We report annually to our residents on our activities and impact on our estates and within communities. During the year ahead we will be developing and publishing a Residents' Handbook which will clearly set out the service standards residents should expect us to achieve, how they access our services, and how they can provide feedback.

Tenancy sustainment

Helping our residents to stay in their homes for as long as they need is an essential component of our work. Our teams are trained on all aspects of welfare benefits and this invaluable service not only helps residents pay their rent but also means they can live more comfortably in their homes. We have provided additional support through the cost of living crisis in the form of vouchers for food and heating, when presented with cases of hardship. £360,000 was allocated to residents via these support funds during the year.

We also developed our partnership with Lightning Reach, an online financial support search platform, establishing a support worker portal to help our more vulnerable residents access support and funding more quickly. Looking ahead, we have expanded our disability benefits advisory service and we are targeting up to £1million of additional benefits gains on behalf of disabled residents in 2024/25.

Strategic Report: People and Culture

Ways of working

As flagged in our 2023 Strategic Report, early in 2023/24 we completed work to realign our operating model in order to better meet residents' needs and strengthen our prospects of delivering better outcomes. The new structure went live in June 2023, following which there was a period of recruitment into a number of newly created roles.

As outlined elsewhere in this Report, we increased resources in key customer-facing teams so that we could strengthen relations with our residents and work at a faster pace to achieve the improvements needed. These changes started to bed in during the second half of the financial year and we have seen early signs of progress, with the new teams beginning to move the service forward.

Nothing stays still for long of course, and we know that we must continue to adapt to the changing world around us and the evolving views of our residents. Accordingly, at the end of 2023/24 we undertook a further but smaller-scale review of certain service areas to introduce better structures. This has included:

- Consolidating our previously separate Neighbourhoods and Estates teams into a single unit.
- Reshaping the Tenancy Solutions team to deliver a more empathetic and victim-centric service.
- Strengthening our Data and Insights team to better support business activities and decision making.
- Disbanding the centralised Service Improvement team and placing responsibility for this work directly into our core customer-facing teams.
- Strengthening our Complaints team to improve our learning culture and drive down complaints volumes.

These changes are important for the future health of the business and the services received by our residents, but they are always unsettling for our people. Notwithstanding this, the vast majority of colleagues bought into the proposals at consultation stage, and across the business there is a shared understanding that the changes will be positive for our organisational development. Our People team has supported people through the change process, including outplacement support for colleagues moving on from PA, and we met our target timelines to enable us to get on with the work to improve services as quickly as possible. The support of our recognised Unions and Staff Committee throughout these processes is very important, and we have worked hard to maintain positive relations with these representative bodies.

Recruitment

We recruited 205 new colleagues into the business during 2023/24 and there were 174 leavers, versus 146 and 147 respectively in the previous year. We therefore saw a net increase of 31 employees and we held a number of vacant posts awaiting recruitment at year end, reflecting our commitment to increase resources as a driver for service improvement.

Our in-house recruitment team, established in 2021, continued to handle the majority of our recruitment needs and we have seen a consistent reduction in agency recruitment fees, the most significant exception being for some senior roles where more specialist support is sometimes required. The in-house team acts as a quasi-recruitment agency, undertaking candidate search, hosting recruitment open days, liaising with local educational establishments and making direct approaches via professional networks and social media to potential candidates who may not have been actively seeking a new role. This has paid off for a number of key roles and the team has played an important part in introducing new talent into the business.

Improving the stability of our workforce is a priority area as we emerge from a major business change phase. Leavers with under 12 months' service is an important indicator here, reflecting both the success of our recruitment in terms of matching skills and attitudes to PA's needs and the extent to which new starters feel welcome and comfortable within the business. During the year 20% of our leavers had less than 12 months' service, a significant reduction on 40% in the prior year. This is a positive sign that recruitment standards and cultural fit are heading in the right direction, and it strengthens our prospects of achieving a level of organisational maturity over time.

Employee relations

During the year we focused on improvements to productivity, ensuring that colleagues are as well placed as possible to fulfil their duties. Total working days lost due to sickness reduced significantly for the second year in a row, both in absolute terms and when measured as a proportion of total available days given that we have a growing workforce:

Year	Days lost	% of days available (avg FTE)
2021/22	8,085	4.9%
2022/23	6,126	3.7%
2023/24	4,977	3.0%

The reasons for sickness absence are varied and can be complex. Where necessary the People team worked proactively with colleagues and their managers to address underlying issues and offer additional support if needed. This has delivered good results in terms of productivity enhancements, improving value for money for residents who can have assurance that less of their rent is being spent on sickness pay, as well as increasing available resources for service delivery.

The People team continues to work with managers to ensure efficient progression of employee relations caseload, so that the colleagues concerned can move on quickly on the back of a clear outcome. This is also important for wider organisational culture, recognising that such cases can often impact on colleagues who may not be directly involved in the issues under investigation.

Learning and development

We continue to invest in our colleagues across various workstreams. We have had a large influx of new line managers as part of the wider organisational change process and this has been a key area of focus, ensuring that managers are familiar with our policies and procedures and equipped with the skills needed to actively support and develop their people.

Strategic Report: People and Culture

Our e-learning programme expanded through the year and colleagues see this as a convenient and user-friendly way to expand knowledge and brush up on key skills. During the year we brought our organisational learning framework onto the e-learning platform, to formalise our approach to target setting and performance review between managers and their reports. This has led to improved compliance rates and greater visibility on the data, further strengthening our culture around accountability and delivery.

The platform is also used to record learning and development requests, which are then reviewed collectively by senior managers for potential funding approval, taking into account fit with business need and budget availability.

We have begun our response to the new requirements relating to professionalisation of social housing services, which we fully support. The requirements are that senior housing executives must have a foundation degree or level 5 qualification, and senior housing managers must have a level 4 qualification in housing management. Our first cohort of learners with the Chartered Institute of Housing commenced their work programme in early 2024/25; this includes all our executive directors and senior management team from all areas of the business, in order to set the right culture around the importance of this initiative.

Summary of 2023/24 learning and development activity

Apprenticeships	8 colleagues completed 4 colleagues started
Professional qualifications	10 colleagues complete 22 colleagues started
Management development	17 managers completed their programmes
General training	488 sessions provided, including 76 on building safety and 72 on housing management 645 colleagues attended at least one training session

Diversity

We recognise and embrace the importance of diversity of background, experiences and thinking at all levels of the business, and the positive impact this can have on our decision making. We are working to create an inclusive environment where people can express themselves freely and take pride in their own sense of identity. This has been an area of strength for PA Housing, but it is something we must keep working at in response to changing societal challenges.

Our workforce is predominantly female and nearly half of colleagues are from a non-white ethnic background, which aligns well with our resident population. We continue to work on the diversity of our senior leadership team, particularly with regard to ethnicity, and we want to do more work in support of other protected characteristics. 41% of our senior management team is female, a good position and one we can continue to improve.

Pay Gap

Pay gap reporting gives an indication of the extent to which good intentions translate into real action in respect of developing a diverse workforce. It measures the average pay across all roles for people with different attributes and backgrounds, not the pay to people in the same role from those different backgrounds. All PA Housing employees in the same role are paid equally regardless of their background.

Our pay gap movement through the year has been mixed, with some modest positive change on the gender pay gap but a small step backwards on ethnicity (figures are based on the median position):

	March 2023	March 2024
Gender pay gap	11.5%	10.9%
Ethnicity pay gap	5.9%	8.0%

The most recent available figure for the UK-wide gender pay gap is 14.3%. No recent data is available for the UK-wide ethnicity pay gap.

Every vacant post recruited into is monitored from both a gender and ethnicity pay gap position to assess the impact, and our recruitment team works with recruiting managers to secure as diverse a pool of candidates as possible, particularly for more senior roles within the business.

We are working towards elimination of our gender and ethnicity pay gaps over time; this is a long-term commitment and challenging to achieve given wider workforce dynamics but it remains an important area of focus for us.

Investors in People

During 2023/24 we worked towards an application for the Investors In People (IIP) accreditation, and our first assessment will take place midway through 2024/25. This is not about gaining a badge; rather we want to make sure our future work on all aspects of people development is aligned with external best practice. The IIP framework gives a useful reference point, and we will use this to sense-check our evolving priorities and actions.

This work reads across to our new People Enabling Strategy, with the identified themes and priorities aligning well with the IIP framework.

Strategic Report: New Homes

Our development strategy

Our headline target is to complete 5,000 new social homes in the decade from 2020 to 2030. We only target social tenure rented and shared ownership homes, and we do not pursue opportunities for other tenures. Wherever possible we maximise the number of social rent or London Affordable Rent homes (an equivalent tenure within London), as opposed to Affordable Rent where rent levels will be higher. This is contingent on the available capital subsidy funding via our partnerships with Homes England and the Greater London Authority.

During the year we introduced a new Growth Enabling Strategy, which is aligned with our Corporate Plan 2024-2029. This includes some key aspects to our development activity, including:

- A tenure mix which sees at least 70% of our new homes being built for rent.
- Increased emphasis on larger strategic sites, working in partnership with house builders who operate at scale and have a strong financial track record.
- Focusing on areas where we have positive, enabling relationships with key local authority partners, and where we can lock into existing good concentrations of homes that we own and manage.
- Building communities fit for the future where residents can thrive into the long-term, incorporating design for safety, modern technology and energy-efficiency measures.
- Being prepared to invest in the right components, including potentially higher initial cost if this improves reliability and reduces cost in use, therefore delivering better value for money over the life cycle of the development.
- Taking an ultra-assertive stance with contractors, insisting on new homes which are defect free and enforcing commercial contract terms to protect PA's position.
- Exploring strategic partnership opportunities with house builders, local authorities, other providers and investors to help unlock capacity for investment.
- Wherever possible, delivering larger family homes to help alleviate the issues with overcrowding within small homes across the UK's social housing stock.
- Ensuring that at least 10% of our homes are wheelchair adapted.
- Exploring design innovations that allow the home to be adapted to suit changes in household composition and life-stage.
- Leveraging social value through our contracts to benefit the communities we serve and provide community infrastructure where it's needed.

New homes (social)

365 (2023: 284)

In 2023/24 we developed 365 new homes (2023: 284). 241 were affordable / social homes to rent and 124 were for shared ownership. New homes were delivered in the following local authority areas, enhancing the neighbourhoods in which we already operate:

Wandsworth	139
Kingston-upon-Thames	56
Spelthorne	43
Guildford	26
Charnwood	25
Lewisham	23
Sutton	16
Runnymede	11
Elmbridge	10
Lambeth	9
Rushcliffe	5
Wellingborough	2
Total	**365**

The supply chain and issues in the construction sector persist and this has inevitably led to delays in completing our new homes. Only half of our pipeline development remains in line with our original programme timetable. Financial pressures on contractors are ever more present and two contractors we were working with failed in the year. A key focus for the year ahead is to bring these sites back on track although inevitably this will lead to additional costs. We have established an early warning system to monitor the financial stability of contractors and the potential impact on the development programme.

At the end of March 2024, we had 31 active sites with 1,765 new homes under construction. We are forecasting the completion of over 600 new homes in 2024/25 and over 700 in 2025/26.

New homes completed	2024	2023	2022	2021	2020
Affordable Rent	197	97	108	73	145
Social Rent / London Affordable Rent	44	83	24	103	-
Shared Ownership	124	104	185	116	88
Temporary Housing	-	-	-	6	-
Total social housing	**365**	**284**	**317**	**298**	**233**
Market Rent	-	-	-	2	16
Total	**365**	**284**	**317**	**300**	**249**

Pipeline development

Our strategy is to bring forward homes to rent as our priority, with shared ownership homes to balance the programme. This will be delivered through land led, Section 106 and package contracts in core areas of London, Surrey, and the East Midlands. We work closely with local authorities on opportunities for land-led development.

Our development programme is supported through the allocation of nearly £300m of combined grant funding from the Greater London Authority and Homes England, the latter including via our strategic partnership with Accent Housing Group.

Development	2024	2023
Homes started on site in the year	87	1,053
Under construction at 31 March	1,765	2,015

Strategic Report: New Homes

New starts on site were kept to a minimal level during the year, as we focused on progressing our large programme already on site and managing risks around contractor performance.

Sales

Our programme reflects a balance between homes for rent and shared ownership. As well as meeting a core social housing need, shared ownership helps us to increase our overall growth capacity through reinvestment of the surpluses we earn from first tranche sales.

Sales	2024	2023
New homes sold	176	148
Sales proceeds	£25.6m	£21.5m
Surplus	£7.2m	£5.0m
Sales margin	28.1%	23.3%
Unsold homes	78	130

Sales revenue in 2023/24 was £25.6m (2023: £21.5m) from the sale of 176 new homes (2023: 148 homes). The average sales margin improved by nearly five percentage points compared to the previous financial year, indicating healthy market conditions and strong demand in the localities we were active within.

Strong sales performance in the year enabled us to significantly reduce (by 40%) our stock of unsold homes as at the year end date. 78 homes were held for sale at the end of March 2024 (2023: 130), 69 of which had been for sale for longer than six months (2023: 49). Sales market risk is constantly with us and is susceptible to sudden changes in economic and political conditions. To safeguard against this our financial planning takes a deliberately pessimistic stance on sales income and we plan to outperform these targets operationally. Any additional income achieved is then available for reinvestment into our maintenance programmes and other services, to augment the core approved budget.

Regeneration

Our development programme includes regeneration schemes in London and Surrey. Laurel Wood Place in Elmbridge replaces an outdated and failing block of flats built in 1972 with 97 higher quality homes and it will help to transform the lives of local residents. The regeneration aligns with our strategic objectives providing wholly affordable homes, social rents, and community infrastructure.

The new homes deliver a high level of sustainability including:

- Photovoltaic panels to generate renewable energy on site.
- 20% of parking spaces with electrical charging points and an infrastructure to increase to 50%.
- A fabric first approach to development making the building as thermally efficient as possible.
- Energy efficient heating system lowering the buildings carbon emissions.
- Biodiversity, through living roofs, bird and bat boxes and bee-friendly planting.
- A brand-new pre-school on the ground floor.

This project is an early adopter of the Building Safety Act, making it subject to the Gateway reviews under the Building Safety Regulator.

In Woolwich, PA has a long-term partnership to deliver new homes through the regeneration of three existing local authority owned housing estates. Phases 1-3 have completed, comprising 238 homes. Phases 4 and 5 started on site in 2023 and will deliver a further 253 homes. Phase 4 is due to complete towards the end of 2024/25 and handovers on Phase 5 will commence in 2025/26. The final phase will deliver 79 homes in 2027/28.

We are also delivering a 516 home, multi-phase regeneration scheme in Southall in partnership with the London Borough of Ealing. Construction of the first of three phases commenced in April 2023. We have received grant funding from the GLA as part of this partnership project to support the delivery of much needed affordable homes. This scheme will be built to the Future Homes Standard 2025, delivering sustainability and minimising the impact on the local environment. The development will be all-electric, with no gas infrastructure on-site. Block by block connections will be provided according to each phase of the application scheme, to optimise the efficiency of the proposed ambient temperature Air Source Heat Pump. It will also include three Photovoltaic panel arrays, one on each block roof. Collectively, these measures significantly exceed the policy requirement for at least 35% carbon dioxide emissions reduction to be achieved on site.

Impairment

As noted above the construction sector is grappling with challenge around the cost and availability of materials and labour in the wake of the sustained period of high inflation in the UK economy. This has caused financial viability issues for some of the contractors we work with, and on a small number of sites we have had to terminate contracts and seek alternative contractors to complete the build. Inevitably, this leads to increased costs and some of our development schemes have been impaired to recognize the diminution in value.

We have also reviewed our land bank sites against our new Growth Enabling Strategy, and we have booked an impairment adjustment where we now expect to dispose of sites at a value below the historic acquisition cost. Land values have also suffered over the past couple of years due to the higher build costs which impact on site viability.

Strategic Report: Environmental, Social and Governance

Our Environmental, Social and Governance (ESG) activities

PA exists to deliver social value to the communities we serve. Our core purpose is **to provide warm, safe and affordable homes and related services to those who need them**. Although we are a general needs housing provider, our work will include targeted support and opportunities to the people who live in our homes and their families, over and above our standard landlord responsibilities.

This objective is underpinned by our governance arrangements, which are designed to ensure ongoing effective service delivery within an appropriate controls assurance framework.

We are also highly conscious of our environmental impact, and the key role that housing associations must play in working towards national and global targets for a brighter environmental future.

Transparent reporting on our ESG activities is crucial, and PA was one of the founding adopters of the ESG-focused 'Sustainability Reporting Standard for Social Housing (SRS)' devised by the sector, working with the Good Economy. We have published an annual ESG report, incorporating the SRS metrics, since 2021. Our latest report is available on our website.

Some of our debt funding arrangements are supported by ESG activity reporting requirements. This includes use of proceeds obligations in respect of our £300m public bond issued in 2021 and our private placement transaction in 2024, and key performance indicator tracking in respect of certain bank loan facilities.

Key ESG reporting data as at 31 March 2024

Use of proceeds	
Affordable housing	£215.2m
Green buildings	£84.4m
Clean transportation	£0.9m
Affordable basic infrastructure	£4.8m
Total to date	£305.3m
ESG KPIs	
Overall TSM customer satisfaction (rented residents)	62%
Number of homes rated EPC A or B	4,448
Number of residents supported by tenancy sustainment team	4,133
Number and percentage of line managers from a non-white ethnic background	39 27%

Since ESG is an integral component of PA's core business operations, this Strategic Report contains a wealth of relevant information about our work, achievements and future ambitions. We recognise that it's important for our partners to understand how the work we are doing influences the ESG agenda. The references below signpost readers to the key ESG information available elsewhere in this document.

Environmental

- Improving the energy efficiency of our homes Page 13
- Laurel Wood Place development project sustainability features Page 20

Social

- Our new Corporate Plan and Enabling Strategies Page 11
- Being present and active in our neighbourhoods Page 15
- Engaging with residents and improving our services Page 16
- Safeguarding more vulnerable residents Page 16
- Tenancy sustainment work Page 16
- Changes to team structures and ways of working to improve service standards Page 17
- Learning and development support to employees Page 17
- Developing new affordable homes for people who cannot access the open market Page 19
- Estate regeneration projects Page 20

Governance

- Keeping residents safe and ensuring building safety compliance Pages 12-13
- Employee relations activities Page 17
- Work to promote workforce diversity and reduce our gender and ethnicity pay gaps Page 18
- Our approach to risk management Pages 23-24
- Assessment of going concern and controls to preserve liquidity Page 34
- Our financial targets and golden rules and their alignment to corporate priorities Page 38
- Our governance arrangements including the internal controls assurance framework Pages 46-52

Risk Management

Strategic Report: Risk Management

Key risks and how we manage them

PA manages the risks and opportunities associated with the delivery of its strategic objectives through a risk management framework. This includes the approach to risk appetite, monitoring of existing and emerging risks, and decision making through delegated authorities to ensure these strike a balance between risk and reward.

The approach to risk management links to our budgeting and financial planning. This ensures the financial impact of risks is robustly tested in the light of our financial viability.

Risk management

Risk is managed through the delegation of authority from the Board to Committees, executive directors and senior managers. Our first line of defence is to ensure robust controls and processes are in place which are owned and managed by executives and senior managers responsible for business activities, together with our financial controls. The Finance, Risk & Audit Committee is responsible for oversight of risk and maintaining the Risk Register. This is supported by our Internal Audit function to provide assurance that the controls in place are effective in mitigating risk. The Committee also receives and considers the external audit recommendations report. Ultimately the Board is responsible for risk including the approval of the risk management framework, risk appetite, associated policies, and financial regulations. The Board will also review the corporate Risk Register at every meeting and a deep dive report twice a year.

Risk register and risk appetite

The PA Risk Register identifies existing and emerging risks and captures the assessment of each risk together with impact and controls in place to mitigate against the risk. The register is regularly reviewed and updated by the Finance, Risk & Audit Committee.

The approach to risk appetite balances the level of risk the Board is prepared to take, with the rewards in the delivery of our strategic objectives and potential opportunities. Our risk appetite is not necessarily static. The Board may vary the amount of risk which it is prepared to take depending on the circumstances and a particular risk may change over time. The Board sets its appetite across a range of areas in order to determine the specific nature and extent of significant risks that PA Housing is and is not prepared to take in the achievement of its strategic objectives. Risk appetite is considered in preparation of all reports to Board and Committees in order to ensure appropriate alignment with current position and the risk appetite is kept under continual review throughout the year.

Details of our current top seven assessed risks are shown within the risk register extract on the following page.

Early warning triggers

We have identified a range of indicators which may provide early warning that a significant risk scenario is starting to crystallise. These indicators are reported to every Finance, Risk & Audit Committee meeting, assessing whether a trigger point has been reached and / or if the future outlook suggests an increasingly risky environment.

The process allows executive staff and Board members to consider if any mitigating actions in response to an emerging risk scenario may need to be invoked.

A number of potential mitigating actions have been evaluated and quantified, and the Board has established a mitigations matrix which sets out the prioritisation of these actions based on a combination of scale of impact and ease of implementation. Examples include:

- Scaling back on new development to preserve cash (priority 1)
- Small-scale disposal of high value assets to generate cash (priority 2)
- Reduction in scale of non-essential services (e.g. community investment programmes) to reduce operating expenditure (priority 3)

Risk assurance

A separate risk assurance register is maintained which sets out the various sources of assurance the Board is able to place reliance upon and identifies any risks where the Board may require further assurance. The register is based upon the three lines of defence model.

Strategic Report: Risk Management

Headline risk	Risk detail and impact	Monitoring and mitigation	Risk triggers
Landlord Health & Safety Compliance	Health and safety requirements are not completed leading to risk of unsafe homes, non-compliant position, and potential injury. Labour shortages impact on service delivery. Non-access including third party sites. Waking watch costs.	■ Monitoring number of homes without current safety certifications ■ Ongoing Board scrutiny of certifications and other property compliance requirements ■ Proactive engagement with residents on safety and compliance ■ Tall building fire safety remediation ■ Robust contract management ■ Legal process followed to ensure access	■ Failure to meet compliance performance targets ■ Increase in non-access ■ Delayed legal processes ■ Contractor staffing shortages / performance ■ Enforcement notices
Delivery of Fire Safety Remediation Projects	Further delays in remediating the structural fire defects is having a negative impact on our residents' lives and may lead to a credit and or a governance downgrade. Meeting insurance requirements.	■ Completion of remediation projects. First 5 to be complete by Jan 25 with the remaining 16 on site and in progress ■ Working through insurance requirements with underwriters	■ Contractual delays ■ Insurance reluctance to provide cover
Customer Satisfaction	Low satisfaction in customer services leading to reputational damage and scrutiny. Ombudsman cases. Dissatisfaction with service charge management and value for money. Higher levels of complaints continuing to be received.	■ Revised approach to complaints management ■ Damp & Mould team ■ Communication management ■ Expansion of DLO ■ Increased Hub resources and Neighbourhood Team resources ■ New CRM system ■ Door step surveys ■ All customer calls ■ Use of Plentific platform ■ Service charge review ■ New Safeguarding team	■ Key housing related performance indicators ■ Customer satisfaction level ■ Complaint volumes
Condition of Housing Stock	Failure to invest in existing housing stock Impact on the business plan, decent homes compliance and voids. Consumer standards breach. Delays to non-statutory works due to financial capacity. Increase in disrepair cases. Damp and mould.	■ Maintaining decent homes compliance ■ Stock condition surveys ■ Contractor and budget management ■ Damp & Mould taskforce ■ Disrepair case management ■ Additional budget provided to clear planned works catch up requirements	■ Stock investment requirement increases ■ Repairs and maintenance inflation ■ Response repair volumes ■ Disrepair cases
Cyber Security & Data Protection	Service disruption and impact on the customer due to cyber-crime. Data loss / data breach. Increased risk of unauthorised access to PA systems. Increased frequency of cyber-attack in the Housing sector.	■ Cyber security strategy and action plan ■ Penetration testing ■ Anti-virus filters / firewalls ■ Disaster recovery system ■ Cyber Essentials Plus accreditation ■ IT policies, physical security access measures ■ Internal security reviews ■ Staff training	■ Frequency of unsuccessful malware / virus attack ■ System downtime ■ Increasing subject access requests

Strategic Report: Risk Management

Headline risk	Risk detail and impact	Monitoring and mitigation	Risk triggers
Development & Contractor Solvency / Viability	Economic environment impacts on delivery of development programme. Schemes take longer and cost more to deliver. Existing contracts becoming unviable due to rising costs of material and labour. Contractors requiring additional funds to continue or complete.	■ Financial monitoring ■ Monitoring success rate of new bids ■ Programme of pipeline schemes monitored by Board ■ Scaling back new projects with focus on completion of stalled sites ■ Monitoring contractor's performance and reviewing Insolvency cover, Parent Company Guarantees and other security provisions included in the various contracts and agreements ■ Viability of supply chain continually assessed	■ Increased time on site ■ Prospects for land bank sites reduced ■ Change in contractor solvency status ■ Unit cost increases
Reputational Risk	Failure to provide improved services to our residents leading to negative publicity, regulatory engagement and stakeholder dissatisfaction. Scrutiny and challenge of the social housing sector within national media/government.	■ Revised approach to complaints management ■ Complaint handling code compliance ■ Staff training ■ Stakeholder management ■ Lessons learnt reviews	■ Complaints volumes ■ Ombudsman cases ■ Stakeholder enquiries ■ Regulatory engagement

Value for Money

Strategic Report: Value for Money

Our approach to Value for Money and Corporate Objectives

The most important measure of our ability to deliver value for money is how highly our residents rate our services. We know we have a lot to do in this respect but we have started to invest more into the areas which residents consistently tell us really matter to them:

- Stronger visibility on our estates and really getting to know who lives in our homes.
- Modernising our homes, including improving energy-efficiency to save money for residents.
- Keeping all residents safe in their homes.
- Holding our contractors and managing agents to account.
- Taking a victim-centric approach to criminality and anti-social behaviour.
- Helping residents to access additional financial support and sustain their tenancies.
- Improving the day-to-day repairs service.
- Building good quality new homes in the right locations, which will meet both current and future lifestyle needs.

