

Corby town centre flats

# Fixed Income Investor Update

November 2023

# Presenting team

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## **Mike McDonagh – Chief Executive**

Mike was permanently appointed in March 2023 after an initial interim spell. He had a long career at KPMG where he was the UK Chief Operating Officer, including leading their successful public sector business. He has worked extensively across and is a supporter of social housing. Mike is a Board member at Housing 21.



## **Charles Ellis – Assets Director**

Charles has worked at PA Housing and our predecessor organisations since 1996. He is responsible for the entirety of our property services, incorporating responsive and void repairs, planned maintenance, capital investment and building safety compliance.



## **Suzannah Taylor – Development Director**

Suzannah joined PA Housing in 2018, after a career in the local authority sector where she worked in housing policy, homelessness and temporary accommodation before focusing on development. She is a member of the Chartered Institute of Housing, and a voluntary Board member at Old Etonian Housing Association which provides low-cost housing for people working in education.



## **Simon Hatchman – Resources Director**

Simon joined asra in 2016, shortly before the creation of PA. He has worked in the housing association sector since 1995, including roles at several HAs, as a regulator and working for a lending intermediary. Simon is Board member at Trident Housing Group, a Birmingham-based provider which specialises in complex support services provision.

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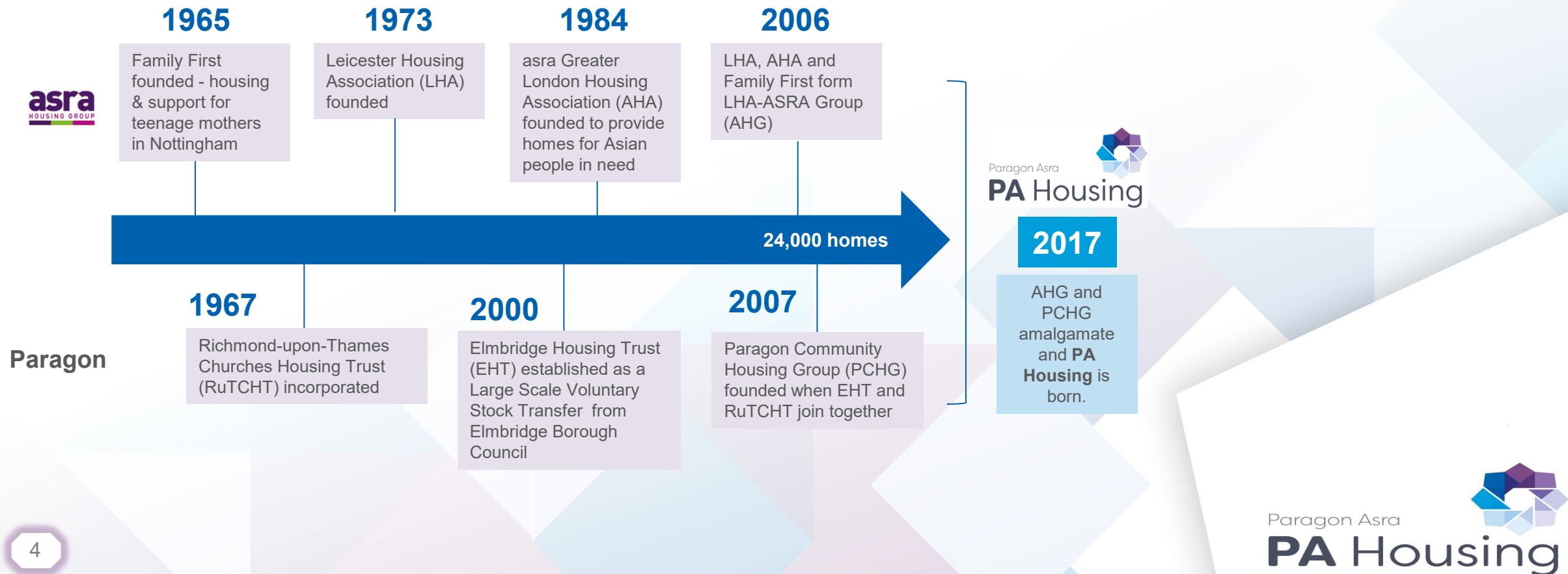
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# Where We've Come From

## Our Heritage – celebrating quality, diversity and inclusion

asra (Hindi word for 'shelter') was created as a Black and Minority Ethnic organisation: this history and legacy, alongside equality, diversity and inclusion more widely, remain at the core of PA



