Regulator of
Social Housing

Quarterly survey for Q4

January to March 2024

June 2024

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Introduction

1. This quarterly survey report is based on regulatory returns from 199 private registered providers (PRPs) and PRP groups who own or manage more than 1,000 homes.

2. The survey provides a regular source of information regarding the financial health of PRPs, in particular with regard to their liquidity position. The quarterly survey returns summarised in this report cover the period from 1 January 2024 to 31 March 2024.

3. From the 1st April 2024 the Regulator implemented its new consumer standards, and introduced a proactive approach to integrated regulation of social landlords and new powers.

4. The regulator continues to review each PRP's quarterly survey. It considers a range of indicators and follows up with PRP staff in cases where a risk to the 12-month liquidity position is identified, or there is increasing exposure to risks from activities carried out within non-registered entities. Further assurance may also be required on covenant compliance.

5. Expenditure on existing stock continued to increase and is at record levels. This will place pressure on providers' cash resources and may limit their ability to manage further additional costs. In general, we have assurance that PRPs are taking action to manage their position, which for a number of providers includes the deferral of uncommitted development or arrangement of loan covenant waivers.

6. We will continue to monitor and engage with individual providers as necessary and reflect findings in regulatory judgements where appropriate. Boards must ensure that they maintain strong and effective control over financial performance.

7. Figures have been rounded to the nearest £billion to one decimal place. This can result in rounding differences in totals and percentages as the individual returns are denominated in £000s.

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Summary

Liquidity

Investment in the sector remains strong - new finance of £4.4 billion arranged in the quarter; highest level in over 3 years, compared to an average of £2.9 billion per quarter over the same period.

Cash balances have increased slightly in the quarter, although remain at historical low levels – record levels of debt drawn in the year.

- Cash balances increased by £0.1 billion during the quarter, reaching £4.3 billion. Balances are expected to reduce to £3.2 billion by March 2025.
- In the 12 months to March 2024 total drawn debt increased by £6.2 billion, compared to £3.7 billion in the year to March 2023.
- £129.1 billion total facilities in place at the end of March, up from £126.7 billion in December, and the largest quarterly increase in over three years since the pandemic.
- Total cash and undrawn facilities increased from £32.6 billion to £34.2 billion over the quarter; sufficient to cover forecast expenditure on interest costs (£4.3 billion), loan repayments (£3.2 billion) and net development (£12.6 billion) for the next year.
- Gross mark-to-market (MTM) exposure on derivatives reduced to £0.3 billion at the end of the quarter (December: £0.4 billion).

Performance in the quarter

Repairs expenditure continues to increase, with record spend on both capital and revenue repairs in the quarter.

Both 12-month outturn cash interest cover and 12-month projections remain at historically low levels.

- Aggregate cash interest cover (excluding all sales) for the year to March 2024 out turned at 76%, below comparable quarter of 2023 of 87%. Interest cover for the year to March 2025 is forecast at 75%.
- Cash interest cover (excluding all sales) in the quarter was 84%; the sixth consecutive quarter where this has been below 100%.
- Revenue repairs spend was £1.2 billion; the highest level recorded since data was first collected in June 2022, as damp and mould works continue to be prioritised.
- 47% of providers reported delays or changes to repairs and maintenance programmes during the quarter, the lowest level since first data collection in Q1 2022/23, with recruitment of specialised trade continuing to be an issue.
- Income collection indicators generally following seasonal trends. Rent collection indicators have improved on previous quarter and also same quarter of 2023.
- Providers estimating impairment charges of £345 million will be recognised in 23/24 accounts (22/23: £329 million), with £250 million relating to social housing assets.

Investment in new and existing stock

12-month spend on repairs and maintenance totalled a record £7.9 billion as per forecast, and a 15% increase on the previous year. A further, £9.1 billion is forecast over the next year.

12-month development expenditure was £14.4 billion, a 10% increase on the previous year. However, 12-month projected spend again decreased and is now at the lowest level since March 2020.

- 12-month expenditure on capitalised repairs totalled £3.2 billion, a further £4.1 billion investment is forecast over the next 12 months; both record amounts.
- Total repairs and maintenance spend increased by 10% to £2.2 billion in the quarter, of which £1.0 billion related to capital works.
- Providers are continuing to report higher volumes in responsive repairs driven by the management of damp and mould issues, building safety compliance repairs, and catch-up works.
- £3.1 billion invested in new housing properties in the quarter; the lowest quarterly amount since September 2022.
- Development expenditure forecast to be £15.2 billion over the next 12 months, 4% less than forecast in the previous quarter.
- AHO completions (5,923 units) are the highest recorded since data was first collected in 2011. Market sale completions are in line with average numbers over the last three years.
- Further reductions in the pipeline of AHO and market sale properties, both down by 10% to 29,425 and 5,572 units respectively.

Sales

Current asset sales receipts total £3.1 billion in the year, substantially below the £4.2 billion recorded in the previous year. 12-month projections are at historically low levels

AHO first tranche sales remain above long run historical averages - market sales remain low and well below longer term average levels

High number of completions in the final quarter of the year results in an increase in unsold units

- Margins on AHO and non-social housing sales are below average, mainly due to year-end impairment charges and overhead cost allocations.
- Market sales remain significantly below average; 841 sales achieved compared to 1,116 three-year average.
- AHO sales of 4,606 units achieved; above the three-year quarterly average of 4,274 units. Annual sales for 2023/24 reach 17,204 units, compared to 16,582 units in 2022/23.
- Total unsold units increase for both AHO and market sale – AHO reaches 7,680 units and market sale 1,627 units.
- Market sale units unsold for over six months increase by 9% to 793 units. AHO units reduce by 12% to 2,667 units.

Operating environment

8. The Regulator of Social Housing (RSH) recently introduced new consumer standards for social housing landlords. These standards apply to all social landlords, including councils and housing associations, starting from 1 April 2024[1].

9. 12-month Consumer Price Inflation in the UK has fallen to 3.2% in March 2024[2]. The Bank of England's projections are that inflation will fall to around the 2% target in 2024 Q2 before picking back up slightly during the second half of this year to 2.6% in Q4, largely accounted for by energy price base effects[3].

10. The Bank of England (BoE) base rate remains unchanged at 5.25%[4].

11. The average interest rate for a typical 5-year mortgage stood at 4.53% at the end of March 2024. Net mortgage approvals for house purchases increased to 61,300 in March from December's figures of 60,500.

12. Overall construction output decreased by 0.9% in the quarter to March 2024 when compared to the previous quarter. This decline resulted from a decrease in new works by 1.8%, partially offset by a small increase in repair and maintenance works of 0.3%[5].

13. Annual price growth in the construction industry slowed further over the quarter and stood at 1.5% in the year to March 2024[6].

14. House prices in England increased by an estimated 1% in the 12 months to March 2024[7]. The largest annual growth was experienced in Yorkshire and the Humber, where prices increased by 5.0% over the year. In London prices decreased by 3.4% over the same period.

15. The unemployment rate for the quarter to March 2024 increased to 4.3%[8]. The number of job vacancies fell reducing by 13,000 to reach 916,000[9]. The total number of people claiming Universal Credit in England was around 5.8 million in March 2024[10].

[1] RSH sets new standards to drive improvements in social housing - GOV.UK (www.gov.uk)
[2] Consumer price inflation, UK - Office for National Statistics
[3] Monetary Policy Report - May 2024 | Bank of England
[4] Bank rate maintained at 5.25% - May 2024 | Bank of England
[5] Construction output in Great Britain - Office for National Statistics
[6] Construction output in Great Britain - Office for National Statistics
[7] UK House Price Index England: March 2024 - GOV.UK (www.gov.uk)
[8] Labour market overview, UK - Office for National Statistics (ons.gov.uk)
[9] Labour market overview, UK - Office for National Statistics (ons.gov.uk)
[10] Total number of people on Universal Credit in England | LG Inform (local.gov.uk)

16. The limit on annual rent increases was published in January 2024, with the maximum permissible rent increase for existing tenants determined by CPI as at the September prior to the financial year, plus 1%[11]. Therefore, the maximum permissible rent increase for the financial year 1 April 2024 to 31 March 2025 is 7.7%, based on September 2023 CPI of 6.7% + 1%. This applies to general needs Social Rent and Affordable Rent homes but excludes specialised supported housing.

17. Providers must be prepared to handle any further increases in interest payments and operating costs, particularly if they have previously benefitted from relatively low fixed-price contracts or debt. The challenge of balancing stock decency and remediation requirements with the need to invest in decarbonisation measures and the construction of new homes will continue, and providers must be able to identify areas where covenant headroom or liquidity may be restricted and ensure that contingency plans and mitigations remain robust.

[11] Limit on annual rent increases 2024-25 – from April 2024 - GOV.UK (www.gov.uk)

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Private finance

18. The sector's total agreed borrowing facilities increased by £2.4 billion over the quarter, to reach £129.1 billion at the end of March (December: £126.7 billion). This is the largest quarterly increase in over three years, since the start of the pandemic.

