Regulator of
Social Housing

Quarterly survey for Q2

July to September 2024

November 2024

OFFICIAL

Contents

Introduction 2

Summary 3

Operating environment 5

Private finance 7

Cashflows 9

Development 13

Housing market 15

Derivatives 19

Income collection 20

Introduction

1. This quarterly survey report is based on regulatory returns from 201 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 July 2024 to 30 September 2024.

3. From 1 April 2024 the remit of the regulator was extended to allow an integrated approach to social housing regulation, with stronger, proactive regulation of consumer standards. Boards must continue to ensure that economic standards are met as they work towards implementing the new consumer standards.

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

5. Providers continue to face pressure to improve the quality and energy efficiency of existing stock, which is increasingly resulting in boards having to make difficult decisions as to how to use cash resources most effectively as well as limiting their ability to further manage 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 and/or the 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.

Summary

Liquidity

Investment in the sector remains robust - new finance of £3.0 billion arranged in the quarter.

Cash balances remain at historically low levels.

- 34 providers arranged new finance during the quarter, with bank lending accounting for 72% of new facilities.
- Cash balances increased by £0.5 billion during the quarter, reaching £4.0 billion. Balances are expected to reduce to £2.7 billion by September 2025.
- £131.9 billion total facilities in place at the end of September, up from £131.7 billion at the end of June.
- Loan repayments of £1.3 billion in the quarter compared to an average of £1.0 billion per quarter over the last three years, mainly due to early repayments.
- Total cash and undrawn facilities increased to £34.5 billion; sufficient to cover forecast expenditure on interest costs (£4.7 billion), loan repayments (£3.8 billion) and net development (£13.3 billion) for the next year.
- Gross mark-to-market (MTM) exposure on derivatives increased to £0.3 billion at the end of the quarter (June: £0.2 billion).

Performance in the quarter

Due to non-recurring items increasing operating cashflow, quarterly cash interest cover (excluding sales) increased to 110% for the period between June and September.

This has resulted in 12-month outturn cash interest cover increasing to 85%, compared to 79% for the year to June.

However, forecast interest cover over the next 12-months is a record low 70% - projections include record levels of spend on repairs and maintenance and high interest costs.

- Quarterly interest cover (excluding all sales) was above forecast due to higher operating cashflows driven by positive working capital movements, and lower than budget spend against repairs and maintenance costs.
- Revenue repairs spend was £1.3 billion; 1% lower than the previous quarter and in line with forecast.
- Capitalised repairs and maintenance spend reached £836 million; 9% above the previous quarter and 21% below forecast but is the third highest spend on record.
- Increasing costs result in net operating cashflows alone being insufficient to fund net interest payments, with an average cash shortfall of £159 million per quarter experienced in the year to September 2024.
- Income collection indicators generally following seasonal trends. Void losses return to levels seen pre-pandemic.

Investment in new and existing stock

Capital works to existing stock continue at record levels, with both the 12-month actual spend and 12-month forecast being the highest on record.

AHO pipeline uncommitted units fall to a record low level.

12-month projected development spend is £15.6 billion – a 3% reduction from the previous quarter.

- Total repairs and maintenance (capital + revenue) spend stood at £2.1 billion in the quarter. In the year to September a total of £8.4 billion was spent, with a further £9.6 billion forecast for the next 12 months.
- 12-month expenditure on capitalised repairs totalled £3.4 billion, with a further £4.4 billion investment forecast over the next 12 months: both record amounts.
- £3.2 billion invested in new housing properties in the quarter; below both the previous quarter and the three-year quarterly average of £3.4 billion.
- AHO completions in the quarter are below average, however annual completions have risen year-on-year. In contrast, market sale completions are both below average and have fallen year-on year.
- Total pipeline AHO units have reduced by 6%. The uncommitted pipeline has fallen to the lowest level recorded since data was first collected in 2015.
- Pipeline market sale units have increased for a second consecutive quarter but remain at historically low levels.

Sales

Market sales have increased from the previous quarter but remain at historically low levels. AHO first tranche sales remain robust.

Total fixed asset sale receipts in the quarter were £0.8 billion, giving an annual total of £2.7 billion.