Our new Corporate Plan sets out the scale of our ambition around service delivery improvement. In some areas this will mean simply doing better and being prepared to invest in order to make that happen – for example by increasing our cohort of Neighbourhood Coordinators and reducing patch sizes. In others we may need to rethink our service delivery approach more fundamentally – for example on repairs, where the traditional regional contractor model has struggled to meet residents' expectations and more innovation might be required.

Our first annual Tenant Satisfaction Measures survey was carried out in September 2023 and it gave use a useful baseline position from which to measure future service improvement. The results are set out in the table below. At the time of publication of this report, meaningful benchmarking was not available. However, from the limited benchmarking data we have seen we expect our overall profile to generally be below sector median levels.

Satisfaction	**Renters**	**Home owners**
Overall	62%	38%
With repairs	56%	38%
With time to complete repairs	51%	26%
That home is well maintained	63%	44%
That home is safe	76%	62%
That views are listened to and acted on	52%	31%
That residents are kept informed	68%	56%
That residents are treated fairly and with respect	76%	62%
With approach to handling complaints	26%	17%
That communal areas are kept clean and well maintained	59%	49%
With making a positive contribution to neighbourhoods	56%	38%
With approach to handling anti-social behaviour	50%	30%

The Corporate Plan is based on the feedback we have received from residents. At the headline level, our value for money philosophy is that we will invest to improve services and drive up satisfaction ratings, which in some areas should lead to longer-term operating efficiencies.

In this context 'invest' covers a range of activities and is not solely about spending more money. It will include making better use of technology and data, redesigning our ways of working and internal processes, being more innovative, and leveraging partnerships. However, increasing our customer-facing resources and scaling up our planned maintenance programmes are key components of the plan and we do expect that our financial metrics will reflect this. Compared to our peer group and the wider sector, we will generally be spending more per property in order to improve quality and outcomes at pace.

New Value For Money Enabling Strategy ('VFM Strategy')

Aligned with our new Corporate Plan, the VFM Strategy sets out in more detail how we will be working over the next few years to improve VFM outcomes for residents. In it, we identify our VFM principles as the following:

- VFM is about outcomes and what we are achieving for our residents.
- The voice of our residents is central to how we define and shape our VFM priorities.
- We operate in a world where financial resources are limited and we need to make the most effective use of available resources.
- Reducing discretionary spend and cutting out waste gives us more to invest in the things which matter to residents.
- We are a cost-conscious organisation.
- Everyone who works at PA Housing has a responsibility to ensure VFM in all that they do.
- Assessment of VFM is not a single, static and irreversible decision – perspectives on the balance between cost and quality will change over time depending on how our service delivery priorities evolve.
- We review our VFM performance as we go along, and we change how we do things where we see opportunities to improve VFM.
- We allow room to experiment and innovate, in a way which controls risk, in order to seek better VFM solutions for residents.
- We are accountable to our residents and each other for the VFM of our work, thinking about how we would spend PA's financial resources as if it were our own money.

- We report transparently on our VFM activities and outcomes.

Our strategic approach to VFM is then framed around nine priority areas:

Economy: Minimising the cost of resources used while having regard to quality.

Efficiency: The relationship between the output from goods or services and the resources used to produce them.

Effectiveness: The extent to which objectives are achieved and the relationship between intended and actual impacts.

Optimising financial return: Achieving the best return from our assets and activities insofar as that is consistent with achievement of our wider organizational purpose and strategic objectives.

Management of resources and assets: Strategic, comprehensive and clearly linked to achieving strategic objectives.

Operational VFM: Optimising VFM across all activities.

Decision making: Rigorous appraisal of all potential options for improving performance.

Delivery structures: Considering the opportunity costs of current structures compared to a range of alternatives.

Transparency and accountability: Using our reporting to help drive improvement in VFM.

VFM is a cross-cutting theme which permeates across our Corporate Plan and other enabling strategies, all of which identify a number of objectives and actions impacting on achievement of the above priority areas.

Monitoring VFM

Our organisational structure enables us to monitor VFM at all levels.

Ultimately our Board is responsible for the delivery of VFM and sets the strategic approach for the organisation. The Board is supported by our Committees, which collectively assess and oversee our risk and control framework, our investment approach, our service delivery objectives and outcomes, and our utilisation of human resources. The Finance, Risk and Audit Committee receives regular updates on progress against the objectives set out in our VFM Strategy.

Our Executive and Senior Management teams ensure Value for Money is a key factor in decision making with clear outcomes, and monitor our performance against targets.

All areas of the business receive regular reporting on performance against our targets through a comprehensive suite of financial and operational key performance indicators, monthly face-to-face business briefing updates and news articles through our internal communication channels.

Our performance

Alongside the regulatory Value for Money Metrics we monitor our performance against a suite of other metrics and performance measures. From a VFM perspective, our key focus through 2023/24 was on the following areas:

Customer satisfaction

Our overall customer satisfaction based on the TSM perceptional surveys was 62% for renting residents and 38% for home owners. The prior year overall satisfaction rating was 60% for all residents. The position is therefore broadly static and as acknowledged above, we need to significantly improve service standards in order to shift the dial in a more positive direction.

Our ongoing interactions with residents give us a rich seam of information to guide our service improvement activities, and we have used this to prioritise allocation of resources in line with the nine priority VFM areas outlined above. This has supported significant decisions to change our approach in a number of areas, including:

- Resourcing our neighbourhoods teams.
- How we deliver responsive repairs services.
- Investing in improvements to our homes.
- Responding to customer contacts and use of technology to improve the customer experience.
- Dealing with more complex tenancy issues and fulfilling our safeguarding responsibilities.
- Helping residents to sustain their tenancies and access further financial support.
- Asset investment / divestment considerations.

Responsive repairs

This remains the area with greatest impact on overall satisfaction ratings due to the number of transactions and touchpoints with residents through the year, and our area of greatest challenge.

During 2023/24 we decided to change contractual arrangements for our repairs service in order to improve outcomes for residents. This involved introduction of a new contractor for our London and South East region, around two thirds of our homes. Alongside this, we introduced more flexibility via Plentific, enabling us to access a range of local repairs contractors for small batches of jobs.

This has delivered some improvement, with 85% of routine repairs jobs delivered on time compared to 79% in the prior year. But we need to improve further here and we continue to explore options around different repairs delivery models to give residents a better service.

Contact centre

Residents need assurance that when they have cause to contact us, their query will be responded to promptly and the desired outcome will be achieved efficiently. There are a number of facets to this but the first stage, which will influence residents' perception of our service approach, is the extent to which we can respond to incoming calls for assistance. On average we receive around 850 incoming contacts per day, so a consistent high service response to this volume of enquiries is essential.

Strategic Report: Value for Money

During the year we remodelled our contact centre staffing structures to improve performance. This team does not operate in isolation from the rest of the business and call volumes are influenced by wider business performance issues, particularly the repairs service which generates the highest volume of calls. This impacted on performance levels and overall, 78% of calls were answered during the year. At the headline level this is only a marginal improvement on prior year performance at 77%. However, the trend through the latter part of 2023/24 was positive as we learned from our data and adapted our approach.

As we move into the new financial year we are starting to see more significant performance gains. This has been boosted by further initiatives to strengthen the team's ability to meet resident expectations, including extended opening hours with weekend working, and introduction of a new telephony system which allows us to manage calls with more sophistication.

Accordingly, we have set an expectation for more significant step-change in performance levels within our 2024/25 targets.

Void rent loss and average re-let days

After improvement in each of the previous two years, our performance on turning around empty homes slipped back again in 2023/24. This was a negative from both a VFM perspective, with higher rent loss and therefore a shortfall against planned income, and from the wider perspective of our purpose as an organization, with people having to wait longer to move into the new homes.

The key driver of this downturn in performance was the time taken to repair empty homes and get them ready for re-occupation. We worked hard with our contractors and in-house team to address this, and in the latter part of the year we also started to allocate void works jobs via the Plentific repairs portal in order to introduce different resourcing solutions and clear the backlog of properties. Incremental improvement in re-let times has been achieved through the first six months of 2024 but we need to continue pushing this downward so that a significant reduction in void days is achieved.

Arrears

The high inflation environment and associated cost of living pressures have been impacting on our residents since early 2022. Although year-on-year inflation has now normalized, this is at a much higher price baseline position with increased costs embedded into prices on the high street.

We responded to this by allocating more resource into our tenancy sustainment team, which works with residents to improve their access to benefits and other sources of income. This was a successful decision, and in 2023/24 we achieved £6.9m of income gains for over 4,000 residents, compared to £4.4m of gains for 1,600 residents in the prior year. This work, alongside an ongoing commitment to core rent collection activity, helped to reduce our rent arrears position through the year and we ended the year at 3.8% gross arrears versus 4.3% in the prior year.

Outlook

Given both internal and external challenges we are realistic in our expectations for the year ahead. Our primary focus is on improving customer satisfaction and we welcome the new Tenant Satisfaction Measures which we are reporting on from April 2023. This will enable us to provide our residents with further transparency on our performance within a regulated framework to compare our performance against our peers. We have also taken a cautious outlook to our performance on letting properties and the collection of rents, taking into account the current more challenging economic climate.

Indicator	2025 Target	2024 Target	Bench-mark	2024 Actual	2023 Actual	2022 Actual
Overall customer satisfaction (rented)	n/a [1]	n/a [1]	73% [2]	62% [3]	60%	61%
Routine repairs completions on time	90%	90%	-	85%	79%	87%
Contact centre calls answered	90%	90%	-	78%	77%	79%
Void rent loss (social housing lettings)	1.2%	1.5%	1.3% [4]	2.1%	1.7%	2.1%
Average re-let days (general needs)	30	35	-	54	37	57
Rent arrears	3.4%	4.7%	3.3% [3]	3.8%	4.3%	4.0%

[1] Overall satisfaction reflects the outcome of a range of service delivery activities where targets are used to drive performance. We do not set a specific target for overall satisfaction but the Board is clear that it expects to see a consistent upward trend from the 20204 baseline position

[2] Housemark Tenant Satisfaction Measure (TSM) for all Housing Associations June 2024

[3] 2024 PA Housing overall satisfaction (TSM)

[4] Regulator of Social Housing Quarterly Survey (January to March 2024) Median results.

Strategic Report: Value for Money

Value for money metrics

2023/24 results

We incorporate the Regulator of Social Housing's Value for Money metrics into our routine reporting, financial planning and decision making. The Board and Committees are regularly updated on our approach to Value for Money and the outcomes achieved.

We compare our performance to others in the sector and we use a peer group of 18 other housing associations with social housing stock owned of between 15,000 and 35,000 properties, who operate in similar geographical areas to PA. The comparable data for our peer group is taken from the information published by the Regulator of Social Housing. Information on the peer group is based on the actual results for the years 2021/22 and 2022/23.

We operate in a number of different geographic areas with 38% of our stock being in the Midlands, 35% in the London Boroughs and 27% in Surrey and the surrounding areas. Our metrics and approach to value for money reflect the diverse areas in which we operate and related cost drivers. Approximately two thirds of our homes are in London and bordering local authority areas in Surrey – this generally leads to higher unit costs in key service areas such as responsive maintenance when compared to equivalent costs in other parts of the country.

In 2023/24 our overall operating performance before additional fire safety costs and year end impairment accounting entries was in line with budgeted expectations. Inflationary pressures increased our overall cost base impacting on our operating margin and costs per unit. Higher interest rates along with ongoing increases to our indebtedness also impacted on our EBITDA (MRI) interest cover. Sales performance was strong and this had a beneficial impact on some metrics.

On the capital investment front our development programme was behind schedule due to the financial failure of some development contractors and ongoing issues with resource and materials availability. In turn this impacted on our reinvestment, new supply and return on capital employed metrics.

We do not report on the supply of new non-social housing as this is not a relevant consideration for PA with no (2023: none) non-social residential homes developed in the year.

Value for money outlook

The value for money metrics form part of our wider approach to value for money and they influence our longer term financial planning. PA Housing, as with the wider social housing sector, is responding to a range of external challenges including increasing resident expectations on service delivery, heightened risk and cost relating to building safety, asset investment demands into an ageing stock including the transition towards greater energy-efficiency, developing new homes when the construction industry is facing financial viability pressures, and scrutiny from a range of stakeholders including the Regulator, the Housing Ombudsman, local authorities, lenders and investors, and the media.

Recognising that the world in which we operate is constantly changing, we regularly review our investment plans and priorities and we ensure that scarce financial resource is allocated accordingly. Our new Corporate Plan emphasises the importance of a step-change in investment levels to raise standards, particularly in relation to maintenance of our homes and wider improvements to older estates. We have made decisions in other areas to support this ambition, most notably in scaling back new development plans and taking a more cautious stance with development opportunities.

This investment posture directly impacts on our value for money metrics, and this is outlined within our Value For Money Enabling Strategy which sets out our broad expectations for the next few years in terms of how we expect our value for money metrics to evolve:

- Higher unit costs, driven by increased investment but also continuing to reflect a higher proportion of service costs than some peers with two thirds of our homes being flats.
- Achieving no more than a middle ground position on operating margin and return on capital employed.
- Not seeking ultra-high performance on interest cover, as this would impede investment, but preserving a comfortable position above covenant limits.
- High levels of reinvestment, and new supply delivery to be in line with the revised growth plan.
- Gearing to remain stable and low risk.

Our Board is comfortable that we are not looking to achieve best in class financial performance and that we will accept reasonable compromise to invest more. This is expected to drive stronger operating performance metrics within the areas which are important to our residents and stakeholders. Our overall value for money performance will therefore be assessed by looking across the spectrum of financial and operational results, articulating the narrative which sits behind then, and evaluating outcomes achieved from the investment inputs.

Our short-term results will continue to be impacted by fire safety remediation works and the costs associated with bringing a small number of blocks to a position that meets the latest building safety standards. In particular, our requirement for waking watch on estates to ensure the safety of our residents will continue to incur additional operating costs until such time as remediation works are completed.

Strategic Report: Value for Money

Our Value for Money metrics

Group results	2024 Budget	2024 Actual	2023 Actual	2022 Actual	2021 Actual	2020 Actual
Reinvestment	9.6%	7.1%	7.0%	6.3%	6.6%	7.1%
New supply – Social Housing	2.8%	1.5%	1.2%	1.4%	1.3%	1.1%
Gearing	54.0%	52.7%	49.9%	48.6%	45.7%	43.2%
EBITDA MRI interest cover	96.7%	78.8%	87.7%	103.0%	136.5%	131.1%
Social housing cost per unit	£6,024	£6,490	£5,540	£5,412	£4,758	£4,632
Operating margin – Social Housing Lettings	27.4%	23.4%	18.7%	22.2%	24.9%	25.7%
Operating margin – Overall	25.0%	16.5%	18.7%	23.0%	23.2%	26.2%
Return on capital employed	2.4%	1.6%	1.8%	2.3%	2.2%	3.0%

How we have performed against our targets and how do we compare to our peers

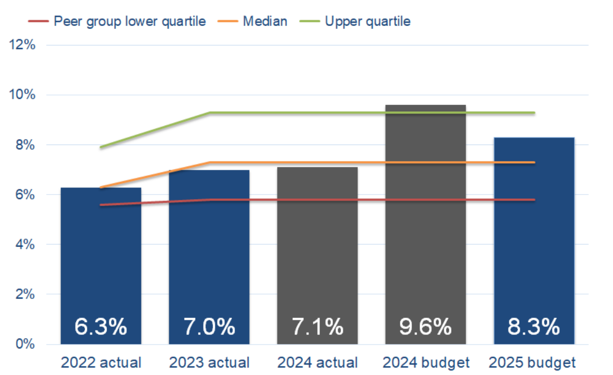
The regulatory VFM metrics are calculated on an all-items basis in respect of operating costs. This means that some of our results are affected by the significant additional costs relating to impairment (£15.6m) and fire safety remediation (£5.3m) during the year. Where relevant, the narrative below restates results with these costs excluded, so that underlying business as usual performance can also be assessed.

Reinvestment and new supply

We reinvested £134m (2023: £127m) in the construction of affordable new homes. A further £16m (2023: £17m) was invested in our existing stock.

Our VFM metric for reinvestment is 7.1%. This is below our targeted result, primarily because the rate of new development expenditure through the year was below budget. The general pace of build was slower, with a number of minor delays to our development schemes. A small number of sites have faced more significant delays due to contractor insolvency. Our budget for the year also included a provision for expenditure on schemes which were not committed at the start of the year. In reality, we took a more circumspect approach to new opportunities during the course of the year and so this provision was not fully utilised.

Reinvestment

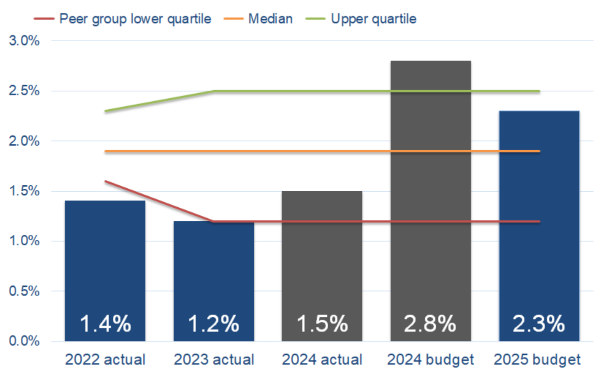


Investment in existing stock is a key strategic priority. During the year total expenditure fell short of budget due to some issues with contract procurement and contractor performance. To compensate for this we utilised available capacity to increase revenue planned maintenance expenditure, particularly for cyclical decorations – this additional spend is not included within the reinvestment metrics.

In totality, the amount spent on relevant reinvestment activities in 2023/24 was £10m higher than the previous year and £36m higher than in 2021/22.

We expect our reinvestment metric results to continue their upward trend over the next few years, reflecting a combination of ongoing new development commitments and increased capital maintenance investment into our existing estates.

New Supply (Social)



In 2023/24 we developed 365 (2023: 284) new affordable homes. Our VFM metric for new supply was 1.5%. This fell short of budget and as noted above progress on many of our new development sites was slower than expected due to delays and contractor viability issues.

At the end of the year we had over 1,700 homes on site and under construction. We do expect challenges to persist in the year ahead. This has been reflected within our 2024/25 budget projection for completions where we have made allowance for further delays beyond contractual terms, but the wider construction sector uncertainty may continue to impact on results achieved.

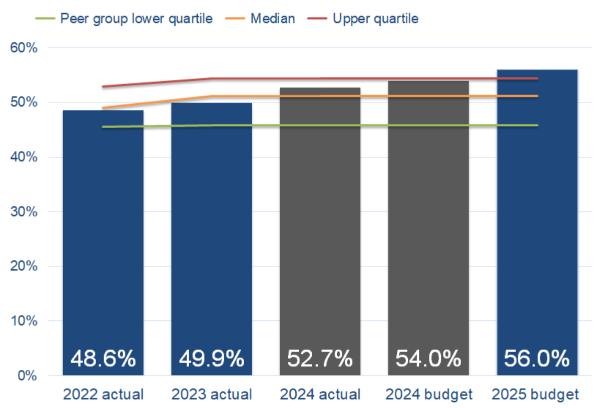
Strategic Report: Value for Money

Debt

Our gearing ratio continues to increase at a steady rate, in line with our peer group median position. Total borrowing as defined by the metric increased by £227m during the year, offset in part by a £105m increase in cash holdings. This abnormally high cash position was caused by receipt of £140m in the final week of March 2024 from our private placement funding transaction, with the majority of the proceeds utilised in April 2024 to pay down bank revolving credit facilities. The value of tangible fixed assets increased by £120m to £2,228m, net of a £15.6m write-down for impairment.

We expect gearing to continue incrementally increasing through the next few years as the growth programme continues, but our financial forecasts indicate ongoing comfortable headroom against loan covenant limits.

Gearing



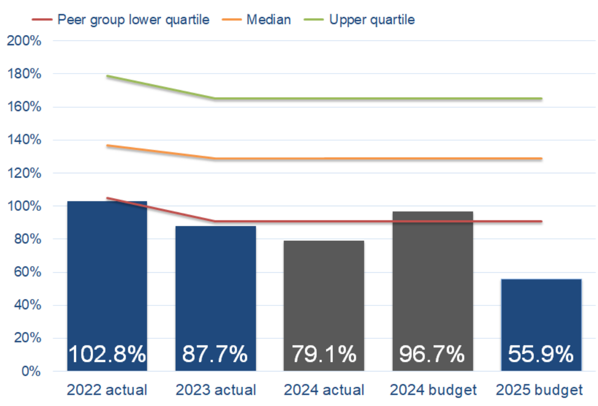
Interest costs (before capitalisation) were £49.5m (2023: £40.9m). Our weighted average cost of capital increased in the year, in line with the higher market interest rates, and ongoing loan drawdowns to fund our development programme drove a higher interest burden.

Earnings before interest, tax, depreciation and including major repairs were £39.0m (2023: £35.9m).

Our EBITDA (MRI) result is heavily impacted by impairment and fire safety remediation costs. The underlying result excluding these items is 121%, which would place us close to the peer group median position.

Going forward, we expect our EBITDA (MRI) performance to remain relatively low while we work to utilise increased loan covenant capacity for maintenance investment into our homes and estates. This is a key component of our broader corporate strategy.

