

# Fixed Income Investor Update

November 2024



# Presenting Team

---



## **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 was until recently 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 a Board member at Trident Housing Group, a Birmingham-based provider which specialises in complex support services provision.

# Contents

---

<b>Introduction and Operational Overview</b>	<b>Page 4</b>
<b>Asset Investment and Building safety</b>	<b>Page 7</b>
<b>Development and Sales</b>	<b>Page 13</b>
<b>Finance and Treasury</b>	<b>Page 21</b>

# PA Housing Overview

## Geographically diverse portfolio

- Over 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

- £600m raised against Sustainable Finance Framework on use of proceeds basis

## External credentials

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

## Experienced and diverse senior management team

- Board refresh in 2023, 5 new members recruited

## 2023/24 Highlights

**Turnover £207m (2023: £181m)**

**Housing assets £2.2bn (2023: £2.1bn)**

**Operating margin SH lettings 23% (2023: 19%)**

**365 new social homes built (2023: 284)**

**176 shared ownership homes sold (2023: 148)**

**78% of homes at EPC C or higher (2023: 73%)**

**Gross rent arrears 3.8% (2023: 4.3%)**





# Tenant Satisfaction Measures



# How we intend to improve over the next 2 years

---

Residents at the heart of our strategic and operational planning

Embedding the 'neighbourhoods model' – sector leading patch sizes

Completing our fire safety remediation projects

Developing the repairs model

Bedding in new teams – ASB, safeguarding, contracts & partnerships

An improved service offer for home owners

Value for money through the service charge

Within the business:

Culture

Efficiency

Tech, data, processes





# Asset Management Update

Charles Ellis  
Executive Director of Asset Management



PA Housing



# Property Health and Safety Compliance

KPI	Target	Sep '24	Trend since Jan '24
Gas safety	100%	99.8%	Stable
Fire safety	100%	99.0%	Improving
Electrical testing	98%	97.2%	Improving
Asbestos register	99%	98.8%	Improving
Lifts safety	100%	98.4%	Improving
Category 1 damp and mould	0	0	Stable
Water safety assessments	100%	97%	Stable
Playground assessments	100%	100%	Stable
Gate and Barriers	100%	100%	Stable



# Fire and Building Safety

## Fire risk assessment position, September 2024:

- PA responsible - 100% compliant (1,514 assessments)
- 3rd Party responsible - 1 of 129 assessments out of time
- 0 high risk FRA tasks
- 1,261 medium risk FRA tasks; target completion Feb '25

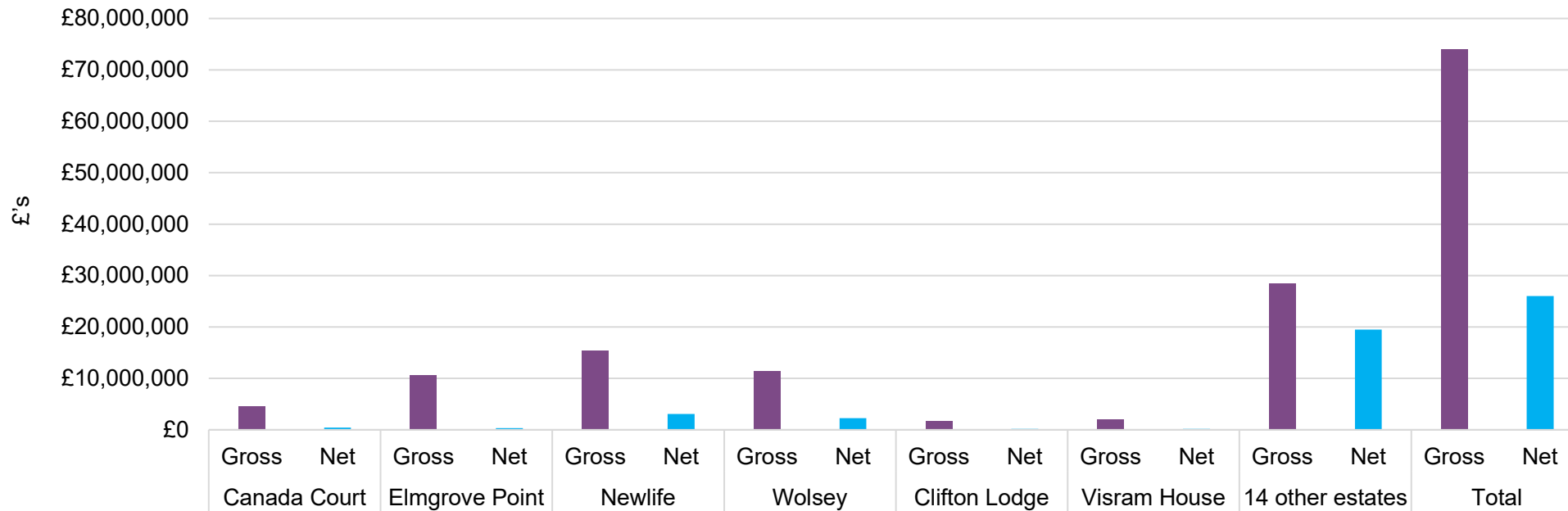
## Building Safety Cases:

- 1 requested, so far → Elmgrove Point, Plumstead
- BSR focusing on 50m+
- So far, none approved by HSE
- Nearly 1,000 cases with BSR
- Year 2, focus on buildings 30 – 49.9m



Elmgrove Point, Plumstead

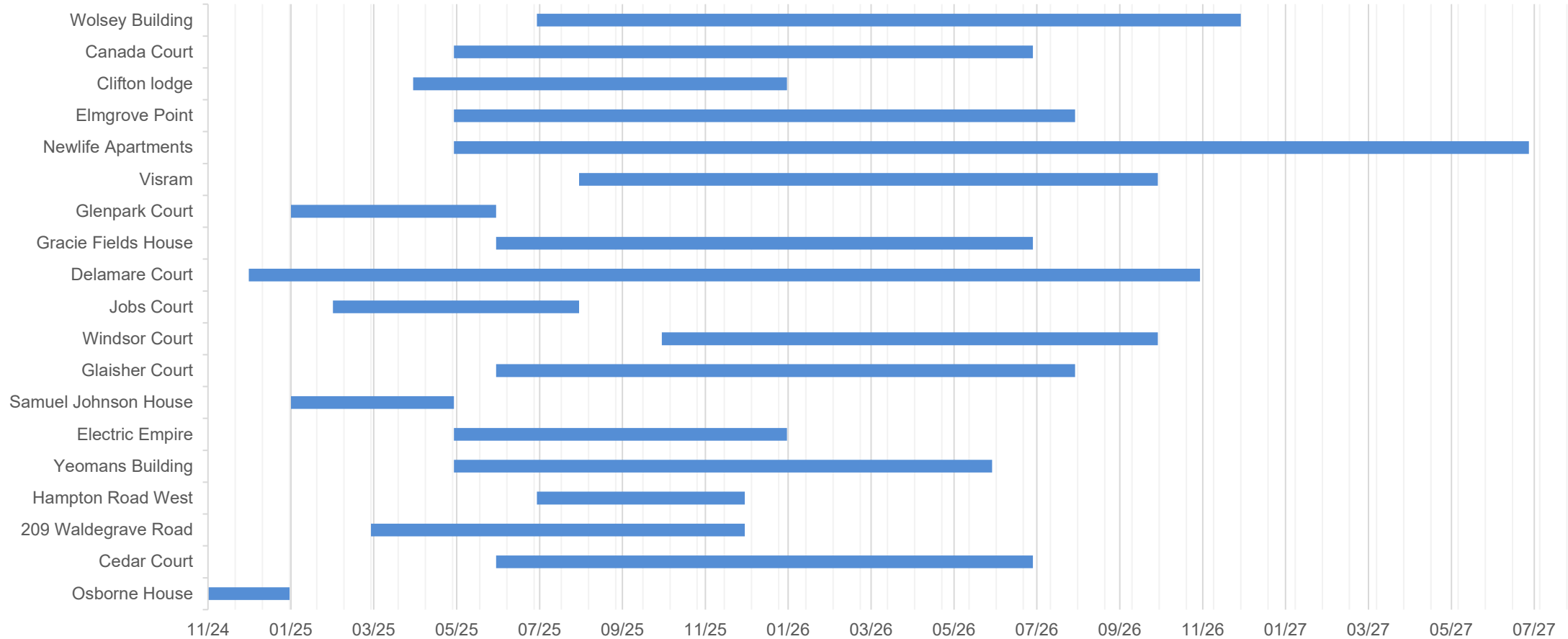
# Fire Safety Remediation Projects - Costs