For the next 12 months, a further £4.7 billion worth of fixed asset sales have been forecast. We will continue to engage with PRPs where they are reliant on sales to maintain viability and liquidity positions.

- Of the £4.7 billion fixed asset sales forecast, £2.1bn relates to sales of housing properties to tenants or other individuals. The remaining £2.6 billion includes bulk disposals of housing assets and is concentrated in a small number of large PRPs.
- Market sales have increased from the record low level that was recorded in the previous quarter; however the 658 sales are still substantially below the three-year average of 988 sales per quarter.
- AHO sales of 4,285 units were slightly above the three-year average of 4,230 units per quarter.
- A 9% reduction in total unsold AHO units was recorded in the quarter. Unsold market sale units remained in line with the previous quarter.
- However, both AHO and market sale units unsold for over six months have increased, by 8% and 17% respectively.

OFFICIAL

Operating environment

8. The quarter to September 2024 was marked by the formation of a new Government, after the Labour Party won a majority at the general election held on 4 July[1]. This was followed by the King's Speech of 17 July[2], which introduced a number of bills that will directly impact the social housing sector, including the Renters' Rights Bill[3], Draft Leasehold and Commonhold Reforms Bill[4], and the Planning and Infrastructure Bill. The latter of which forms part of the Government's plan to build 1.5 million new homes over the next five years[5].

9. Post quarter-end, the new Government's first Budget statement was delivered on 30 October[6]. This confirmed an additional £500 million in funding for the Affordable Homes Programme, a consultation on a new five-year social housing rent settlement with permitted rent increases of CPI+1%, and a reduction in Right to Buy discounts. Other announcements included an increase in the National Living Wage and in employer's National Insurance Contributions, and a number of funding measures for specific projects and types of works.

10. 12-month Consumer Price Index (CPI) inflation in the UK stood at 1.7% in the 12 months to September 2024[7]; the first time that CPI has fallen below the Government target of 2% since April 2021. The Bank of England expects inflation to rise to around 2.75% in the second half of 2025 before beginning to fall again[8].

11. The existing social housing rent settlement, which allows for a maximum permissible rent increase of CPI + 1%, has been extended for a further year[9]. This will link rent increases for the 2025/26 financial year to the 1.7% CPI rate as at September 2024, resulting in a maximum increase of 2.7%. This applies to general needs Social Rent, Affordable Rent and supported housing, with the exception of certain specialised supported housing categories.

12. The Bank of England (BoE) base rate was lowered from 5.25% to 5.00% on 1 August[10], the first reduction since March 2020. In recognition of the continued progress

[1] General election 2024 results - House of Commons Library (parliament.uk)
[2] The King's Speech 2024 - GOV.UK (www.gov.uk)
[3] Renters' Rights Bill - Parliamentary Bills - UK Parliament
[4] Leasehold reform in England and Wales: What's happening and when? (parliament.uk)
[5] Written statements - Written questions, answers and statements - UK Parliament
[6] Autumn Budget 2024 - GOV.UK
[7] Consumer price inflation, UK - Office for National Statistics
[8] What will happen to inflation? | Bank of England
[9] New regime to deliver decent homes for social housing residents - GOV.UK (www.gov.uk)
[10] Bank Rate reduced to 5% - August 2024 | Bank of England

in disinflation, a further reduction was announced on 7 November[11], bringing base rate down to 4.75%.

13. The average interest rate for a typical 5-year mortgage stood at 4.10% at the end of September 2024[12], down from 4.64% at the end of June. Net mortgage approvals for house purchases increased to 65,600; the highest level in over two years[13].

14. Overall construction output increased by 0.8% in the quarter to September 2024 when compared to the previous quarter. The increase related solely to new works (2.0%), as repair and maintenance fell by 0.6%[14].

15. Annual price growth in the construction industry over the quarter stood at 2.0% in the year to September 2024[15], compared to a growth of 3.8% in the 12 months to September 2023.

16. House prices in England increased by an estimated 2.3% in the 12 months to August 2024[16]. The largest annual growth was experienced in the North West, where prices increased by 4.6% over the year. The lowest growth was in the South West, where prices increased by 0.8% over the same period.

