Metropolitan Housing Trust Ltd / Metropolitan Funding PLC

Thames Valley Housing Association (TVHA), trading as MTVH, announces unaudited consolidated financial results for the year ended 31 March 2024

Delivering strong FY results and housing completions

Overview and highlights

- Total revenue increased to £423m (FY23: £389m).
- Underlying operating surplus improved to £126.6m (FY23: £121.7m).
- Underlying operating margin was 30.1% (FY23 31.4%)
- Operating margin after deducting non-recurring and fire safety costs, was 4% (FY23: 28%).
- Total loss before tax for the year of £(80.2)m (2023: Surplus before tax of £33m). As advised in January 2024, total non-recurring/fire safety costs for the year of £110m largely relate to fire safety provisions in respect of leaseholder remediation in blocks over 11m (£64m, non cash) and associated asset write-downs of decommissioned blocks (£32m, non-cash).
- Strong cash performance, with Cash Generated from Operations of £268m (FY23: £268m)
- £807m (FY23: £725m) of available liquidity with over £400m of security ready to allocate to new funding.
- We delivered 892 homes (FY23: 657 homes) through partnership projects such as Clapham Park, West Hendon Waterside and Westhorpe Gardens. We sold 287 newbuild units (FY23 231 units).
- There are currently 5,556 new homes in our 5-year pipeline compared to 3,858 this time last year.
- Revenue from rent and service charges £340m (FY23: £313m) with rent arrears held at c.5.2% (March 2023: c 5.2%) despite cost of living and inflationary pressures on our residents.
- We invested £31m (FY23: £31m) in property improvements, and our overall spend on fire safety was £18m (FY23: £13m). Our total spend on the existing estate was £149m (FY23: £138m) prioritising property compliance, condition and customer satisfaction issues.
- We remain committed to supporting residents during the cost of living crisis and the Tenant Welfare Fund increased to £729k (£628k in FY23).
- Our financial advice services delivered £3m of value to residents in saved costs, benefits provision, and increased income.
- S&P Group rating of A- (Stable), the outlook improving from Negative following the annual review in December 2023.
- Fitch Ratings rating A (Negative outlook) in October 2023.
- Ritterwald refreshed the 2023 Sustainable Housing Certification, moving MTVH up to ‘Frontrunner’ for both Social and Governance, and ‘Ambassador’ for Environmental criteria.

- Our RSH gradings remain G1/V2.

Geeta Nanda, OBE, Chief Executive, commented:

“The year to end-March 2024 has been one of significant progress towards our vision to provide more people with a decent home and the chance to live well.

I am pleased to be able to report a strong underlying trading performance over the 12 months. Revenue increased by 9% to £423m from £389m and underlying operating surplus, before non- recurring and fire safety costs, improved by over 4% to £126.6m from £121.7m.

This is an excellent performance against a backdrop of rising inflation and interest rates over the year, which put upward pressure on both operating and interest costs. The performance reflects the decisions taken over recent years to lower the risk in our development programme, and to boost overall productivity through investment in new IT systems and the skills of our people. This year we have also moved to protect the interests of our leaseholders in over 11m blocks by making full financial provision, £64m, for the estimated costs of remediating those blocks. We have also made the decision to decommission two high rise blocks, recognising an asset write-down of a further £32m.

Cashflow from operating activities remains strong at £268m this year, unchanged from 2022/23. As at 31 March 2024, we had £807m of available liquidity and over £400m of unencumbered security in the trustee. This robust cash position supports our strategy to continue to invest in our customer experience, our existing properties, and the development of the new homes our country so desperately needs.

We are maintaining our target to deliver 1,000 homes per year and we now have 5,556 new homes in our 5-year pipeline compared to 3,858 in 2022/23. Our housing delivery remained strong, particularly in the second half of the year. In the first half of the year we delivered 293 homes and forecast a total of 815 new homes for the full year. We have exceeded that figure substantially to deliver 892 homes as our development partnerships moved forward successfully across our operating areas. This means more secure, warm, and high-quality homes for our tenants and owners, providing the foundation for them to thrive and build stronger communities.

Listening to and collaborating with our residents is fundamental to the decisions we take and how we direct our work. Over the past year the financial pressure from the cost-of-living crisis has been a common theme amongst residents. In response our Empowering Futures team provided financial advice and support that delivered £3m of value to residents in saved costs, benefits provision and increased incomes, and our Tenant Welfare fund provided £729k of direct support, a record figure. We also updated our Value of a Social Tenancy (VOST) calculations; a methodology that measures the value social tenancies bring compared to other types of tenure. Our new VOST figures for 2023 show the total value of our social tenancies is £718.9m annually generated through savings to public services, and the value of our construction and property maintenance activity.