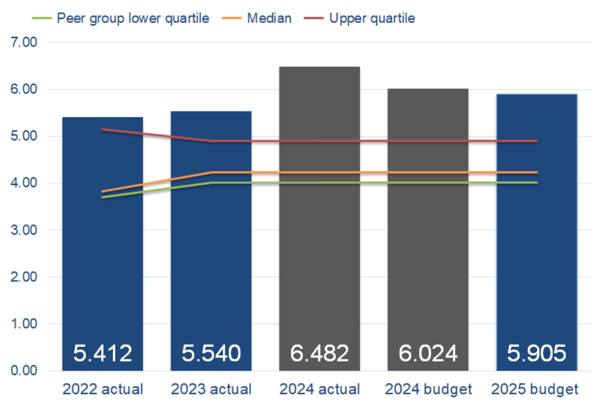
EBITDA (MRI)



Unit costs

Our social housing cost per unit has increased by 17% to £6,490 (2023: £5,540). Again, this is heavily impacted by impairment in particular which wasn't a material figure in the prior year. Removing the 2023/24 impairment amount reduces the cost per unit to £5,791, a 5% increase on the prior year.

Social Housing Cost per Unit (£,000)



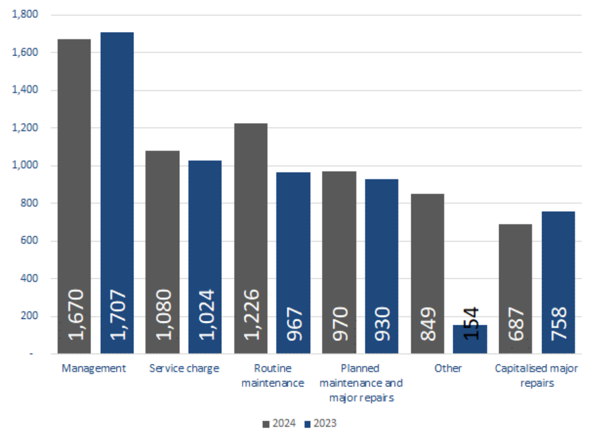
Our number of social homes managed has increased by 1.4% during the year, helping to spread fixed overhead cost across a greater number of units although the increase was lower than expected due to development scheme delays.

Within our core operating costs, the main driver for the increase in unit costs came from routine maintenance, which rose by £6.1m (29%) during the year. This related to a combination of contractual price increases in a high inflation environment, and volume increases on additional jobs outside of our core contracts. In particular, damp and mould and communal repairs saw a rise in activity levels.

Management costs reduced slightly year-on-year, by £0.3m, as we restructured our staffing models and worked to deliver overhead cost efficiency. Service costs continued their upward trend of recent years, increasing by £1.6m. This year higher third party managing agent fees were a key driver, reflecting the passing on of their own higher costs arising from the UK's period of double-digit general inflation.

Strategic Report: Value for Money

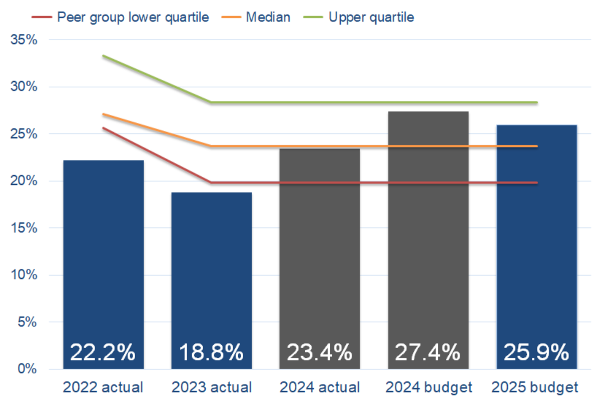
Social Housing Cost per Unit by cost type (£,000)



Efficiency

The operating margin on social housing lettings and overall operating margin are both heavily impacted by impairment and fire safety remediation costs. Results including these elements are 23.4% for social hosing lettings and 16.5% overall. The underlying results excluding them are 26.4% and 26.5% respectively – these would place us within the second and first quartile respectively when compared to our per group results for 2023.

Operating Margin – Social Housing Lettings

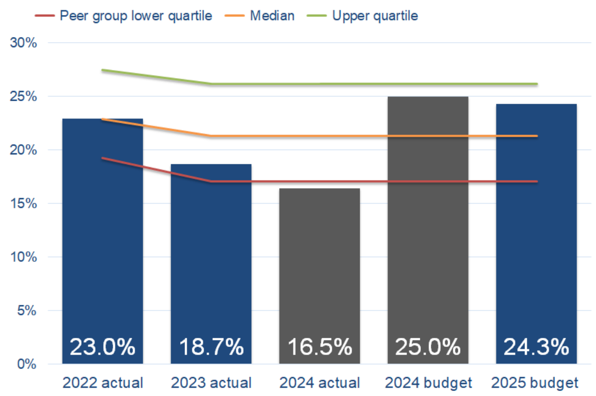


The headline social housing lettings margin is in line with our peer group median and shows strengthened performance compared to the prior year, but was below budget. As noted in the unit costs analysis above, cost pressures were experienced in some areas. This included continued higher waking watch spend to keep residents safe at our blocks requiring fire safety remediation work. We also took the decision to bring forward some £1.5m of revenue planned maintenance expenditure from the 2024/25 programme, to soak up available capacity in the year.

Progression of our fire safety remediation projects is key to further strengthening of our operating margin performance – until then we will continue to incur waking watch costs and as noted above this is currently depressing the metric by some three percentage points.

The overall operating margin metric looks at both social housing lettings and other activities – most notably property sales. During the year results were boosted by our very strong performance on new build shared ownership property sales. This generated £7.2m of profit at a margin of 28%. Non-social housing lettings activity (including market rent, NHS key worker accommodation and shop units) is at a less material level of activity. Combined, these income streams generated £0.4m of surplus from £2.5m of turnover at a margin of 14%.

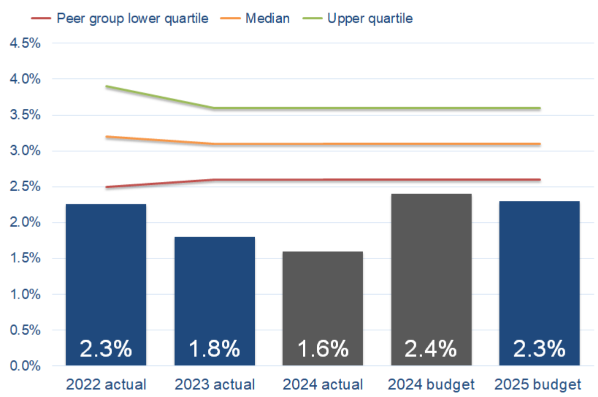
Operating Margin – Overall



Our return on capital employed ('ROCE') metric is again heavily influenced by impairment and fire safety. The underlying result excluding these items would be 2.4%, in line with the budget for the year.

ROCE contains a number of component parts. Fundamentally though, it is driven by profit levels which in turn are contingent on a combination of investment levels and broader operating efficiency. Our commitment to elevated investment levels over the next few years means that we expect ROCE to remain relatively depressed, although improvements are expected as we work through current areas of high cost.

Return on Capital Employed



Strategic Report: Going Concern

Going concern

PA's business activities, its current financial position, and factors likely to affect its future development are set out within the Strategic Report and Financial Statements.

We prepare a 30-year business plan which is updated and approved on at least an annual basis. The most recent business plan was approved by our Board in May 2024 and submitted to the Regulator of Social Housing in June 2024. We have long-term debt facilities in place which provide adequate resources to finance committed asset investment and development programmes, alongside income generated from our day-to-day operations. The business plan shows that we can service these debt facilities whilst continuing to comply with lenders' covenants.

As at 31 March 2024 PA held liquidity (comprising cash balances and undrawn committed loan facilities available for immediate drawing) of £477m.

The Board's assessment of going concern involves a number of subjective judgements including, but not limited to:

- The property market – budget and business plan scenarios have taken account of potential delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion to rented homes as a risk mitigation measure.
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost inflation and potential delays in maintenance expenditure, with major works being phased into future years.
- Rent and service charge receivable – within scenario planning, arrears and bad debts have been increased to allow for resident difficulties in making payments exacerbated by cost of living pressures. Additionally, the possibility of potential future reductions in rents and / or increases not at maximum permitted levels has been tested.
- Liquidity – treasury policy and maintaining liquidity headroom against committed spend and forecast cash flows in the medium term.
- PA's ability to withstand other adverse scenarios such as higher interest rates, high inflation and increased numbers of empty properties.

In making the assessment the Board has also considered the potential mitigations available to manage the potential impact on PA's cashflows and liquidity.

As well as considering the impact of a number of scenarios on the business plan the Board has also adopted a stress testing framework against the base plan. Stress testing impacts are measured against loan covenants, peak borrowing levels and other headline financial metrics compared to base plan outputs, with potential mitigating actions identified to reduce exposure for all scenarios. This stress testing found that the business plan is robust, and PA would remain able to meet its obligations in all but the most extreme of scenarios.

The Board, after reviewing budgets for 2024/25 and the medium to long term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

Resources Director's Report

Resources Director's Report

The financial year ending in March 2024 was a very significant one in PA Housing's history. Benefitting from the perspective of fresh leadership with with the arrival of a new Chief Executive, Chair, and several Board members, we took the time to take a step back and properly challenge ourselves on what PA Housing is here to achieve and how we need to go about it.

This was perhaps overdue – certainly the feedback from our residents was that we need to do better and think differently about how we operate. Being honest about the challenges we face means we can be open to opportunities for improvement. This includes starting to think differently about our investment in services, people and technology to accelerate the pace of change.

Really it's during these periods of more rapid evolution that the role of the Resources Director comes to the forefront, and the work is certainly more challenging and varied than during times when things are ticking over on a business as usual footing. Sadly our resources are limited and we cannot pay for everything we want to do immediately. But we can work to maximise capacity, and we can think strategically about how investment today might start to pay off further down the line.

Elsewhere in this Strategic Report we talk about how we have rebuilt our Corporate Plan and associated Enabling Strategies, factoring in this freshness of thinking to completely reassess and realign our service delivery models. How we implement these plans will show within our financial results in the years ahead, but our 2023/24 financial statements already evidence the early impacts of this work:

- Learning from our navigation through the UK political and economic pressures of 2022/23, this year we pivoted to a more cautious financial planning model which assumed downside in key risk areas while allowing flexibility to capitalise on any upside experienced. This paid off through a particularly strong year on the sales front, enabling us to bring forward some property investment programmes from 2024/25 into 2023/24.
- We took decisive action to change our repairs delivery model, responding to feedback from residents who wanted a better service. Due to the contractual arrangements in place this was not without risk, but we steered a course which avoided significant cost uplift.
- We got more firmly onto the front foot on negotiations with the house builders we need to work with to resolve historic fire safety compliance issues at some of our estates. We now have more clarity on cost quantums and project timings. This is critical work to keep our residents safe but we know our financial stakeholders also want to see this progressed as quickly as possible.
- Service delivery models in key resident-facing areas of the business were redesigned and we have pumped additional resource into the teams which are most important to our service improvement journey. This includes doubling the size of our Neighbourhood Coordinator workforce, creating much smaller patch sizes in a break from established sector norms.
- We have worked with our bank funders to restate loan covenants, allowing us more capacity to invest in improvements to our homes and estates at a faster rate than was previously possible.

This last point is critical to our mission, enabling a step-change in our delivery ambitions over the next few years. Our bank lenders fully bought into what we are trying to achieve, helping us to complete a smooth and seamless covenants change process. Their support as we work to upgrade our estates for residents is invaluable.

On the funding front, March 2024 also saw the culmination of two major transactions to deliver the next phase of our long-term funding requirement. These were an additional £170m in financing from four of our bank lenders, and a £200m private placement which introduced five institutional investors to PA. This has replenished our liquidity horizon out to mid-2027.

Turning to our financial performance in 2023/24, it is pleasing to confirm a successful year which saw restoration of strong underlying metrics following a more challenging year in 2022/23. Our underlying operating margin of 29% once impairment and fire safety remediation project costs are stripped out compares favourably to sector averages, and we ended the year with comfortable headroom against loan covenant limits. This was underpinned by a strong year on sales where we significantly outperformed budget targets, and we were able to utilise the extra capacity to bring forward additional planned maintenance investment originally scheduled for the following financial year.

Our operating costs are higher than most other providers on a per unit basis. In part that is influenced by geography, with two thirds of our homes in London and Surrey where supply chain costs tend to be higher, and by the fact that two thirds of our homes are flats, thus attracting higher service costs than houses. We continue to work on cost efficiencies where possible, so that capacity for investment in core services is maximised. But we do also expect our costs to remain relatively high as a natural consequence of those investment priorities. This will particularly be the case in relation to our revenue and capital planned maintenance programmes, where we are looking to actively ratchet up activity levels.

I briefly mentioned impairment above and this is a significant fly in the ointment within our 2023/24 results. Operating conditions for construction companies are very tough and across the country we have seen an increasing number go to the wall. According to the Building Cost Information Service, over 4,000 construction firms became insolvent in the year to May 2024, 33% up on five years previously. We have not been immune to this trend and we now have six development sites where the contractors have failed at various stages of the build. Inevitably this means we will incur additional costs to complete the projects with new contractors, leading to a loss of value against originally assumed outcomes.

In addition, we have reviewed our small pool of land-banked sites and taken the view that some will no longer align with our growth strategy. These will be disposed of at the right time, and within our impairment calculations we have taken a cautious view on achievable sale values given the current market conditions.

So what will the next few years hold for us financially? As we've noted throughout this Strategic Report, our focus is on significantly raising the standards for our residents. This will entail substantial investment, particularly through our maintenance programmes and wider estates renewal initiatives. Having gained the support of our bank lenders for a change in how they measure our financial viability, we intend to make use of the extra capacity created and step up our investment levels.

This will mean that our metrics won't all be 'top of the class' when compared to the wide sector from a pure financial perspective. But we hope and expect that when combined with our operational results, the narrative will become compelling. We strongly believe that this is the right course of action and we think it's likely that others will behave similarly over time, whether by choice or necessity.

Underpinning this we will of course continue to operate as efficiently as possible, looking for opportunities to reduce discretionary spend and leverage our procurement activities to increase value.

The wider political and economic landscape remains the great unknown – at the time of writing this we are a few weeks into the new Labour government and we know this will bring fundamental change for our sector, but not yet what that will look like in terms of policy detail.

However, prudent financial stewardship remains at the heart of our mission and although we will be utilising the additional capacity that we've created for investment, this won't be at the expense of keeping PA Housing financially safe. Our Board continues to carefully monitor financial performance and future projections against appropriate metrics which are regularly reviewed. Indeed within the past year, the Board decided that our financial targets and golden rules should be tightened in certain areas so that the next phase of our development is delivered within an appropriate framework. This is part of our culture, recognising that our priorities and the world around us are never in a settled state for very long. We embrace this change and this means we should also be prepared to flex our financial strategy whenever needed.

Our overall financial profile remains low risk and is inherently resilient, and having navigated through and learnt from the economic turbulence of 2022-23 we feel well equipped to cope with any downturn scenarios. But as you will see throughout this document, everything we are doing starts from our resident, and it's the role of the Resources Director to ensure that our service improvement priorities can be adequately funded. We have done some good work on this in the year just ended, and it will continue to drive our financial strategy.

Simon

Resources Director's Report

Financial targets and golden rules

Our Board regularly reviews the key financial metrics we use to control performance, ensuring an appropriate balance between financial resilience and allowing adequate investment to move the business forward in line with our corporate objectives. This is not a static position and the Board's view on targets to be achieved will evolve in line with changing business need and the external environment. At all times, our financial planning framework ensures ability to respond to and cope with an extreme downturn scenario, albeit that this may entail implementation of undesirable mitigations identified within our business plan stress testing regime.

During the year the Board agreed an updated set of metrics, including more cautious and conservative levels of performance in some areas when compared to the previous iteration.

The metrics are a combination of targets and golden rules:

Targets are expected performance levels for the business to achieve and are embedded within our financial planning framework. The Board accepts that there may be circumstances where targets are not fully achieved, but will require explanation and context where this is the case and will formalise an agreement to revised forecasts / outcomes through their review of financial information reported at Board meetings.

Golden rules are non-negotiable metrics to be adhered to at all times, regardless of the circumstances. Non-achievement is deemed a serious performance failure requiring full disclosure and explanation to the Board.

The table below sets out our 2023/24 performance against the agreed targets and golden rules. When setting these metrics, the Board recognised that our financial planning framework is in a transitional phase as we pivot away from the UK economic pressures experienced through 2022-2023. Within this context the Board agreed that some targets will be progressed towards over the next couple of years – they will not be fully achieved in the short term but our medium term financial plans evidence future ability to meet them.

Fire safety remediation costs continue to flow through our financial statements. We have made significant progress to resolve these historic issues but we expect that the costs will continue for at least the next two financial years. As these costs are significant, fall outside of business as usual activities and will not recur in the longer-term, we measure and report on our operating margin both including and excluding remediation costs. Similarly, our impairment costs are non-recurring accounting entries to capture the future loss of value on development sites. These are also removed from our headline view on operating margin so that underlying business performance can be assessed.

Our interest cover and gearing metrics are based on the tightest lender covenant for each, to ensure we have adequate headroom. Our bank lenders continue to support out business improvement and investment journey, and these covenants were renegotiated during the year to enhance investment capacity.

		Hurdle	Result	Met
Operating margin from social housing lettings	TARGET	25%	23%	✗
- excluding fire safety remediation & impairment	TARGET	25%	26%	✓
Interest Cover (tightest loan covenant basis)	GOLDEN RULE	+ 20%	+ 28%	✓
	TARGET	+ 50%*		✗
Gearing (tightest loan covenant basis)	TARGET	55%	55%	✓
Hedged debt	TARGET	> 60%	86%	✓
Liquidity horizon: Commence work to replenish	GOLDEN RULE	24 months	YES	✓
Liquidity horizon: Complete work to replenish	TARGET	18 months	NO	✗
Liquidity horizon: Complete work to replenish	GOLDEN RULE	12 months	YES	✓
Property sales as % of turnover	TARGET	< 15%	12%	✓

*The Board agreed a transition towards this level of interest cover headroom through 2023/24 and 2024/25, achieving target from 2025/26 onwards. This reflects the status of our asset investment plans.

Resources Director's Report

Summary results

Group results	2024	2023	2022	2021	2020
Group statement of comprehensive income	£m	£m	£m	£m	£m
Turnover	207.0	180.9	169.4	156.6	149.6
Operating surplus	37.7	40.4	47.4	41.3	54.6
Net interest payable	40.8	34.2	30.2	27.3	27.3
Net (deficit) / surplus after tax	(2.2)	8.5	20.2	16.4	28.5
Net surplus excluding impairment and property sales	2.3	3.3	6.7	9.3	10.0
Group statement of financial position		£m	£m	£m	£m
Property fixed assets net of depreciation and impairment	2,228	2,108	1,953	1,829	1,736
Capital grants	499	444	432	428	430
Net current assets / (liabilities)	147	(3)	60	(7)	65
Long-term creditors	1,790	1,513	1,449	1,280	1,281
Reserves	618	620	588	551	535
Statistics					
Operating margin (all activities)	18%	22%	28%	26%	37%
Operating margin (excluding impairment and fire safety remediation project costs)	28%	25%	32%	28%	38%
Gearing (debt versus housing assets)	59%*	51%	49%	46%	43%
Debt to turnover ratio	6.3*	6.0	5.8	5.6	5.3
Debt per owned property £'000	£58.3*	£49.0	£46.3	£41.8	£38.3
Accommodation owned and managed	No.	No.	No.	No.	No.
Rented	20,504	20,288	19,654	19,442	19,301
Shared ownership	1,871	1,770	1,687	1,538	1,463
Managed units including leaseholders	1,942	1,935	1,951	2,040	1,969
Total stock	24,317	23,993	23,292	23,020	22,733

*Gearing was temporarily elevated as at 31 March 2024, due to receipt in the final week of the financial year of £140m of private placement monies. These funds were used in April 2024 to pay down bank revolving credit facilities, thus reducing gearing to below 55%, the internal target set by the Board. Debt to turnover and debt per owned property were also temporarily elevated for the same reason.

Resources Director's Report

Financial Review (Group results)

Turnover

Turnover in 2024 was £207m (2023: £181m).

Turnover from social housing lettings, including the amortisation of social housing grant but net of void loss was £174.7m (2023: £154.6m). Social housing rental income has increased by 10.6%, this is from a combination of the annual rent increase in April 2023 of 7.0% (the maximum permitted under government policy) and additional income from new developments. Service charge income increased by 42% (£5.7m) in the year, reflecting higher costs of service provision, in particular relating to gas and electricity contracts.

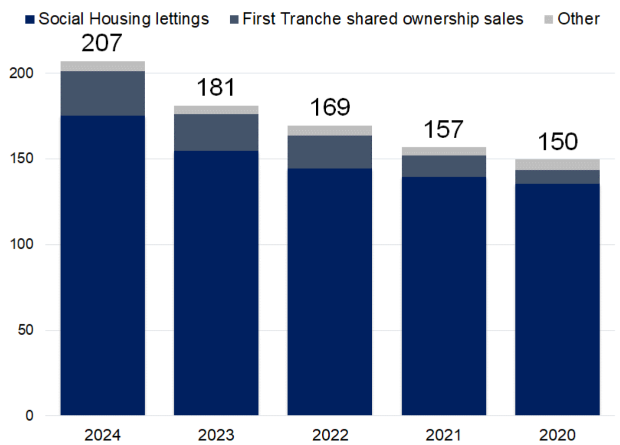
Income from the first tranche sales of shared ownership homes was £25.6m (2023: £21.5m). Other income generated from non-social housing activities and other (non-lettings) social housing activities was £6.7m (2023: £4.8m).

Turnover (Group)

£207m (2023: £181m)

Void losses from empty properties were £4.4m (2023: £3.3m). Average re-let days on vacant homes increased during the year, due to longer repair turnaround times. This is an area of focus in the new year, in order to improve performance. A proportion of the overall void loss relates to properties being kept empty for management reasons, void losses on new homes awaiting sale, and one specific estate where we are awaiting fire safety remediation works to be carried out.

Turnover £m



Operating Costs

Operating costs in 2023 were £155m (2023: £131m).

Operating costs related to social housing lettings were £133.8m (2023: £125.7m). Excluding depreciation, costs were £109.0m (2023: £100.8m), a year-on-year increase of 8.1% with cost increases held within the overall increase in social housing lettings income.

Service charge costs increased from £22.6m in 2023 to £24.1m in 2024, an increase of 7%. This was a more modest increase than in the previous year, when service charge costs went up by 27%. However, costs remain high for residents after the impacts of sustained high inflation across the UK economy. We will continue working to achieve value for money enhancements for residents where possible.

Routine and planned revenue repairs and maintenance costs were £49.0m in the year (2023: £41.8m), increasing by 17%. The key areas of increase were on responsive repairs and associated major repair projects arising from the responsive programme. In part the cost increase was driven by contractual changes in a high inflation environment, but the volume of additional repairs jobs outside of standard day-to-day activities also increased as we worked to accelerate our responsiveness to residents where possible.

Management costs (including salaries and overheads) were £37.3m (2023: £37.6m). Salary costs before employer costs and pensions reduced by £0.5m compared to the prior year. The average number of full-time equivalent employees remain broadly the same year-on-year, but resources were diverted from management roles to customer facing roles as part of our effort to improve service quality for residents. This had the effect of recalibrating average salary levels. We also carried some vacant posts through the year and we expect these to be filled in the new year. Overhead costs were broadly consistent with the prior year and we continue to look for efficiency savings in this area to protect against inflationary pressures.

Depreciation costs including the accelerated depreciation on the replacement of property components was £24.8m (2023: £23.8m). Overall impairment was £15.6m (2023: £1.3m), this included a combination of recognition of additional costs to complete development schemes where the original contractors have become insolvent, and assessment of land bank sites against our new growth strategy.

Operating costs (Group)

£155m (2023: £131m)

Rent losses from bad debts were £1.1m in 2024, similar to the prior year figure of £1.1m. Rent collection performance was strong during the year and our gross rent arrears percentage significantly reduced. The bad debt provision figure reflects a combination of higher rent levels year-on-year and changes in the ageing profile of monies outstanding.

Operating costs in respect of other social housing activities were £3.2m (2023: £3.0m). This includes costs of £2.2m relating to new build development costs not allocated to capital costs and the write off of aborted projects in the year.