17. The UK unemployment rate for the quarter to September 2024 increased to 4.3%[17] compared to 4.2% in the previous quarter. The number of job vacancies fell by 34,000 to reach 841,000[18], decreasing for the 27th consecutive period. The total number of people claiming Universal Credit in England was around 6.2 million in September 2024[19] compared to 5.3 million a year earlier, as the managed migration from legacy benefits continues.

18. The measures announced in the Autumn Budget statement will bring both challenges and opportunities for the housing sector, and providers must ensure that they understand and manage any additional risks. Interest rates are likely to remain elevated compared to historically low levels, and expectations around stock decency, decarbonisation and provision of new homes will continue to evolve. 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] Bank Rate reduced to 4.75% - November 2024 | Bank of England

[12] Quoted household interest rates - a visual summary of our data | Bank of England

[13] Money and Credit - September 2024 | Bank of England

[14] Construction output in Great Britain - Office for National Statistics

[15] Construction output in Great Britain - Office for National Statistics

[16] UK House Price Index summary: August 2024 - GOV.UK

[17] Labour market overview, UK - Office for National Statistics (ons.gov.uk)

[18] Labour market overview, UK - Office for National Statistics (ons.gov.uk)

[19] Total number of people on Universal Credit in England | LG Inform

Private finance

19. The sector's total agreed borrowing facilities increased by £0.3 billion over the quarter, to reach £131.9 billion at the end of September (June: £131.7 billion). This is the lowest quarterly increase since Q4 2020/21.

Figure 1: Total facilities (£ billions)