# PA Housing overview

## Geographically diverse portfolio

- 24,000 homes across London, Surrey and the East Midlands

## Focus on traditional general needs social housing

- Established shared ownership portfolio, no private sales aspirations

## ESG is at the core of PA Housing

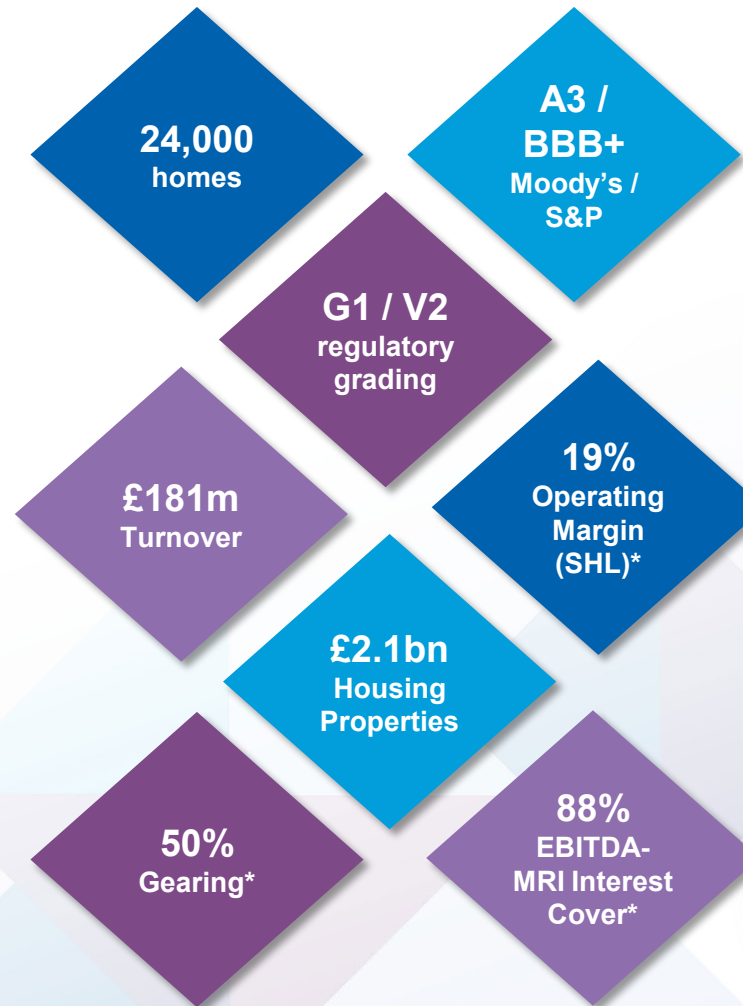
- Issued debut Sustainability bond in 2021 & an early adopter of SRS
- 73% of homes at EPC C or better

## External credentials

- Rated A3 / BBB+ by Moody's and S&P and G1 / V2 by the Regulator

## Experienced and diverse senior management team

- New Chair appointed in 2022, new CEO in 2023



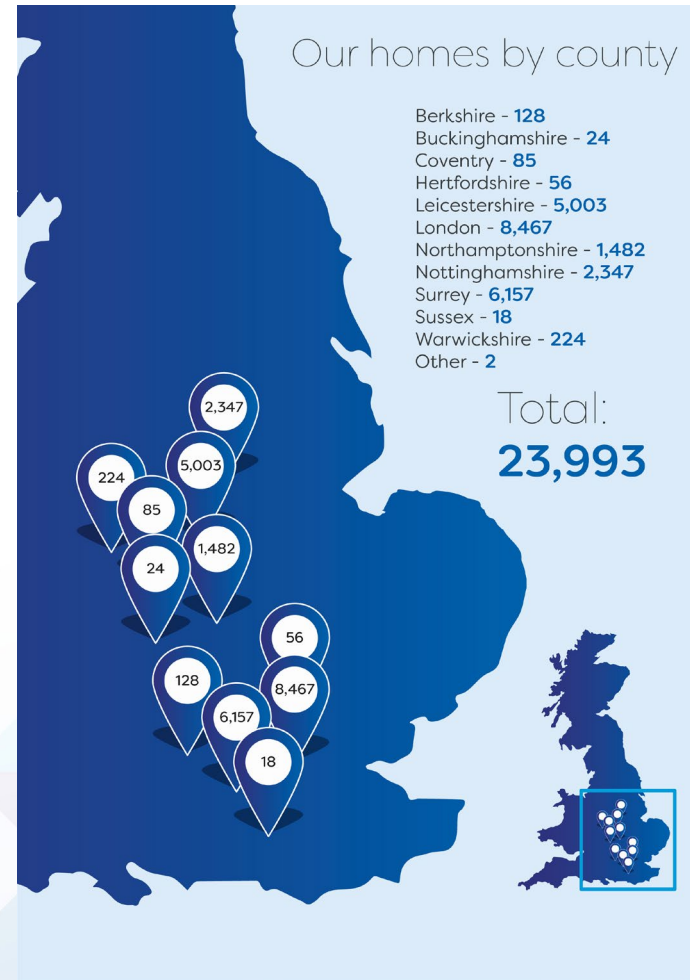
Source: FY 2022/23 Annual Report and Financial Statements

\* As per Regulatory VfM metrics, including additional fire safety remediation expenditure

# New Corporate Plan 2023-2028: Focus on the core

## Strategic themes

- Drive up **service standards** and satisfaction ratings
- **Maximise investment** in existing homes, estates, services
- New **repairs service** delivery models with focus on quality
- Investment to improve **energy efficiency**
- Deliver **fire safety** remediation projects
- Scaling back of **organic growth** targets
- Reduced **sales** exposure
- Develop our **people and culture**
- Investment in **tech**
- Keep PA **safe and compliant**
- Continue to deliver added **social value**



Molesey Park, Surrey



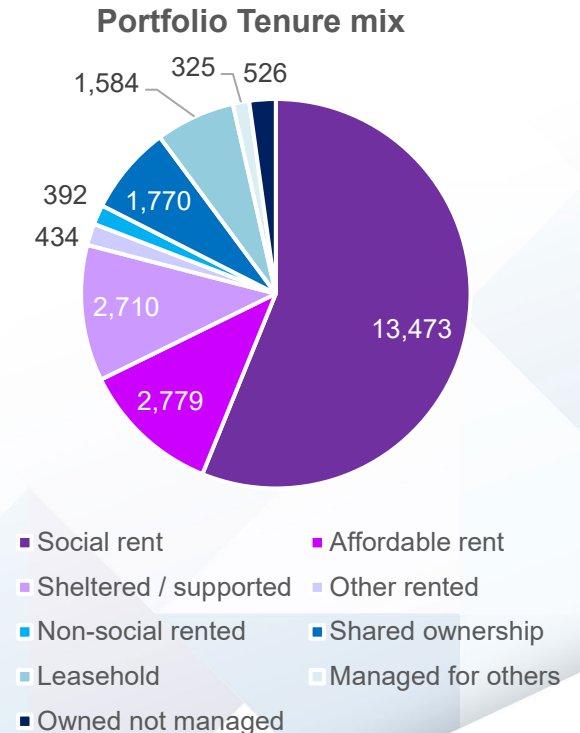
# Operational Update



# Operational performance 2022/23

Year-end performance results are shown in blue below:

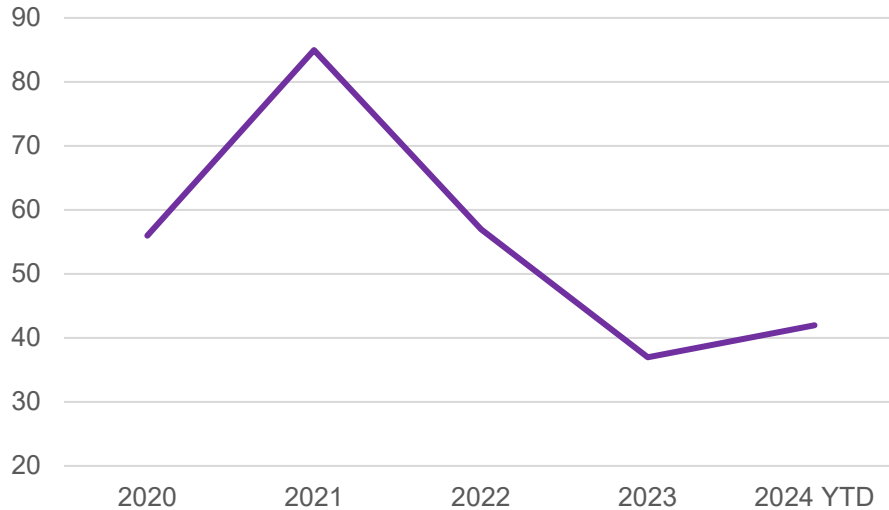
- **Rent collection:** Stable results, cost of living impacts mitigated (4.3% gross arrears)
- **Empty homes:** Core re-let times reduced, in line with performance improvement target (Average re-let time 37 days)
- **Repairs:** Contractor performance issues in London / SE region, contract terminated post year-end (79% of routine repairs completed on time; 99% of emergency repairs)
- **Maintenance:** Small number of Decent Homes failures due to access issues and contractor performance delays (107 homes failed against DHS)
- **Building safety:** Continued relentless focus on compliance across all perspectives (gas: 40 safety checks overdue with legal process ongoing to gain access; fire: All FRAs for PA-owned homes within date; electrical: 95% of homes tested within last 5 years)
- **Tenancy sustainment:** Ongoing high activity levels, supporting the rent collection effort (£4.4m gains for >1,600 residents)
- **Contact centre hubs:** Higher volumes linked to repairs performance issues, improved team structure and resources in early 23/24 (77% of calls answered)
- **Complaints:** Higher volumes, again largely driven by repairs (87% of responses within target)
- **Satisfaction:** Recent organisational change is all about driving up service standards and satisfaction levels (61% overall satisfaction from perception-based surveys)



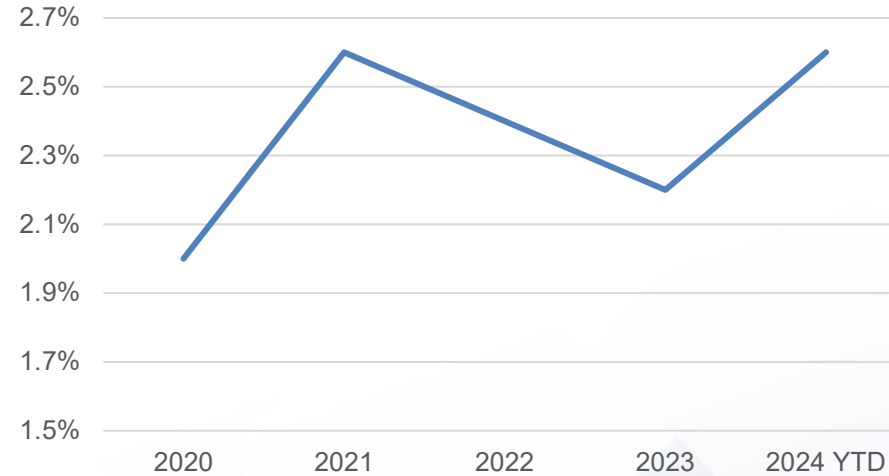


# Lettings and rent collection trends

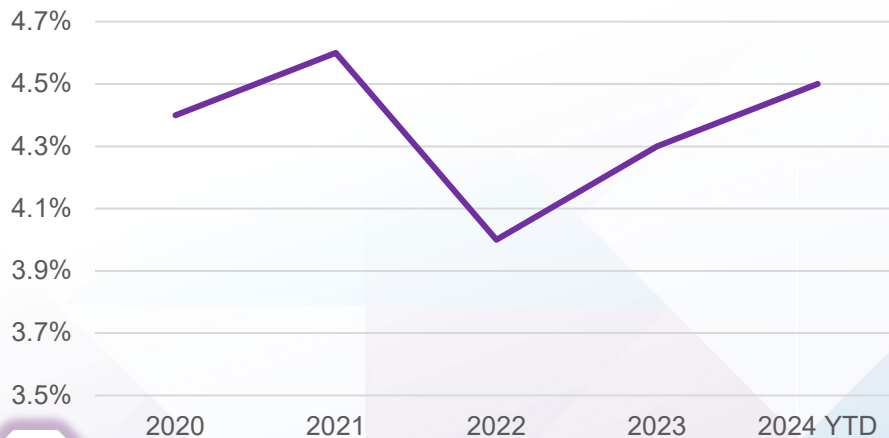
Re-let days (general needs homes)



