Paragon Treasury Plc

Paragon Asra Housing Limited ('PA Housing') trading update and unaudited financial results for the year ended 31 March 2024

PA Housing, the parent company of Paragon Treasury Plc and a Registered Provider owning and managing 24,000 homes in the East Midlands, London and Surrey, announces its trading highlights and unaudited summary financial results for the 2023/24 financial year.

Headline results

The year saw a gradual return to more normal trading conditions, following the economic headwinds in 2022/23. The Board set a cautious budget for the year, allowing for the prospect of ongoing turbulence, but in most areas we outperformed the budget and strong overall financial performance was delivered. This was particularly the case on shared ownership sales, where the higher surpluses generated enabled the Board to bring forward planned maintenance expenditure from 2024/25 in order to utilise the available capacity.

Over the year, PA Housing has delivered an operating surplus of £55.1m (2023: £41.8m) from turnover of £208.8m (2023: £182.3m), equating to an operating margin of 26 per cent (2023: 23 per cent). Total comprehensive income after loan interest and other adjustments was £16.1m (2023: £34.0m); this included a net positive movement in the fair value of financial instruments, pensions scheme liabilities and investment properties of £0.3m (2023: £26.1m). Total available liquidity as at 31 March 2024 was £612m (2023: £299m).

Our non-recurring fire safety remediation expenditure to address historic defects at a small number of high rise blocks has continued to have a significant impact on headline results. Total expenditure on these activities in the year was £5.3m. Our underlying operating margin excluding these additional costs was 29 per cent (2023: 22 per cent).

Property sales

During the year we completed 176 new build shared ownership sales, delivering proceeds of £25.6m and a surplus of £7.2m at an average sales margin of 28 per cent. This represents PA Housing's most successful year to date in terms of sales income generation. As at the year end date we had 74 unsold homes.

Asset disposals activities, comprising a mix of shared ownership staircasing, Right to Acquire sales, and ad hoc vacant possession sales in line with our asset management strategy, delivered a surplus of £3.9m. This was in line with budget expectations.

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Other key areas

In other areas of core activity:

- Rent collection was strong, and we ended the year with gross current resident rent arrears at 3.76% (2023: 4.29%). This represents our strongest performance since PA Housing commenced trading in 2017.
- The rent collection work was supported by our expanded tenancy sustainment service in response to the cost of living crisis, with £6.9m in income gains secured for over 4,000 of our residents.
- We implemented some significant changes to our responsive and void repairs delivery model. From 1 April 2024, services to our homes in the Midlands region are entirely led by our expanded in-house repairs team, with support from local external contractors for certain specialist jobs. In our London and South East region, we terminated our repairs contract in June 2023 and put interim arrangements in place with another contractor. Performance levels improved as a result although we have more to do, including to clear the backlog of repairs which built up under the previous contract. These structural changes were delivered without significant cost impact, and we ended the year slightly underspent against the approved responsive repairs budget.
- We achieved 100% compliance with the Decent Homes Standard (with the exception of a very small number of properties where we were unable to gain access and carry out the work), and continued our relentless focus on building safety compliance.
- After making good progress to reduce our average re-let times in 2022/23, there was some slippage in performance through 2023/24 and we ended the year with an average of 54 days. The main driver was turnaround times on works to empty homes, linking across to our ongoing work to remodel our service delivery in this crucial area.

On the financing front, in March 2024 we completed on a £200m private placement and a £170m bank financing project. These were successful and important transactions, giving us the capacity we need to continue our growth programme and expand our investment into existing estates.

Areas of focus

During the year we have undertaken significant rebuild of our business model, under the leadership of our CEO Mike McDonagh (appointed in December 2022) and our Chair Suki Kalirai (appointed in September 2022). This culminated in the recent publication of our new five year Corporate Plan through to 2029, supported by a range of aligned Enabling Strategies covering our key service areas. A key running theme is to ensure that everything we do takes the local level and the resident lens as the starting point.