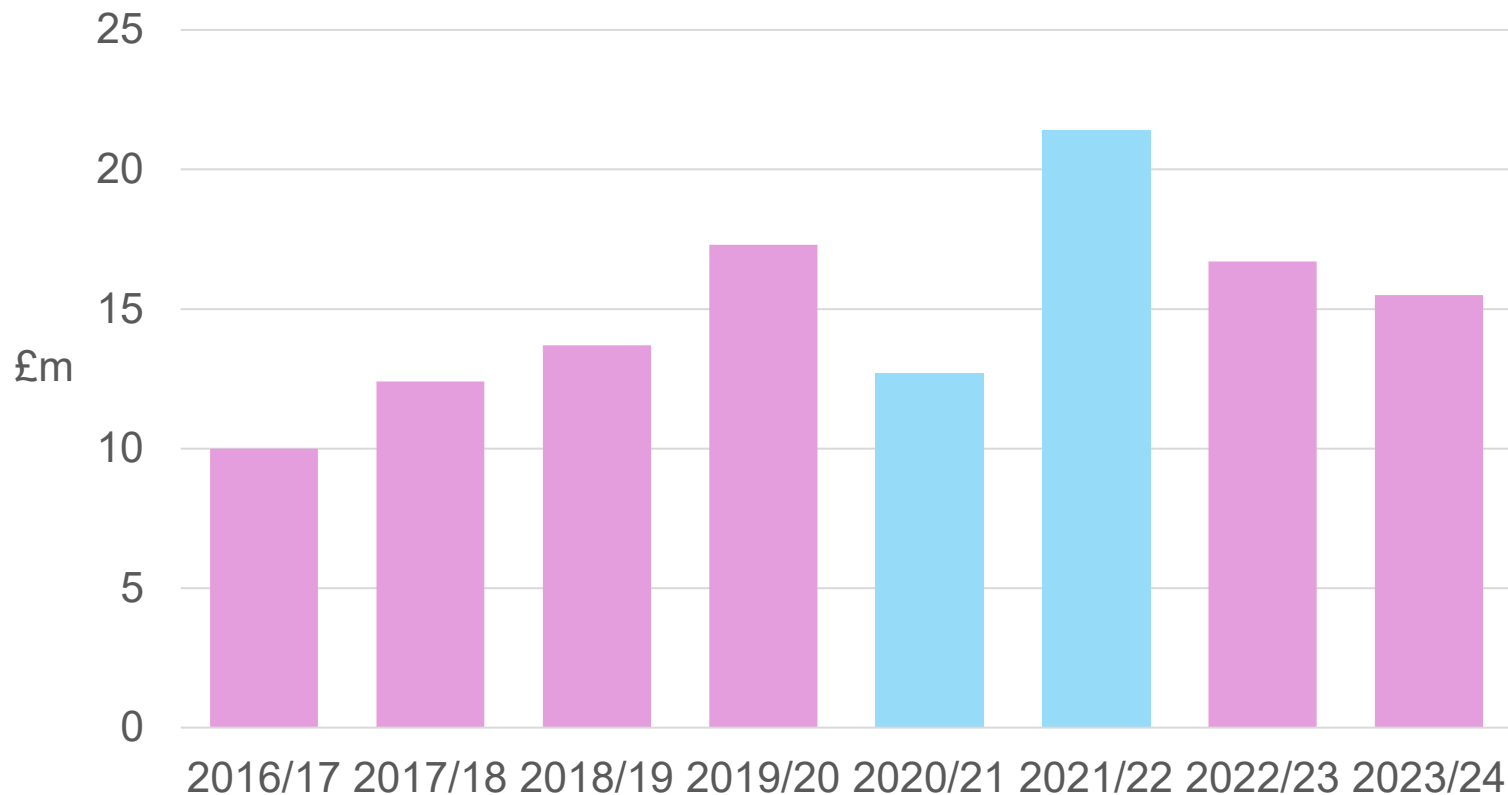
- Significant reduction in estimated fire remediation cost from £90m to £74m;
- Non-recoverable cost down from £30m to £26m
- Investing in enhanced scheme improvements £3.6m Elmgrove; £1.4m Newlife to save on contractor overhead and scaffold costs
- Pursue waking watch costs £11m to date, recovery target of £5m (no provision in financial plan)



