Paragon Treasury Plc

Paragon Asra Housing Limited ('PA') trading update and unaudited financial results for the period ended 30 September 2023

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 2023/24 financial year.

Results for the year to date are ahead of the approved budget, reflecting a combination of strong sales performance and underspends on operating costs. Expenditure is expected to accelerate to an extent in the second half of the year, but at this stage the Board anticipates an outturn performance which at least meets budget expectations.

Property sales results have exceeded budget, both in terms of sales volumes and margin levels. Our full year budget surplus from sales activities has already been achieved.

Over the first half of the year, PA has delivered an operating surplus of £30.2m from turnover of £104.1m, equating to an operating margin of 29% (2022 half year: 22%). The net surplus after interest and other adjustments is £11.6m. Total available liquidity as at the period end date was £252m, with a further £100m (nominal value) of retained bonds.

Financial and operational highlights

- The year to date operating margin from social housing lettings is 26%.
- 107 new build shared ownership homes have been sold, generating proceeds of £16.0m and surplus of £4.7m at a margin of 29%.
- Rent arrears has remained stable to date in the face of ongoing cost of living headwinds for residents, sitting at 4.5% at the end of September.
- In June 2023 we transitioned our London and Surrey repairs service, covering two thirds of our homes, to a new contractor. Costs have been contained within the approved budget to date, and the new contractor is working to achieve improved performance levels for our residents.
- Salaries and overheads are underspent by £1.5m in the year to date as we work to enhance capacity for investment into our homes and services.
- We have reprocured our utilities contracts and this has seen a return to more normal cost levels, compared to the significant price hikes experienced 12 months ago at the height of global uncertainty. These cost savings will be passed on to our residents through the service charge.
- 261 new build homes have been completed and handed over for occupancy in the first half of the year.

Paragon Asra
PA Housing

Areas of focus

- Average re-let days have been above target and are averaging 45 days in the year to date, reflecting the time taken to complete repair and improvement works to homes before releasing them for letting. This is reflected in the financial results, with rent loss due to vacant homes being £0.4m adverse to budget.
- Some of our planned maintenance work programmes are behind schedule due to procurement delays at the start of the year, and we are targeting catch up through the second half of the year. There is a risk that some work will slip into the next financial year, but all Decent Homes and building safety commitments will be met.
- We continue to progress negotiations with contractors on our key fire safety remediation projects. The direction of travel here is positive, with the majority of cost now expected to be borne by contractors without impacting on PA's financial results. Net costs for PA's account are estimated at £26m.
- Work to drive up service standards and resident satisfaction levels remains our top focus. In the first quarter of the year we completed an organisation-wide restructure in order to enhance resources within key customer-facing teams and improve service responsiveness.

Outlook

The UK economy is now starting to stabilise after a year of extreme uncertainty. Inflation currently remains well above government target but is expected to reduce to more normal levels over the coming months. Interest rates are expected to remain at their more elevated position for the foreseeable future.

Within PA, we have taken measures to improve the stability and resilience of our financial planning. This includes a detuning of our organic growth ambitions, with target new build completions in the decade through to 2030 reduced from 6,000 to 5,000 homes. We have concluded negotiations with our funding agencies Homes England and the GLA to support this downgrading of growth plans and this has resulted in an enhanced level of grant subsidy per unit. We have also recalibrated our target tenure mix and we now expect 70% of our new homes to be rented tenure with the shared ownership proportion reduced to 30%. Our core financial plans take a cautious view on sales activity and we place no reliance on profits from sales to meet loan covenants. Any outperformance through the year is then utilised to increase investment in homes and services against identified priority areas.

As such, PA faces the next few years from a stable base having successfully navigated the difficult economic headwinds over the past 12 months. We will continue our focus on various workstreams to drive up service standards and improve the quality of our homes and estates. Enhanced capacity to invest in our planned maintenance programmes is key to this and will be central to our financial planning going forward.

Disclaimer

The information in this preliminary announcement of interim results has been prepared by Paragon Asra Housing Limited and is for information purposes only. The announcement should not be construed as an offer or solicitation to buy or sell any securities issued by Paragon Treasury Plc or any other member of the Group, or any interest in such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

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.

Statement of Comprehensive Income to 30 September 2023

	Actual £m	Budget £m	Variance £m
Rent and service charges income	83.7	84.9	(1.2)
Shared ownership first tranche sales	16.0	10.7	5.3
Other income	1.6	1.2	0.4
Amortisation of Social Housing Grant	2.8	2.9	(0.1)
Turnover	**104.1**	**99.7**	**4.4**
Core operating costs	(54.4)	(57.0)	2.6
Depreciation	(10.9)	(11.3)	0.4
Cost of first tranche sales	(11.3)	(8.9)	(2.4)
Surplus on fixed asset disposals	2.7	2.1	0.6
Operating surplus	**30.2**	**24.6**	**5.6**
Net interest	(18.6)	(20.5)	1.9
Total comprehensive income	**11.6**	**4.1**	**7.5**

Statement of Financial Position as at 30 September 2023

	30 Sep 23 £m	31 Mar 23 £m
Negative goodwill	(5)	(5)
Tangible fixed assets and investments	2,238	2,158
Current assets	100	117
Current liabilities	(82)	(121)
Total assets less current liabilities	**2,251**	**2,149**
Creditors due after more than one year	(1,595)	(1,513)
Pension liabilities and other provisions	(15)	(16)
Total net assets	**641**	**620**
Reserves	**641**	**620**

Enquiries

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