Non-social housing activities includes our small portfolio of market rented properties, health worker accommodation, student accommodation and commercial properties. This accounts for 1.2% of our overall turnover.

Resources Director's Report

Investment in our residents' homes

Capital planned maintenance investment into our homes was £15.5m (2023: £16.7m). This relates to replacing roofs, kitchens, bathrooms, windows and doors, heating systems and lifts under our component replacement programme. During the year we experienced procurement and contractor performance delays on certain programmes. Expenditure was brought forward in other areas to compensate for this.

A further £3.1m (2023: £3.0m) of capital investment went into new equipment and furnishing in our estates, including a continuation of the replacement of warden call systems in independent living estates and investment in fire safety equipment.

Operating Surplus

Our operating surplus for the year was £37.7m (2023: £40.4m). This includes a surplus of £7.2m (2023: £5.0m) generated from the sales of newly developed shared ownership homes, and a surplus of £3.9m (2023: £5.4m) from staircasing and other property disposals. The operating surplus excluding impairment was £53.4m (2023: £41.7m).

Operating Surplus (Group)

£38m (2023: £40m)

Property Sales

The surplus of £7.2m (2023: £5.0m) on first tranche sales of new shared ownership homes was from 176 sales (2023: 148). It was a successful year on the sales front with both transaction volumes and price levels remaining buoyant throughout. The average margin on sales was 28% (2023: 23%)

78 homes were held for sale at the end of March 2024 (2023: 130), 69 of which had been for sale for longer than six months (2023: 49). 34 unsold homes had been reserved at the end of March 2024 with completions expected in the first quarter of the new financial year.

Shared ownership sales

176 (2023: 148)

A surplus of £3.9m (2023: £5.4m) was made from the sale of other properties. The volume of staircasing transactions was lower than the long-term trend, linked to the more challenging economic climate. Other sales included a small number of voluntary sales, Right to Acquire and Right to Buy sales.

Property sales (No.)	2024	2023
Shared ownership: First tranche	176	148
Shared ownership staircasing	36	55
Other	15	8

Financing

Interest and financing charges after capitalisation were £40.8m (2023: £34.2m). Gross interest and finance costs on our housing loans including bond issues was £49.5m (2023: £40.9m). The increase is attributable to a combination of rising debt levels in line with plan as we draw from our loan facilities to fund new build development, and higher funding costs due to the rise in market interest rates.

Interest capitalised on new development under construction was £8.7m (2023: £6.7m). Our overall borrowing increased from £1,086m to £1,314m as at 31 March, although borrowing reduced in April 2024 as we utilised £140m of private placement monies received in the final week of March to pay down bank revolving credit facilities.

Deficit

The deficit after tax for the year was £2.2m (2023: surplus of £8.5m). The deficit was caused by non-recurring impairment accounting entries of £15.6m.

New homes

In 2024 our investment in new homes was £134m (2023: £166m of which £40m related to acquisition of tenanted homes from another registered provider). Grant subsidy was £56m in the year (2023: £22m). We have established relationships with both the Greater London Authority and Homes England to provide grant subsidy support for our development programme.

We completed 365 (2023: 284) new homes during the year for rent and shared ownership.

Financial Position

The historic cost of our housing properties increased by 6 per cent to £2.23bn (2023: £2.11bn). The increase was through our new build development programme and reinvestment in our existing homes through our planned maintenance programme.

Stock held of £70.8m (2023: £76.9m) relates to our completed unsold and under construction shared ownership properties and land held for development in our subsidiary companies.

Cash balances including ringfenced funds were £133m (2023: £29m). The year end balance was artificially elevated by receipt in the final week of March 2024 of £140m proceeds from our private placement funding transaction, as noted within the Financing section above.

Debtors relating to both current and former tenant arrears after providing for bad debts was £4.5m, a small increase from £4.2m in 2023. Other debtors including VAT repayments due, prepayments and other amounts due in the normal course of business increased from £5.9m in 2023 to £6.3m.

No collateral was provided to counterparties at 31 March 2024 (2023: £nil) due to the year-end position on our interest rate derivatives portfolio when marked to market. The fair value of derivative financial instruments was £(5.4)m (2023: £(9.2)m).

Creditors due within one year have reduced to £98.9m (2023: £120.6m). The key movement was on accruals and deferred income, which reduced by £19m year-on-year.

Resources Director's Report

Creditors due after more than one year increased to £1,790m (2023: £1,513m) as our overall borrowing has increased in line with our financial plans.

The net liability on our legacy defined benefit pension schemes is £13.1m (2023: £13.1.m). This all relates to the liability for the Social Housing Pension Scheme (SHPS). The funding position was unchanged despite pension deficit payments of £2.9m (2023: £2.9m) being made during the year. During the year the level of both scheme assets and liabilities fell by c.£2m.

Total net assets were £618m at 31 March 2024 (2023: £620m).

Financial outlook

Our Board regularly reviews our financial plan and work during the year was focussed on ensuring that the financial strategy, represented by our long-term business plan, was fully aligned with the new Corporate Plan priorities. This included assessment of capacity for expanded investment into our homes and estates, in line with work with our bank lenders to restate loan covenants. An updated 30 year business plan was reviewed by Board in May 2024 and finalised for submission to the Regulator of Social Housing in June 2024

Our key strategic drivers shaping medium term financial forecasts are:

Ongoing steady growth

We are on track to deliver our target of completing 5,000 new homes in the period from 2020 to 2030. In the current climate, with the construction sector under some financial pressure, we are taking a more circumspect approach on new development opportunities. As such, rates of spend over the next 1-2 years are now expected to be lower than previous assumptions, although expenditure on schemes already on site will continue to be significant.

Increased asset investment

Working with our bank lenders, we have released capacity for accelerated investment into our homes. This is a key driver for future service standards, transactional costs and resident satisfaction levels. Total capital expenditure across the five years from 2024/25 is projected at £164m compared to £85m in the five years to 2023/24.

Net zero

Our asset investment plans include a full allowance for costs to bring all homes to EPC rating C by 2029, a year ahead of the national target, followed by progression towards full net zero carbon status. Total forecast spend to achieve this is £550m (at 2023/24 prices), and this is included in our financial plan through to 2050.

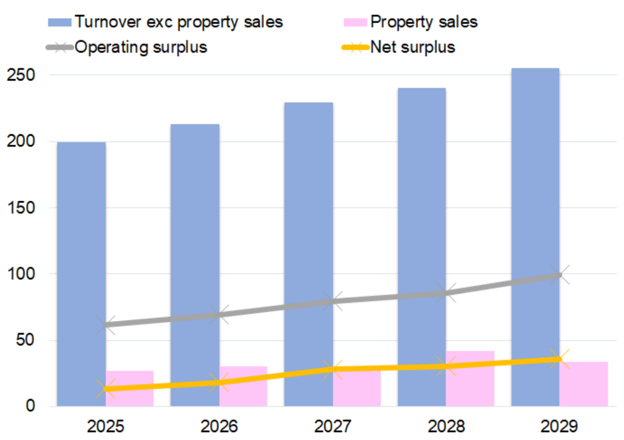
Enhancing long term capacity

Our Corporate Plan sets out our ambitions for service delivery enhancements in a number of areas. Some of these will require initial investment but achievement of our ambition in expected to lead to a reduction in transaction volumes and costs in the longer term. In addition, we continue to work on opportunities to improve overhead efficiency and reduce or remove discretionary costs.

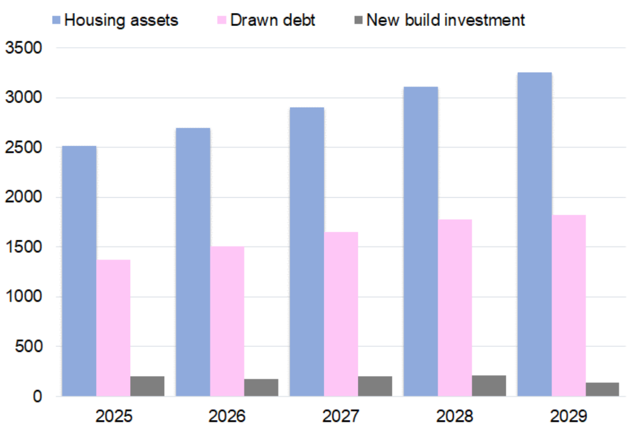
Zero reliance on sales proceeds

Within our financial planning we ensure that loan covenants can be met without any reliance on surpluses from sales proceeds. This ensures that our exposure to volatility within the sales market is limited, increasing our financial stability and resilience and allowing more certainty on delivery of our investment plans.

Financial outlook – Turnover / Surplus (£m)



Financial outlook – Assets / Borrowing (£m)



Resources Director's Report

Treasury and Liquidity

Treasury management

We operate a centralised treasury function which has responsibility for managing our liquidity, interest rate risk and counterparty risk. The treasury policy and annual strategy that underpin these responsibilities are approved each year by the Board.

Our treasury policy takes a risk-based approach to liquidity and interest rate management, with the overriding objective being the avoidance of unacceptable exposure. Surplus cash is invested with approved counterparties (banks and money market funds) in line with strict criteria governing acceptable credit quality and maximum exposure limits, and in line with best practice guidelines of security, liquidity then yield.

How we are funded

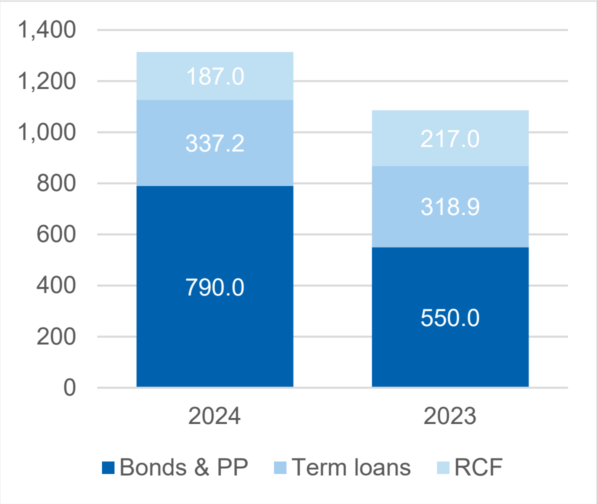
Overall Borrowing

£1,314m (2023: £1,086m)

We utilise external borrowings (capital markets and bank loans), retained earnings and grant from government agencies to fund the business, with the need for external funding driven principally by our new-build development programme. All borrowings are denominated in pounds sterling.

PA Housing is the main borrowing vehicle for bank loan borrowings and grant funding arrangements. In respect of capital markets borrowings, our wholly owned subsidiary Paragon Treasury PLC has issued two bonds, one a £400m 2.0% sustainable bond maturing in 2036, and the other a £250m 3.625% bond maturing in 2047. Proceeds of both issues were on-lent to PA Housing. PA Housing is rated A3 (Stable) by Moody's and BBB+ (Stable) by Standard & Poor's.

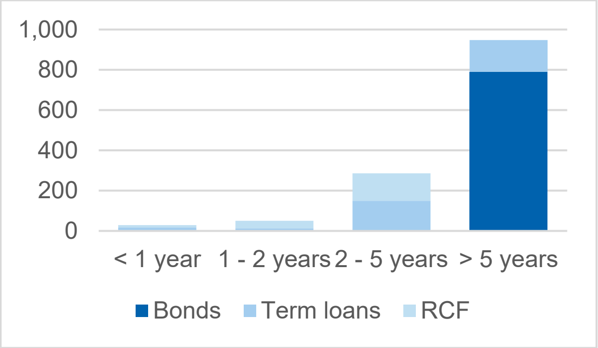
Funding (£m)



Over the course of the financial year we replenished our liquidity position significantly. In addition to issuing the 2036 retained bonds with £100m nominal value and £67m cash proceeds, in March 2024 we transacted a £200m private placement, comprising a £140m, 25-year tranche and a second £60m 10-year tranche. Receipt of the £60m tranche was deferred until June 2024. We also refinanced certain of our bank loan borrowings, raising a net £170m of new funding in the process.

This financing activity allowed us to extend the longevity of our debt portfolio. The weighted average life of borrowings has increased to 11 years (2023: 10 years), with 72% (2023: 65%) of debt not requiring refinancing within the next five years. We continue to invest in our new-build programme, and the successful debt issuance activity gives us ample headroom to pursue further organic growth in support of our 2024 Corporate Strategy.

Maturity of debt (£m)



Liquidity

As at the year-end date, we held liquidity (comprising treasury cash balances and undrawn committed bank facilities) of £477m (2023: £297m). A further £73m of committed bank facilities were awaiting completion of loan security and unavailable for immediate drawing, and this further excludes the £60m deferred tranche of our private placement due for receipt in June 2024. We held substantial cash balances of £133m (2023: £28.5m), inflated significantly by the timing of receiving proceeds from the initial £140m private placement tranche, where the transaction completed just prior to the year-end date.

Our primary use of liquidity through the year continued to be ongoing investment in our new-build programme. In this respect, we received grant income of £55m over the year from the allocations provided by the GLA and, via our Strategic Partner status with Accent Housing Group, Homes England. Principally this related to our large regeneration scheme at Park Avenue, Southall.

Looking forward, we expect to start increasing investment more heavily into our existing homes. This will include completion of remaining fire safety remedial works at several estates, as well as our ongoing programme of energy performance improvements which will deliver a minimum Band C EPC rating across all our homes by 2029. Given our strategic intent to invest more heavily into our existing property estate, we continue to adopt a more conservative stance in respect of our new-build ambitions, and expect to pursue fewer new opportunities during the current financial year.

We anticipate this refocus in investment priorities will reduce our future borrowing needs over the medium-term.

Liquidity

£477m (2023: £297m)

Interest rate exposure

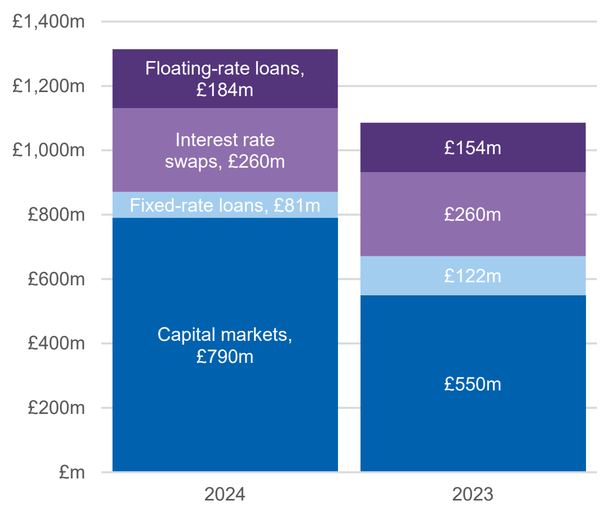
Over the financial year the Bank of England retained the base rate at elevated levels as it sought to address high levels of inflation. Nevertheless, longer-term interest rates fell compared to the previous year. We took the opportunity to extend certain of our interest rate swaps to increase certainty over future funding costs, and reduce the extent to which a continuing high interest rate environment might hinder our investment ambitions.

As a result, as at the year-end date 86% of our debt (March 2023: 86%) was borrowed at fixed interest rates. The weighted average interest rate of outstanding borrowings as at close of the year was 4.2 per cent (2023: 3.9 per cent). Mark-to-market exposure on our portfolio of interest rate hedges reduced to £7.4m negative (March 2023: £9.2m negative).

Fixed Rate Cover

86% (2023: 86%)

Interest Rate Risk (£m)



Financial covenants

Our primary financial covenants are based on interest cover, asset cover and gearing ratios. During the year we worked with our bank lenders to restate interest cover covenants to an EBITDA-only basis, removing capital maintenance expenditure from the covenant definitions.

All covenants were comfortably met as at the year-end date, and our business plan indicates adequate headroom over the years ahead.

Value for Money

Efficient treasury operations directly support our aim to provide quality and energy efficient homes that are affordable for our residents in the communities we serve.

During the year we effectively and proactively managed our liquidity and interest rate exposure, whilst ensuring the business retains a sound financial footing to support delivery of our corporate plan.

We also maintained our commitment to ESG themes. Our bank facilities, contain a range of embedded and challenging targets addressing energy efficiency performance across our estates, the level of support provided to our residents (encompassing skills training, being supported into employment and practical assistance in sustaining tenancies), and increasing the representation of colleagues from a non-white background in line management roles. Meanwhile our capital markets funding was issued on a use of proceeds basis and we are required to regularly report on how the monies received have been allocated to eligible projects.

Our overall ESG approach and our performance against the Sector Reporting Standard ESG metrics is contained within our annual ESG Report, published alongside these financial statements.

The Board's Report and Governance

The Board's Report and Governance

Legal Status

Paragon Asra Housing Limited is incorporated in the United Kingdom and registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and with the Regulator of Social Housing as a social housing provider.

Paragon Asra Housing Limited trades as and is known as PA Housing (UK trademark).

Paragon Asra Housing Limited is a Public Benefit Entity, as defined in Financial Reporting Standard 102, and applies the relevant paragraphs of FRS 102 for Public Benefit Entities.

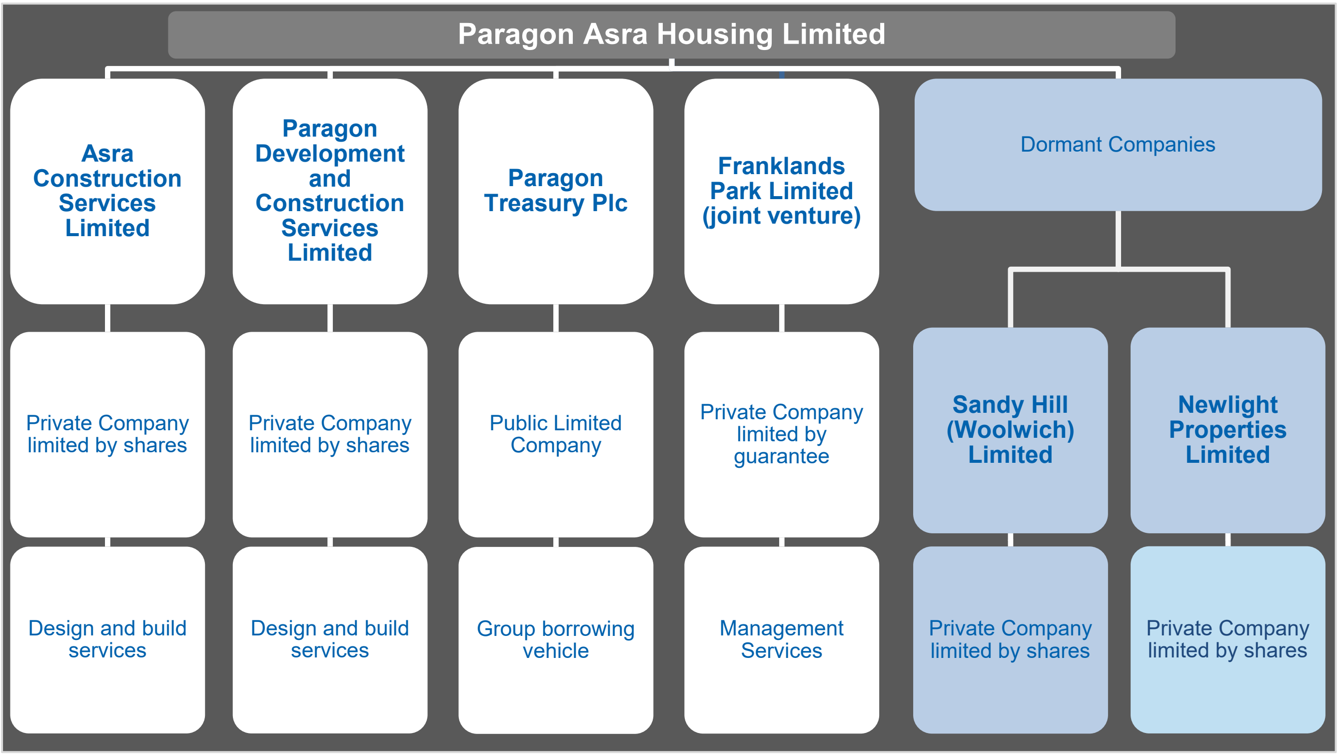
Principal activities

The principal activity of the Group is the management and development of social housing, operating in London, the South East, and the Midlands.

Group Structure

PA Housing's governance arrangements are built around a simple organisational structure. PA Housing is the main asset holding entity. Other active entities, apart from our joint venture company, are two construction companies which deliver property construction services to the parent company, and Paragon Treasury Plc which has accessed bond finance from the capital markets and has on-lent the proceeds to PA Housing. The dormant companies are retained for possible future use.

Franklands Park Limited is a joint venture company in which PA Housing retains a 50 per cent interest. The principal activity of Franklands Park Limited is the management of an estate in Addlestone. A share of the company's results has not been included in the Group figures on the grounds of materiality. Franklands Park Limited's latest published results for the year ended 31 March 2024 show a profit for the year of £9k (2023: £2k) and net assets of £25k (2023: £19k).



The Board's Report and Governance

Our Board: Activities & Purpose

The Board maintains effective governance arrangements that deliver its aims and objectives in a transparent and accountable manner. The Board is responsible for setting the strategic direction and risk appetite of PA Housing and is the ultimate decision-making body for matters of PA Housing wide strategic, regulatory or reputational significance. Effective governance facilitates the delivery of PA Housing's purpose and strategy particularly in challenging times.

The Rules of the Association remain PA's principal document of constitution and they regulate various matters including the Board, its powers and its role. The Rules were last amended in 2021/22 and a further review was undertaken in 2022/23, as part of a more in-depth review of PA Housing's governance arrangements but no further changes were made to the Rules at this time. The Board did, however, adopt and implement a new Corporate Governance Framework which contains a statement of governance principles that guide the activities of the Board. This Framework is formally reviewed by the Board each year, with ad hoc updates approved as and when changes are made to PA Housing's governance arrangements / delegations. The Board is committed, through its Corporate Governance Framework, to appropriate decision making at the correct level within PA Housing making sure there is accountability, long term value and fulfilling our purpose of fulfilling the interests and needs of our residents and communities. The Corporate Governance Framework covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

- approval of PA Housing's long-term objectives and overall strategic policy framework
- approval of PA Housing's annual budget, overall financial policy and Financial Authorities Framework
- approval of PA Housing's annual report and accounts
- risk management, internal controls and compliance
- undertaking a formal regular review of the Board's own performance and that of Board committees and individual members

The Board has adopted and complies with the National Housing Federation's 2020 Code of Governance and the 2022 Code of Conduct.

Board

Composition

PA Housing is governed by a Board of eleven Non-Executive Board Members. Two current Board Members are residents of PA Housing.

Each Non-Executive Board Member holds one fully paid-up share of £1 in Paragon Asra Housing Limited which they will surrender when they cease as a Board Member. There are three legacy shareholders of Paragon Asra Housing Limited who are not Board Members.

The Non-Executive Board Members are paid a fee for their services. The People & Governance Committee has sole responsibility for recommending to the Board the structure and level of fee and takes advice from independent advisors, as appropriate, when undertaking reviews of the fee structure. These reviews are benchmarked against levels for comparable organisations and are designed to ensure that PA Housing is able to recruit and retain high calibre Board Members. An external review of Board Member remuneration was undertaken in 2023/24.

We appointed five new Non-Executive Board Members in July and August 2023 to replace those four who departed during 2023. The Associate Member, appointed in September 2023, was appointed a Non-Executive Board Member as of 1 September 2024. These new appointments have strengthened and complemented the current range of skills and expertise on our Board, as well as replace the skills and expertise which would have otherwise been lost from our departed Board Members. Increasing the diversity of the Board remained at the forefront of our minds during this recent recruitment. In addition, following the most recent review of Board performance and effectiveness, recommendations were made in respect of the membership of the Board and its mix of skills, knowledge and experience. The current Board and its Committees comprise Members from a diverse range of backgrounds and with the range of skills, knowledge and experiences appropriate for their needs. A further recruitment exercise for new Board Members will commence in 2025, to take account of expiring Board Member tenures.