# Fire Safety Remediation Projects - Timeline



# Capital Maintenance through the years



## Future trends:

- Strategy to significantly increase investment
- Full EPC C status by 2029
- Then wider net zero spend
- Review component life cycles
- Wider estates regeneration projects





# Development Update

Suzannah Taylor  
Executive Director of Development



PA Housing

# Growth Strategy 2024 - 29

- **5,000 homes** between 2020 and 2030
- **1,300 new homes completed** to date and 1,600 under construction
- Strong focus on **quality** and building **sustainable communities** for the long term
- Preference for **larger developments** (c.100 homes) with trusted partners in areas which support Neighbourhoods model
- Mix of affordable homes for **rent (70%)** and **shared ownership (30%)**, no reliance on private sales
- **Strong relationships** with Homes England and the Greater London Authority

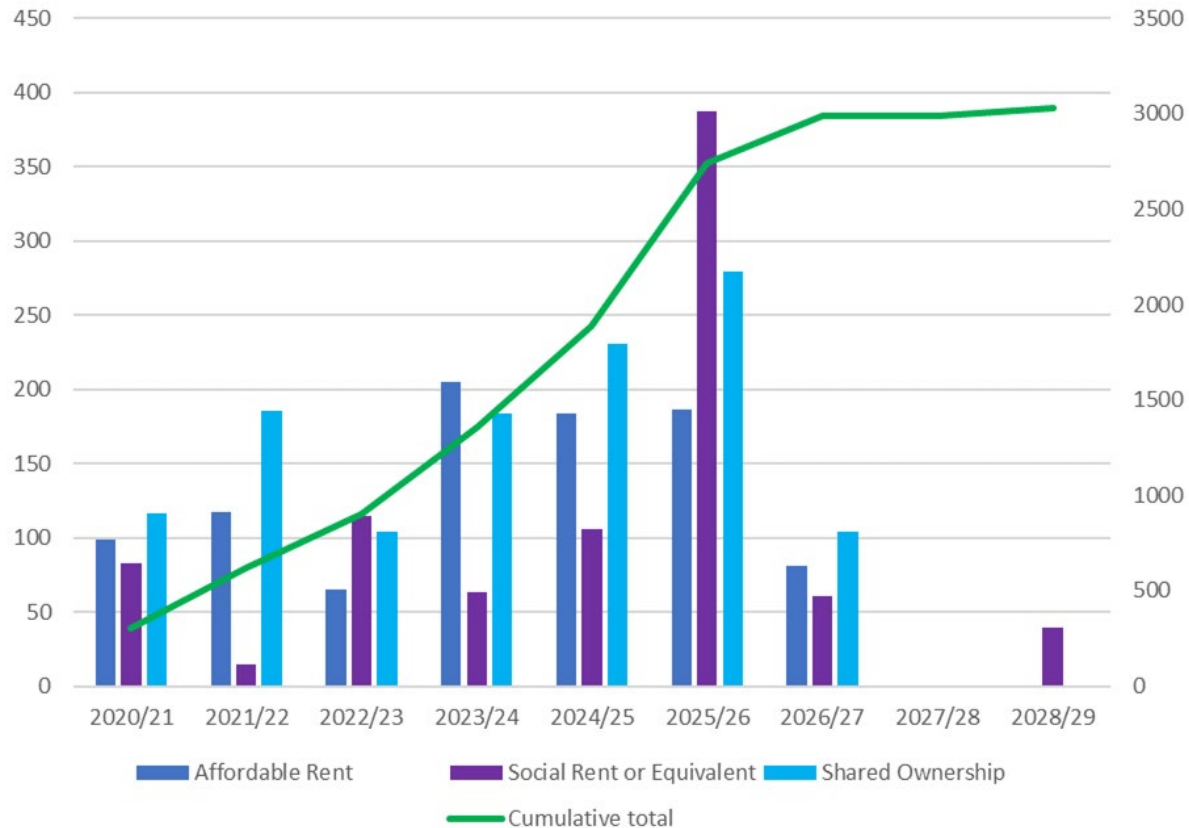


*Bow Exchange, London*



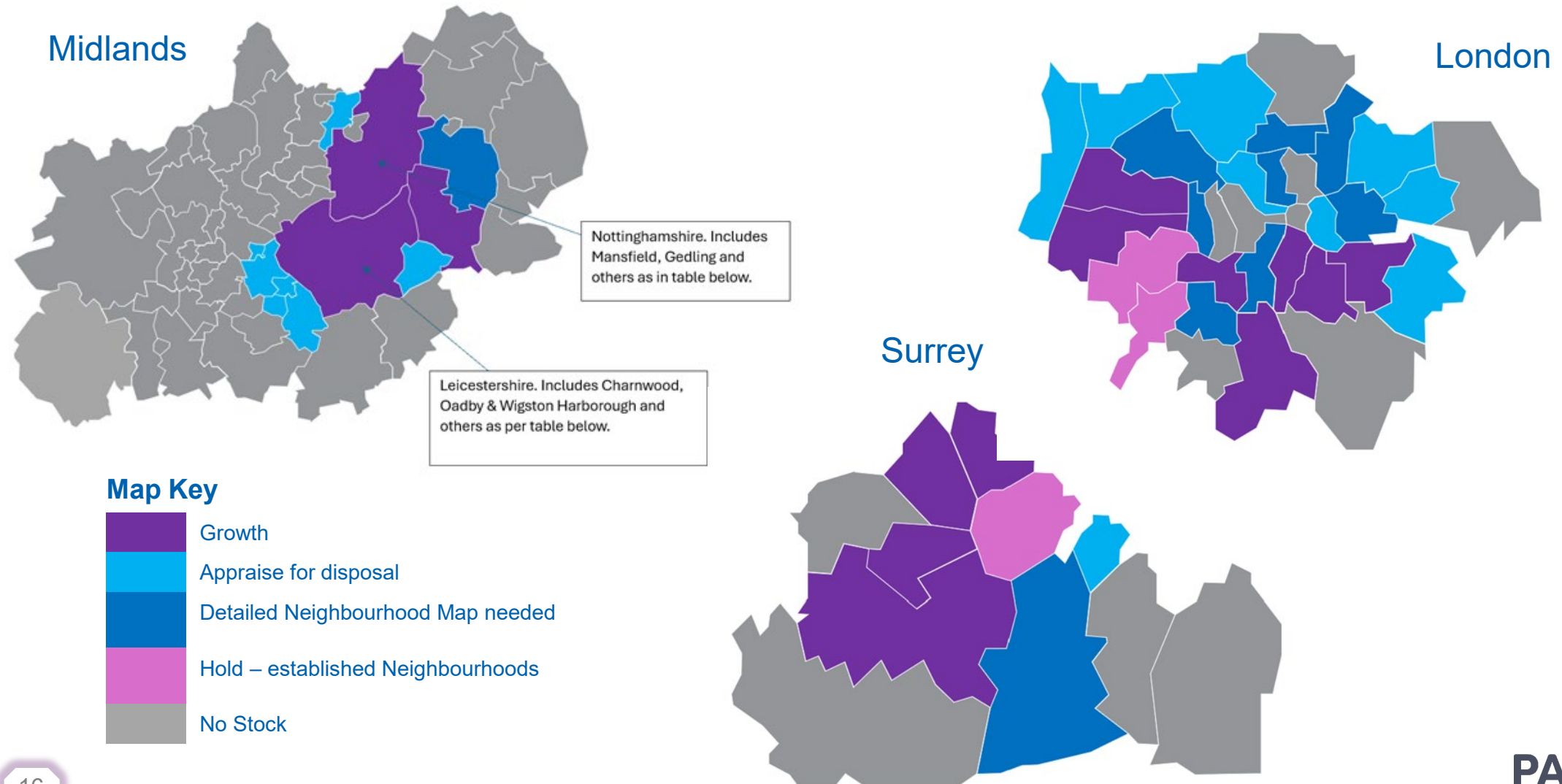
# Development Delivery

## Programme Forecast by Tenure



- **2023-24: 363** new homes completed (largest volume to date)
- **2024/25: 224** completions YTD (forecast 470)
- Slippages caused by contractor delays and insolvency