We have begun work to strengthen relationships with our residents so that we can move beyond a transactional relationship model and, over time, build a trusting partnership with the people we house.

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This has included investment in a significantly expanded neighbourhoods team with much smaller patch sizes, so that our people on the ground can truly get to know who lives behind all of our front doors and deliver a valued local service. Investing in our properties and estates is also critical, and in 2024/25 we aim to increase our planned maintenance programmes by £8m compared to 2023/24. Alongside this we will start to accelerate our work to achieve at least EPC C rating for all our homes by 2029, a year ahead of the national target. As at March 2024 78% of our homes were at this level.

On fire safety, we have made considerable progress on negotiations with building contractors for the small number of blocks where significant remediation works are required. We expect all of these projects to get underway in 2024/25 and complete by summer 2026. As part of this, we have achieved more clarity on PA Housing's own cost exposure for fire safety remediation projects. This has moved in a favourable direction over the year and we now estimate a net cost for PA's account of £22m. We will also be seeking full recovery of waking watch costs from the responsible contractors.

Statement of Comprehensive Income to 31 March 2024 (unaudited)

	2023/24 £m	2022/23 £m	Variance £m
Rent and service charges income	171.5	151.8	19.6
Shared ownership first tranche sales	25.6	21.5	4.1
Other income	6.2	3.5	2.6
Amortisation of Social Housing Grant	5.5	5.5	-
Turnover	**208.8**	**182.3**	**26.3**
Core operating costs	(116.0)	(104.3)	(11.4)
Depreciation and impairment	(23.2)	(25.1)	1.9
Cost of first tranche sales	(18.4)	(16.5)	(1.9)
Surplus on fixed asset disposals	3.9	5.4	(1.9)
Operating surplus	**55.1**	**41.8**	**13.0**
Net interest	(39.7)	(33.8)	(5.5)
Taxation and other adjustments	(0.6)	(0.1)	(0.2)
Fair value accounting movements	1.3	26.1	(25.0)
Total comprehensive income	**16.1**	**34.0**	**(17.7)**

Statement of Financial Position as at 31 March 2024 (unaudited)

	31 Mar 24 £m	31 Mar 23 £m
Negative goodwill	(4.8)	(5.4)
Tangible fixed assets – housing properties	2,282.8	2,144.2
Tangible fixed assets - other	25.5	24.4
Current assets	203.4	104.7
Current liabilities	(88.7)	(109.6)
Total assets less current liabilities	**2,418.2**	**2,158.3**
Creditors due after more than one year	(1,759.9)	(1,512.9)
Pension liabilities and other provisions	(13.2)	(16.3)
Total net assets	**645.1**	**629.1**
Reserves	**645.1**	**629.1**

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Other key metrics and indicators as at 31 March 2024 (unaudited)

Headline financials

	31 Mar 24	31 Mar 23
Operating margin (social housing lettings)	23%	19%
As above excluding fire safety remediation spend	26%	22%
Operating margin (all activities)	26%	19%
EBITDA interest cover (loan covenant basis)	133%	-
Available liquidity	£612m	£297m
Cash	£122m	£17m
Total loans and borrowings	£1,314m	£1,086m
Net debt	£1,192m	£1,069m
Gearing (loan covenant basis)	54%	54%

Core lettings business

Current resident rent arrears	3.8%	4.3%
Rent loss through voids	2.7%	2.4%
Average re-let time	54 days	36 days

Development and sales

Completed homes: rented social tenures	241	180
Completed homes: shared ownership	124	104
New build shared ownership homes sold	176	148
Unsold homes total	74	130
Unsold homes > 6 months	69	49
Average sales margin	28%	23%

Note: The above 2023/24 figures are based on unaudited management accounts and are subject to change following audit. In particular, we expect to book impairment in relation to a small number of development schemes where the contractors have ceased trading and so additional costs will be incurred to complete the projects. These accounting entries are currently being reviewed and final audited figures will differ in this respect.

Enquiries

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