I will be stepping down as CEO in September and handing over to my successor. When we merged Metropolitan and Thames Valley Housing in 2018 to create MTVH our vision was to build a modern housing association of greater scale with the ability to bring more positive impact to peoples’ lives. We have invested in making this a reality through new systems, organisational design and the skills of our people and I am proud to see the strong culture, colleagues, leadership team and Board that make up MTVH today. I am confident that this team, under new leadership, will continue to deliver on our strategy to serve people better every day and our vision to provide decent homes and the chance to live well."

Senior Leadership Changes

Mark Everard who had been with MTVH for over 6 years as Executive Director of Property has announced his retirement at the end of May 2024 and MTVH is delighted to have appointed Suzanne Horsley as his successor.

On 14 May 2024, MTVH announced that the replacement for its retiring CEO Geeta Nanda, is Mel Barrett.

Trading overview

Turnover from core social housing (ie excluding home sales) was up 9% at £351m compared to £321m in FY23. This reflects the 7% rent uplift under the sector rent settlement. Our rental arrears figures were stable at 5.2% year on year.

Turnover from sales, including First Tranche sales was flat at £30m (2023: £30m). We sold 287 units (compared to 231 units in FY23). At year end, we had 160 unsold units, of which 112 are unsold over 90 days, with a sales value of £12.9m primarily due to sites handing over significant numbers of units at one time.

Operating costs for the year were £431.5m (FY23: £300.2m) due to the inclusion of the £109.9m non-recurring and fire safety costs. The two main elements of this charge (Leaseholder remediation costs, £64m, and write-down of decommissioned blocks, £32m) are non-cash adjustments and do not adversely impact our liquidity position. Operating margin for year is 4% (FY23 28%) as a result of the non-recurring and fire safety costs. Stripping out the non-recurring and fire safety costs, operating expenditure was 6% higher than last year at £319m and underlying operating margin was 30.1% (FY23: 31.4%).

Cashflow from operating activities (ie before investing, interest and movements in debt) was £268m, (FY23: £268m) with total proceeds from the sale of properties in the year of £140m (FY23: £110m). During the year, MTVH invested £246m in new development (net of grant received) compared to £177m in FY23.

Underlying net interest costs (excluding mark to market movements on derivatives) are £10.6m higher than last year as variable rates increase from historic lows. At 31 March 2024, we had £807m (FY 23: £725m) of available liquidity (both cash and committed facilities) and total drawn debt of £1,910m (2023 £1,937m). Liquidity management remains a key focus to mitigate the impact of a wider economic downturn. At the same time, our relatively low gearing, at 36%, and over £400m of available security provides further resilience to shock.

Thames Valley Housing Association's Standard & Poor's credit rating was revised to A- (Stable outlook, revised from Negative) in December 2023 following the annual review process.

Fitch Ratings refreshed the organisation rating as A (Negative) in October 2023.

Outlook

The business outlook is subject to uncertainty/unforeseen market and business interruption as a result of uncertainty over the direction of government policy. The economic and geopolitical environments remain challenging, with higher levels of inflation and interest rates, along with supply chain and labour shortages, and continuing concerns over energy supplies. There will be elections in the UK, USA and

Europe within the next six months and this will potentially result in changes in policy and funding that could impact the sector.

The core housing business is expected to perform well with revenues supported by the CPI+1 rent settlement of 7.7%. This will boost revenues but operating margins may not improve since operating costs are also expected to rise. Whilst this level is above current inflation, it only partly offsets increased costs incurred in FY24. Similarly, the sustained high cost of debt continues to put pressure on Interest Cover ratios, reducing the capacity to deliver on our corporate objectives. This will impact on our capacity to build new homes. MTVH is committed to providing increased support for those who face financial hardship.

Fire safety and Damp and Mould works have required increased investment in our existing homes. This is a sector issue. The longer-term impact of remediation obligations has also led to a reduction in our capacity to develop new homes, particularly homes for sale (reducing future exposure to outright sales risk) but we remain focussed on the delivery of c 1000 new homes per year.