Void rent loss



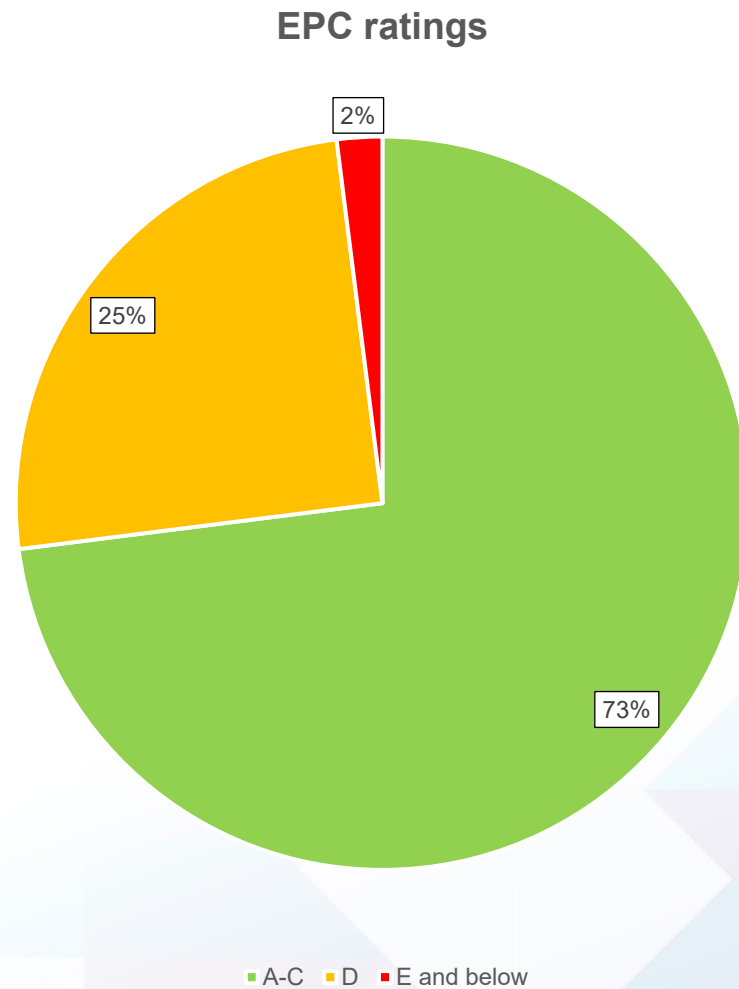
Rent arrears



- Strong demand in all operating areas
- Work to improve void repair times and local authority nominations processes
- Overall void loss includes unsold shared ownership homes – on reducing trend
- Rent collection has remained stable through Covid and cost of living pressures
- Expanded tenancy sustainment support

Note: 2024 year to date figures are unaudited

# Energy Performance



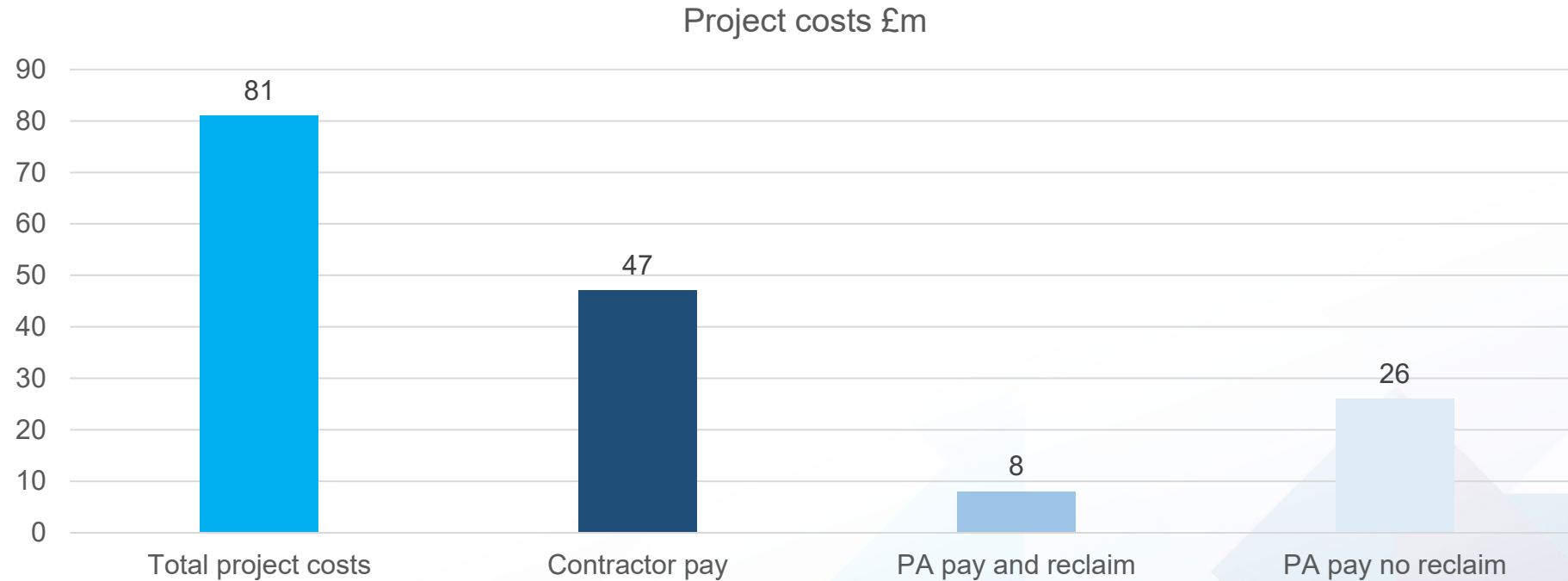
- 100% data in place
- 2023/24 budget includes insulation upgrades to 600 homes
- SHDF Wave 2 project £3.5m to upgrade 100 homes in Leicester
- Journey to net zero 2050 fully funded in business plan at estimated £0.5bn (2023 prices)
- 99.6% of new homes completed in 2022/23 were at EPC band B
- All new homes incorporated PV panels and have access to EV charge points where car parking spaces are provided
- Majority of new developments also have access to car club facilities