# Selected Growth Areas 2024-29



# Development Priorities 2024-25

---

- **Progress pipeline** of homes already under construction and future phases in regeneration schemes
- **Strategic review** in line with our deliberately selective focus. **7 sites** are identified for disposal which are no longer aligned with our strategy
- The contractor has become **insolvent** on **8 sites** – we will recommence 5 of these by March '25, remaining 3 by July '25



Heron House, Brent



# Navigating the Construction Market

---

## Key Learnings

- **Enhanced pre-contract checks** on financial robustness of proposed contractors
- **Contract and payment structure** – build in protection
- **Vigilant monitoring** of sites under construction
- **Act fast**





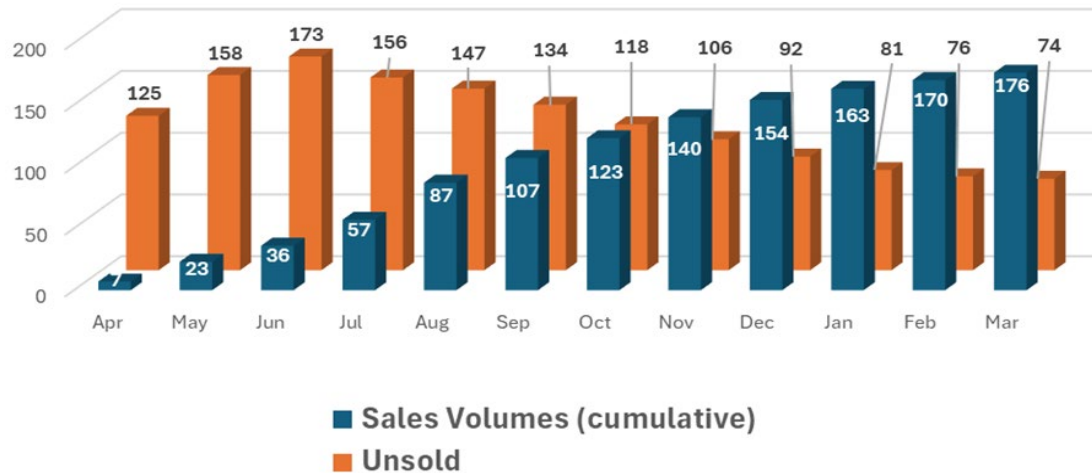
A modern, multi-story brick apartment building with large windows and balconies. The building is constructed from light-colored bricks and features dark-framed windows and balconies. The balconies have dark metal railings. The building is set against a blue sky with scattered white clouds. In the foreground, there is a white banner with the text "Sales Update" in blue. To the right, there is a logo for "PA Housing" and a small tree in front of the building.

# Sales Update



# Sales Performance

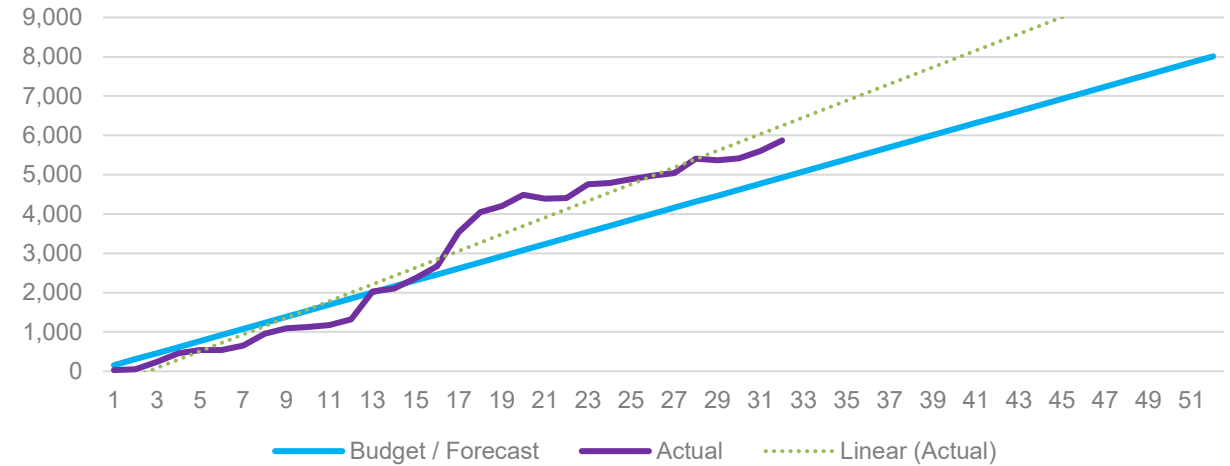
Sales Volumes and Unsold homes by month (2023/24)