PA Housing is committed to developing a culture in which equality, diversity and inclusion is integral to all of its activities, including the recruitment and development of Board and Committee members. PA Housing aims to achieve a culture that respects and values differences and eliminates discrimination in all areas.

At the date of signing, of the eleven Board Members, four members are female and seven male and three come from an ethnic minority background.

The Board's Report and Governance

Board Roles

The Chair

The Chair of the Board is responsible for chairing and providing leadership of the Board. Other responsibilities include:

- leading the Board in formulating PA Housing's strategy for discharging our statutory duties
- encouraging high standards of propriety
- providing an assessment of the performance of individual Board Members
- ensuring PA Housing meets regularly throughout the year and that minutes of meetings accurately record decisions taken
- representing the views of PA Housing externally

Non-Executive Board Members

Our Board Members all bring extensive skills and experience to the Board. This ensures a good balance of skills is available to PA Housing in discharging our duties and responsibilities, in addition to establishing the policy and strategic direction including the resourcing framework for the operation of PA Housing.

The Chief Executive

The Board has delegated responsibility for the day to day running of PA Housing to the Chief Executive and the Executive, namely the Executive Management Team ("EMT") which consists of PA Housing's Chief Executive and Executive Directors, Company Secretary and Director of People. The EMT ensures that the strategy, policies and behaviours set at Board level are effectively communicated and implemented across PA Housing.

Keeping the Board Informed

PA Housing is firmly committed to the ongoing development of its Board Members and we recognise the need to continually evolve their knowledge to enable them to effectively fulfil their duties. All newly appointed Board Members are provided with a comprehensive and bespoke induction programme on joining PA Housing. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance and the Risk Management Policy and the Internal and External Audit. In addition, presentations and interactive workshops on different topics are regularly given to the Board, facilitated by PA Housing colleagues with professional advisers and/or external stakeholders, throughout the course of each year. Board Members also undertake other individual and collective training and development activity to further enhance their skills and experience, and to consider wider sector issues. Board Members' learning is shared through regular 'horizon scanning' and "away day" sessions at Board and Committee meetings.

Board Performance and Effectiveness

The Board is committed to the highest standards of governance and is responsible for setting the strategic direction and to govern, control and scrutinise the financial management of the Group.

In November 2023 the Regulator for Social Housing, through the annual stability check process, confirmed PA Housing's G1 rating, the highest possible grading.

The Board completed its annual review of combined and individual Board Member performance during the year. This includes self-assessment, a review of the skills matrix and peer appraisals. The following themes are embedded in the review:

- Measures to ensure that the focus on residents remains a core part of Board business.
- Ongoing self-challenge as to what governance excellence looks like in an evolving world.
- Further work to embed equality, diversity, and inclusion within the Board's operations.

In addition, the Board conducts an annual effectiveness review to evaluate the performance of the Board, Board Committees, and individual Board Members. The review conducted in April 2023 was an internal review and an externally facilitated review is to be undertaken in 2024/25.

Conflicts of Interest

It is essential that PA Housing maintains a reputation for impartiality, integrity and high professional standards in all that it does. PA Housing has adopted the NHF Code of Conduct 2022 and all Board and Committee Members are required to declare any interests annually and otherwise at meetings where potential issues may arise.

Insurance and Advice

The Group maintains Directors' and Officers' liability insurance for its Board Members and officers, which is renewed annually. The Board is given access to independent professional advice when it so requires.

The Board's Report and Governance

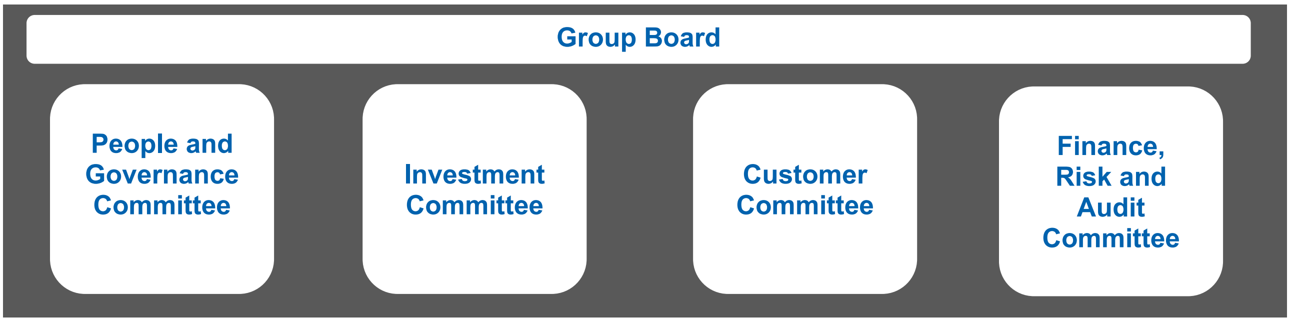
Committees

In exercising PA Housing's duties, the Board has delegated certain responsibilities to the Executive within PA Housing and certain responsibilities to Board Committees, in accordance with clearly defined authorities and terms of reference. During the year the Board delegated authority to four Board Committees.

As part of the governance review conducted in 2022/23, the terms of reference of all Board Committees were reviewed and updated. Roles, responsibilities and accountabilities are set out in PA Housing's Corporate Governance Framework, which is reviewed and approved annually by the Board.

Each Committee comprises between three and six Non-Executive Board Members with the exception of the Customer Committee which also includes a resident co-optee.

In July 2023 the Audit and Risk Committee was renamed the Finance, Risk and Audit Committee and the People Committee was renamed the People and Governance Committee.



People and Governance Committee

The People Committee oversees and provides assurance to the Board on our people and governance. It considers Board structures and appointments, working arrangements and remuneration of Board Members and the Chief Executive and has oversight of the remuneration of the Executive Directors. It provides scrutiny and support in reviewing all people related policies and strategies including Equality, Diversity, and Inclusion. The Committee is chaired by Joanna Banfield.

Investment Committee

The Investment Committee provides assurance to the Board in respect of investment decisions and oversees and scrutinises the development and sales programme and investment in our existing assets. The Committee reviews progress and performance on all aspects of housing development, sales and marketing activity. It approves development schemes and asset investment appraisals within its delegations. The Committee is chaired by Andrew Carrington.

Customer Committee

The Customer Committee oversees and provides assurance to the Board on our services to customers. Its focus is on all aspects of the effective and efficient operational delivery of services, ensuring feedback from residents and other stakeholders and promoting high standards. The Committee is chaired by Tom Vaughan.

Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee oversees internal control, risk and management procedures, as well as reviewing the financial budgets, business plans, management accounts, and annual financial statements and external audit recommendations, for onward approval by the Board. It also provides challenge and scrutiny, ensures fair and balanced financial and proportionate risk management arrangements, and manages a risk profile in accordance with our strategy and risk appetite. The Committee is chaired by Susan Goldsmith.

The Board's Report and Governance

Meetings, attendance, and remuneration

Attendance records of the non-executive Board and Committee members at meetings during the year are shown below. For members who either retired or were appointed during the year, the record shows attendance versus the maximum number of meetings each member could have attended. The Chair is not an appointed member of the sub-committees and his attendance at these meetings is not shown.

Current Board Member annual remuneration, following the review in 2023/24, is £32,000 for the Chair, £18,500 per Committee Chair and £15,000 per member. The Vice Chair receives an additional £2,500 per annum (representing a total maximum fee of £21,000 in the event they are also a Committee Chair)

Remuneration shown in the table below is inclusive of expenses paid and backdated pay following a review in 2023/24. Remuneration of Committee Members who are not Board members is not disclosed.

	Board	People and Governance Committee	Investment Committee	Customer Committee	Finance, Risk and Audit Committee	Salary £000	Expenses £000	Remuneration inc expenses 2023/24 £000	Remuneration inc expenses 2022/23 £000
Board Members (in 2023/24)									
Suki Kalirai (Chair)	7 of 7					34	3	37	13
Tom Vaughan (Vice Chair)	4 of 5	2 of 2		3 of 3		15	1	16	-
Jo Banfield	7 of 7	2 of 2	2 of 2			13	-	13	-
Andrew Carrington	7 of 7	2 of 2	4 of 4		3 of 3	19	-	19	14
Kim Francis	7 of 7	2 of 2	2 of 2	4 of 4		15	-	15	12
Susan Goldsmith	4 of 5			3 of 3	3 of 4	14	-	14	-
Kathleen Harris Leighton	7 of 7			4 of 4	3 of 3	18	-	18	14
Tim Hill	5 of 5		2 of 2			10	1	11	-
Rahul Jaitly	5 of 7	3 of 3			4 of 6	15	-	15	12
Tim Jennings	5 of 5		2 of 2		3 of 3	11	-	11	-
Associate Members (in 2023/24)									
Emma McLachlan	3 of 5			2 of 3		3	-	3	-
Retired in 2023/24									
Stephen Amos	1 of 2	0 of 1	2 of 2			5	-	5	14
Curtis Juman	2 of 2				2 of 2	7	-	7	17
Katherine Lyons	3 of 3	2 of 2		1 of 1		11	1	12	15
Anne Turner	5 of 5	1 of 1	2 of 2		3 of 3	11	1	12	18

The Board's Report and Governance

Compliance with the Governance and Financial Viability Standard

PA Housing confirms its compliance with the Governance and Financial Viability Standard of the Regulator of Social Housing. The Board has assessed its compliance with the standard during the year with reference to the current position and activities of the Group.

Statement of Internal Control Assurance

The PA Housing Board has overall responsibility for establishing and maintaining the system of internal control. As with all systems of internal control, it is designed to manage rather than eliminate all risk of failure to achieve business objectives and can therefore provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control is subject to continuing review and development.

Charitable and Political Donations

The Group has made charitable donations of £2,000 (2023: £1,955) during the year. No political donations were made during the year (2023: Nil).

Annual Review of the effectiveness of the System of Internal Control

In accordance with the National Housing Federation Code of Governance 2020, the Board is required to actively manage the risks faced by the organisation and obtain robust assurance that controls are effective, that plans and compliance obligations are being delivered and that the organisation is financially viable. The responsibility for managing risks, and specifically risks to social housing assets, lies with the Board. However, the Board delegates responsibility for the annual review of the effectiveness of the system of internal control to the Finance, Risk and Audit Committee (FRAC). The FRAC receives the Chief Executive's annual report on internal controls. FRAC takes account of any changes needed to maintain the effectiveness of the management and control process for risk and fraud. The FRAC met six times during the course of the year. Assurance over the control environment was obtained from the following main sources:

Risk Management

An effective risk management framework sits at the heart of the system of internal control. The Board confirms that the process for identifying, evaluating and managing the significant risks faced by the organisation is ongoing, the process has been in place throughout the year and up to the date of approval of the annual report and accounts and is regularly reviewed by the Board.

FRAC receives risk management reports at each meeting and approves the risk register for upward reporting to the Board. Risk Management reports include the top strategic risks, sector analysis, a risk trigger report and risk assurance register. The Board receives risk management reports tailored to their specific business requirements. During the year the business plan stress testing scenarios, including mitigation modelling (linked to the strategic risks and risk trigger report) were refreshed. Risk appetite is kept under ongoing review by the Board and the FRAC. Risk Management processes are regularly subject to external independent review.

The external credit rating process in support of PA Housing's public bond issue also takes into account the strength of our governance and risk management arrangements. PA Housing holds two rated credit assessments.

Internal Audit Service

The prime responsibility of the internal audit service is to provide the Board with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced. Internal Audit is delivered by the in-house team with an element of outsourced support. The Head of Risk & Assurance has direct access to FRAC and meets with the Committee and Committee Chair privately. Overall output of the Internal Audit service was significantly increased in 23/24 with an additional controls review completed by outsourced support. The in-house Internal Audit Team was also strengthened during the year through recruitment of additional staffing resource.

FRAC reviews the findings arising from all Internal Audit Reports and is provided with progress reports on the implementation of agreed recommendations for improvement to the point of conclusion.

The Head of Risk & Assurance provides an annual report and overall assurance opinion on the system of internal control based on the Internal Audit work performed during the year and management response to that work. The 2023/24 Internal Audit annual report identified no material concerns.

Fraud Management

There is an established code for integrity and bribery and PA Housing operates a zero-tolerance approach to any instances of fraud or corruption. There is an Anti-Fraud Policy in place covering prevention, detection and reporting of fraud and the recovery of assets. A Fraud Response Plan is also maintained along with a register of identified incidents. Fraud risk assessments are maintained by the Senior Management Team and Internal Audit.

The Anti-Fraud Policy includes publication of an externally hosted confidential whistleblowing hotline service that colleagues can use to report any concerns of an act of fraud of corruption. There were no material issues reported through this service during the year.

The FRAC reviews the fraud and loss register and reflects the information contained within it in its assessment of the control environment.

The Board's Report and Governance

Information and Financial Reporting Systems

Financial reporting procedures include a long-term financial plan, detailed annual budgets, detailed treasury reports, value for money reporting and regular management accounts which are reviewed by the Board.

Any issues raised in the external audit management letter issued at the conclusion of the annual audit are dealt with to the satisfaction of both the external auditors and FRAC with progress tracked to the point of conclusion.

Key performance indicators and business objectives, set as part of the performance management framework, are regularly reviewed by the Board to assess progress and outcomes.

Director and Leadership Self-Assessment and Certification

The Executive Management Team (EMT) provides assurance that internal controls and risk management are operating effectively in their directorate through completion of an annual assurance statement and self-assessment against a range of internal controls. The Senior Management Team (SMT) also undertakes a twice-yearly self-assessment and certification of the key control environment on a departmental basis.

Other assurance providers

Additional assurance is provided from a range of external sources to compliment the internal systems and processes including the key areas of treasury, ICT, development, asset management, housing services and governance.

Control Environment and Procedures

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and Committee membership is reviewed at least annually in line with the membership policy terms. A further Board recruitment exercise will commence in 2025. Compliance with the National Housing Federation Code of Governance and the Regulatory Framework is reviewed annually.

The Regulatory rating of G1 has been maintained during the year.

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance matters and new investment projects. The Board disseminates its requirements to employees through a framework of policies and procedures.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by PA Housing and for preventing, detecting, investigating and insuring against fraud. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed. The Board has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Statement of Board's responsibilities in respect of the Board's report and financial statements

The Board is responsible for preparing the Board's Report, Strategic Report, and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Each of the persons who are a director at the date of approval of this report confirms that:

a) so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and

b) each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

Lucie Westbury
Company Secretary

September 2024

Independent Auditor's report to the members of Paragon Asra Housing Limited

Opinion

We have audited the financial statements of Paragon Asra Housing Limited ("the Association") for the year ended 31 March 2024 which comprise the Group and Association's Statement of Comprehensive Income, the Group and Association's Statement of Financial Position, the Group and Association's Statement of Changes in Reserves, the Group Statement of Cash Flow and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the Group and the Association as at 31 March 2024 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the limited opportunity and incentives for management to manipulate revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual revenue combinations, unusual cash combinations, and unusual borrowing combinations.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

Independent Auditor's report to the members of Paragon Asra Housing Limited

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, Health and Safety Legislation and Employment and Social Security Legislation, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Control Assurance and Compliance with Governance and Financial Viability Standard. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page [number], the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor’s report to the members of Paragon Asra Housing Limited

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and [section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandler’s Ford
Eastleigh
SO53 3TG

Financial Statements

Financial Statements
Statement of Comprehensive Income

	Note	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Turnover	2	206,971	180,897	208,832	182,277
Cost of sales	2	(18,397)	(16,475)	(18,397)	(16,475)
Operating costs	2	(154,518)	(130,523)	(154,488)	(130,503)
Surplus on disposal of fixed assets and investments	6	3,917	5,445	3,917	5,445
Movement in fair value of investment properties	16	(231)	1,045	(231)	1,045
Operating Surplus	2	37,742	40,389	39,633	41,789
(Loss) on disposal of other fixed assets		(383)	(21)	(383)	(21)
Interest receivable	9	1,170	410	1,154	405
Interest and financing costs	10	(40,827)	(34,202)	(40,827)	(34,202)
Movement in fair value of financial instruments	27	1,248	6,339	1,248	6,339
Elimination of net asset on defined benefit pension scheme	34	-	(3,890)	-	(3,890)
(Loss) / surplus before tax		(1,050)	9,025	825	10,420
Taxation	11	(1,106)	(486)	(290)	(103)
(Loss) / surplus for the year after tax		(2,156)	8,539	535	10,317
Other comprehensive income					
Movement in fair value of hedged financial instruments	27	2,540	21,544	2,540	21,544
Actuarial (loss) / gain on defined benefit pension schemes	34	(2,456)	2,124	(2,456)	2,124
Total comprehensive (loss) / income for the year		(2,072)	32,207	619	33,985

The turnover and operating surplus for the current year all relate to continuing activities.

The notes on pages 62 to 101 form part of these financial statements.

Financial Statements
Statement of Financial Position

	Note	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Fixed Assets					
Negative goodwill	12	(4,836)	(5,441)	(4,836)	(5,441)
Intangible fixed assets	13	374	-	374	-
Tangible fixed assets – housing properties	14	2,228,385	2,108,365	2,242,414	2,118,823
Tangible fixed assets – other	15	24,244	24,152	24,244	24,152
Investment properties	16	25,541	25,438	25,541	25,438
Investments	17	138	213	138	213
Investment in subsidiaries	18	-	-	13	13
		2,273,846	2,152,727	2,287,888	2,163,198
Current Assets					
Stock and work in progress	19	70,793	76,913	60,375	66,415
Debtors	20	42,083	11,659	41,039	10,827
Cash and cash equivalents		133,327	28,537	132,223	27,440
		246,203	117,109	233,637	104,682
Creditors: amounts falling due within one year	21	(98,939)	(120,601)	(88,695)	(109,630)
Net current assets / (liabilities)		147,264	(3,492)	144,942	(4,948)
Total assets less current liabilities		2,421,110	2,149,235	2,432,830	2,158,250
Creditors: amounts falling due after more than one year	22	(1,789,947)	(1,512,896)	(1,789,947)	(1,512,896)
Provision for liabilities	33	(83)	(3,166)	(83)	(3,166)
Net assets excluding pension liability		631,080	633,173	642,800	642,188
Pension liability	34	(13,124)	(13,131)	(13,124)	(13,131)
Total net assets		617,956	620,042	629,676	629,057
Capital and Reserves					
Called up share capital	32		-		-
Income and expenditure reserve		376,912	379,580	388,632	388,595
Cash flow hedge reserve		6,732	4,192	6,732	4,192
Revaluation reserve		234,283	236,236	234,283	236,236
Restricted reserve		29	34	29	34
		617,956	620,042	629,676	629,057

The notes on pages 62 to 101 form part of these financial statements.

The financial statements on were approved by the Board on 10 September 2024 and signed on its behalf by:

Suki Kalirai
Chair

Susan Goldsmith
Chair of Finance, Risk and Audit Committee

Lucie Westbury
Company Secretary

Financial Statements
Consolidated Statement of Changes in Reserves

Group	Income and exp. reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2023	379,580	4,192	236,236	34	620,042
(Loss) for the year	(2,156)	-	-	-	(2,156)
Transfer from restricted reserve	5	-	-	(5)	-
Change in fair value of hedged financial instruments	-	2,540	-	-	2,540
Actuarial (loss) on defined benefit pension scheme	(2,456)	-	-	-	(2,456)
Other movement	(15)	-	1	-	(14)
Difference between the depreciation on historic cost of properties and actual depreciation charge for the yearf	1,179	-	(1,179)	-	-
Difference between the gain or loss on disposal of housing properties calculated at historic cost and carrying value	775	-	(775)	-	-
At 31 March 2024	376,912	6,732	234,283	29	617,956

Group	Income and exp. reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2022	367,467	(17,352)	237,642	78	587,835
Surplus for the year	8,539	-	-	-	8,539
Declassify restricted reserve	44	-	-	(44)	-
Change in fair value of hedged financial instruments	-	21,544	-	-	21,544
Actuarial gain on defined benefit pension scheme	2,124	-	-	-	2,124
Difference between the depreciation on historic cost of properties and actual depreciation charge for the year	1,179	-	(1,179)	-	-
Difference between the gain or loss on disposal of housing properties calculated at historic cost and carrying value	227	-	(227)	-	-
At 31 March 2023	379,580	4,192	236,236	34	620,042

The notes on pages 62 to 101 form part of these financial statements.

Financial Statements
Consolidated Statement of Changes in Reserves

Association	Income and exp. reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2023	388,595	4,192	236,236	34	629,057
Surplus for the year	535	-	-	-	535
Transfer from restricted reserve	5	-	-	(5)	-
Change in fair value of hedged financial instruments	-	2,540	-	-	2,540
Actuarial (loss) on defined benefit pension scheme	(2,456)	-	-	-	(2,456)
Difference between the depreciation on historic cost of properties and actual depreciation charge for the year	1,178	-	(1,178)	-	-
Difference between the gain or loss on disposal of housing properties calculated at historic cost and carrying value	775	-	(775)	-	-
At 31 March 2024	388,632	6,732	234,283	29	629,676

Association	Income and exp. reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2022	374,704	(17,352)	237,642	78	595,072
Surplus for the year	10,317	-	-	-	10,317
Declassify restricted reserve	44	-	-	(44)	-
Change in fair value of hedged financial instruments	-	21,544	-	-	21,544
Actuarial gain on defined benefit pension scheme	2,124	-	-	-	2,124
Difference between the depreciation on historic cost of properties and actual depreciation charge for the year	1,179	-	(1,179)	-	-
Difference between the gain or loss on disposal of housing properties calculated at historic cost and carrying value	227	-	(227)	-	-
At 31 March 2023	388,595	4,192	236,236	34	629,057

The notes on pages 62 to 101 form part of these financial statements.

Financial Statements

Consolidated Statement of Cash Flow

	Note	2024 £'000	2023 £'000
Net cash generated from operating activities	29	14,620	90,222
Cash flow from investing activities			
Interest received		1,170	410
Grants received		55,573	22,192
Purchase and enhancement of housing properties		(158,358)	(187,478)
Purchase of other tangible fixed assets		(3,567)	(3,439)
Purchase of intangible assets		(146)	-
Purchase of investment properties		(492)	(1,156)
Proceeds from sale of tangible fixed assets		8,738	10,648
Proceeds from sale of other tangible fixed assets		-	5
		(82,462)	(68,596)
Cash flow from financing activities			
Taxation paid		(103)	(16)
Interest paid		(40,826)	(34,202)
Decrease in bank deposits with a maturity in excess of 24 hours		-	1,407
Financing			
Housing loans and bond finance received	30	506,000	226,870
Housing loans repaid	30	(277,820)	(135,006)
Net change in cash and cash equivalents		104,789	(9,543)
Cash and cash equivalents at beginning of the year		28,537	38,080
Cash and cash equivalents at end of year		133,326	28,537

The notes on pages 62 to 101 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

1.1 Basis of Preparation

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- no cash flow statement has been presented for the parent company.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.35.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

1.2 Basis of consolidation

The Group accounts comprise those of Paragon Asra Housing Limited (the association) together with its subsidiaries, in accordance with the requirements of FRS 102. Intercompany transactions and balances between Group companies are therefore eliminated in full. A list of subsidiary undertakings of the association is included in the notes to these financial statements.

1.3 Segmental reporting

There are publicly traded securities across all of the geographical locations the association operates within and therefore there is a requirement to disclose information about the Group operating segments under IFRS 8. Segmental information is disclosed in note 3 and as part of the analysis of housing properties in note 14. Information about income, expenditure and assets attributable to material operating segments is presented on the basis of the nature and function of housing assets held by the Group rather than by geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations where the association operates. The Board does not routinely receive segmental information disaggregated by geographical location or segmental information of income or costs below operating surplus.

1.4 Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2024. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. This shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. As at 31 March 2024 PA held liquidity (comprising cash balances and undrawn committed loan facilities available for immediate drawing) of £477m.