Figure 1: Total facilities (£ billions)

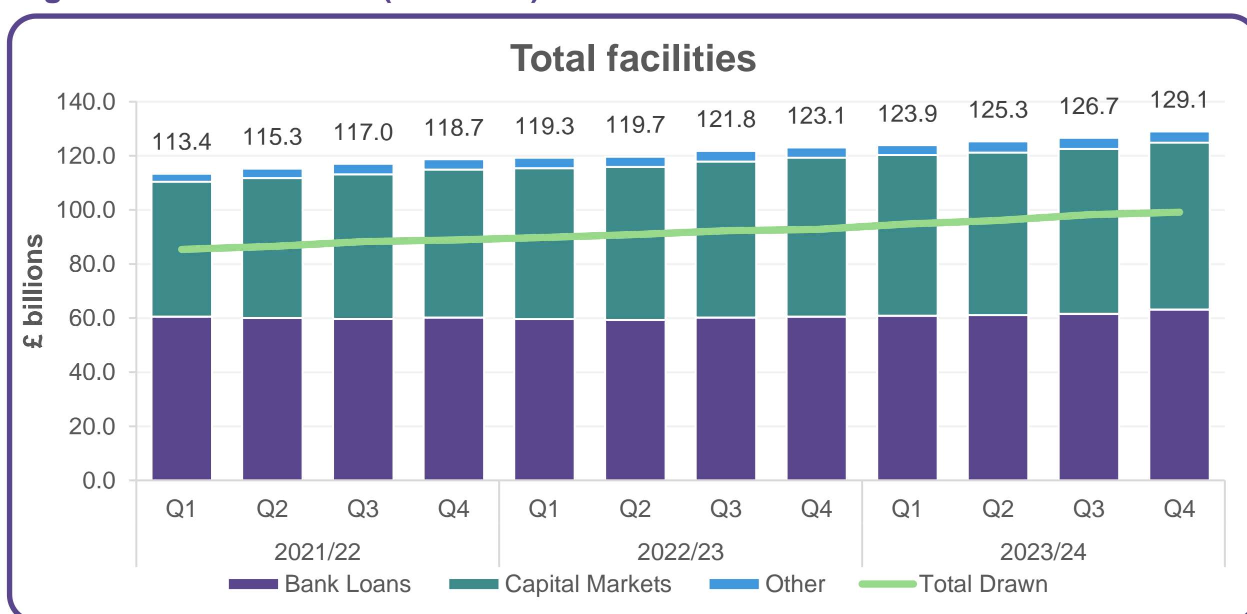


Table 1: Total facilities – drawn and secured

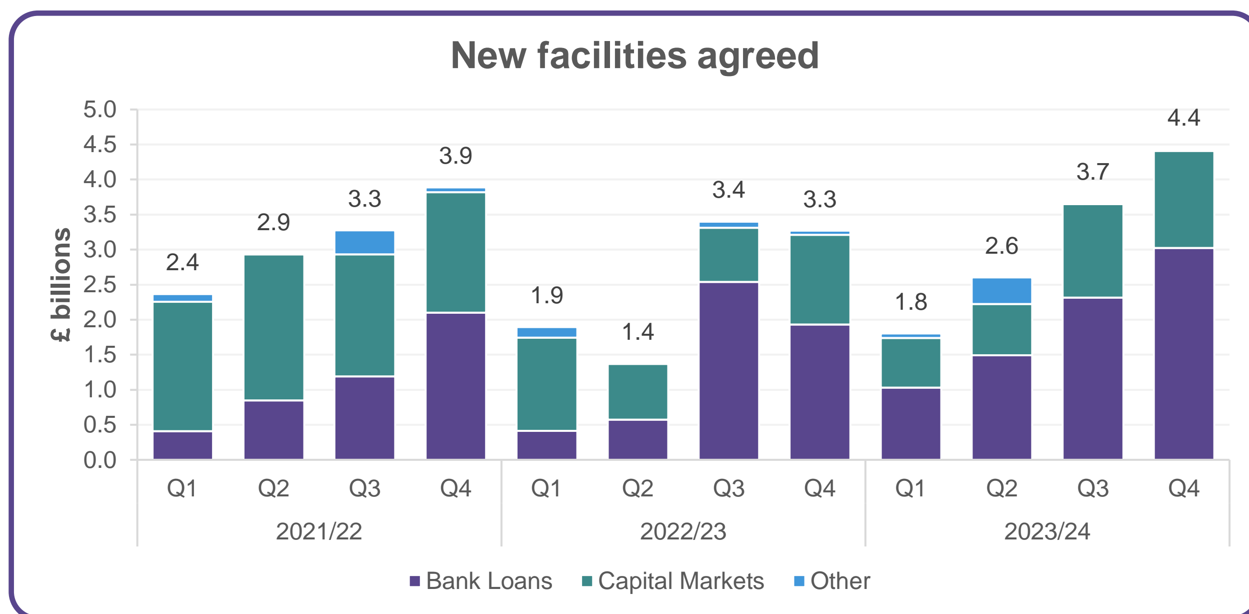
£billons	Previous quarter	Current quarter	% change
Drawn	98.3	99.2	0.9%
Undrawn	28.4	29.9	5.3%
Secured	113.9	116.1	2.0%
Security required	3.2	3.3	3.1%
Security not required	9.6	9.7	0.8%

19. At the end of March, 95% of providers (December: 96%) were forecasting that debt facilities would be sufficient for more than 12 months. A total of 45 providers arranged new finance during the quarter (December: 33), compared to an average of 33 over the last three years. The total agreed including refinancing amounted to £4.4 billion, the highest amount since Q2 2020/21, compared to an average of £2.9 billion per quarter over the same period. 14 providers each arranged facilities worth £100 million or more in the quarter, and new facilities arranged in the year to date totalled £12.5 billion, an increase on £10 billion from the same period in 2023.

20. Bank lending accounted for 68% of new funding arranged in the quarter, and at £3.0 billion is the highest amount in over seven years. Bank loans continued to exceed

capital market issuances for the sixth consecutive quarter. Capital market funding, including private placements and aggregated bond finance, accounted for 31% (£1.4 billion) of the total. One for profit provider reported new finance from other sources, which amounted to less than £0.1 billion in total.

Figure 2: New facilities agreed (£ billion)



21. Current levels of cash and undrawn facilities available within the sector of £34.2 billion would be sufficient to cover the forecast expenditure on interest costs (£4.3 billion), loan repayments (£3.2 billion) and net development for the next year (£12.6 billion), even if no new debt facilities were arranged and no sales income were to be received.

Table 2: 12-month forecasts

£billons	*Previous quarter*	*Current quarter*	*% change*
Drawdown from facilities agreed	4.8	5.1	6.0%
Drawdown from facilities not yet agreed	2.2	2.3	4.3%
Loan repayments	2.3	3.2	40.1%

22. Drawdowns from facilities not yet agreed have been forecast by 24 providers that are either increasing borrowing capacity, typically to fund uncommitted development programmes, or are refinancing existing facilities. This can be either to replace expiring facilities, or to secure more favourable terms.

23. Forecast loan repayments are projected to increase in the next 12 months, with one provider attributing to almost 20% of the overall repayment. Eight providers are forecasting over £100 million of loan repayments each.

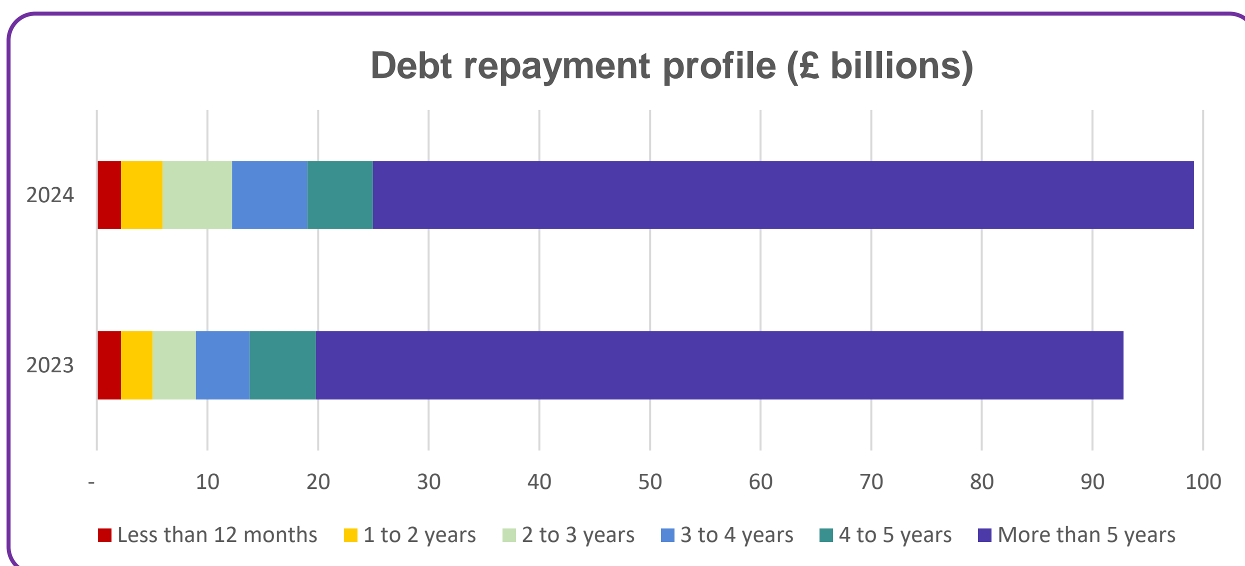
Debt repayment profile

24. The following two sections, debt repayment profile and interest rate profile relate to the annual questions included in the quarter four Quarterly Survey. The total value of sector debt increased by 7% to £99.2 billion (2023: £92.8 billion) in the year, with 65% of providers reporting an increase since March 2023. Nine providers had increased their debt by over £0.2bn each, including two for-profits, contributing almost 40% of the overall increase.