## 2023 / 2024:

- **176** new home sales – highest ever sales for PA Housing
- Surplus generated from First Tranche Sales – **£7.2m** (budget £3.4m)
- Strong margins – **29%**

All sales surpluses - weekly tracker



## 2024 / 2025 YTD (to 31 Oct) and outlook:

- **91** new home sales
- **134** unsold homes of which **58** reserved, **66** added in the month
- Full year forecast: **182** sales
- YTD surplus **£3.4m** vs full year budget £4.5m
- Margin **27%**
- Staircasing **31** transactions, surplus **£1.5m**







# Finance & Treasury Update

Simon Hatchman  
Executive Director of Resources

# Operational Performance Headlines

	FY21/22	FY 22/23	FY 23/24	FY 24/25 HY
Rent arrears	4.0%	4.3%	3.8%	3.8%
Re-let days	57	37	54	65
Void rent loss	2.1%	1.7%	2.1%	2.8%
Routine repairs completion	87%	79%	85%	79%
Emergency repairs completion	99%	99%	98%	99%
Tenancy sustainment gains	£4.3m	£4.3m	£6.9m	£4.8m
Decent Homes failures	0	101	0	0 (y/end f'cast)
Contact centre call answering	79%	77%	78%	83%

# Headline Financials Trend

	HY 24/25	HY 23/24	FY 23/24	FY 22/23	FY 21/22	FY 20/21	FY 19/20
Turnover	£108m	£104m	£207m	£181m	£169m	£157m	£150m
of which Sales	£11m (10%)	£16m (15%)	£26m (13%)	£21m (12%)	£20m (12%)	£12m (8%)	£8m (5%)
Operating Surplus	£23m	£30m	£38m	£40m	£47m	£41m	£55m
Operating Margin (Overall)	21%	29%	18%	22%	28%	26%	37%
Total Comprehensive Income	£1m	£12m	£(2)m	£32m	£36m	£28m	£29m
Tangible Fixed Assets – Housing Properties	£2.284bn	£2.188bn	£2.228bn	£2.108bn	£1.953bn	£1.855bn	£1.736bn
Total Loans & Borrowings	£1.256bn	£1.117bn	£1.307bn	£1.081bn	£988m	£877m	£796m
Cash & Cash Equivalents	£25m	£29m	£133m	£29m	£38m	£41m	£46m
Gearing (tightest bank covenant)	50%	54%	55%	54%	52%	46%	43%
EBITDA-MRI Interest Cover (tightest bank covenant)	145%	140%	163%	131%	147%	152%	200%

## 2024/25 YTD headlines

- Sales surpluses ahead of budget
- Rent collection remains strong
- Salaries and overheads well controlled
- Capital maintenance programmes on track
- Interest costs well below budget
- Fire safety cost recovery progressing

## 2024/25 YTD areas of focus

- Development handover delays
- Re-let times need to be reduced
- Higher responsive and void repair costs
- Some pressure on service chargeable cost lines
- Increases to decant costs