Layton Burroughs, Mansfield

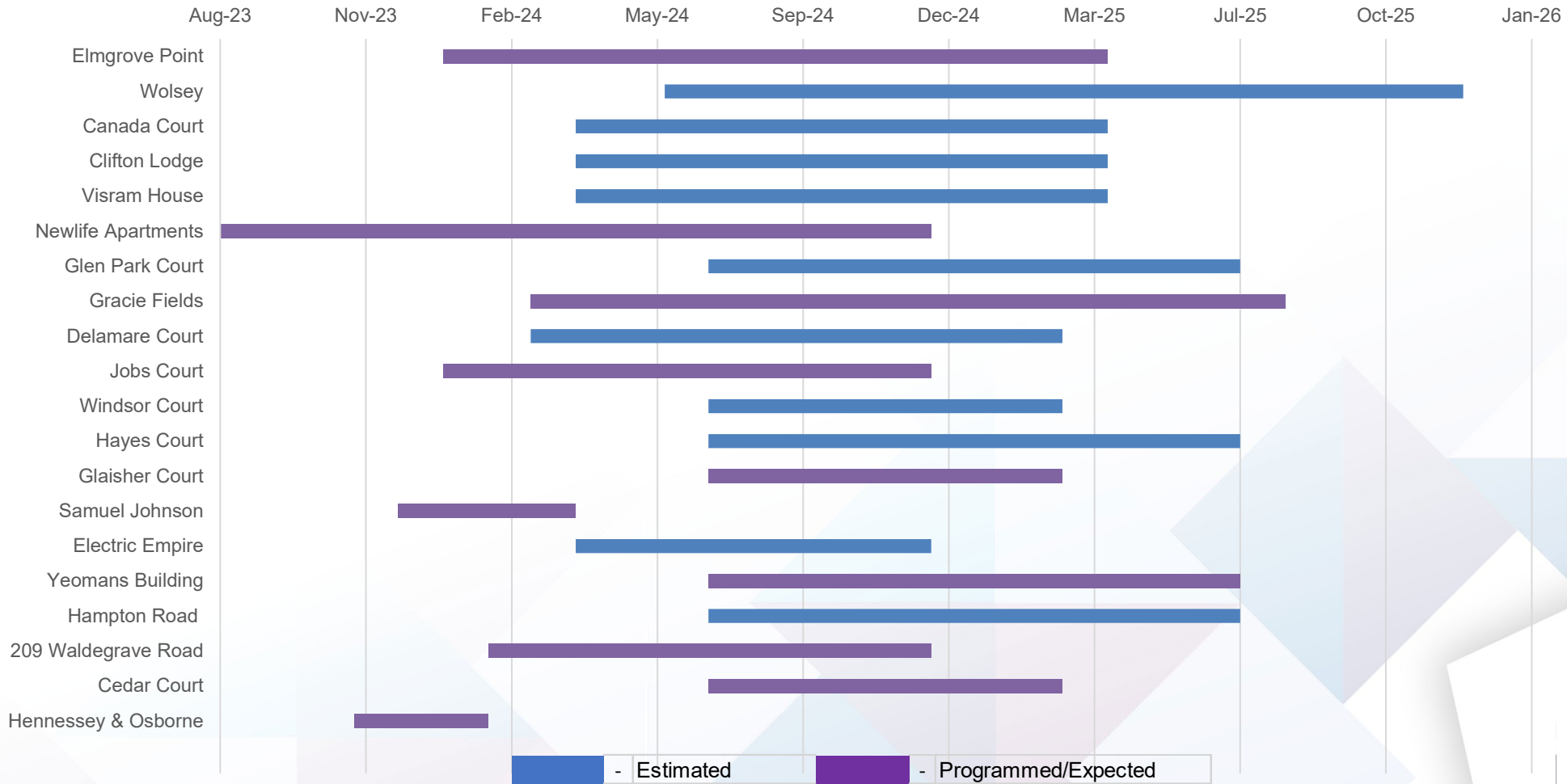
Fire safety projects

# Fire safety - Costs



- Board focus is to expedite remediation works as quickly as possible
- Net position based on outcome of legal claims. Two-pronged approach: 1) Contractual; 2) Without prejudice
- Negotiations ongoing with building contractors; agreed position now reached for Elmgrove Point
- Mitigations in place where needed prior to completion of projects, e.g. installation of fire alarms and waking watch
- All blocks above 2 storeys checked
- Total estimated cost for PA's account £26m

# Fire safety - Timeline



# Fire safety – example projects

Scheme	Elmgrove Point
Works Value	£11,000,000
Defects	HPL Cladding, Phenolic Insulation, Defective Cavity Barriers
Contractor	Countryside (formally Vistry)
Claim Status	Commercial settlement reached. (PA contribution - £300K)
Forecast Start / End	Jan 24 – March 25
Next Steps	Enter into remedial works agreement. Site setup and mobilisation to start in Nov



Scheme	Glenpark Court
Works Value	£2,664,000
Defects	Missing/defective cavity barriers
Contractor	Wates
Claim Status	Letter of Claim issued
Forecast Start / End	April 24 – April 25
Next Steps	Wates to respond to Letter of Claim by mid-Aug, and pre-action protocol meeting to be scheduled mid-Sept