25. The value of debt repayable over the next two years is £5.9 billion, representing 6.0% of the sector debt (2023: £5.0 billion, 5.4%, 2022: £4.8 billion, 5.4%,). The sector's immediate refinancing risk has remained in line with previous year, with 2.2% of loans due for repayment within 12 months (2023: 2.3%, 2022: 2.4%).

26. Long-term debt continues to account for the majority of the sector's borrowing with 75% of debt being due for repayment in over five years' time (2023: 79%, 2022: 82%). £25.0 billion (2023: £19.8 billion, 2022: £16.2 billion) will become repayable over the next five years as profiled in the chart below. This is an increase of over 25% compared to the previous year.

Figure 3: Debt repayment profile (£ billions)

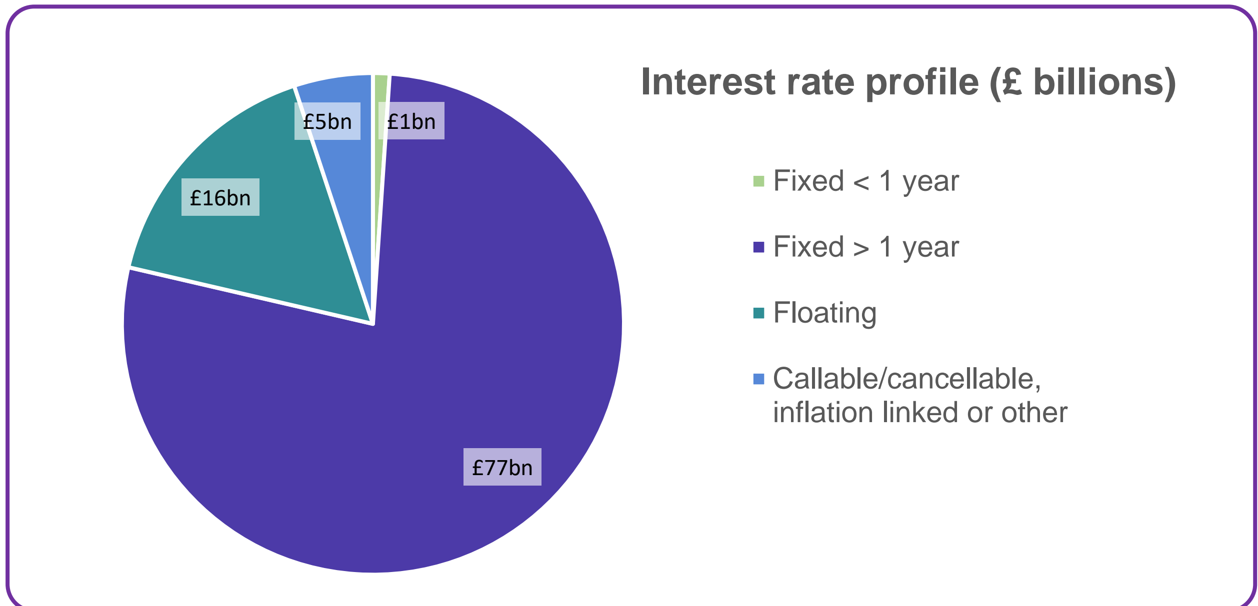


27. The exposure of individual providers to refinancing risk is covered by routine regulatory engagement. For 90% of providers, more than half of total debt is due for repayment in more than five years (2023: 93%, 2022: 92%). Five providers have 10% or more of total debt due for repayment within 12 months (2023: 9, 2022: 11) with two providers requiring new finance within this period. It is the responsibility of providers' boards to ensure that arrangements are in place for the effective management of refinancing risk.

Interest rate profile

28. The charts below provide an analysis of the sector's £99.2 billion drawn debt (2023: £92.8 billion) by interest rate type and the period over which rates have been fixed.

Figure 4: Interest rate analysis (£ billions)



29. Fixed rate debt (greater than one year) comprises 78% of the sector's drawn borrowings (2023: 79%, 2022: 80%), and 56% of total drawn debt is at rates fixed for over 10 years, providing the sector with a degree of certainty in forecasting the costs of borrowing.

30. The total amount of debt reported as floating, fixed for less than a year, or otherwise exposed to fluctuation through inflation linking or callable/cancellable options, amounts to £22.3 billion. This represents 22% of drawn debt (2023: £19.8 billion, 21%, 2022: £17.6 billion, 20%).

31. Drawn debt with variable interest rate amounted to £16.2 billion in the year (2023: £13.4 billion, 2022: £12.1 billion), contributing to 16% of total drawn debt. Almost 40% of this amount is attributable to seven providers reporting over £0.5 billion of floating interest rate debt each, with half of the sector reporting an increase in variable debt in the year.

32. The regulator continues to engage with providers to monitor treasury management arrangements and risk exposure to fluctuating interest rates, as part of the assessment of compliance with the governance and financial viability standard.

Cashflows

33. It is essential that providers have access to sufficient funds at all times. The regulator engages with PRPs that have low liquidity indicators.

34. Table 3 below shows the actual performance for the quarter compared to forecast, and the 12-month cashflow forecasts to March 2025.

Table 3: Summary cashflow forecast[12]

£ billions[13]	3 months to 31 March 2024 (forecast)	3 months to 31 March 2024 (actual)	12 months to 31 March 2025 (forecast)
Operating cashflows excluding sales	2.9	3.1	12.4
Repair & maintenance costs (capital & revenue)	(2.3)	(2.2)	(9.1)
Net operating cashflows excluding sales	**0.7**	**0.9**	**3.3**
Interest cashflows	(1.1)	(1.0)	(4.4)
Payments to acquire and develop housing	(4.1)	(3.1)	(15.2)
Current assets sales receipts	1.0	0.9	3.5
Disposals of housing fixed assets	1.3	1.0	3.5
Other cashflows	(0.1)	(0.1)	(1.1)
Cashflows before resources and funding	**(2.2)**	**(1.5)**	**(8.2)**
Financed by:			
Net grants received	0.7	0.7	2.6
Net increase in debt	0.7	0.9	4.3
Use of cash reserves	0.8	(0.1)	1.3
Total funding cashflows	**2.2**	**1.5**	**8.2**

35. Cash interest cover[14], based on net operating cashflows excluding sales, stood at 84% in the quarter to March 2024 (December: 79%); the sixth consecutive quarter where interest cover on this basis has been below 100%. However, there has been a slight improvement in 12-month rolling interest cover, up to 76% for the year to March 2024 (December: 71%), although below the 12-month rolling level recorded in the comparable quarter of 2023 of 87%. Almost half of providers reported aggregate cash interest cover below 100% for the 12 months to March 2024.