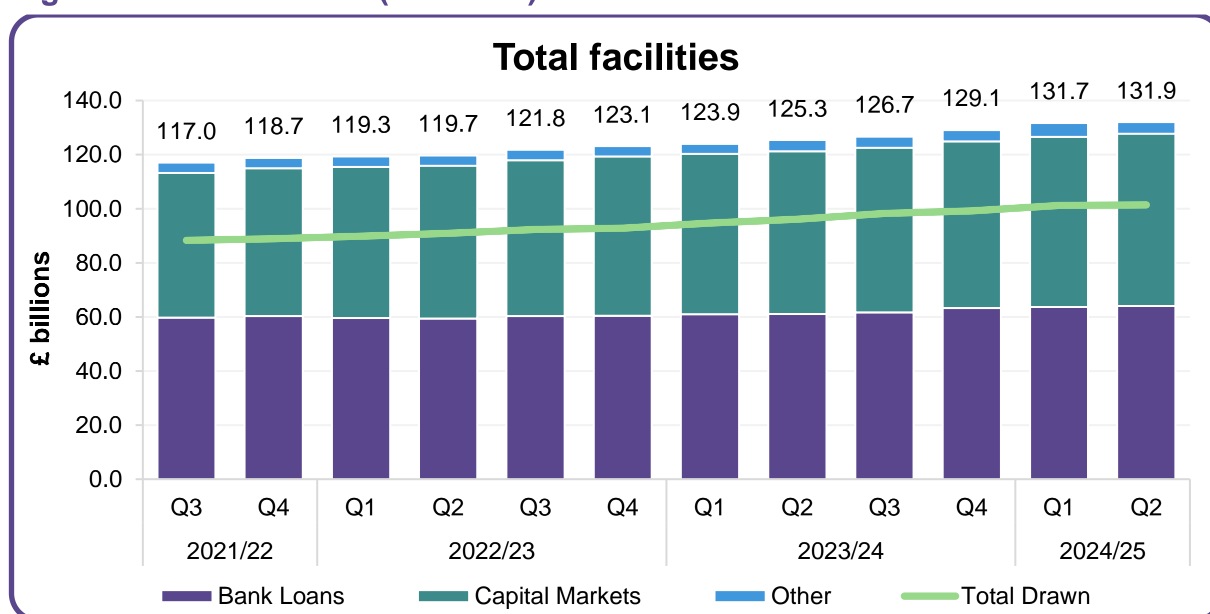


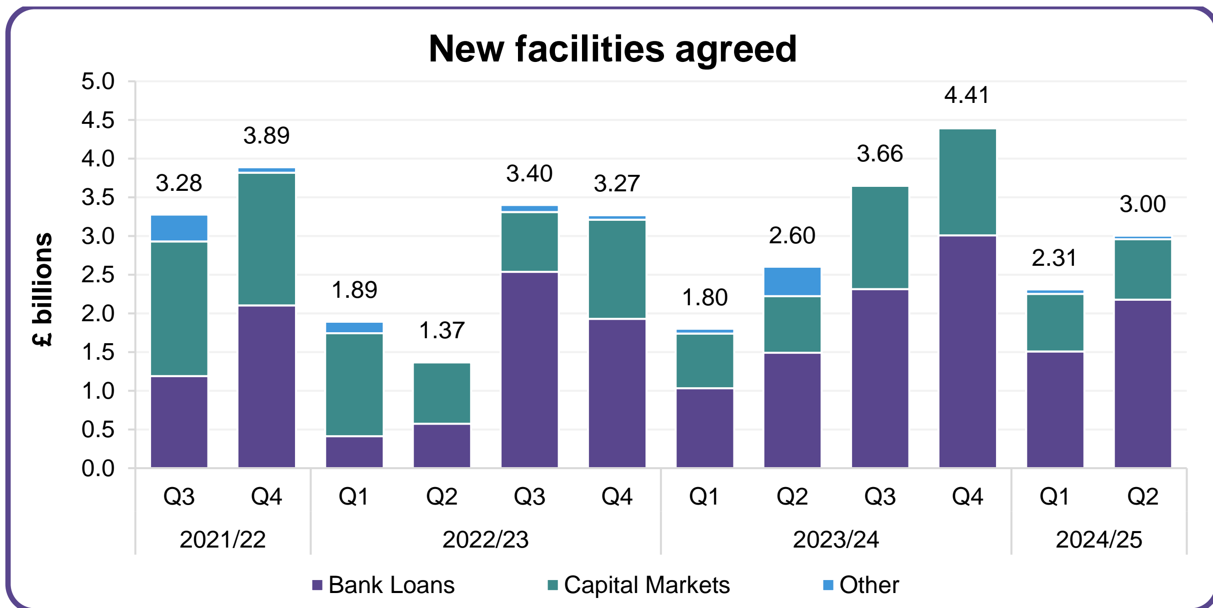
Table 1: Total facilities – drawn and secured

£billons	*Previous quarter*	*Current quarter*	*% change*
Drawn	101.2	101.4	0.2%
Undrawn	30.4	30.5	0.5%
Secured	118.2	119.4	1.0%
Security required	2.6	2.9	10.2%
Security not required	10.8	9.7	(10.6%)

20. At the end of September, 96% of providers (June: 95%) were forecasting that debt facilities would be sufficient for more than 12 months. A total of 34 providers arranged new finance during the quarter (June: 26), with 14 of these arranging facilities worth £100 million or more. The total agreed, including refinancing, amounted to £3.0 billion, slightly above the average of £2.9 billion per quarter over the last three years.

21. Bank lending accounted for 72% of new funding in the quarter, with 26 providers arranging facilities worth an average of £84 million each. Capital market funding, including private placements and aggregated bond finance, accounted for 26% (£0.8 billion) of the total. Three providers arranged other facilities such as Local Authority funding and a subsidiary loan, which accounted for 2% of the overall total.

Figure 2: New facilities agreed (£ billion)



22. At £34.5 billion, current levels of cash and undrawn facilities available within the sector would be sufficient to cover the forecast expenditure on interest costs (£4.7 billion), loan repayments (£3.8 billion) and net development for the next year (£13.3 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	5.1	6.3	23.1%
Drawdown from facilities not yet agreed	2.7	2.6	(4.6%)
Loan repayments	3.4	3.8	12.7%

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

24. Loan repayments of £1.3 billion were made during the quarter, compared to an average of £1.0 billion per quarter over the last three years. The increase was mainly due to early repayments by a few providers and one provider who submitted for the first time this quarter. For the next twelve months, five providers have each forecast over £100 million of loan repayments, with one provider accounting for 37% of the £3.8 billion sector total.