The Board's assessment of going concern involves a number of subjective judgements. In making the assessment the Board has also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure for all scenarios. This stress testing found that the business plan is robust and does not affect the group's ability to meet its obligations.

The Board, after reviewing the Group and Association budgets for 2024/25 and the Group's medium term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future being a period of at least twelve months after the date on which the report and financial statements are signed.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

1.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable and excludes Value Added Tax (where applicable).

Rental income

Rental income (net of void loss) is recognised on an accruals basis for the period to which it relates as opposed to the date on which the rent is charged. For schemes managed by agents, income is shown as rent receivable and management fees payable to agents are included in operating costs.

Supporting People

Where the association receives Supporting People grants from London boroughs and county councils, grants received and costs incurred in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over the grant received is borne by the association where it is not recoverable from tenants.

Service charges receivable

The association operates both fixed and variable methods for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Managed services

Management fees receivable and reimbursed expenses are shown as income and included in management services. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

First tranche sales of low-cost home ownership housing properties developed for sale

Income from first tranche sales is recognised at the point of legal completion of the sale.

Proceeds from the sale of land and property

Income from land and property disposals is recognised at the point of legal completion of the sale.

1.6 Supported housing schemes

In respect of supported housing schemes owned by the Group where the managing agents suffer the risks and have control of benefits, the income and expenditure and related current assets and liabilities are not included in these financial statements.

1.7 Pensions

Defined contribution pension scheme

The association participates in the defined contribution scheme of the Social Housing Pension Scheme and Aegon. The assets of the schemes are held separately from those of the Association in an independently administered fund. Contributions to the defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

Defined benefit pension schemes

The association has previously participated in two defined benefit pension schemes which are now closed to new members. The disclosure in the accounts follows the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes.

The assets of the schemes are held separately from those of the association. The difference between the fair value of the assets held in the defined benefit pension schemes and the schemes liabilities measured on an actuarial basis using the projected unit method is recognised in the Statement of Financial Position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Local Government Pension Scheme (LGPS) - Surrey County Council

The Surrey County Council Pension Fund is a multi-employer scheme administered by Surrey County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

Social Housing Pension Scheme (SHPS)

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. From 1 April 2018 the scheme liability was accounted for adopting a full FRS 102 valuation.

Other pension agreements

PA has the following agreement in respect of a legacy pension scheme.

Local Government Pension Scheme (LGPS) - Elmbridge Borough Council

Under the terms of the transfer agreement with Elmbridge Borough Council, PA Housing makes additional payments each year as its contribution to the past service deficit at 31 March 1998. These are recognised as a liability on the Statement of Financial Position at the net present value of future payments. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period it arises

1.8 Interest Payable

Interest payable is charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount

Interest is capitalised on borrowing to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on social housing grant in advance; or
- interest on borrowings of the association as a whole after deduction of interest on social housing grant in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the Statement of Comprehensive Income in the period it relates to.

1.9 Finance issue costs

Arrangement fees (and other up front direct transaction costs), for both fixed and floating facilities, are calculated at facility level and are apportioned across all interest periods using the effective interest rate method. FRS 102 paragraph 11.20 requires that the unamortised fee balance is netted off against the loan liability.

1.10 Taxation

The tax expense for the period comprises current and deferred tax.

The charge for taxation is based on surpluses arising on certain activities which are liable to tax. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date. All taxation charges are in line with UK tax legislation.

Deferred tax balances are recognised in respect of all timing differences that have originated, but not reversed by the Statement of Financial Position date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- any deferred tax balances are reversed, if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries and joint venture and the Group can control their reversal, and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

1.11 Value added tax (VAT)

Members of the Group are independently registered for VAT as required.

VAT is charged on some income and the Group is able to only partly recover VAT it incurs on expenditure. Thus irrecoverable VAT is a cost to the Group and consequently the financial statements include VAT to the extent it is suffered by the Group and not recoverable from HM Revenue and Customs. VAT recovered is included within expenditure and is credited to the Statement of Comprehensive Income.

1.12 Negative Goodwill

Negative goodwill, being the excess of fair value of the underlying separable net assets over the fair value of the consideration, is shown as part of intangible fixed assets.

An amount equal to the fair value of the non-monetary assets acquired is released to the Statement of Comprehensive Income commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale.

For non-exchange transactions (acquisitions in the social housing sector that are in substance a gift of one business to another), the fair value of the gifted recognised assets and liabilities is recognised as a gain or loss in the Statement of Comprehensive Income in the year of transaction.

1.13 Intangible fixed assets

Intangible fixed assets are computer software costs and associated implementation and incremental costs. These are amortised over 3 to 4 years representing management's judgement of the estimated useful economic life.

1.14 Housing properties

General needs properties, sheltered housing and shared ownership properties are stated at cost or deemed cost valuation less depreciation.

Cost for housing properties includes the cost of acquiring land and buildings, construction costs including internal equipment and fittings, directly attributable development administration costs, cost of capital employed during the development period and expenditure incurred in respect of improvements to and extension of existing properties to the extent that it enhances the economic benefit derived from the assets. Directly attributable development administration costs are the labour costs of the Group's own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided, only if the property had not been constructed or acquired.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure arising through normal wear and tear to properties is charged to the Statement of Comprehensive Income in the year in which it occurs.

1.15 Deemed cost

From 1 April 2014, Paragon Community Housing Group as a predecessor organisation to Paragon Asra Housing Limited changed its accounting policy from recording housing properties at valuation or cost, to being recorded at historic cost. Paragon Asra Housing Limited took the FRS 102 transition option to elect to measure certain items of property, plant and equipment (PPE) at fair value and use that fair value as the deemed cost of those assets at that date. For these items there is a revaluation reserve and any unamortised grant was released to reserves as this constitutes a revaluation that triggered the performance method of grant recognition to be used.

To determine the deemed cost at 31 March 2014, Paragon Community Housing Group engaged independent valuation specialist Savills UK Limited to value housing properties on an EUV-SH basis.

1.16 Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

The useful economic life of a property has been deemed to commence at:

- the completion of major refurbishment work after purchase; or
- completion of building work for new build properties; or
- date of purchase if no major refurbishment works take place

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefit is expected to be consumed.

The Group separately identifies the major components which comprise its housing properties, and charges depreciation to write down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life. Components are depreciated from the year following replacement.

The major components of its housing properties and their useful economic lives are as follows:

Building structure	60-125 years
Roofs	50-80 years
Kitchens	20-25 years
Bathrooms	30-37 years
Windows and doors	30-40 years
Heating and boilers	15-25 years
Lifts	25 years
Rewiring	30 years
Enveloping works	50 years

Leasehold properties are depreciated over the length of the lease, except where the expected useful economic life of properties is shorter than the lease. In these instances the lease and building elements are depreciated separately over their expected useful economic lives.

Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

1.17 Shared ownership properties and staircasing

Under low cost homeownership arrangements, the association disposes of a long lease on low-cost homeownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions, and up to 100%, based on the market valuation of the property at the time each purchase transaction is completed.

Low cost homeownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds, included in turnover. The remaining element, 'staircasing element', is classed as PPE and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

1.18 Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

1.19 Impairment

An assessment of whether indicators of impairment exist is carried out at each reporting date. If such an indicator exists as defined in FRS 102.27 'Impairment of Assets', an assessment is carried out to determine if an impairment is required. Any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income.

An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount is taken to be the higher of the fair value, less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets, or cash generating units concerned, or the present value of future cash flows to be derived from them, appropriately adjusted to account for any restrictions on their use.

Cash generating units are defined as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units.

1.20 Other tangible fixed assets

Other tangible fixed assets, other than investment properties, are stated at historic cost or deemed cost valuation less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs are added to the carrying amount of an item of fixed assets if the replacement part is expected to provide incremental future benefits. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

1.21 Depreciation of other tangible fixed assets

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range is as follows:

Freehold office premises	10-50 years
Leasehold office premises	10-25 years
Plant and machinery	2-4 years
Fixtures, fittings and equipment	2-25 years
IT and other equipment	3-4 years

Depreciation commences at the start of the first full year after the asset comes into economic use and a full year is depreciated in the year of disposal.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The asset category of freehold office premises has certain assets recorded at deemed cost, as the association took the FRS 102 transition option to elect to measure this class of PPE at fair value at 31 March 2014 and use that fair value as the deemed cost of those assets at that date. To determine the deemed cost at 31 March 2014, Savills UK Limited was engaged as independent valuation specialists.

1.22 Investment properties

Properties that are held to earn commercial/market rate rentals or for capital appreciation, or both, and not held for social benefit are treated as investment properties and accounted for in accordance with Section 16 of FRS 102. Investment properties are accounted for at fair value and are valued at each reporting date and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided for investment properties under construction as they are stated at cost. Changes in fair value are recognised in the Statement of Comprehensive Income.

1.23 Investments

Investments are stated at fair value.

1.24 Stock

Stock represents work in progress and completed shared ownership properties and properties for outright sale. Shared ownership properties are split between fixed and current assets, with the element relating to the expected first tranche sale being treated as a current asset along with completed properties for outright sale. Stock is stated at the lower of cost and net realisable value. Cost comprises acquisition costs, materials, direct labour, direct development overheads and capitalised interest. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

1.25 Basic financial instruments

Debtors

Rent and service charge debtors and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, it is measured at the present value of future payments discounted at a market rate. At the end of each reporting period the recoverable value of rental and other receivables is assessed for objective evidence of impairment. When assessing the amount to impair it reviews the age profile of the debt and the class of debt. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in operating costs.

Creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate.

Holiday pay accrual

A holiday pay accrual is recognised to the extent of any unused holiday entitlement which has accrued at the reporting date and is carried forward to future periods. This is measured at the undiscounted salary cost of future holiday entitlement accrued at the reporting date. An asset, calculated in a similar manner, is recognised to the extent that holiday entitlement accrued at the reporting date is exceeded by the holiday taken.

Sinking Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included as leasehold sinking funds in creditors.

Loans and short term deposits

All loans and short term deposits held by the association meet the criteria to be classified as basic financial instruments as set out in accordance with FRS 102. These instruments are initially recorded at the transaction price, less any transaction costs (historic cost) and subsequently measured at amortised cost, using the effective interest rate method so that the amount recognised is at a constant on the carrying amount. If the adjustment is not material the financial instruments are stated on the Statement of Financial Position at historic cost. Loans that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

1.26 Government and other grants

Grants received in relation to completed assets that were presented at deemed cost on 31 March 2014 have been accounted for using the performance model as required by the Housing SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received from 1 April 2014 in relation to newly acquired or existing housing properties and those housing properties remaining at historic cost are accounted for using the accrual model as set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of housing property structure, at 100-125 years, has been selected. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Where Social Housing Grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund or disposal proceeds fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

All other government grants are recognised using the accrual model and are classed as either a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expense or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants received from non-government sources are recognised as revenue using the performance model.

1.27 Recycled Capital Grant Fund

The Group has the option to recycle social housing grant, which would otherwise be repayable, for re-use on new developments. If unused within a three year period, it will be repayable to the either the Homes and Communities Agency or Greater London Authority (for London grant) with interest. Any unused recycled capital grant held within the fund which is older than two years is disclosed in the Statement of Financial Position under 'creditors due within one year'. The remainder is disclosed under 'creditors due after more than one year'.

1.28 Disposal Proceeds Fund

From 1 April 2017, the disposal proceeds fund (DPF) no longer exists; from this date any grant on disposal was credited into the recycling of capital grant fund, while the remaining creditor on the fund was carried forward until it was fully depleted in funding the acquisition of new social housing. The DPF scheme operated until 6 April 2020 per Paragraph 2 of The Accounting Direction for Private Registered Providers of Social Housing 2019. In 2022/2023 the remaining funds on the DPF were credited to the Recycled Capital Grant Fund.

1.29 Hedge accounting

Interest rate swaps relate to fixing variable rate interest and are therefore designated as cash flow hedges.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction, which could affect profit or loss. They are measured at fair value at each reporting date. Gains and losses on cash flow hedges which are highly effective are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of a gain or loss on cash flow hedges is recognised in surplus or deficit.

In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument. The Group must formally designate and document the hedging relationship at inception so that the risk being hedged, the hedged item, the hedging instrument and the risk management objective for undertaking the hedge are clearly identified. It is also required to determine and document the causes of hedge ineffectiveness.

In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to surplus or deficit immediately.

All of the Group's stand-alone swaps satisfy the above criteria and the Group has chosen to test the effectiveness of its hedges annually. For ineffective hedges the movement in fair value has been recognised in the surplus or deficit.

1.30 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.31 Reserves

Cash Flow Hedge reserve

The cash flow hedge reserve represents the hedged cash flows that are expected to affect surplus or deficit over the period to maturity of the interest rate swaps.

Revaluation reserve

The revaluation reserve is created from surpluses on asset revaluations on use of deemed cost at 31 March 2014.

Restricted reserve

The restricted reserves are reserves to be spent for the sheltered tenants' benefit. The restricted reserves were reviewed in 2022/23. The review identified £44k where there were no records to ascertain the restrictions placed upon the funds. The funds have been declassified from the restricted reserve and transferred to the income and expenditure reserve.

1.32 Leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

1.33 Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists which could lead to an outflow of resources, or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation, or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Notes to the Financial Statements

1.34 Key estimates and judgments

In preparing these financial statements, key judgments have been made in respect of the following:

Impairment

Factors taken into consideration in reaching the decision as to whether there are indicators of impairment of tangible assets were:

- Evidence from the governance monitoring of schemes throughout the planning and construction stage, including supplier and contractor viability issues, site contamination and major enabling works.
- Evidence of changes from financial monitoring of scheme performance from its inception (in terms of IRR, NPV analysis and comparison of spend to budget) until the economic benefits are realised.
- Evidence from the Asset Management team for completed schemes under management, including works required from stock condition surveys, identification of obsolescence and circumstances such as long term voids.
- Changes in political and other macro-economic environment with direct or indirect impact on the asset and the expected future financial performance of the asset. This would include a change in government policy, a reduction in market value of a property where a resident has a right to acquire and a reduction in the demand for a property.

Triggers for impairment have been identified for specific cash generating units and an impairment review has been performed. As a result, £10.8m has been recognised in 2023/24 (2023: £1.3m). The total impairment charge at 31 March 2024 was £17.6m (2023: £6.9m). Further information is provided in note 14.

Provisions

Provisions are included where there is a constructive or legal obligation at the year-end reporting date. For housing properties the Government guidance relating to combustible materials, fire risk and protection, and regulatory compliance is monitored to determine the extent of any remedial work. There are significant complexities in determining the remedial work required and the associated costs the provision represents the best estimate of these costs at the year end.

Provisions for fire safety works at the 31 March 2024 were £nil (2023: £2.2m)

During the year PA Housing concluded an internal restructure on the operating model for delivering services to our residents. The new operating model went live on the in 2023/24. A provision of £0.1m (2023: £0.9m) relates to this.

Further information is provided in note 33.

Recoverability of the cost of properties for sale

The anticipated cost to complete on a development scheme is based on anticipated construction costs, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete the recoverability of the cost of properties for sale is then determined. This judgment is also based on the best estimate of sales value based on economic conditions within the area of development. The source of these calculations is taken from internal investment appraisals produced from the knowledge and experience of the Development team and reviewed and approved by the Development and Assets Committee.

At the 31 March 2024, the cost of properties completed and held for sale is expected to be fully recoverable. Properties being built for sale which are under construction have been impaired by £4.8m (2023: £nil). Further information is provided in note 19.

Defined benefit pension obligation

The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation have the ability to significantly influence the value of the liability recorded and the annual defined benefit expense. Underlying assumptions include the standard rates of inflation, mortality, discount rate and anticipated future salary and pension increases.

The assumptions used have been set by the scheme actuary, reviewed independently and also reviewed and signed off by management.

The defined benefit net pension liability at 31 March 2024 was £13.1m (2023: £13.1m). The liability relates to the Social Housing Pension Scheme (SHPS).

The assumptions used are shown in note 34, the material impact of changing the material assumptions would be as follows:

- Increasing the end of year inflation (CPI) by 0.1% would increase the obligation by £0.53m.
- Increasing the end of year discount rate by 0.1% would decrease the obligation by £0.88m
- Increasing the end of year inflation (CPI and RPI) by 0.1% and the end of year salary growth by 0.1% would increase the obligation by £0.74m.

In 2022/23 there was a change in methodology of setting cash commutation factor. which has reduced the non-pensioner DBO by 6% - 7% for a typical SHPS scheme.

Apportionment of costs on a property basis for disposal of properties

The allocation of costs that cannot be assigned to a specific property is based on proportion of floor area of the property.

Allocation of shared ownership costs between current and fixed assets

The allocation is calculated based on the estimated first tranche sales percentage from the schemes investment appraisal.

Categorisation of fixed assets

The categorisation of fixed assets as housing properties, investment properties and other fixed assets is based on the use of the asset.

Basis of capitalisation for projects

Costs capitalised include direct staff costs and associated costs of development. Indirect central costs incurred are capitalised and estimated based on the costs that would not have been incurred had there been no development.

Notes to the Financial Statements

Decisions on whether to capitalise costs include whether income will be generated or increased, and if the life of the assets is extended.

Costs capitalised in 2024 were £1.3m (2023: £1.6m).

Derivative financial instruments

Interest rate swaps are held at fair value using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The fair value at 31 March 2024 was £5.4m (2023: £9.2m) Further information is provided in notes 27 and 28.

Depreciation and amortisation

Intangible and tangible fixed assets, other than investment properties, are amortised / depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as information surrounding the condition of the asset, annual stock survey results, historic investment, resident feedback, comparative information such as the Decent Homes Standard and future use of the asset are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components (note 1.16).

The total depreciation charge – housing properties in 2024 including accelerated depreciation on component replacements was £22.0m (2023: £21.1m).

Depreciation on other fixed assets in 2024 was £2.8m (2023: £2.7m).

Amortisation of intangible fixed assets in 2024 was £0.1m (2023: Nil)

Investment properties

Investment properties consist of commercial and market rent properties not held for social benefit. They are measured at cost on initial recognition and subsequently carried at fair value. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

At the 31 March 2024 investment properties were revalued using the capitalised current market rents for commercial properties and using the change in house prices index applicable to market rent properties. In 2024 a downward movement of £0.2m was recognised (2023: upward movement £1.0m). The fair value of investment properties at 31 March 2024 was £25.5m (2023: £25.4m).

Further information is provided in note 16.

Rental and other trade receivables

The estimate for receivables relates to the recoverability of the balances outstanding at the reporting date. A review is performed on an individual debtor basis to consider whether each debt is recoverable. For rental related balances, experience shows that the longer a debt is outstanding the greater likelihood it is that the debt will not be recovered in full. A sliding scale of impairment of the carrying value of the debt is applied according to the relationship between the individual amount of the debt and the weekly charges for occupation of the home.

A provision for bad debts of £6.3m was included at 31 March 2024 (2023: £5.4m).

Further information is provided in note 20.

Other Debtors

Other debtors are provided on a case by case basis when evidence of impairment exists. When assessing impairment, management consider factors including current credit rating of the debtor, the ageing profile of debtors and historic experience of cash collection and future expected losses. No impairment of other debtors has been recognised at 31 March 2024 (2023: nil).

Notes to the Financial Statements

2 Turnover, cost of sales, operating costs, and operating surplus

Group 2024	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 3)	174,687	-	(133,814)	-	40,873
Other social housing activities					
First tranche shared ownership sales	25,566	(18,397)	-	-	7,169
Managed services	170	-	(186)	-	(16)
Charges for support services	19	-	-	-	19
Community investment	-	-	(367)	-	(367)
Development administration	-	-	(2,210)	-	(2,210)
Goodwill amortisation	605	-	-	-	605
Impairment	-	-	(15,559)	-	(15,559)
Other	3,398	-	(437)	-	2,961
Surplus on disposal of housing fixed assets	-	-	-	3,917	3,917
	204,445	(18,397)	(152,573)	3,917	37,392
Non-social housing activities					
Market rented	1,230	-	(377)	(231)	622
Other non-social housing lettings	1,052	-	(1,032)	-	20
Commercial properties	244	-	(536)	-	(292)
	2,526	-	(1,945)	(231)	350
Total	206,971	(18,397)	(154,518)	3,686	37,742

Group 2023	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 3)	154,635	-	(125,691)	-	28,944
Other social housing activities					
First tranche shared ownership sales	21,480	(16,475)	-	-	5,005
Managed services	526	-	(212)	-	314
Charges for support services	26	-	-	-	26
Community investment	-	-	(288)	-	(288)
Development administration	-	-	(2,006)	-	(2,006)
Goodwill amortisation	644	-	-	-	644
Impairment	-	-	(200)	-	(200)
Other	1,276	-	(280)	-	996
Surplus on disposal of housing fixed assets	-	-	-	5,445	5,445
	178,587	(16,475)	(128,677)	5,445	38,880
Non-social housing activities					
Market rented	1,067	-	(219)	1,275	2,123
Other non-social housing lettings	1,043	-	(1,001)	-	42
Commercial properties	200	-	(626)	(230)	(656)
	2,310	-	(1,846)	1,045	1,509
Total	180,897	(16,475)	(130,523)	6,490	40,389

Notes to the Financial Statements

Turnover, cost of sales, operating costs, and operating surplus (continued)

Association 2024	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 3)	174,687	-	(133,814)	-	40,873
Other social housing activities					
First tranche shared ownership sales	25,566	(18,397)	-	-	7,169
Managed services	170	-	(185)	-	(15)
Charges for support services	19	-	-	-	19
Community investment	-	-	(367)	-	(367)
Development administration	-	-	(2,210)	-	(2,210)
Goodwill amortisation	605	-	-	-	605
Impairment	-	-	(15,559)	-	(15,559)
Other	3,250	-	(408)	-	2,842
Gift Aid	2,011	-	-	-	2,011
Surplus on disposal of housing fixed assets	-	-	-	3,917	3,917
	206,308	(18,397)	(152,543)	3,917	39,285
Non-social housing activities					
Market rented	1,230	-	(377)	(231)	622
Other non-social housing lettings	1,050	-	(1,032)	-	18
Commercial properties	244	-	(536)	-	(292)
	2,524	-	(1,945)	(231)	348
Total	208,832	(18,397)	(154,488)	3,686	39,633

Association 2023	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Other operating items £'000	Operating surplus/ (deficit) £'000
Social housing lettings (Note 3)	154,635	-	(125,691)	-	28,944
Other social housing activities					
First tranche shared ownership sales	21,480	(16,475)	-	-	5,005
Managed services	526	-	(212)	-	314
Charges for support services	26	-	-	-	26
Community investment	-	-	(288)	-	(288)
Development administration	-	-	(2,006)	-	(2,006)
Goodwill amortisation	644	-	-	-	644
Impairment	-	-	(200)	-	(200)
Other	1,482	-	(260)	-	1,222
Gift Aid	1,174	-	-	-	1,174
Surplus on disposal of housing fixed assets	-	-	-	5,445	5,445
	179,967	(16,475)	(128,657)	5,445	40,280
Non-social housing activities					
Market rented	1,067	-	(219)	1,275	2,123
Other non-social housing lettings	1,043	-	(1,001)	-	42
Commercial properties	200	-	(626)	(230)	(656)
	2,310	-	(1,846)	1,045	1,509
Total	182,277	(16,475)	(130,503)	6,490	41,789

Notes to the Financial Statements

3 Income and expenditure from lettings

Group and Association	General needs £'000	Supported housing & housing for older people £'000	Shared ownership £'000	2024 £'000	2023 £'000
Income from social housing lettings activities					
Rents receivable net of identifiable service charges	122,409	17,878	9,758	150,045	135,651
Service charges receivable	9,414	7,130	2,630	19,174	13,482
Amortisation of social housing grant	4,081	810	577	5,468	5,502
	135,904	25,818	12,965	174,687	154,635
Expenditure on social housing lettings activities					
Services	13,153	7,648	3,317	24,118	22,553
Management	35,446	1,443	407	37,296	37,577
Routine Maintenance	23,396	3,876	116	27,388	21,287
Planned maintenance	16,569	2,052	176	18,797	19,627
Major repairs	2,842	8	6	2,856	852
Rent losses from bad debts	1,092	27	-	1,119	1,209
Depreciation of housing properties	19,529	1,897	-	21,426	19,899
Write off of components	524	24	-	548	1,195
Impairment	-	68	-	68	1,100
Lease costs	169	29	-	198	394
Total expenditure on social housing lettings activities	112,720	17,072	4,022	133,814	125,693
Operating surplus from social housing lettings activities	23,184	8,746	8,943	40,873	28,942
Rent losses from voids	1,593	1,639	1,181	4,413	3,342