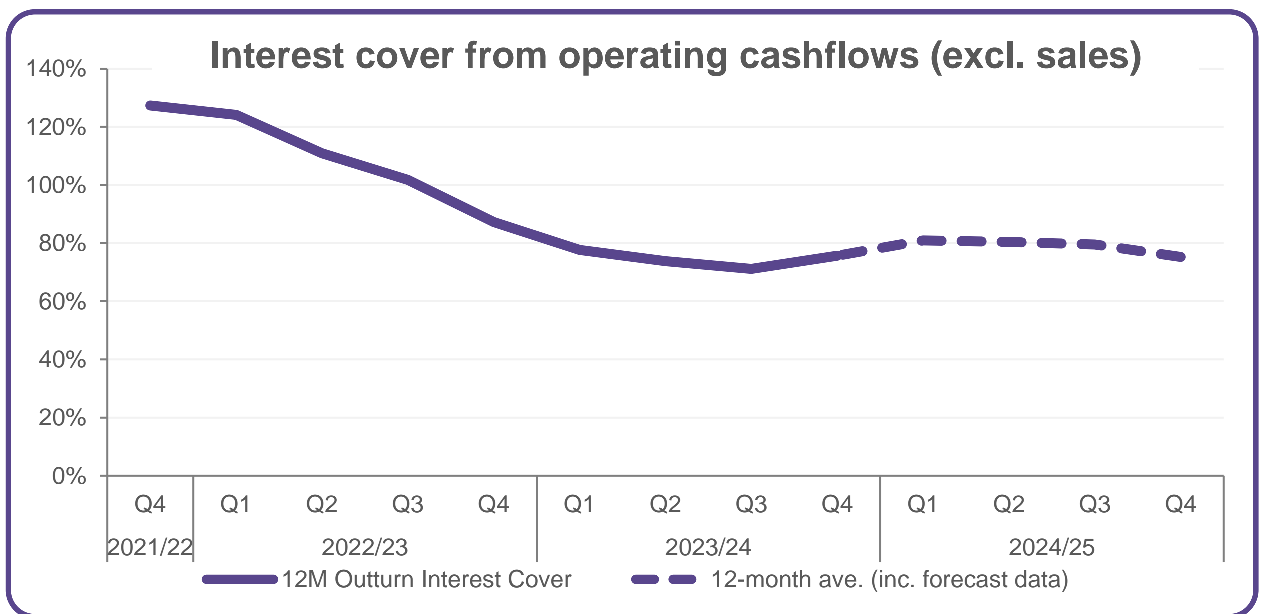
[12] Operating cashflow excludes current asset sales receipts and costs of sales. 'Payments to acquire and develop housing' include payments in respect of both current and fixed assets.

[13] There are rounding differences in the calculated totals; figures are reported by providers in £000.

[14] The calculation of cash interest cover prudently excludes operating surpluses from properties developed for sale (either 1st tranche shared ownership sales or outright market sales). Calculations include all interest and repairs costs, without the deduction of capitalised interest or grant funding.

36. For the 12 months to March 2025 cash interest cover excluding sales receipts is forecast to average 75% (December forecast: 80%). The drop in forecast interest cover is attributable to record projected levels of spend on repairs and maintenance and rising interest costs. The forecast spend on the latter is at the highest level ever recorded when other finance costs are excluded. Over half of providers are forecasting interest cover of less than 100% over the next 12 months.

Figure 5: Interest cover from operating cashflows (excluding sales)



37. It is evident that levels of interest cover have deteriorated and are set to remain depressed in the short-term, however this does not necessarily mean that providers are not financially viable in the longer term. In general, liquidity remains strong with the sector continuing to be attractive to lenders and investors, indicated by the record levels of new financing. The regulator will continue to monitor the financial viability of providers that are forecasting low interest cover and will engage with providers as necessary, reflecting findings in regulatory judgements where appropriate.

38. 90% of providers consider interest cover to be their tightest Statement of Comprehensive Income based loan covenant; however individual covenants will be calculated on varying bases and often allow the inclusion of surpluses from current asset sales, or the exclusion of certain repair costs.

39. A total of 52 providers report having one or more loan covenant waivers in place (December: 48). Providers are continuing to make use of loan covenant waivers in order to prioritise and increase investment in existing stock. A total of 23 providers have reported having a waiver in place to exclude the exceptional costs of building safety works from loan covenant calculations, a further 22 waivers have been disclosed in respect of energy efficiency or decarbonisation works, and a further five relates to the exclusion of general major repairs spend. Nine providers have reported

they are currently in the process, or already in agreement with lenders, to amend their covenant calculations to include EBITDA[15] only, therefore excluding all deductions for major repairs costs. In addition to the loan covenant waivers relating to improvement in existing stock, the quarter to end of March saw an increase in new waivers to exclude the costs of bad debts, impairment charges and pension cessations.

40. Total repairs and maintenance spend in the quarter increased by 10% to £2.2 billion (December: £2.0 billion); of which £1.2 billion related to revenue works and £1.0 billion related to capital works. Revenue repairs have continued to increase since the start of the year and are at the highest level recorded since the data was first separately identified in quarter one of 2022/23 and 4% higher than the amount forecast in December.

41. Providers are continuing to report higher volumes in responsive repairs driven by the management of damp and mould issues, building safety compliance repairs, and catch-up works. The back log mostly relates to larger repair programmes being postponed due to responsive repairs taking priority; with the additional volume of damp and mould works continuing to prevail following stock condition surveys. Increased spend on void properties has also been reported to reduce the back log of vacant homes. A smaller number of providers are continuing to cite inflation on labour and materials leading to higher day to day costs.

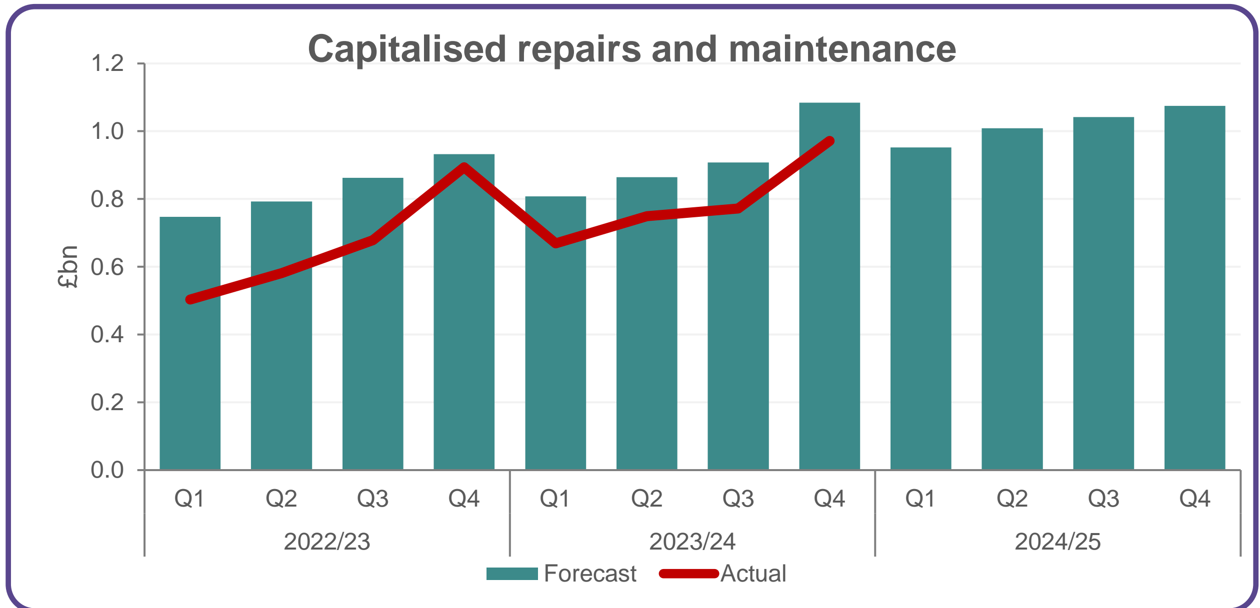
42. In the 12 months to March 2024 total repairs and maintenance spend (capital and revenue) was £7.9 billion (12 months to March 2023: £6.9 billion). For the 12 months to March 2025 the sector has forecast expenditure of £9.1 billion; a 4% increase on the 12-month forecast made in December.

43. Actual expenditure on the capitalised element of repairs and maintenance amounted to £971 million during the quarter; 26% higher than the previous quarter, and the highest amount recorded over the last eight years. The main drivers of the increase in spend are due to catch up on delivery programmes relating to fire remediation, building safety and investment works, as providers continue to implement building safety and energy efficiency measures. A few providers have also reported schemes being brought forward ahead of schedule, and higher capitalisation of costs following programme reviews.

44. In the 12 months to March 2024 capitalised expenditure on repairs and maintenance was £3.2 billion (12 months to March 2023: £2.7 billion) in comparison to the 12-month forecast spend to March 2025 of £4.1 billion. Both the 12-month actual and 12-month forecast expenditure continue to be the highest ever recorded, with 54% of providers increasing their forecast spend since the previous quarter.

[15] Earnings before interest, taxes, depreciation and amortisation.

Figure 6: Capitalised repairs and maintenance expenditure (£ billions)



45. The number of providers reporting delays or changes to repairs and maintenance programmes during the quarter decreased to 47% (December: 56%), the lowest level since the first data collection in Q1 2022/23. Providers have reported that inflationary pressures experienced in the past relating to materials and labour have had less impact on delivery programmes. However providers are experiencing issues in recruitment for specialised trades staff due to limited availability in the sector, and the need for additional staff has led to increased costs as alternative contractors are sourced.

46. Current asset sales of £3.1 billion were achieved in the 12 months to March 2024, compared to the £4.0 billion that was forecast in March 2023. This is below the £4.2 billion of sales achieved in the equivalent period of last year. For the 12 months to March 2025 the sector has forecast a further £3.5 billion worth of current asset sales (December: £3.7 billion), of which £3.2 billion relates to properties for which development is contractually committed (December: £3.4 billion). Of the providers that participate in current asset sales, 44% have reduced their sales forecasts since December, with one provider attributable to 95% of the overall net reduction in forecast current asset sales.

