Paragon Treasury Plc

Paragon Asra Housing Limited ('PA') trading update and unaudited financial results for the period ended 30 September 2024

PA, the parent company of Paragon Treasury Plc and a Registered Provider owning and managing over 24,000 homes in the East Midlands, London and Surrey, announces its trading highlights and unaudited summary financial results for the first half of the 2024/25 financial year.

Results for the year to date are in line with approved budget in most areas. Planned maintenance investment into our homes has largely kept pace with the expanded budget put in place at the start of the year, a critical aspect of our plans to improve standards for residents. Sales performance has remained strong and profits generated are ahead of budget at the halfway point. Salary and overhead costs have generally been contained within budget.

There are three key areas where performance has not met budget so far:

Rental income is behind budget due to development handover delays. In addition, our average re-let times remain higher than target and this is causing increased loss of income due to homes remaining vacant for longer periods.

Responsive repairs costs are above budget, due to a combination of higher volumes to clear prior year backlogs, increased numbers of communal area jobs in response to resident demand, and higher short-term costs as we have worked to mobilise our expanded in-house repairs team covering the whole of our Midlands region. We expect these costs to moderate in the second half of the year.

Temporary accommodation costs for residents who must leave their homes while intrusive repair and maintenance work is carried out are significantly above budget. In part this is volume driven, but the time being taken to complete repairs and return residents to their homes is also a factor. We are working to improve processes so that more efficient turnaround times can be achieved.

Over the first half of the year, PA has delivered an operating surplus of £23.2m from turnover of £108.3m, equating to an operating margin of 21%. The underlying operating margin excluding £3.7m of expenditure relating to fire safety remediation projects is 25%. The net surplus after interest and other adjustments is £4.1m. Total available liquidity as at the period end date was £495m.

PA Housing

Financial and operational highlights

- The year to date operating margin from social housing lettings is 20% including fire safety remediation project expenditure, 24% excluding.
- 77 new build shared ownership homes have been sold, generating proceeds of £11.1m and surplus of £3.2m at a margin of 28%.
- £14.9m has been invested into our capital maintenance programmes in the first six months of the year.
- Rent collection has remained strong, with gross rent arrears standing at 3.8% at the end of the period.
- Salary costs are underspent by £0.6m in the year to date.
- We reprocured our utilities contracts effective from 1 October 2024 and this delivered a positive outcome, with forecast annual costs based on trend volume usage data reduced by c.£1m compared to the previous contracts. Most of this saving will feed through to service charges for residents, assuming no material change in usage levels.
- 245 new build homes have been completed and handed over for occupancy in the first half of the year.

Areas of focus

- As noted above, we are working to improve repair turnaround times for vacant homes and for properties requiring major work where the resident has temporarily been moved elsewhere.
- We continue to progress our fire safety remediation projects and have secured further cost recoveries from contractors. The direction of travel in terms of impact on PA Housing's financial results and metrics remains positive.
- Development expenditure has been below budget in the year to date, due to a combination of general delays on site and work being placed on hold at a small number of sites which have suffered contractor insolvency. We are progressing arrangements to bring the stalled sites back onstream with new contractors.
- Allied to the above, loan drawdowns have been slower than anticipated and in turn this has reduced interest costs compared to budget assumptions.

Outlook

The UK economy has returned to more stable conditions, albeit based on the new reality of a higher interest rate environment. At the time of writing, the new government's first budget has just been announced. This sets new parameters for growth and investment, with some elements directly impacting on the social housing sector. Market sentiment indicates a continuation of lower inflation, with gradual downward pressure on interest rates. Global uncertainty remains heightened and future geopolitical events could cause shocks to the core forecast.

Against this backdrop, we continue to maintain a cautious financial planning posture which retains appropriate capacity and resilience while working to maximise our investment in homes and services. We have been progressing various workstreams to drive up service standards and improve the quality of our homes and estates, and we now see some encouraging signs that this is feeding through into improved resident sentiment about their experiences living in our homes.

Enquiries

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Disclaimer

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Statement of Comprehensive Income to 30 September 2024

	Actual £m	Budget £m	Variance £m
Rent and service charges income	92.7	94.8	(2.1)
Shared ownership first tranche sales	11.1	14.0	(2.9)
Other income	1.7	1.4	0.3
Amortisation of Social Housing Grant	2.8	2.9	(0.1)
Turnover	**108.3**	**113.1**	**(4.8)**
Core operating costs	(67.0)	(63.0)	(4.0)
Depreciation	(11.9)	(11.4)	(0.5)
Cost of first tranche sales	(8.0)	(11.5)	3.5
Surplus on fixed asset disposals	1.8	2.1	(0.3)
Operating surplus	**23.2**	**29.3**	**(6.1)**
Net interest	(22.3)	(23.8)	1.5
Total comprehensive income before gift aid, tax, fair value adjustments	**0.9**	**5.5**	**(4.6)**

Statement of Financial Position as at 30 September 2024

	30 Sep 24 £m	31 Mar 24 £m
Negative goodwill	(5)	(5)
Tangible fixed assets and investments	2,343	2,293
Current assets	129	234
Current liabilities	(72)	(89)
Total assets less current liabilities	**2,395**	**2,433**
Creditors due after more than one year	(1,748)	(1,790)
Pension liabilities and other provisions	(13)	(13)
Total net assets	**634**	**630**
Reserves	**634**	**630**

This unaudited announcement contains certain forward looking statements reflecting, among other things, our current views on markets, activities and prospects. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Actual and audited outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events. Accordingly, undue reliance should not be placed on forward looking statements.

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