Notes to the Financial Statements

4 Units of stock

Group and Association	31 March 2024	Other movements	Re-classification	Demolished	Sales	Acquired from another RP	New development	1 April 2023
Social Housing: Owned and managed								
General needs: Social rent	13,477	10	10	(19)	(8)	-	11	13,473
General needs: Affordable rent	3,008	1	-	(1)	(1)	-	230	2,779
Intermediate rent	430	(4)	-	-	-	-	-	434
Supported housing: Social rent	249	83	11	-	(11)	-	-	166
Supported housing: Affordable rent	173	(61)	-	-	-	-	-	234
Shared ownership	1,871	-	-	-	(23)	-	124	1,770
Housing for older people	2,262	1	-	(15)	-	-	-	2,276
Temporary housing	38	4	-	-	-	-	-	34
	21,508	34	21	(35)	(43)	-	365	21,166
Social Housing: Managed not owned								
General needs: Social rent	261	(6)	-	-	-	(1)	-	268
Temporary housing	36	1	-	-	-	29	-	6
General needs: Affordable rent	21	-	-	-	-	-	-	21
Supported and Housing for older people: Social rent	-	(30)	-	-	-	-	-	30
	318	(35)	-	-	-	28	-	325
Social Housing: Owned and managed by others								
General Needs: Affordable rent	19	-	-	-	-	-	-	19
Supported housing: Social rent	422	(4)	(14)	-	-	-	-	440
Care homes	66	(1)	-	-	-	-	-	67
	507	(5)	(14)	-	-	-	-	526
Total social housing units owned and / or managed	22,333	(6)	7	(35)	(43)	28	365	22,017
Leaseholder properties	1,598	(5)	-	-	19	-	-	1,584
Non-Social Housing: Owned and managed								
Student accommodation	20	-	-	-	-	-	-	20
Market rent	117	-	-	(4)	(2)	-	-	123
Health worker accommodation	223	-	-	-	-	-	-	223
	360	-	-	(4)	(2)	-	-	366
Non-Social Housing: Managed not owned								
Market rent	26	-	-	-	-	-	-	26
Total Housing	24,317	(11)	7	(39)	(26)	28	365	23,993
Other								
Homes under construction	1,707	(33)	(365)	-	-	-	90	2,015
Garages	1,960	-	-	(129)	-	-	-	2,089
Commercial	12	-	-	-	-			12

Notes to the Financial Statements

5 Operating surplus on ordinary activities before taxation

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Operating surplus on ordinary activities before taxation is after charging/(crediting):				
Amortisation of intangible fixed assets (note 13)	144	-	144	-
Depreciation of housing properties (note 3)	21,426	19,899	21,426	19,899
Write off of replaced components (note 3)	549	1,194	549	1,194
Depreciation of other tangible fixed assets (note 15)	2,776	2,712	2,776	2,712
Impairment (note 2/3)	15,627	1,300	15,627	1,300
Amortisation of social housing grant (note 3)	(5,468)	(5,502)	(5,468)	(5,502)
Operating lease payments	631	778	631	778
Auditor's remuneration (excluding VAT):				
In their capacity as auditors	162	150	130	98
In respect of other services	-	-	-	-

6 Surplus on disposal of housing fixed assets

Group and Association	Shared ownership subsequent tranches £'000	Other sales £'000	Right to acquire sales £'000	Right to buy sales £'000	Total 2024 £'000	Total 2023 £'000
Proceeds of sale	5,126	2,727	885	-	8,738	10,648
Less: cost of sale	(3,030)	(1,265)	(375)	-	(4,670)	(5,062)
Grant recycled	(38)	(106)	(7)	-	(151)	(141)
Surplus	2,058	1,356	503	-	3,917	5,445

Notes to the Financial Statements

7 Directors and senior staff emoluments

The key management personnel are defined as the members of the Board and the Executive Directors (including the Chief Executive) as disclosed on page 4.

Aggregate Emoluments (including pension contributions and benefits in kind) in respect of services as directors:

Group and Association	**2024 £'000**	**2023 £'000**
Executive directors' emoluments	789	1,020
Executive directors' pension contributions or cash in lieu of payment	140	122
Non-Executive directors' emoluments	200	126
	1,129	1,268

Emoluments paid to the highest paid Director (excluding pension contributions, but including benefits in kind)	219	352
Emoluments paid to the highest paid director (excluding pension contributions and national insurance) divided by the total social housing units owned and / or managed at 31 March	£9.81	£15.99
Emoluments paid to the executive directors (including pension contributions and national insurance) divided by the total social housing units owned and / or managed at 31 March	£43.36	£53.48

The highest paid director refers to the Michael McDonagh – Chief Executive (2023: Dilip Kavi - Chief Executive).

The Chief Executive was an ordinary member of a defined contribution pension on the same terms available to all staff. Pension contributions attributed to the Chief Executive were £57k (2023: Nil).

During the year the aggregate compensation for loss of office of key management personnel was £85k (2023: £113k).

The full time equivalent number of staff (including the executive directors) whose remuneration payable (including compensation for loss of office, benefits in kind and pension contributions) was between:

Group and Association	**2024 number**	**2023 number**
£60,000 to £70,000	15	19
£70,001 to £80,000	17	17
£80,001 to £90,000	5	5
£90,001 to £100,000	3	1
£100,001 to £110,000	4	5
£110,001 to £120,000	1	3
£120,001 to £130,000	1	-
£130,001 to £140,000	2	1
£140,001 to £150,000	2	-
£170,001 to £180,000	-	1
£200,001 to £210,000	-	1
£210,001 to £220,000	-	1
£220,001 to £230,000	1	-
£270,001 to £280,000	1	-
£370,001 to £380,000	-	1
Total	52	55
Included above due to redundancy	3	-

Notes to the Financial Statements

8 Employee information

Group and Association	2024 £'000	2023 £'000
Staff costs including directors:		
Wages and salaries	25,540	26,063
Social security costs	2,604	2,588
Costs of defined contribution pension schemes	1,878	1,696
Pension deficit reduction charge	3,099	2,928
	33,121	33,275

Average number of full-time equivalent persons (including the directors) employed during the year:	Number	Number
Housing management and office staff	580	583
Direct labour organisation	45	36
New development and sales	35	37
	660	656

Wages and salaries costs includes a provision of £nil for restructuring costs (2023: £953k) (note 33).

The average number of full-time equivalent persons employed is calculated by comparing the contracted hours to a standard working week on a monthly basis.

9 Interest receivable and similar income

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Interest receivable and similar income	1,170	410	1,154	405

10 Interest payable and financing costs

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Interest payable on housing loans	35,269	22,048	35,269	22,048
Interest payable on bonds	15,778	15,063	-	-
Interest payable to group undertakings	-	-	15,778	15,063
Interest payable relating to pensions	593	368	593	368
Interest on swap contracts	(4,117)	1,889	(4,117)	1,889
Interest payable on Recycled Capital Grant Fund	234	197	234	197
FRS effective interest rate adjustment	711	68	711	68
Amortisation of swap inception	(154)	(88)	(154)	(88)
Amortisation of cancelled swap reserves	113	113	113	113
Amortisation of fees and costs	1,054	1,287	1,054	1,287
	49,481	40,945	49,481	40,945
Less: Capitalised	(8,654)	(6,743)	(8,654)	(6,743)
	40,827	34,202	40,827	34,202
Non-cash accounting transactions under FRS102 included above	1,649	1,380	1,649	1,380

Interest rates charged on housing loans varied between 4.26% and 10.62% including lending margins.

Interest is capitalised on properties under construction using the weighted average interest rate during the year for the overall debt portfolio (and after the effect of interest rate derivatives) of 4.0% (2023: 3.7%).

Notes to the Financial Statements

11 Taxation

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
UK corporation tax				
Current tax	1,209	486	393	103
Adjustment for the prior period	(103)	-	(103)	-
Tax on surplus on ordinary activities	1,106	486	290	103
Current tax reconciliation				
Surplus on ordinary activities before tax	6,960	12,915	8,834	14,310
Tax charge at 25% (2023: 19%)	1,740	2,454	2,209	2,719
Exempt charitable income not chargeable to tax	(531)	(1,968)	(1,816)	(2,616)
	1,209	486	393	103

12 Negative goodwill

Group and Association	2024 £'000	2023 £'000
At 1 April 2023	5,441	6,085
Amortisation of goodwill	(605)	(644)
At 31 March 2024	4,836	5,441

Negative goodwill arose when the fair value of assets arising from the acquisition of a business was in excess of the fair value of the consideration given. An amount equal to the fair value of the non-monetary assets acquired is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale.

13 Intangible fixed assets

Group and Association	Total £'000
Cost	
At 1 April 2023	-
Additions	146
Reclassification	719
At 31 March 2024	865
Amortisation	
At 1 April 2023	-
Charge for the year	144
Reclassification	347
At 31 March 2024	491
Net book value	
At 31 March 2024	374
At 31 March 2023	-

Intangible fixed assets relate to software costs. Costs were reclassified from other fixed assets during 2023/24.

Notes to the Financial Statements

14 Tangible fixed assets: Housing properties

Group	Housing properties held for letting £'000	Housing properties in the course of construction £'000	Completed shared ownership housing properties £'000	Shared ownership in the course of construction £'000	Total £'000
Cost or valuation					
At 1 April 2023	1,794,131	196,814	257,483	67,700	2,316,128
Additions	-	95,251	-	38,924	134,175
Capitalised interest	-	4,500	-	4,154	8,654
Transfers and adjustments	18,579	(27,752)	(19,023)	27,875	(321)
Disposals	(1,923)	(665)	(3,040)	-	(5,628)
Abortive costs	-	(790)	-	(30)	(820)
Component replacement	15,530	-	-	-	15,530
Components written off	(2,146)	-	-	-	(2,146)
Schemes completed	59,020	(59,020)	32,652	(32,652)	-
At 31 March 2024	1,883,191	208,338	268,072	105,971	2,465,572
Depreciation					
At 1 April 2023	197,775	-	3,135	-	200,910
Charge for the year	21,426	-	-	-	21,426
Components written off	(1,597)	-	-	-	(1,597)
Eliminated on disposal	(1,011)	-	(29)	-	(1,040)
Transfers and adjustments	(156)	-	-	-	(156)
At 31 March 2024	216,437	-	3,106	-	219,543
Impairment					
At 1 April 2023	3,871	1,401	-	1,581	6,853
Charge for the year	-	10,791	-	-	10,791
At 31 March 2024	3,871	12,192	-	1,581	17,644
Net book value					
At 31 March 2024	1,662,883	196,146	264,966	104,390	2,228,385
At 31 March 2023	1,592,485	195,413	254,348	66,119	2,108,365

Notes to the Financial Statements

Tangible fixed assets: Housing properties (continued)

Association	Housing properties held for letting £'000	Housing properties in the course of construction £'000	Completed shared ownership housing properties £'000	Shared ownership in the course of construction £'000	Total £'000
Cost or valuation					
At 1 April 2023	1,795,067	203,924	257,483	68,887	2,325,361
Additions	-	97,792	-	39,954	137,746
Capitalised interest	-	4,500	-	4,154	8,654
Transfers and adjustments	18,579	(27,752)	(19,023)	27,875	(321)
Disposals	(1,923)	(665)	(3,040)	-	(5,628)
Abortive costs	-	(790)	-	(30)	(820)
Component replacement	15,530	-	-	-	15,530
Components written off	(2,146)	-	-	-	(2,146)
Schemes completed	59,020	(59,020)	32,652	(32,652)	-
At 31 March 2024	1,884,127	217,989	268,072	108,188	2,478,376
Depreciation					
At 1 April 2023	196,550	-	3,135	-	199,685
Charge for the year	21,426	-	-	-	21,426
Components written off	(1,597)	-	-	-	(1,597)
Eliminated on disposal	(1,011)	-	(29)	-	(1,040)
Transfers and adjustments	(156)	-	-	-	(156)
At 31 March 2024	215,212	-	3,106	-	218,318
Impairment					
At 1 April 2023	3,871	1,401	-	1,581	6,853
Charge for the year	-	10,791	-	-	10,791
At 31 March 2024	3,871	12,192	-	1,581	17,644
Net book value					
At 31 March 2024	1,665,044	205,797	264,966	106,607	2,242,414
At 31 March 2023	1,594,646	202,523	254,348	67,306	2,118,823

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
The net book value of housing properties may be further analysed:				
Freehold	1,943,835	1,820,748	1,957,864	1,831,206
Long leaseholds	283,512	286,499	283,512	286,499
Short leaseholds	1,038	1,118	1,038	1,118
	2,228,385	2,108,365	2,242,414	2,118,823

Tangible fixed assets: Housing properties (continued)

Group and Association	2024 £'000	2023 £'000
Work to properties:		
Improvements to existing properties capitalised	15,530	16,695
Planned maintenance and major works expenditure included in the Statement of Comprehensive Income (note 3)	21,653	20,479

Interest capitalisation:		
Interest capitalised in the year	8,653	5,337
Cumulative interest capitalised	51,562	42,909
Rate used for capitalisation	4.1%	3.7%

16,014 properties (2023:15,871) have been pledged to secure borrowings of the Group. The Group is not permitted to pledge these assets as security for other borrowings or to sell them to another entity without the prior consent of the relevant lender.

15 Tangible fixed assets: Other

Group and Association	Freehold offices £'000	Leasehold office £'000	Fixtures, fittings and equipment £'000	IT and other equipment £'000	Total £'000
Cost					
At 1 April 2023	10,879	674	17,577	4,607	33,737
Additions	-	-	3,072	495	3,567
Reclassification	105	-	(116)	(719)	(730)
Disposals	-	(674)	-	(828)	(1,502)
At 31 March 2024	10,984	-	20,533	3,555	35,072
Depreciation					
At 1 April 2023	2,079	534	4,331	2,641	9,585
Charge for the year	174	-	1,820	782	2,776
Reclassification	-	-	-	(347)	(347)
Eliminated on disposal	-	(534)	-	(652)	(1,186)
At 31 March 2024	2,253	-	6,151	2,424	10,828
Net book value					
At 31 March 2024	8,731	-	14,382	1,131	24,244
At 31 March 2023	8,800	140	13,246	1,966	24,152

Notes to the Financial Statements

16 Investment properties

	Market Rented		Commercial		Total
Group and Association	**Completed £'000**	**Under construction £'000**	**Completed £'000**	**Under construction £'000**	**£'000**
At 1 April 2023	20,397	218	2,960	1,863	25,438
Transfers and reclassification	-	(218)	-	(158)	(376)
Additions	76	-	-	634	710
Movement in fair value	(231)	-	-	-	(231)
At 31 March 2024	20,242	-	2.960	2,339	25,541

Commercial properties were revalued at 31 March 2024 by capitalising the current market rents of each property.

Market rent properties, which are all freehold or long leasehold, were revalued at 31 March 2024 by applying the change in house price index to each property using the 2023 valuation by Savills as the base year.

17 Investments

Group and Association	**2024 £'000**	**2023 £'000**
Other loans	138	213
	138	213

The other loans relate to a mortgage provided to an NHS Trust as part of joint partnership arrangements. They are measured at fair value with the future cash receipts discounted to net present value.

18 Investments in subsidiaries

Association	**2024 £'000**	**2023 £'000**
Cost at 1 April and 31 March	13	13
	13	13

Notes to the Financial Statements

19 Stock and work in progress

Group	Shared ownership		Commercial	Land held for development	Total
	Completed £'000	Under construction £'000	Under construction £'000	Completed £'000	£'000
At 1 April 2023	14,398	51,429	588	10,498	76,913
Additions	-	16,353	12	-	16,365
Completed	12,296	(12,296)	-	-	-
Cost of properties sold	(17,744)	-	-	-	(17,744)
Reclassification	175	-	-	(80)	95
Impairment	-	(4,836)	-	-	(4,836)
At 31 March 2024	9,125	50,650	600	10,418	70,793

Association	Shared ownership		Commercial	Land held for development	Total
	Completed £'000	Under construction £'000	Under construction £'000	Completed £'000	£'000
At 1 April 2023	14,398	51,429	588	-	66,415
Additions	-	15,699	12	-	15,711
Capitalised interest	-	654	-	-	654
Completed	12,296	(12,296)	-	-	-
Cost of properties sold	(17,744)	-	-	-	(17,744)
Reclassification	175	-	-	-	175
Impairment	-	(4,836)	-	-	(4,836)
At 31 March 2024	9,125	50,650	600	-	60,375

20 Debtors

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Due within one year:				
Rent and service charge arrears	10,747	9,532	10,747	9,532
Less: provision for bad debts	(6,293)	(5,359)	(6,293)	(5,359)
	4,454	4,173	4,454	4,173
Other debtors	1,739	1,914	1,656	1,914
VAT debtor	1,127	921	166	89
Employee loans	140	164	140	164
Prepayments and accrued income	3,304	2,892	3,304	2,892
Bond discount	30,093	-	30,093	-
Derivative financial instruments (note 28)	1,226	1,595	1,226	1,595
	42,083	11,659	41,039	10,827

The recoverable amount of debtors and other trade receivables is equivalent to the cash amount.

Notes to the Financial Statements

21 Creditors: amounts falling due within one year

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Loans and borrowings (note 26)	29,229	32,270	29,229	32,270
Trade creditors	5,407	3,478	2,916	1,639
Corporation tax	1,209	486	392	103
Taxation and social security	658	507	658	507
Accruals and deferred income	46,990	66,238	33,895	57,289
Recycled capital grant fund (note 24)	2,514	5,751	2,514	5,751
Pension deficit contributions	113	106	113	106
Deferred capital grant	5,778	5,786	5,778	5,786
Amounts owed to Group undertakings	-	-	6,159	200
Other creditors	297	312	297	312
Rent and service charges received in advance	6,744	5,667	6,744	5,667
Interest rate swaps (note 28)	-	-	-	-
	98,939	120,601	88,695	109,630

The average time taken to pay trade creditors is 36 days (2023: 47 days).

22 Creditors: amounts falling due after more than one year

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Loans and borrowings (note 26)	1,278,265	1,048,514	1,278,265	1,048,514
Bond premium	-	2,306	-	2,306
Pension deficit contributions (note 34)	480	540	480	540
Recycled capital grant fund (note 24)	2,901	4,917	2,901	4,917
Deferred capital grant	493,524	437,777	493,524	437,777
Amounts held on behalf of leaseholders	7,541	7,413	7,541	7,413
Other creditors	640	628	640	628
Derivative financial instruments (note 28)	6,596	10,801	6,596	10,801
	1,789,947	1,512,896	1,789,947	1,512,896

Notes to the Financial Statements

23 Deferred Capital Grant

Group and Association	2024 £'000	2023 £'000
Gross grant		
At 1 April 2023	539,381	522,112
Grants received during the year	55,573	22,192
Grants recycled	(674)	(695)
Grants utilised	6,161	1,184
Other movements	59	(5,412)
At 31 March 2024	600,500	539,381
Amortisation		
At 1 April 2023	95,816	90,452
Released to income	5,533	5,508
Released on disposal	(151)	(144)
At 31 March 2024	101,198	95,816
Net book value	499,302	443,565

Deferred capital grants were government grants received from Homes England and predecessor organisations and other local authorities.

24 Recycled Capital Grant Fund

Group and Association	2024 £'000	2023 £'000
At 1 April 2023	10,668	9,287
Grants recycled	674	695
Interest accrued	234	197
Allocated to new build developments	(6,161)	(1,184)
Transferred from Disposals Proceeds Fund	-	1,673
At 31 March 2024	5,415	10,668
Amounts included where repayment may be required within one year	2,514	5,751

25 Disposal Proceeds Fund

Group and Association	2024 £'000	2023 £'000
At 1 April 2023	-	1,673
Transferred to Recycled Capital Grant Fund	-	(1,673)
At 31 March 2024	-	-

Notes to the Financial Statements

26 Loans and borrowings

Maturity of debt: Group and Association	2024 £'000	2023 £'000
Bank Loans		
Between one year and two years	43,146	125,856
Between two years and five years	285,176	217,235
In more than five years	150,594	144,230
Total (note 22)	478,916	487,321
In one year or less, or on demand (note 21)	28,856	16,488
	507,772	503,809
Other loans		
Between one year and two years	7,327	372
Between two years and five years	1,212	8,092
In more than five years	7,381	7,827
Total (note 22)	15,920	16,291
In one year or less, or on demand (note 21)	372	15,782
	16,292	32,073
Bonds and private placement		
In more than five years	790,000	550,000
Total (note 22)	790,000	550,000
Total loans and borrowings	1,314,064	1,085,882
Loan issue costs	(6,571)	(5,098)
Total loans and borrowings	1,307,493	1,080,784

Net debt at 31 March 2024 was £1,144m (2023: £1,055m) after adjusting for bond discount / premium of £30m debit (2023: £2m credit) and deducting liquid asset balances held of £132m (2023: £27m).

The Group has committed borrowing facilities of £1,802m (2023: £1,364m) primarily raised through the debt and capital markets. As at 31 March 2024, £1,314m (2023: £1,086m) was drawn.

Loans are secured by specific charges on housing properties granted to the relevant lenders.

At 31 March 2024 undrawn committed loan facilities were £488m (2023: £278m). Of the drawn loan facilities, £1,131m (86 per cent) (2023: £932m, 86 per cent) was borrowed at fixed rates including the effect of interest rate swaps as detailed in note 28.

The weighted average cost of borrowings during the year was 4.0% (2023: 3.4%). The weighted average interest rate of outstanding borrowings as at close of the year was 4.2% (2023: 3.9%).

Notes to the Financial Statements

27 Financial Instruments

The carrying values of the financial assets and liabilities are summarised by category below:

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Financial Assets				
Measured at fair value through the Statement of Comprehensive Income:				
- Cash and cash equivalents	133,327	28,537	132,225	27,355
Measured at discounted amount receivable:				
- Investments (note 16)	138	213	138	213
Measured at undiscounted amount receivable:				
- Rent arrears and other debtors (note 20)	10,765	10,064	9,720	9,232
Measured at amortised cost:				
- Bond discount (note 20)	30,093	-	30,093	-
Measured at fair value and designated in a hedging relationship (note 28)	1,226	1,595	1,226	1,595
Total	175,549	40,409	173,402	38,395

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Financial liabilities				
Measured at fair value and designated in a hedging relationship (note 28)	6,596	10,801	6,596	10,801
Financial liabilities measured at fair value	1,806,796	1,534,432	1,806,796	1,534,432
Financial liabilities measured at fair value through the Statement of Comprehensive Income	73,627	97,354	64,200	86,766
Total	1,887,019	1,642,587	1,877,592	1,631,999

Financial assets comprise cash and cash equivalents, tenant debtors, amounts owed by Group undertakings and other debtors. Financial liabilities comprise bank loans, trade creditors, accruals, amounts owed to Group undertakings, sinking fund balances, taxation and social security and other creditors.

Financial assets and liabilities measured at amortised cost comprise housing loans and bond issuance.

PA Housing's objectives, policies and processes for managing capital are included in the Report of the Board of management.

Risks arising on financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Credit risk is managed by the treasury team in accordance with the Board approved treasury management policy. The security of principal sums invested ranks above seeking the highest possible return on the investment. Surplus funds are invested only with approved counterparties that meet minimum credit rating thresholds detailed in the treasury management policy, with maximum exposure levels set for each counterparty.

Housing loans are secured by specific charges on housing properties and are repayable at varying rates of interest.