47. In the 12 months to March 2024 fixed asset sales totalled £3.0 billion. For the 12 months to March 2025 the sector has forecast a further £3.5 billion worth of fixed asset sales (December 12-month forecast: £4.7 billion), of which £1.9 billion relates to sales to tenants or other open market sales (including mainly staircasing, RTB/RTA and sale of void properties). The remaining £1.6 billion relates to other fixed asset sales, including bulk sales to other registered providers. The significant drop in forecast fixed asset sales relates to a decrease in bulk sales from one for profit provider who included a large intercompany transaction last quarter which has now been revised.

48. Net cashflows before use of resources and funding, as per table 3 above, totalled £1.5 billion during the quarter; half of the amount reported in December, and the lowest level in 18 months.

49. As interest cover has continued to sit below 100%, net operating cashflows (excluding sales) have been insufficient to fund net interest payments, resulting in an average cash shortfall of £241 million per quarter over the year to March 2024. In comparison, in the year to March 2023 there was an average cash shortfall of £113 million per quarter from operating activities, and in the year to March 2022 a surplus of £228 million per quarter was generated.

50. Cash balances have slightly increased in the quarter, although remain at historically low levels. The increasing demand on cash resources has resulted in a steady reduction in cash levels, and an increase in drawn debt. In the 12 months to March 2024 total drawn debt increased by £6.2 billion, compared to £3.7 billion in the year to March 2023. Forecasts show this increasing by a further £4.3 billion over the coming year.

51. Available cash, excluding amounts held in secured accounts, increased by £0.1 billion during the quarter to reach £4.3 billion (December: £4.2 billion). In comparison, the average cash balances over the last three years were £5.8 billion. Available cash is forecast to reduce to £3.2 billion over the next 12 months as reserves continue to be used, primarily, to fund development programmes. In aggregate, 12-month liquidity within the sector remains strong, however, the regulator reviews each quarterly survey submission and engages with providers where there are indicators to the contrary.

52. Cash held in secured accounts or otherwise inaccessible to providers totalled £1.0 billion (December: £0.9 billion). Typically, these amounts relate to amounts in escrow, leaseholder sinking funds, debt servicing reserve accounts, and cash held on long-term deposit.

Development

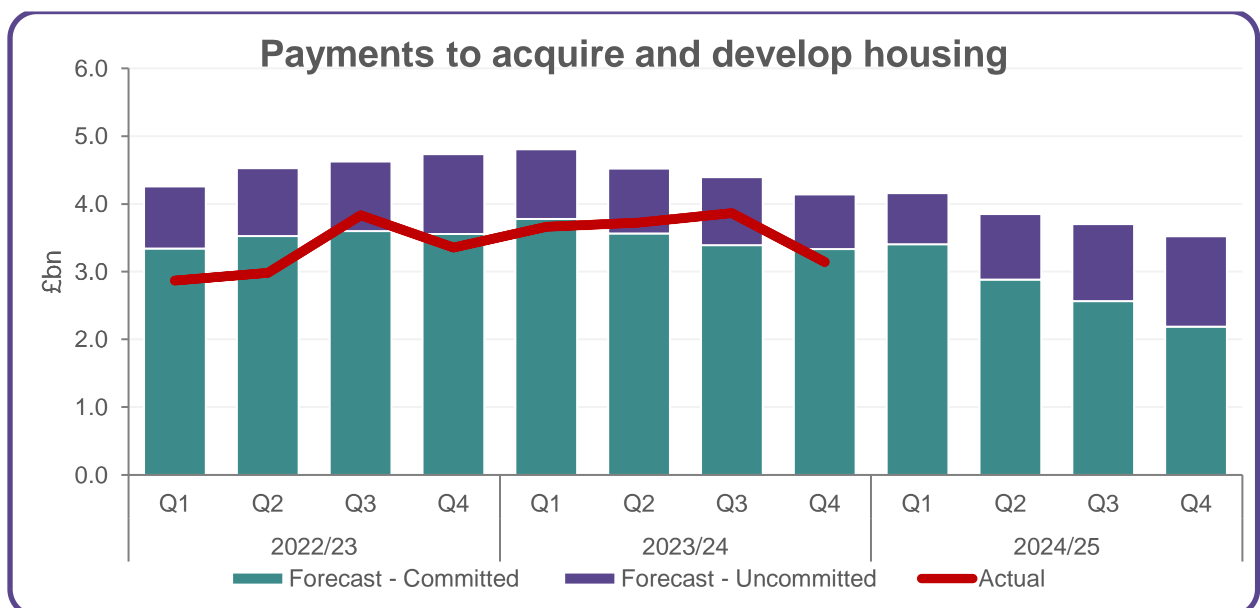
53. In the 12 months to March 2024, £14.4 billion was invested in the acquisition and development of housing properties. This compares to £13.0 billion in the year to March 2023, and £12.7 billion in the year to March 2022.

54. Although the majority of PRPs undertake some form of development activity, expenditure continues to be relatively concentrated in a small number of providers. A total of 23 providers each reported expenditure in excess of £200 million over the year, together accounting for 57% of the sector total.

55. Following record expenditure in the previous quarter, actual expenditure in the three months to March 2024 fell to £3.1 billion (December: £3.9 billion); the lowest amount reported since September 2022. Expenditure was 24% below the £4.1 billion total forecast for the quarter, and 6% below the £3.3 billion forecast for contractually committed schemes, with almost 80% of providers reporting an underspend against their total forecast.

56. In addition to general scheme delays and timing differences, other issues reported by providers include planning and contract delays, utility connection issues and adverse weather conditions. A minority of providers have reported ongoing issues from contactor insolvency; either where there have been new failures during the quarter or where those arising in previous quarters are yet to be fully resolved.

Figure 7: Payments to acquire and develop housing



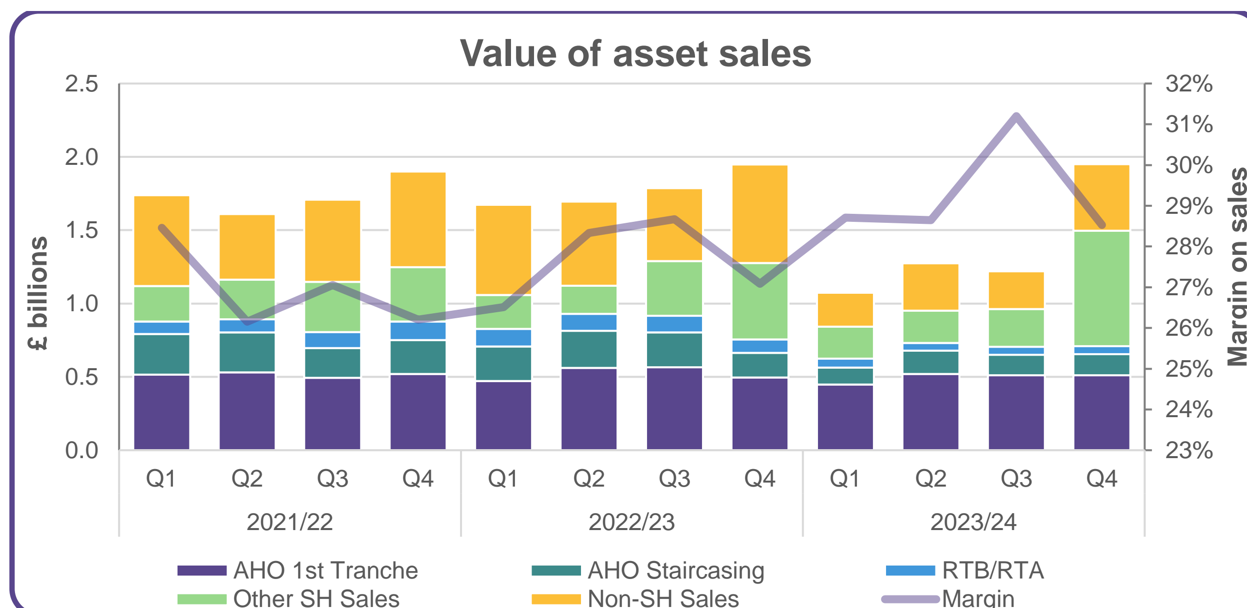
57. For the next 12 months a further £15.2 billion (December: £15.9 billion) worth of investment has been forecast, of which £11.0 billion (December: £11.5 billion) is contractually committed. Forecasts have decreased by 4% since the previous quarter,

and are now at the lowest level since the start of the Coronavirus pandemic in March 2020. Around 40% of the net reduction is attributable to one for-profit provider, where development activity has been transferred to a related group company that does not complete the Quarterly Survey. This is reflected by a corresponding reduction in AHO pipeline units (see paragraph 68 below). For-profit providers now account for £0.4 billion of the total £15.2 billion 12-month forecast expenditure.