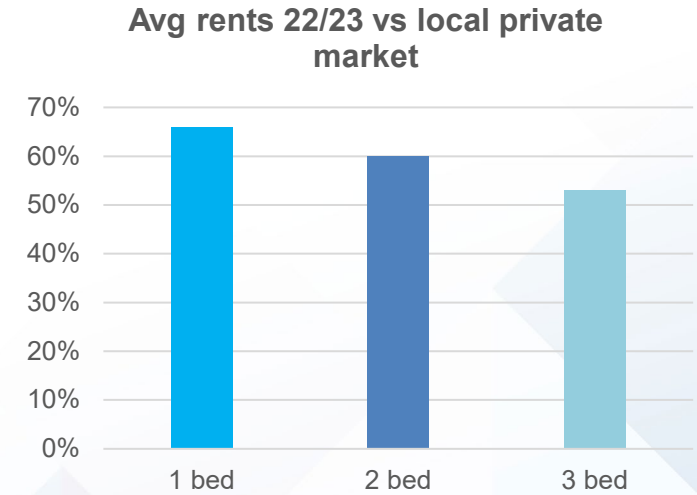
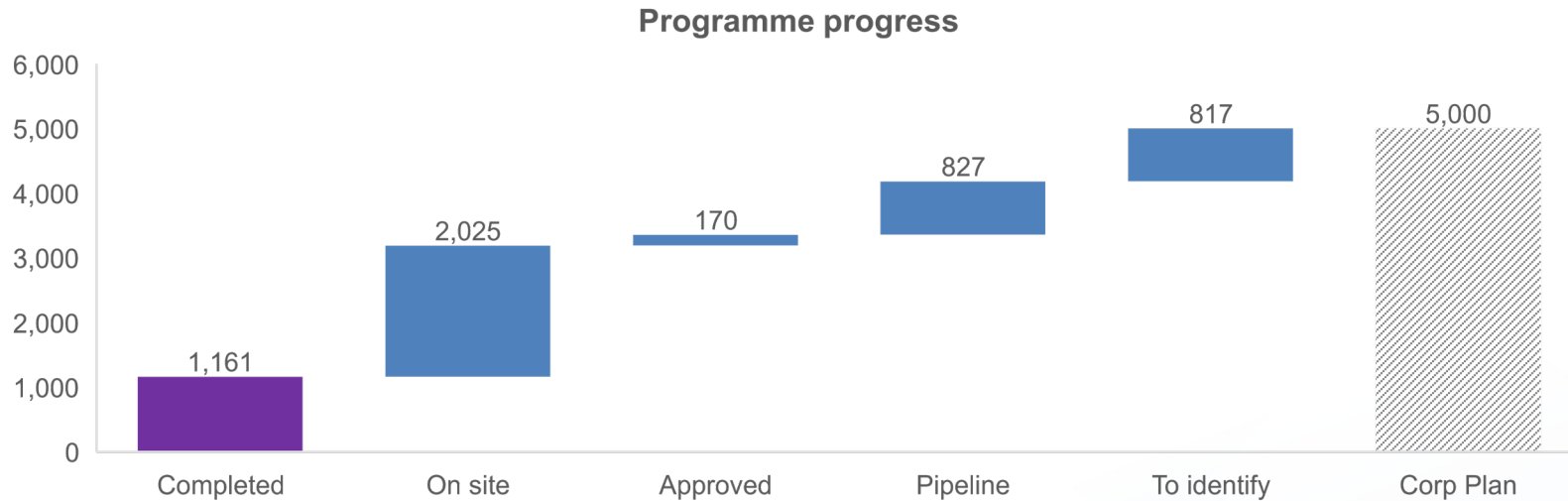


Lombard House, Croydon



Development and sales

# Development programme

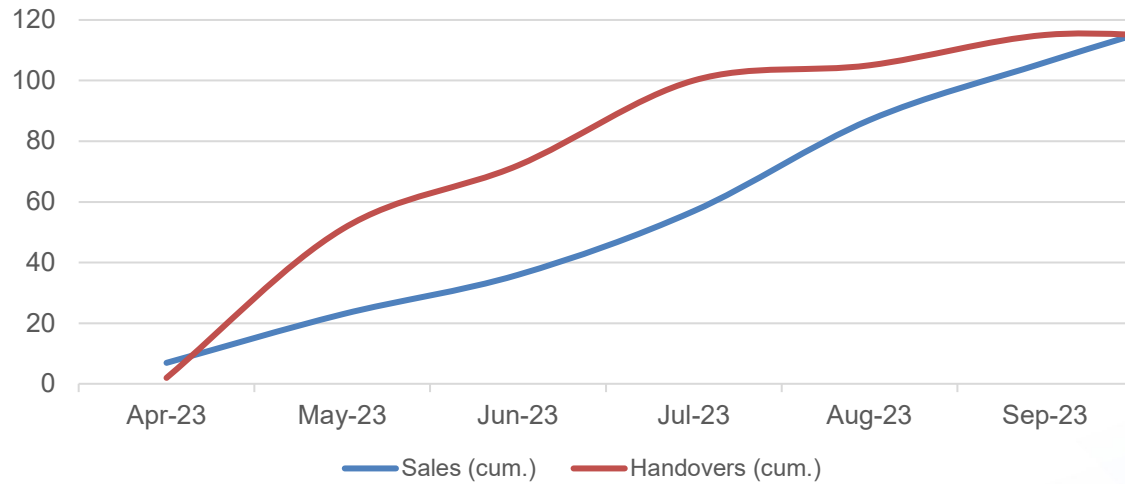


	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	Total
<b>Tenure split - 5,000 homes</b>										
Social Rent	83	15	111	53	211	199	286	367	273	1,598
Affordable Rent	99	117	61	155	391	273	162	94	267	1,619
Shared Ownership	116	185	74	184	217	274	339	284	149	1,822
	<b>298</b>	<b>317</b>	<b>246</b>	<b>392</b>	<b>819</b>	<b>746</b>	<b>787</b>	<b>745</b>	<b>689</b>	<b>5,039</b>
Social Rent %	28%	5%	45%	14%	26%	27%	36%	49%	40%	32%
Affordable Rent %	33%	37%	25%	40%	48%	37%	21%	13%	39%	32%
Shared Ownership %	39%	58%	30%	46%	26%	36%	43%	38%	21%	36%