Financial Instruments (continued)

Liquidity risk

Liquidity risk is managed by the treasury team in accordance with the Board approved treasury management policy. The policy requires that sufficient cash balances be maintained to cover the next two months' net cash requirement and sufficient liquidity to cover the next 18 months' net liquidity requirement. Action is taken to replenish liquidity once it is insufficient to cover the next 24 months' net liquidity requirement.

The treasury team monitors available liquidity resources on an ongoing basis to ensure compliance with liquidity policy goals as well as the longer-term growth aspirations of the business. Apart from working capital and capital expenditure requirements, the nature of the Group's debt portfolio requires regular repayments of bank term loan principal to certain lenders. It is considered that PA Housing has sufficient financial resources to make these repayments, and therefore the risk of being unable to meet financial obligations to these lenders is considered to be low.

The maturity profile of debt has been structured to reflect the long-term nature of the assets and to achieve a balanced profile of scheduled repayments of loan principal. As at 31 March 2024 72% (2023: 65%) of borrowings were due to mature in more than five years.

Interest rate risk

Operations are financed through a mixture of retained reserves, government grant, other public subsidies to support development activities and loan borrowings.

The interest rate strategy is reviewed annually and aims to achieve a conservative balance between fixed and variable debt at an acceptable level of risk and cost.

Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

Market risk

The treasury management function is responsible for developing and implementing an appropriate financial strategy to ensure the business holds the required level of liquidity to fund its capital investment programme and day to day operating activities.

Close monitoring of financial covenants against the business plan to assess risk scenarios is completed on a regular basis.

Disaggregation of the Statement of Financial Position

Given the nature of the Group's operations the key assets are housing properties and stocks. These assets are connected to the loans and borrowings, as they are secured against these financial liabilities (note 26).

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 2024	Group 2023	Association 2024	Association 2023
	£'000	£'000	£'000	£'000
Interest income and expense				
Total interest income for financial assets at amortised cost	1,170	410	1,154	405
Total interest expense for financial liabilities at amortised cost	(40,827)	(34,202)	(40,827)	(34,202)
Fair value gains and losses				
On financial assets (including listed investments) measured at fair value:				
Gain on fair value of financial instruments	1,256	6,352	1,256	6,352
Other loss	(8)	(13)	(8)	(13)
	1,248	6,339	1,248	6,339
Gain on fair value of hedged financial instruments	2,540	21,544	2,540	21,544

Notes to the Financial Statements

28 Derivative Financial Instruments

Group and Association	Current 2024 £'000	Current 2023 £'000	Non-Current 2024 £'000	Non-Current 2023 £'000
Derivatives that are designated and effective as hedging instruments carried at fair value				
Asset				
Interest rate swaps	-	-	6,564	3,985
Derivatives that are non-hedged instruments carried at fair value				
Asset / (Liability)				
Interest rate swaps - callable by counterparty			1,226	1,595
Interest rate swaps - ineffective element			(13,160)	(14,786)
	-	-	(11,934)	(13,191)
	-	-	(5,370)	(9,206)

Interest rate swaps are valued at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest Rate Swap Contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 March:

Interest rate swap contracts designated as hedges of variable interest rate risk recognised financial liabilities

Outstanding receive floating rate pay fixed contracts

	Average contract fixed interest rate		Notional principal value		Fair value effective hedges		Fair value ineffective hedges	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	%	**%**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
0 - 1 years		-		-		-		-
1 - 5 years	4.84	4.84	10,000	10,000	321	424	(414)	(647)
Over 5 years	4.47	4.47	100,000	100,000	6,243	3,561	(12,746)	(14,139)
At 31 March	4.50	4.50	110,000	110,000	6,564	3,985	(13,160)	(14,786)

Callable interest rate swap contracts recognised financial (liability) / asset

	Average contract fixed interest rate		Notional principal value		Fair value ineffective	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
	%	**%**	**£'000**	**£'000**	**£'000**	**£'000**
0 - 1 years	-	-	-	-	-	-
1 - 5 years	2.90	2.50	150,000	150,000	1,226	1,595
Over 5 years	-	-	-	-	-	-
At 31 March	2.90	2.50	150,000	150,000	1,226	1,595

Notes to the Financial Statements

Derivative Financial Instruments (continued)

The Group has three callable interest rate swaps maturing over 2032-34, each of which was renegotiated during the year and is now callable by the respective counterparty on a once-only basis during 2025. As at the year-end date the overall derivatives portfolio comprised eight interest rate swaps with a notional amount of £110m (2023: £110m) and three callable interest rate swaps of £150m (2023: £150m) at a blended rate of 3.58% (2023: 3.35%). The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' SONIA. The Group will settle the difference between the fixed and floating interest rate on a net basis. The above £110m interest rate swap contracts are designated as hedges against variable rate interest rate risk associated with the Group's floating rate borrowings in accordance with FRS102, with varying degrees of effectiveness. The hedged cash flows are expected to occur and to affect surplus or deficit over the period to maturity of the interest rate swaps.

A gain of £2,540k (2023: gain £21,544k) was recognised in other comprehensive income representing the effective components of the swaps. The ineffective components, representing the excess of the fair value of hedging instruments over the change in the fair value of expected cash flows, totalled a gain of £1,256k in aggregate (2023: gain £6,352k) and were recognised in surplus or deficit.

As at 31 March 2024 the Group had eight (2023: eight) cash flow hedges and three further interest rate swaps callable by the counterparty which do not qualify for hedge accounting (2023: three). The hedge relationships are consistent with the Group's risk management objectives for undertaking hedges.

The Group considers that an economic relationship exists between the hedging instrument (interest rate swap) and the hedged item (floating rate loan) in that the values of the hedged item and hedging instrument are expected typically to move in opposite directions in response to movements in the same risk, the hedged risk, over the life of the hedge.

The objective of the hedge is to mitigate the changes in future cash flows stemming from the inherent variability in the floating rate interest payments due under the relevant floating rate loan.

In accordance with chapter 12 of FRS 102, hedge accounting has been applied to the following swap contracts:

	2024	**2023**
Liability	**£'000**	**£'000**
Santander £10m 4.84% 25 June 2026	(93)	(222)
Lloyds £20m 4.48% 26 February 2032	(998)	(1,417)
Lloyds £10m 4.70% 5 October 2032	(699)	(948)
Lloyds £20m 4.79% 4 January 2036	(1,961)	(2,712)
Lloyds £15m 4.39% 5 November 2037	(978)	(1,617)
Santander £10m 4.32% 4 July 2038	(593)	(1,044)
Lloyds £15m 4.44% 13 May 2038	(1,077)	(1,757)
RBS £10m 3.90% 4 October 2050	(197)	(1,084)
	(6,596)	(10,801)

The following swap contract does not qualify for hedge accounting

	2024	**2023**
Asset	**£'000**	**£'000**
NatWest £50m 2.61% 17 November 2032	573	364
NatWest £50m 2.21% 1 September 2034	236	942
Lloyds £50m 2.69% 8 December 2032	416	289
	1,225	1,595

Notes to the Financial Statements

29 Cash flow from operating activities

Group	2024 £'000	2023 £'000
(Deficit) / surplus for the financial year	(2,156)	12,429
Adjustments for non-cash items:		
Net fair value gain recognised in the SoCI	(1,666)	(4,731)
Change in value of investment properties	231	(1,045)
Depreciation charge on other fixed assets	2,776	2,712
Depreciation charge on housing properties	21,426	19,899
Write off of components	549	1,195
Impairment	15,627	1,300
Amortisation of grant on housing properties	(5,533)	(5,508)
Amortisation negative goodwill	(605)	(644)
Amortisation of intangible fixed assets	144	-
Adjustment for pension funding	2,449	1,017
(Increase) in debtors	(30,424)	(3,751)
(Decrease) / Increase in creditors	(20,507)	43,580
Decrease / (Increase) in stock	1,284	(171)
Transfers / adjustments to stock	176	326
Other provisions	(3,083)	450
Grant received (non-cash)	(59)	(4,671)
Movement in investments	(75)	(96)
Adjustment for investing or financing activities		
(Surplus) on sale of tangible fixed assets	(3,917)	(5,445)
Loss on disposal of other fixed assets	383	21
Interest payable	40,827	34,202
Interest receivable	(1,170)	(410)
Loan arrangement fees	(3,163)	(923)
Taxation	1,106	486
Net cash generated from operating activities	14,620	90,222

30 Reconciliation of net cash flow to movement in net debt

Group	2024 £'000	2023 £'000
(Increase) / decrease in cash in the year	(104,790)	9,543
Other changes (note 31)	(30,925)	1,695
Loans and bond finance received	506,000	226,870
Loans repaid	(277,820)	(135,006)
Loan arrangement fees	(3,163)	(923)
Change in net debt	89,302	102,179
Net debt at 1 April	1,054,771	952,592
Net debt at 31 March	1,144,073	1,054,771

Notes to the Financial Statements

31 Analysis of changes in net debt

	At beginning of the year £'000	Cash Flows £'000	Other Changes £'000	At the end of the year £'000
Cash at bank and short term investments	(28,537)	(104,790)	-	(133,327)
Housing loans due within one year	32,270	(3,040)	-	29,229
Housing loans due after one year	503,613	(8,778)	-	494,836
Bond finance	550,000	240,000	-	790,000
Loan and bond arrangement fees	(4,882)	(3,163)	1,474	(6,571)
Bond discount / (premium)	2,307	-	(32,399)	(30,093)
	1,054,771	120,229	(30,925)	1,144,074

32 Called up share capital

Association	2024 Number	2023 Number
Allotted, issued and fully paid:		
At 1 April	13	12
Allotted during the year	5	1
Cancelled during the year	(5)	-
At 31 March	13	13

The shares of the Association, each of £1 nominal value, carry no rights to a dividend or provision for redemption or a distribution on winding up. The members are entitled to a vote at annual and special meetings of the Association. One of the five shares reported as cancelled in 2024 was cancelled in January 2023.

33 Provisions

Group and Association	Fire safety works £'000	Re-structuring £'000	Total £'000
Balance at 1 April 2023	2,213	953	3,166
Provisions utilised during the year	(2,094)	(870)	(2,964)
Released during the year	(119)	-	(119)
Balance at 31 March 2024	-	83	83

Fire Safety works

PA Housing is committed to implementing the governments new building safety standards. A provision is made where we have contracted for remediation works to be carried out. Provisions are not made where there is uncertainly in determining future costs to remediate buildings, this is due to complexities in finalising the technical specification of works required, the recovery of costs from original contractors and access to government grants. We have however ring-fenced funding to fully remediate all potential fire risks in our buildings.

Restructuring

During the year PA Housing concluded an internal restructure on the operating model for delivering services to our residents.

Notes to the Financial Statements

34 Pension Schemes

The Group participates in the defined contribution pension scheme of the Social Housing Pension Scheme and has previously participated in defined benefit pension schemes which are now closed to new members.

No liability is provided for the impact of McCloud or GMP rulings for historic transfers on the grounds of materiality.

Summary statement of pension scheme disclosures: Defined Benefit	**2024**	**2023**
Group and Association	**£'000**	**£'000**
Creditors due within one year – Net Present Value of obligation		
Defined Benefit – Surrey County Council (Elmbridge Borough Council)	113	106
Creditors due after more than one year – Net Present Value of obligation		
Defined Benefit – Surrey County Council (Elmbridge Borough Council)	480	540
Pension Liability		
Defined Benefit – Social Housing Pension Scheme	13,124	13,131
Statement of Comprehensive Income		
Finance Costs:		
Surrey County Council - Net Interest Cost	-	19
Social Housing Pension Scheme - Net Interest Cost	568	327
Surrey County Council (Elmbridge Borough Council) - Finance Cost	25	22
Other Costs:		
Elimination on net asset on defined benefit pension scheme	-	3,890
	593	4,258
Operating Costs:		
Social Housing Pension Scheme - Expenses	68	67
Surrey County Council (Elmbridge Borough Council) - Operating Cost	28	51
	96	118
Other Comprehensive Income		
Surrey County Council - Actuarial gain	-	4,642
Social Housing Pension Scheme – Actuarial (loss)	(2,456)	(2,518)
	(2,456)	2,124

Notes to the Financial Statements

34a Defined Contribution Scheme

The Group participates in the defined contribution schemes of the Social Housing Pension Scheme (SHPS) and Aegon which all colleagues are eligible to join. SHPS is also used as the Auto Enrolment scheme for colleagues. Members contribute a minimum of 3% of salary and the employer contributes twice the member rate up to a maximum of 10%.

Group and Association	2024 £'000	2023 £'000
Contributions	1,878	1,696

34b Defined Benefit Scheme: Surrey County Council Pension Fund (Elmbridge Borough Council) (Closed to New members)

Under the terms of the transfer agreement with Elmbridge Borough Council (EBC), PA Housing makes additional payments each year as its contribution to the past service deficit as at 31 March 1998.

Payments are adjusted annually on 1 April in line with the increase specified in the Pensions Increase (Review) Order and are payable until March 2030. Contributions paid in the year were £106k (2023: £96k) By making these payments to EBC the Council accepts responsibility for meeting PA Housing's payments due to the Pension Fund in respect of that past service deficit.

As the scheme is in deficit and PA Housing has agreed to a payment to EBC to contribute to funding the deficit PA Housing recognised a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The unwinding of the discount rate is recognised as a finance cost.

Reconciliation of opening and closing creditors	**2024**	**2023**
Group and Association	**£'000**	**£'000**
At 1 April	646	669
Contributions paid	(106)	(96)
Operating charge	28	51
Finance charge	25	22
At 31 March	593	646
Net Present Value of creditor		
Due within one year	113	106
Due after more than one year	480	540
	593	646

Assumptions	2024 % per annum	2023 % per annum
Rate of discount	4.88	4.30

Notes to the Financial Statements

34c Defined Benefit Scheme: Surrey County Council Pension Fund (Closed to new members)

PA Housing exited from the Surrey County Council Pension Fund on 13 April 2023. The termination valuation on 13 April 2023 was a surplus of £3.02m. As there was no exit debt payable, all liabilities and obligations to the fund were fully discharged with no payment required to the Fund or payable by the Fund to PA Housing. The FRS102 net asset at 31 March 2023 was therefore not recognised.

	2024 £'000	2023 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	-	14,511
Interest cost on defined benefit obligations	-	385
Changes in financial assumptions	-	(3,729)
Changes in demographic assumptions	-	59
Other experience	-	(496)
Benefits paid	-	(456)
At the end of the year	-	10,274
Reconciliation of fair value of plan assets		
At the beginning of the year	-	13,777
Interest income on plan assets	-	366
Return on assets excluding amounts included in net interest	-	(548)
Other experience	-	1,025
Benefits paid	-	(456)
At the end of the year		14,164
Composition of plan assets		
Equities	-	10,764
Bonds	-	1,700
Property	-	1,133
Cash	-	567
Total plan assets	-	14,164
Equities	-	76%
Bonds	-	12%
Property	-	8%
Cash	-	4%

Principal actuarial assumptions used at the reporting date	**2024 % pa**	**2023 % pa**
Pension increase rate	-	3.00%
Salary increase rate	-	4.00%
Discount rate	-	4.75%

Notes to the Financial Statements

34c Defined Benefit Scheme: Surrey County Council Pension Fund (Closed to new members) (continued)

	2024 £'000	2023 £'000
Amounts recognised in the Statement of Financial Position		
Fair value of plan assets	-	14,164
Present value of plan liabilities	-	(10,274)
Elimination of net asset	-	(3,890)
Net pension scheme asset	-	-
Amounts recognised in the Statement of Comprehensive Income		
Interest cost on defined benefit obligations	-	385
Interest income on plan assets	-	(366)
Elimination of net asset	-	3,890
Defined benefit costs recognised in the Statement of Comprehensive Income	-	3,909
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Return on assets excluding amounts included in net interest	-	477
Changes in assumptions underlying the present value of the scheme liabilities	-	4,165
Total amount recognised in Other Comprehensive Income – gain	-	4,642

Notes to the Financial Statements

34d Defined Benefit Scheme: Social Housing Pension Scheme (Closed to new members)

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme.

Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2024 to 28 February 2025 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

	2024 £'000	2023 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	71,496	102,042
Expenses	68	67
Interest cost on defined benefit obligations	3,413	2,798
Actuarial (gains)	(1,880)	(29,974)
Benefits paid and expenses	(3,222)	(3,437)
At the end of the year	69,875	71,496
Reconciliation of fair value of plan assets		
At the beginning of the year	58,365	88,895
Interest income on plan assets	2,845	2,471
Experience on plan assets excluding amounts included in net interest - (loss) / gain	(4,336)	(32,492)
Employer contributions	3,099	2,928
Benefits paid	(3,222)	(3,437)
At the end of the year	56,751	58,365

Notes to the Financial Statements

34d Defined Benefit Scheme: Social Housing Pension Scheme (Closed to new members) (continued)

Composition of plan assets	2024 £'000	2023 £'000
Global equity	5,655	1,089
Absolute return	2,216	632
Distressed opportunities	2,001	1,767
Credit relative value	1,859	2,203
Alternative risk premia	1,801	108
Emerging markets debt	734	313
Risk sharing	3,322	4,297
Insurance linked securities	293	1,473
Property	2,279	2,512
Infrastructure	5,733	6,666
Private equity	46	-
Private debt	2,233	2,597
Opportunistic illiquid credit	2,218	2,497
High yield	9	204
Opportunistic credit	-	4
Cash	1,120	421
Corporate bond fund	-	-
Liquid credit	-	1
Long lease property	367	1,761
Secured income	1,695	2,679
Liability driven investment	23,096	26,880
Currency hedging	(23)	112
Net current assets	97	149
Total plan assets	56,751	58,365

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by the employer.

Principal actuarial assumptions used at the reporting date	2024 % pa	2023 % pa
Discount rate	4.90	4.87
Inflation (RPI)	3.15	3.19
Inflation (CPI)	2.78	2.75
Salary growth	3.78	3.75
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality assumptions adopted at 31 March 2024 imply the following life expectancies at age 65:	Males (years)	Females (years)
Retiring in 2024	20.5	23.0
Retiring in 2044	21.8	24.4

Notes to the Financial Statements

34d Defined Benefit Scheme: Social Housing Pension Scheme (Closed to new members) (continued)

	2024 £'000	2023 £'000
Present values of defined benefit obligation, fair value of assets and defined benefit liability		
Fair value of plan assets	56,751	58,365
Present value of plan liabilities	(69,875)	(71,496)
Net pension scheme (liability)	(13,124)	(13,131)
Amounts recognised in the Statement of Comprehensive Income		
Net interest expense	568	327
Expenses	68	67
Defined benefit costs recognised in the Statement of Comprehensive Income	636	394
Analysis of actuarial (loss) / gain recognised in Other Comprehensive Income		
Experience on plan assets excluding amounts included in net interest – (loss)	(4,336)	(32,492)
Experience on the plan liabilities	896	752
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	787	169
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	197	29,053
Total amount recognised in Other Comprehensive Income – (loss)	(2,456)	(2,518)

PA Housing was notified in 2021/22 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024. We understand that this process is still ongoing at 31 March 2024 and no conclusions have yet been reached. It is estimated that this could potentially increase the value of entire scheme liabilities for all employers by £155m. It is noted that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Notes to the Financial Statements

35 Operating lease obligations

At 31 March the Group was committed to non-cancellable operating lease minimum future payments for each of the following periods:

Group and Association	Land and buildings 2024 £'000	2023 £'000
Operating leases which expire:		
Less than 1 year	357	619
Within 1 to 5 years	935	2,179
After 5 years	997	1,207
	2,289	4,005

36 Capital Commitments

	Group and Association 2024 £'000	Group and Association 2023 £'000
Expenditure contracted for but not provided in the financial statements	146,528	348,302
Expenditure authorised by Board but not contracted for	70,127	57,543
	216,655	405,845

Commitments will be funded by cash reserves, the drawdown of existing loan facilities and Social Housing Grant.

37 Contingent Liabilities

PA Housing receives grant from Homes England and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components.

The grants are accounted as deferred income and amortised to the Statement of Comprehensive Income over the life of the asset. The amount amortised represents a contingent liability and will be recognised as a liability when the properties funded by grant are disposed or when the properties cease to be funded by social housing. Grants amortised to date at 31 March 2024 are £101.2m (2023: £95.8m).

PA Housing has acquired properties where the grant is considered to be part of the acquisition cost and is not accounted for separately in the statement of financial position. This contingent liability will be realised if the assets to which the grant relates are disposed. At 31 March this contingent liability is £10.1m (2023: £10.1m)

38 Related Party Transactions

Other related parties

Key management personnel are the Executive Management Team and the non-executive Board members.

Two non-executive Board members are residents of PA Housing. All transactions are carried out on an arms length basis on normal terms and the members do not participate in decisions that could result in a conflict of interest. Transactions during the year were:

- Leaseholder – Service charges of £2,224 were charged in the year (2023: £1,453) with a nil balance at 31 March 2024 (2023: credit balance of £141).
- Social rented tenant - Rents of £4,687 (2023: £4,380) were charged in the year with a credit balance of £174 at 31 March 2024 (2023: £174).

The Pension Trust, as administrator of the Social Housing Pension Scheme, and Surrey County Council, as administrator of the Local Government Pension Scheme, are both considered to be related parties. Transactions with these entities are as set out in note 34. Anne Turner, who was a Board member during the year (resigned 31 December 2023) was the Chair of the Social Housing Pension Scheme Employer Committee during the year.

Remuneration paid to non-executive Board members is disclosed in the Corporate Governance section of the Financial Statements.

Remuneration paid to the Executive Management Team is disclosed in note 7 of the Financial Statements.

There have been no other transactions between PA Housing and key management personnel (including their related parties) during the year.

Transactions with non-regulated entities

Asra Construction Services Limited (ACSL) and Paragon Development and Construction Services Limited (PDCSL) provide design and build development services to PA Housing. They are not registered providers and are therefore classified by the Regulator of Social Housing as non-regulated entities.

Service Level and Framework Agreements are in place between PA Housing and, ACSL and PDCSL. Development services are provided by ACSL and PDCSL to PA Housing. Finance services are provided by PA Housing. These are recharged by PA Housing at cost with an appropriate transfer pricing mark-up applied.

ACSL and PDCSL recharge PA Housing with design and build costs for development services carried out. ACSL and PDCSL have no employees.

Paragon Treasury Plc (PTP) has secured funding through the capital markets and on-lends these funds to PA Housing. All intra-group transactions have taken place in the normal course of business.

Aggregate costs recharged for the year ended 31 March 2024 are as follows:

	2024				2023			
	ACSL	**PDCSL**	**PTP**	**PAH**	**ACSL**	**PDCSL**	**PTP**	**PAH**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
ACSL recharges	-	-	-	105,379	-	-	-	59,918
PAH finance recharge	295	-	-	-	283	-	-	-
PDCSL recharges	-	-	-	277	-	-	-	154
PTP interest recharge	-	-	-	16,378	-	-	-	15,912
PTP cost recharge	-	-	-	29	-	-	-	77
Debtor/(Creditor) balances	11,906	(5,581)	-	(6,325)	5,971	(5,554)	(4)	(421)

Notes to the Financial Statements

39 Fire Safety Remediation costs

During the year the following expenditure is included in costs which is directly attributable to fire safety remediation works where the properties and buildings are deemed not compliant with health and safety requirements. This expenditure is over and above our business as usual expenditure (either planned or routine) and is used to exclude costs for year on year comparison of financial metrics, golden rules, and lender covenant calculations where applicable and agreed with lenders.

	Group and Association 2024 £'000	Group and Association 2023 £'000
Revenue expenditure (included in note 3 planned maintenance costs)		
Fire remediation works	1,048	1,318
Waking watch and fire safety cover costs	4,292	3,907
Release of provision	(119)	-
	5,221	5,225
Capital expenditure		
Fire Safety remediation – components (included in note 13)	113	241
Fire Safety equipment – other fixed assets (included in note 14)	-	20
	113	261
Total fire safety remediation expenditure	5,334	5,486

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