Housing market

58. Total asset sales, including staircasing, RTB/RTA and voluntary sales, as well as Affordable Home Ownership (AHO) first tranche sales and market sales, amounted to £2.0 billion in the quarter to March (December: £1.2 billion).

Figure 8: Value of asset sales



59. The overall surplus from asset sales stood at £556 million for the quarter (December: £381 million), giving a margin of 29% (December: 31%); slightly above the average margin of 28% achieved over the last three years.

60. Total fixed asset sales amounted to £1.0 billion (December: £0.5 billion); the highest amount recorded since the data was first collected in 2015. In comparison, fixed asset sales have averaged £0.7 billion per quarter over the last three years. Fixed asset sales are categorised as either sales to tenants/open market sales, or other sales (bulk disposals to other organisations, including stock transfers and rationalisation).

- Sales to tenants and other open market sales (including staircasing, RTB/RTA and voluntary sales) amounted to £479 million (December: £435 million), consistent with the amount previously forecast.

- Fixed asset sales to other organisations amounted to £560 million (December: £46 million), with three providers accounting for over half of this amount. Sales were 29% below the amount previously forecast, with two-thirds of the net adverse variance attributable to one provider, where a stock rationalisation transaction had been delayed.

61. Total cash receipts in respect of current asset sales (market sales and first tranche AHO sales) amounted to £0.9 billion in the quarter; 19% higher than the £0.7 billion recorded in the previous quarter, but 13% below forecast. Where adverse variances have arisen, the majority of providers have attributed these to contractor delays at development sites, leading to handovers and subsequent sales being deferred.

Table 4: AHO units

AHO units	*Previous quarter*	*Current quarter*	*% change*
Completed	4,671	5,923	26.8%
Sold	4,559	4,606	1.0%
Margin	20.4%	17.1%	(16.3%)
Unsold	7,230	7,680	6.2%
Unsold for more than 6 months	3,024	2,667	(11.8%)
18-month pipeline	32,777	29,425	(10.2%)

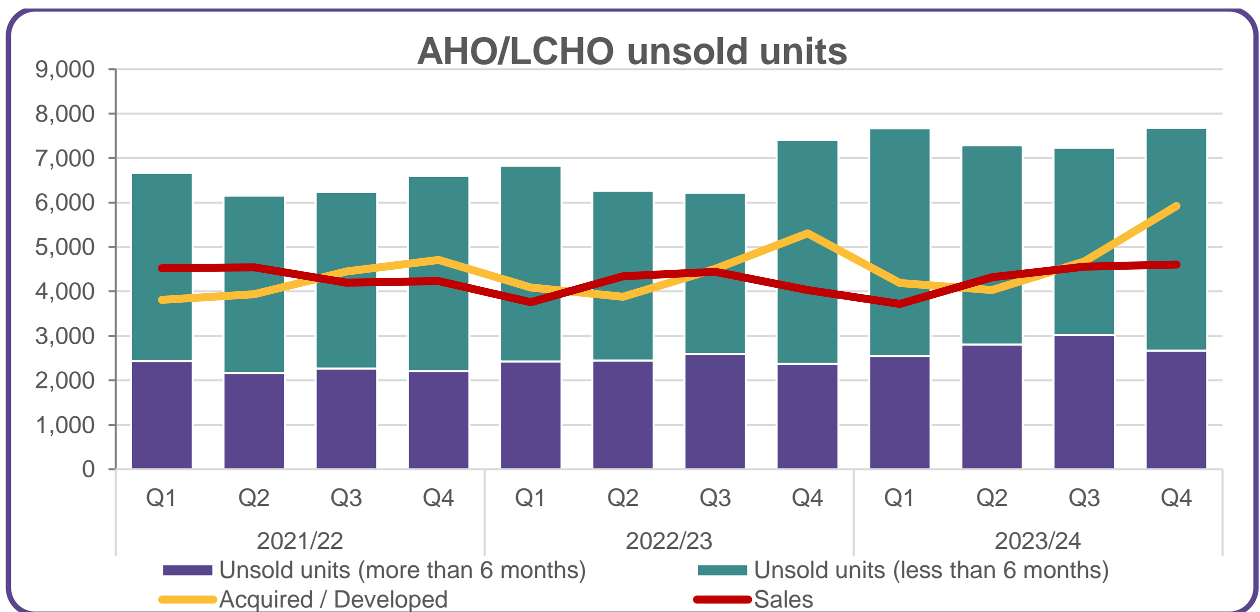
62. At 5,923 units, AHO property completions are the highest ever recorded since data was first collected in 2011, and substantially above the previous record of 5,305 units completed in March 2023. In comparison, the average number of completions achieved over the last three years has been 4,459 units per quarter. Over the year, a total of 18,819 units were completed, compared to 17,779 units in the year to March 2023, and 16,913 units in the year to March 2022.

63. AHO sales were above the three-year average of 4,274 units per quarter, and above the 4,033 units achieved in the same quarter of 2023. 12 providers each reported sales of 100 AHO units or more during the quarter, together accounting for 44% of the sector total. A total of 17,204 AHO sales were recorded during the year, compared to 16,582 in the year to March 2023 and 17,497 in the year to March 2022.

64. In addition to the transactions included in table 4 above, a total of 867 unsold AHO units were transferred in the quarter. Over 90% of this total is attributable to two providers, where units were transferred to other related group companies to continue the sales process. Other transfers include the conversion of unsold AHO properties to rental tenures.

65. The high number of units completed during the quarter has resulted in an increase in unsold units, which are now at the highest level since June 2020. However, the number of units unsold for over six months has reduced for the first time in 12 months. These units are concentrated amongst 14 providers, each of which held over 50 units of stock that had been unsold for over six months. Together they account for two-thirds of the sector total. Where sales income has been delayed, the regulator will monitor the provider's liquidity and test business plans to ensure they are robust enough to cope with a range of adverse scenarios.

Figure 9: AHO/LCHO units



66. Sales proceeds from 1st tranche AHO sales amounted to £511 million during the quarter (December: £512 million), with an overall surplus of £87 million being reported (December: £105 million). This resulted in an average margin of 17.1% (December: 20.4%), compared to an average margin of 19.4% over the last three years. Of the 142 providers that reported AHO sales receipts during the quarter, eight providers recorded a loss, reasons for which included year-end adjustments for overhead allocations and impairment charges, and increased scheme costs due to contractor insolvency.

67. The pipeline of AHO completions expected in the next 18 months has reduced by 10% to 29,425 units (December: 32,777), of which 25,794 units are contractually committed (December: 28,937). This is the lowest pipeline figure reported since March 2020, and the fifth consecutive quarter where pipeline numbers have decreased. Around 40% of the reduction in pipeline units is attributable to one provider, where development activity has been transferred to a related group company that does not complete the Quarterly Survey. Just over half of the remaining pipeline units are attributable to 18 providers; each of which has reported a pipeline figure of over 500 units.

Table 5: Market sale units

Market sale units	*Previous quarter*	*Current quarter*	*% change*
Completed	698	1,146	64.2%
Sold	708	841	18.8%
Margin	14.7%	10.7%	(27.8%)
Unsold	1,489	1,627	9.3%
Unsold for more than 6 months	729	793	8.8%
18-month pipeline	6,177	5,572	(9.8%)

68. A total of 3,737 units were completed in the year to March 2024, compared to 5,091 units in the year to March 2023, and 4,807 units in the year to March 2022.

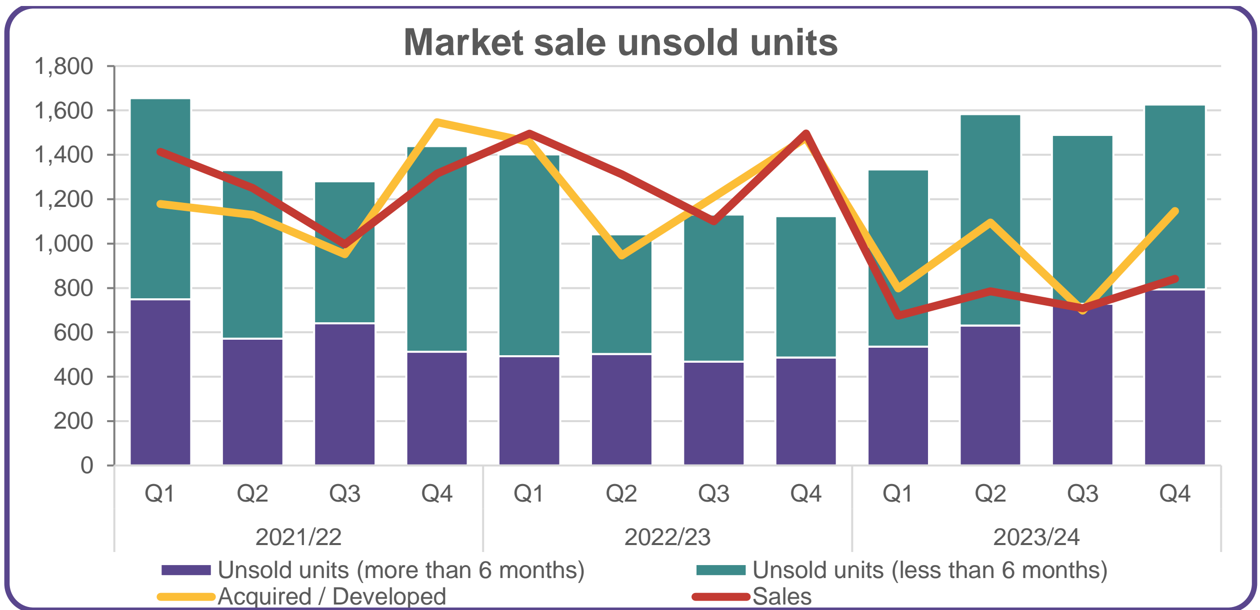
69. The number of market sales increased compared to the previous quarter, but remained substantially below the average of 1,116 sales per quarter over the last three years. In the 12 months to March 2024 a total of 3,009 market sales were achieved; 44% fewer than the 5,404 units sold in the year to March 2023 (year to March 2022: 4,977).