# Outlook – Future Cost Drivers

---

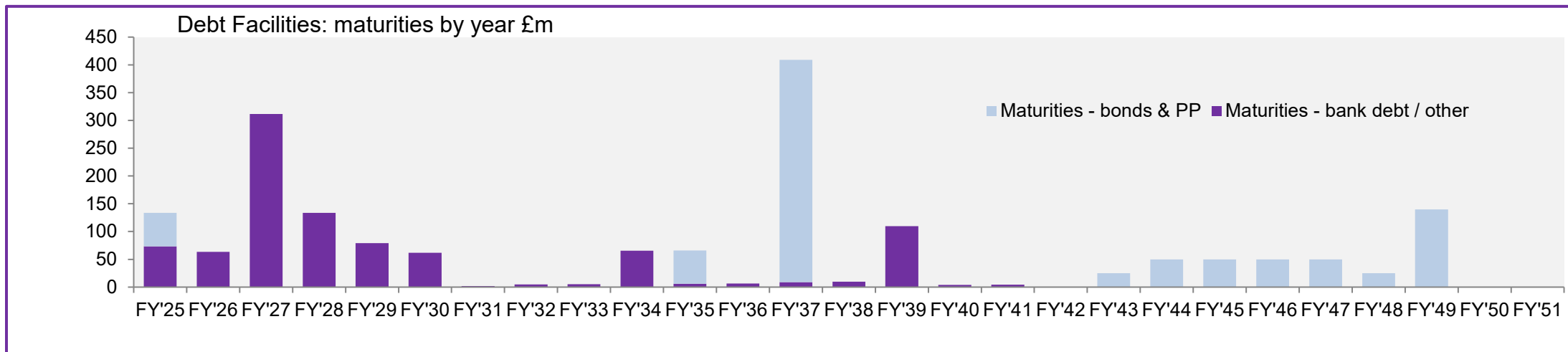
- **Management costs:** Local model, invest in key customer facing teams. Run back office efficiently
- **Service costs:** Improve VFM for residents; ownership and control where possible
- **Responsive & void:** Break the cycle of higher cost / lower quality; explore different models
- **Revenue planned maintenance:** Building safety costs here to stay; continued focus on cyclical programme
- **Capital improvements:** Invest more - net zero coming down the tracks; look beyond property components
- **Sales:** Continue cautious planning posture; use outperformance for enhanced investment

# Treasury Position HY'25

	2024	2023
Liquidity	£490m	£252m
Hedged Debt	94%	82%
WACC	4.0%	4.1%
Weighted Av Maturity	11 years	10 years
Swap MTM Exposure	£6m	-£3.2m

## Security position

16,000 charged properties  
£750m excess headroom  
£600m uncharged



# Financial Targets and Golden Rules

Rule	Target / Rule	Limit	2024 Performance
Operating margin social housing lettings (excl. one-off fire safety remediation spend)	TARGET	25% minimum	26%
Interest cover (tightest lender covenant)	TARGET	50% above covenant	+ 28%
	GOLDEN RULE	20% above covenant	
Gearing (tightest lender covenant)	TARGET	55% maximum	55%
Hedged debt	TARGET	60% minimum	86%
Liquidity: Commence work to replenish	GOLDEN RULE	24 months before need	YES
Liquidity: Complete work to replenish	TARGET	18 months before need	NO
	GOLDEN RULE	12 months before need	YES
New build sales turnover vs total business turnover	TARGET	15% maximum	12%



# ESG Update

## 2023 / 24 Highlights:



**98.3%**

Of our homes are social tenure (excl. leasehold properties)



**£153.59**

Average weekly rent (social housing rented tenures)



**52%**

Average rent levels vs local private sector comparators



**4,133**

Residents supported by tenancy sustainment team



**62%**

Overall perception-based satisfaction with our services



**77.5%**

Of homes achieved EPC C or higher



**365**

New social homes built



**612**

Loft insulation upgrades



**£15.5m**

Invested in existing home upgrades



**10.9%**

Gender pay gap



**100%**

Of homes meet Decent Homes Standard



**2,979**

kgCO2e - Scope 1/2/3 greenhouse gas emissions per home



**83.3%**

Of homes resilient to flood risk



**3,493**

Damp and mould related visits to residents' homes



**8.0%**

Ethnicity pay gap



**G1/V2**

Regulatory gradings

PA's annual **ESG** **outturn report**, incorporates the Sustainability Reporting Standard for Social Housing metrics







Thank you. Any questions?