We are continuing with our Safer Buildings programme driven by our desire to put customer safety first. We have completed the review of blocks over 18m and are substantially through our risk based review of blocks under 18m, to determine the extent of any remediation requirements. We expect that developers/warranty providers will pick up the costs of remediation for newer buildings where this relates to construction defect. Other at-risk blocks where there is no contractor to remediate, will be either redeveloped of remediated by MTVH, having confirmed we would not seek recovery from Leaseholders.

TVHA, trading as Metropolitan Thames Valley, will report results for the six months ended 30 September 2024 in winter 2024.

Consolidated Financials

Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 March 2024 (unaudited)

	2024	2024 Building Safety & Non-Recurring	2024 Total	2023
	£'000	£'000	£'000	£'000
Turnover	420,494	2,566	423,060	388,831
Cost of sales	(24,712)	-	(24,712)	(26,077)
Operating costs	(319,120)	(112,407)	(431,527)	(300,238)
Surplus on disposal of fixed assets	41,141	-	41,141	38,211
Share of operating surplus in joint ventures and associates	8,796	-	8,796	8,410
Operating surplus	**126,599**	**(109,841)**	**16,758**	**109,137**
Surplus on disposal of other Investments	-	-	-	26
Revaluation of investments	1,819	-	1,819	(953)
Interest receivable	8,112	-	8,112	5,539
Interest and finance costs	(97,767)	-	(97,767)	(84,572)
Movement in fair value of financial instruments	2,699	-	2,699	3,457
Movement in fair value of investment property	(11,036)	-	(11,036)	1,569
Movement in fair value of financial assets	(827)	-	(827)	(741)
Surplus / (loss) before tax	**29,599**	**(109,841)**	**(80,242)**	**33,462**
Taxation	-	-	-	-
Surplus / (loss) for the year	**29,599**	**(109,841)**	**(80,242)**	**33,462**
Actuarial gain on defined benefit pension scheme liability	(14,701)	-	(14,701)	22,981
Change in fair value of hedging instrument	3,056	-	3,056	23,913
Total comprehensive income / expenditure for the year	**17,954**	**(109,841)**	**(91,887)**	**80,356**

Thames Valley Housing Association (TVHA) Consolidated Results

Statement of Financial Position

Consolidated Statement of Financial Position as at 31 March 2024 (unaudited)

	2024	2023	
Housing properties	4887.8	4,728.5	3%
Investment properties and other fixed assets	93.1	100.9	-8%
Investments	175.0	188.4	-7%
Net current assets	-139.78	-39.1	258%
Total Assets less current liabilities	**5,016.2**	**4,978.7**	1%
Loans due to be repaid in more than one year	2373.1	2,320.4	2%
Pension liability and other provisions	101.6	24.9	308%
Other long-term liabilities			
Capital and reserves	2541.4	2,633.3	-3%
Total non-current liabilities and reserves	**5,016.2**	**4,978.7**	1%

Cashflow

Consolidated Statement of Cashflows for the year ended 31 March 2024 (unaudited)

	2024	2023	
Net cash from Operating Activities	267.5	267.7	0%
Net cash from Investing Activities	-233.4	-161.3	45%
Net cash used in Financing Activities	-134.6	-64.5	-109%
Net movement in cash and cash equivalents	-100.5	41.9	-340%
Cash and cash equivalents carried forward	93.0	193.5	-52%

Sales revenue and margins (unaudited)	**2024 Revenue £m**	**2024 Margin**	**2023 Revenue £m**	**2023 Margin**
First Tranche	28.4	14%	26.0	10%
Outright Sales	1.5	15%	4.4	13%
Staircasing	31.2	33%	48.3	33%
RTB / RTA	3.1	48%	3.8	54%
Redemptions	12.0	41%	14.1	44%
Fixed Asset Sales	71.0	34%	45.4	31%

Enquiries

Please contact Donald McKenzie, Director of Corporate Finance, on 0203-535-4434/ 07738-714126 or at donald.mckenzie@mtvh.co.uk

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This information for investors is also available on our website:
https://www.mtvh.co.uk/about-us/investors/

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Notes

1) Operating margin is operating surplus/turnover
2) Thames Valley Housing Association (TVHA) is the parent of the group trading under the brand of Metropolitan Thames Valley (MTVH). Metropolitan Housing Trust (MHT) is a wholly owned subsidiary of TVHA and MHT owns 100% of the shares of Metropolitan Funding Plc.

Disclaimer

The information in this announcement of unaudited consolidated interim results has been prepared by the Thames Valley Housing Association group and is for information purposes only.

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