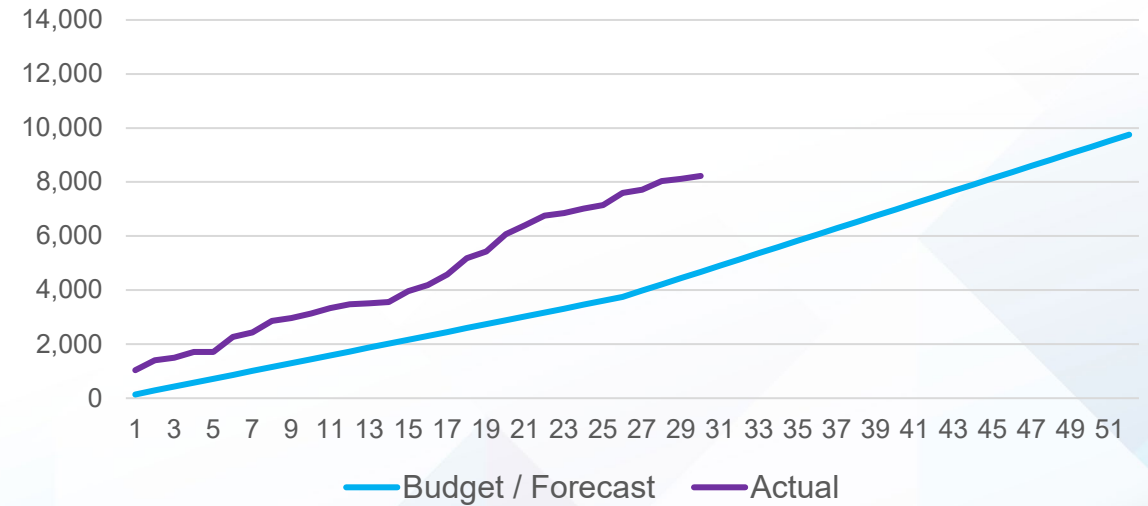


# Focus on sales

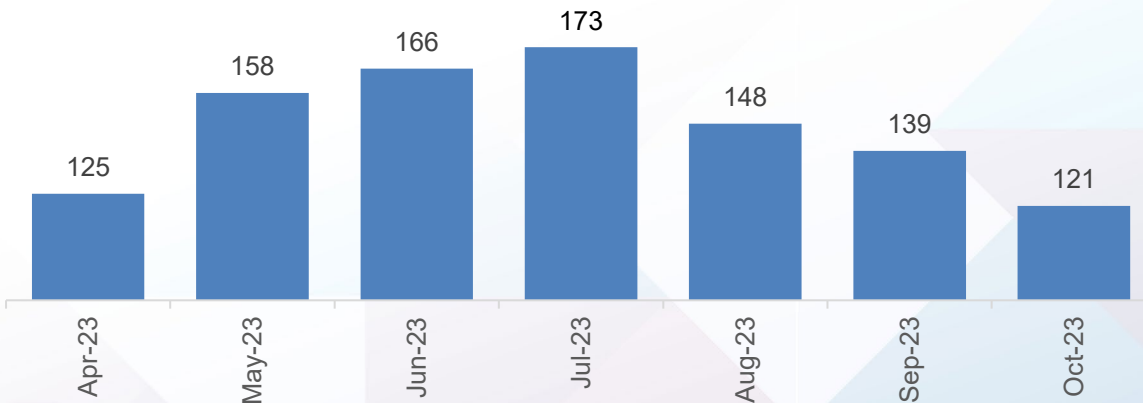
## 1. SO handovers vs. SO sales



## All sales surpluses - weekly tracker



## 2. Unsold:



Note: 2023/24 year to date figures are unaudited

Mansfield street properties



# Finance and Treasury

# Headline financials trend

	FY 22/23	FY 21/22	FY 20/21	FY 19/20	FY 18/19
Turnover	£181m	£169m	£157m	£150m	£160m
of which Sales	£21m (12%)	£20m (12%)	£12m (8%)	£8m (5%)	£11m (7%)
Operating Surplus	£40m	£47m	£41m	£55m	£62m
Operating Margin (Overall)	22%	28%	26%	37%	39%
Operating Margin (SHL)	19%	22%	24%	26%	33%
Total Comprehensive Income	£32m	£36m	£28m	£29m	£19m
Tangible Fixed Assets – Housing Properties	£2.108bn	£1.953bn	£1.855bn	£1.736bn	£1.642bn
Total Loans & Borrowings	£1.081bn	£988m	£877m	£796m	£709m
Cash & Cash Equivalents	£29m	£38m	£41m	£46m	£50m
Gearing (regulatory metric)	50%	49%	46%	43%	40%
EBITDA-MRI Interest Cover (regulatory metric)	88%	103%	136%	131%	169%

## 2023/24 YTD headlines

- Sales risk has been well mitigated – full year shared ownership sales surplus budget already met
- Transition of London & Surrey repairs contract has been achieved without significant cost impact
- Energy costs have stabilised following 2023 contract re-procurement
- Working to engineer overhead cost efficiencies
- Some impact on rental income from development scheme completion delays

# Half year trading update: Highlights

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- Operating surplus £30m
- Operating margin 29% all items; 26% social housing lettings
- Full year sales surplus already achieved
- 107 shared ownership first tranche sales, margin 29%
- 261 new build handovers
- Rent arrears stable at 4.5% gross
- £1.5m underspend on salaries and overheads
- New contractor installed for London and Surrey repairs service
- Cost savings achieved on utilities re-procurement
- Liquidity £252m plus £100m (notional) retained bonds