70. Market sale activity continues to be concentrated in a small number of providers; 14 providers each developed over 100 market sale units in the year to March 2024, together accounting for 77% of the sector total.

71. The total number of unsold market sale units has increased to the highest level in almost three years. Four providers each held over 100 unsold market sale units at the end of the quarter, and together accounted for over half of the sector total. Units unsold for over six months have increased for the fifth consecutive quarter and now stand at 793 units (December: 729 units).

72. Total non-social housing sales income amounted to £453 million during the quarter (December: £257 million), compared to an average of £492 million per quarter over the last three years. The surplus on non-social housing sales stood at £48 million (December: £38 million), giving an average margin of 10.7% (December: 14.7%). This is the lowest margin achieved since March 2022, and compares to an average margin of 14.4% over the last three years. The reported sales margin has been affected by year-end revaluations and impairment provisions, with three of the four providers with the highest non-social housing sales proceeds reporting a loss in the quarter.

Figure 10: Market sale units



73. The pipeline of market sale completions expected over the next 18 months has reduced by a further 10% and now stands at 5,572 units (December: 6,177), of which 5,167 units are contractually committed (December: 5,859). The total pipeline is at the lowest level in over nine years and is 13% lower than the 6,423 actual completions achieved over the previous 18 months. Almost three-quarters of the total pipeline figure is attributable to 13 providers; each of which has reported 100 or more pipeline units.

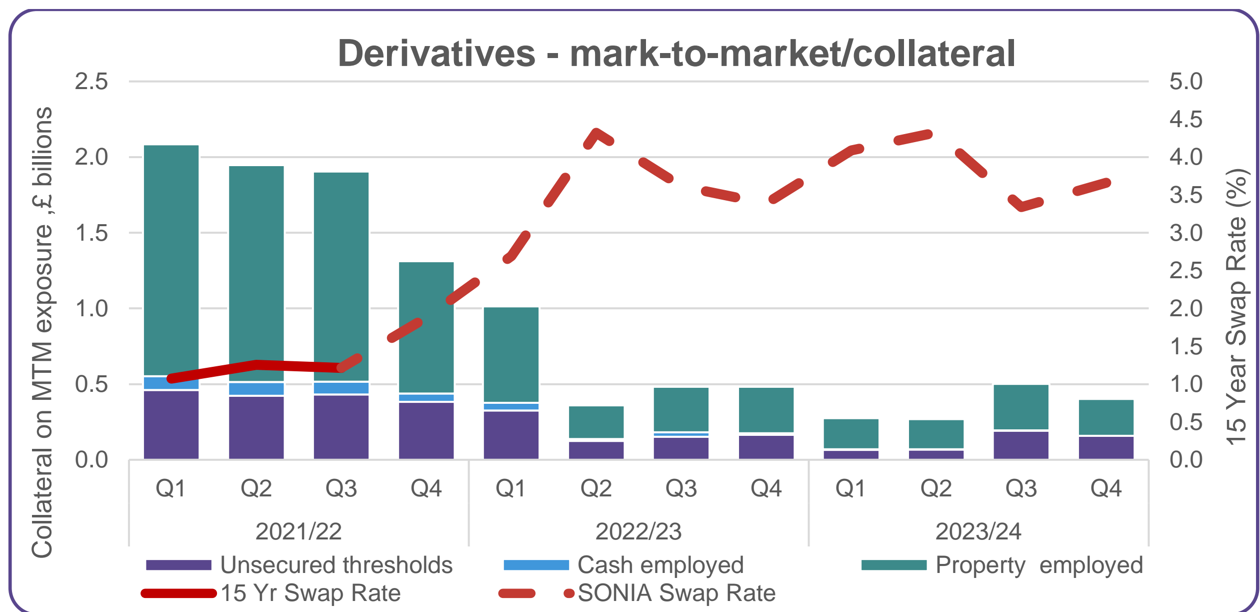
Derivatives

74. At the end of March 45 providers (December: 45) reported making use of free-standing derivatives. The notional value of standalone derivatives decreased from £8.8 billion to £8.1 billion over the quarter, with the difference being largely attributable to one provider that is no longer reporting holding any derivative financial instruments.

75. The 15-year swap rate increased from 3.34% at the end of December up to 3.66% at the end of March. This resulted in a reduction in MTM exposure, which stood at £0.3 billion at the end of March (December: £0.4 billion).

76. Of the 45 providers that were making use of free-standing derivatives, 42 had collateral pledged that exceeded or equalled their level of gross exposure, and three providers were not required to provide security to cover their position. At sector level, unsecured thresholds and available security pledged to swap counterparties stood at £2.3 billion at the end of March (December: £2.3 billion).

Figure 11: Derivatives – Mark-to-market/collateral



77. The above graph shows MTM exposure excluding excess collateral. Collateral pledged continues to be well above the sector's exposure levels, and at the end of March, the total headroom of collateral and unsecured thresholds available over MTM exposure was £2.0 billion (December: £1.9 billion). With swap rates continuing to fluctuate, providers must retain the ability to respond to increases in exposure and understand the sensitivity to changes in underlying rates.

Non-registered entities

78. Information on non-registered entities is collected through the additional annual questions that are included in the year-end Quarterly Survey. In previous years the survey has asked for a combined value for investment or lending between registered and non-registered subsidiaries. The 2024 survey allows for these two items to be disclosed separately, resulting in some reporting differences from previous years.

79. A total of 128 providers (2023: 129) reported investment in, or lending between, non-registered subsidiaries, special purpose vehicles or joint ventures of £10.1 billion. Of this, £3.5 billion related to investment in non-registered entities. The remaining £6.6 billion is attributable to on-lending between registered and unregistered entities.

80. Investment and indebtedness is concentrated in a small number of providers; ten providers have each reported a total value of over £300 million each, together accounting for 70% of the sector total.

81. 27 providers (2023: 27) have also given guarantees on the obligations or liabilities of other parties, up to a total estimated value of £2.7 billion (2023: £1.8 billion). Of these

27 providers, 6 (2023: 6) have given security. Around £0.8 billion of the increase in guarantees between 2023 and 2024 is attributable to a change in reporting by one provider, as a result of changes to the 2024 survey.

82. A total of 63 providers (2023: 65) report that a joint venture or non-registered subsidiary is forecasting a loss in their 2023/24 accounts, the total value of which is estimated to be £151 million (2022/23: £215 million). As seen in previous years, losses are frequently experienced in the early stages of development schemes, where costs are incurred before sales receipts are realised. In addition to this, providers have attributed losses to increasing development costs and contractor failure.

83. Where providers engage in activities through non-registered entities, the regulator expects boards to fully understand the associated risks and any potential recourse to social housing assets.

Impairment

84. Information on impairment is collected through the additional annual questions that are included in the year-end Quarterly Survey. In total, 66 providers are anticipating reporting an impairment charge in their 2023/24 accounts. This compares to 54 providers that were forecasting charges in their 2022/23 accounts, and 49 providers that were forecasting charges in 2021/22 accounts.

85. The total anticipated impairment charge is £345 million, of which £250 million relates to social housing assets (2022/23: £329 million, £221 million, 2021/22: £155 million, £54 million). Around one-quarter of the total charge and one-third of the charge relating to social housing assets has been reported by one provider, where additional building safety liabilities have been recognised. 48% of the providers that are expecting to report impairment have forecast a total charge of below £1 million (2022/23: 44%).