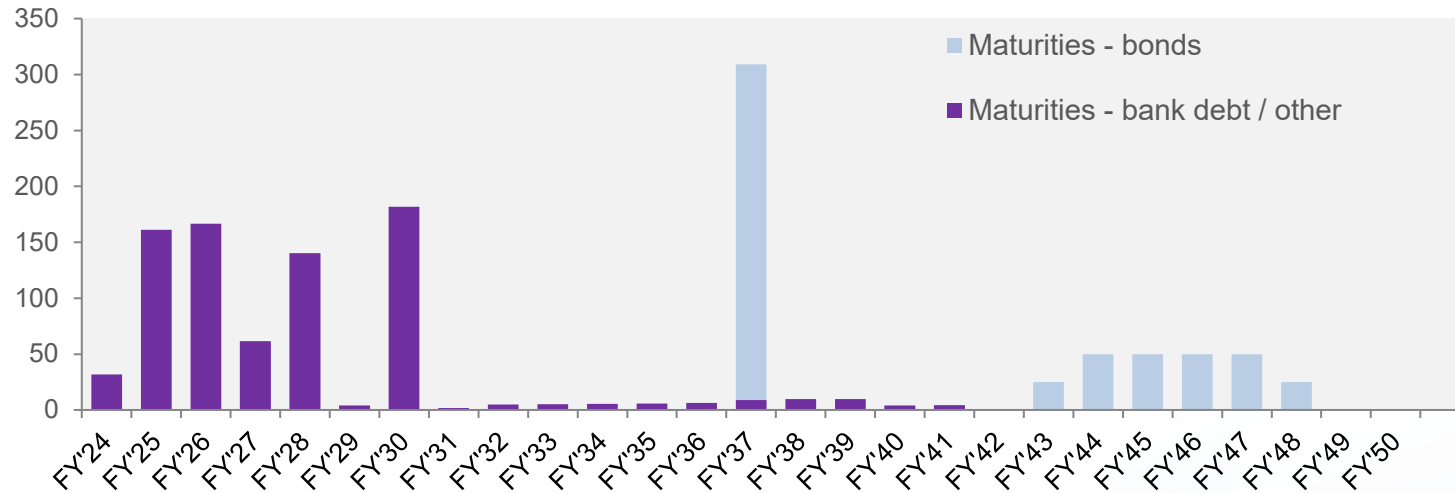
# Financial golden rules

Rule	Target	2022/23 Outcome	Comments
Operating margin (SH lettings)	> 30%	19%	Not met – interim targets imposed by the Board midway through 22/23 in response to emerging economic uncertainty and heightened operating costs
Free cash	> £10m	£(5.2m)	As above
Interest cover (% above tightest loan covenant)	> 40%	21%	As above
Gearing (tightest loan covenant)	< 55%	54%	Met
Hedged debt	> 50%	86%	Met
Liquidity	> 18 months	21 months	Met
Social Housing Grant	No reliance	No reliance	Met
Property sales % of turnover	< 25%	12%	Met

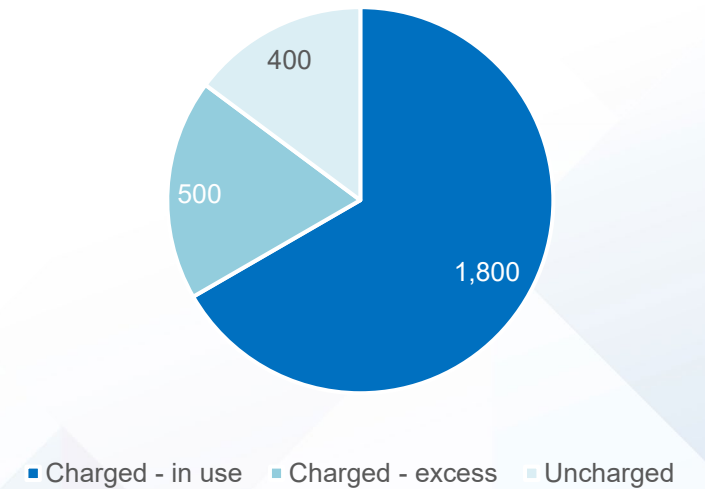
- Board is working on a new financial strategy, incorporating updates to the golden rules to increase resilience
- Example: Sales exposure target will reduce to max. 15% of total turnover

# Treasury summary

Debt Facilities: maturities by year



Security position £m



<b>Financial risk</b>	Fixed-rate cover	MTM exposure	WACC
	83%	-£3.2m	4.1%
<b>Debt &amp; facilities</b>	Liquidity	Cash	WAM
	£252m   17 mths	£15.0m	10 years
<b>Financial ratios FY23</b>	Interest cover	Debt: Assets	Debt: EBITDA
	133%	54%	18.9x

# Investment priorities

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- Continue traditional component replacement programmes
- Gear up for Decent Homes 2
- Stay aligned to evolving building safety agenda
- Deliver EPC C and then net zero carbon
- Review and potentially reduce component life cycles for key resident priorities
- Introduce more frequent cyclical redecorations
- Design and deliver wider estates renewal projects looking at aesthetic and 'kerb appeal'
- Continue new build programme beyond 2030 – subject to capacity

## Reinvestment trend (Regulatory metric)

2019	4.3%
2020	7.1%
2021	6.6%
2022	6.3%
2023	7.0%

# ESG update

Annual ESG report on our website. PA was a first wave SRS adopter and the report contains our performance against the listed criteria.

## 22/23 highlights:

- 73% of homes at **EPC C** or better, on track for 100% by 2030
- Successful **SHDF Wave 2** application for 100 homes in Leicester
- Over 1,600 residents supported by **tenancy sustainment team**
- 99 residents supported into / towards **employment**
- **Ethnicity pay gap** reduced to 5.7%
- 27% of **managers** from non-white background (2022: 25%)
- £237m of 2021 **sustainable bond proceeds** now allocated, £62m remaining

£164.2m affordable housing

£67.3m green buildings

£4.5m affordable basic infrastructure

£0.7m clean transportation

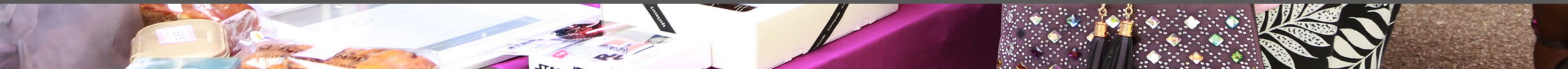
The report is also transparent about areas where we need to improve our services and / or approach.







# Appendices



# Our Board



# Our Senior Management Team