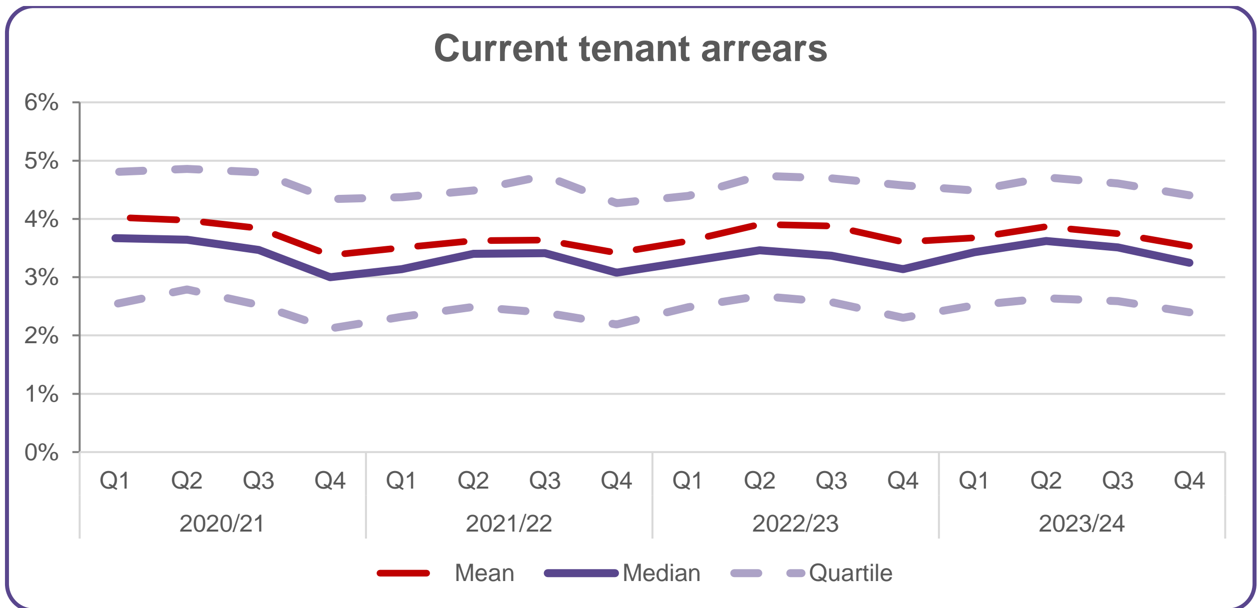
86. From the comments included within returns, it is estimated that just under half of the total impairment charges relate to sites under development. Increased construction costs, contractor insolvency and reductions in land values are amongst the most common issues cited.

87. Impairment charges recognised by individual providers have the potential to result in breaches of interest cover based loan covenants. Where this is a risk, we engage with the provider to ensure the necessary mitigations and arrangements are in place to maintain financial viability.

Income collection

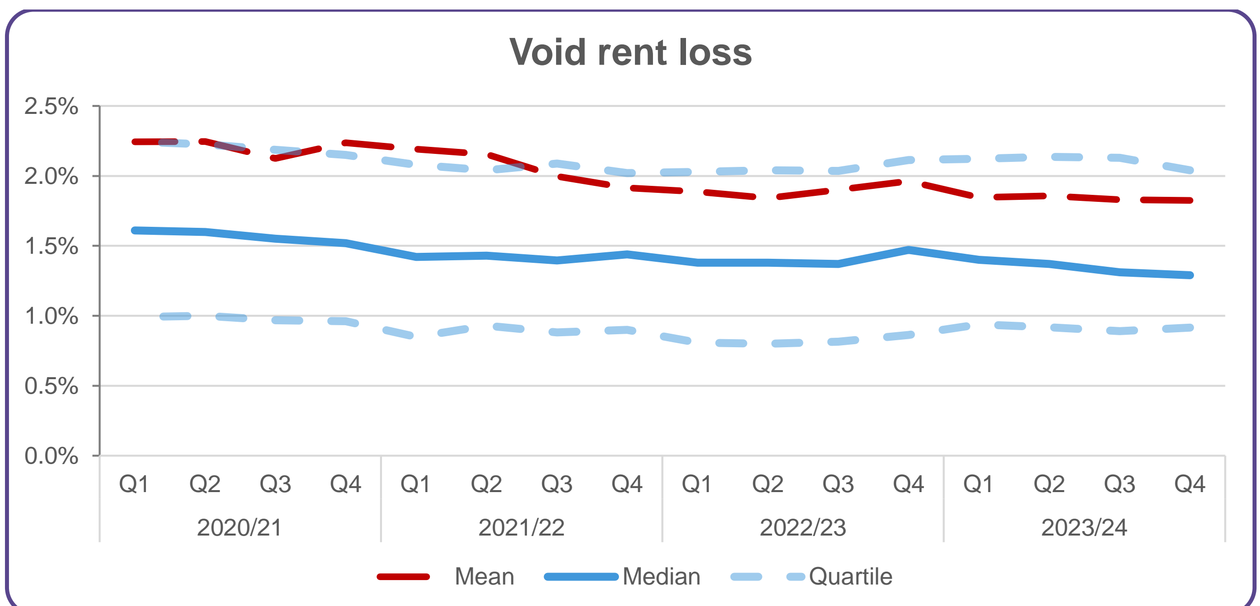
88. At the end of March, 68% of providers reported that their levels of arrears, rent collection and voids were all within, or outperforming, their business plan assumptions (December: 64%).

Figure 12: Current tenant arrears



89. Median current tenant arrears reduced to 3.3% at the end of March (December: 3.5%); in line with seasonal trends, although slightly higher than the median of 3.1% recorded in March 2023. The mean average reduced to 3.5%, compared to 3.7% in the previous quarter and 3.6% in March 2023.

Figure 13: Void losses

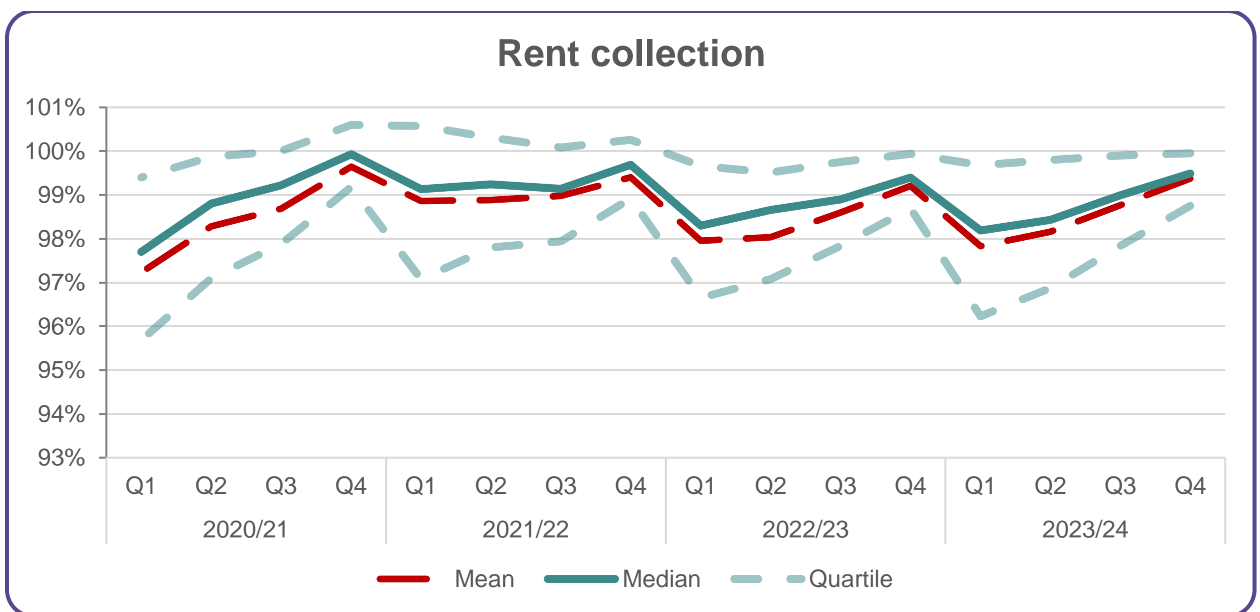


90. Median void losses have remained low in line with previous quarter at 1.3% at the end of March, although an improvement on the March 2023 level of 1.5%. Mean void losses also stood in line with previous quarter at 1.8%, compared to 2.0% in the same quarter last year.

91. Although there has been an improvement in void losses during the quarter, over 30% of providers who reported being outside of their business plan assumptions stated that void losses were a contributing factor. Providers have described higher than anticipated repairs causing a backlog of works, notably in the care and support division, impacting turnaround times. The majority of property works relate to damp and mould, building safety and other larger repairs works. A number of providers are also reliant on tenant referrals from partnering agencies which are experiencing delays.

92. The highest void rent losses continue to be reported by providers with a large proportion of supported housing units, care home units or Housing for Older People. A total of eight providers reported void losses in excess of 5%, and of these, seven hold over 50% of their stock within these specialist categories.

Figure 14: Rent collection



93. Rent collection indicators have improved in the quarter in line with seasonal trends, and higher in comparison to figures for 2022/23. Mean average rent collection rates increased from 98.8% at the end of December to 99.4% at the end of March. The number of providers reporting rent collection rates of less than 95% stood at seven at the end of March.

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