Cashflows

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

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

Table 3: Summary cashflow forecast[20]

£billions[21]	3 months to 30 September 2024 (forecast)	3 months to 30 September 2024 (actual)	12 months to 30 September 2025 (forecast)
Operating cashflows excluding sales	3.2	3.3	12.7
Repair & maintenance costs (capital & revenue)	(2.3)	(2.1)	(9.6)
Net operating cashflows excluding sales	**0.9**	**1.2**	**3.1**
Interest cashflows	(1.1)	(1.1)	(4.5)
Payments to acquire and develop housing	(4.5)	(3.2)	(15.6)
Current assets sales receipts	0.9	0.8	3.9
Disposals of housing fixed assets	0.7	0.8	4.7
Other cashflows	0.1	0.3	(0.7)
Cashflows before resources and funding	**(2.9)**	**(1.2)**	**(9.1)**
Financed by:			
Net grants received	0.8	0.7	2.3
Net increase in debt	1.5	0.6	5.0
Use of cash reserves	0.6	(0.1)	1.4
Total funding cashflows	**2.9**	**1.2**	**8.7**

27. Cash interest cover[22], based on net operating cashflows excluding sales, stood at 110% in the quarter to September 2024 (June: 67%). This was above the forecast of 79%, driven by a favourable variance of £0.1 billion against net cashflows from operating activities, and a lower than budget £0.2 billion spend against repairs and maintenance costs. The higher operating cashflow is mainly due to positive working capital movements which include large one-off receipts such as a VAT refund, dividend

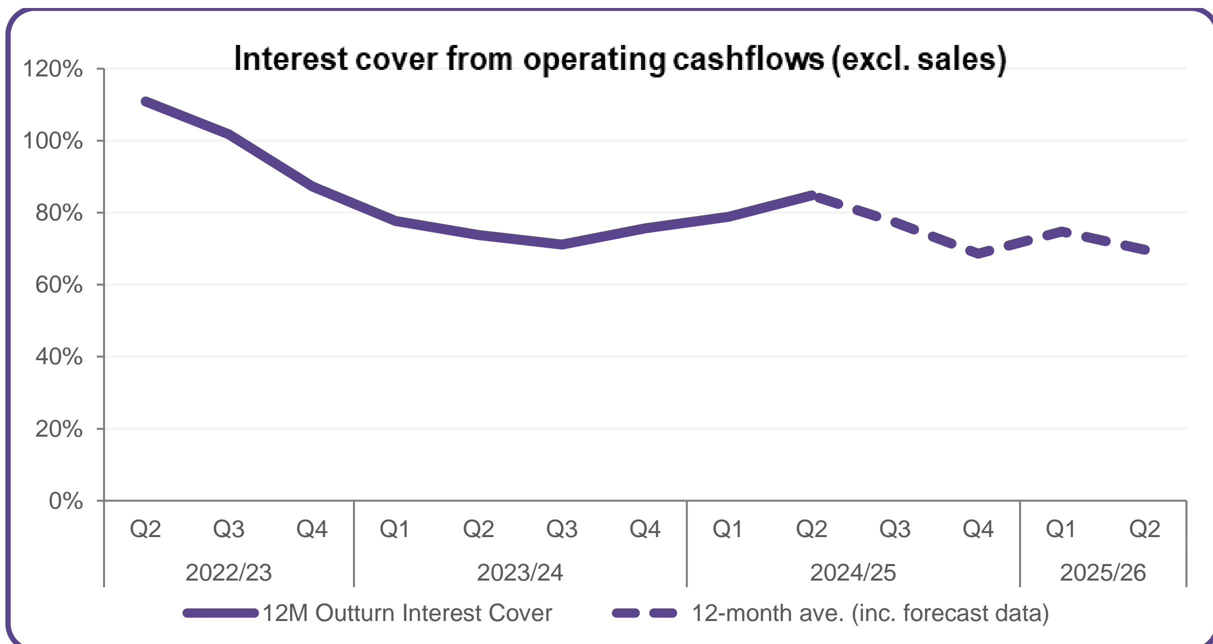
[20] Operating cashflow excludes current asset sales receipts and costs of sales. ‘Payments to acquire and develop housing’ include payments in respect of both current and fixed assets.

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

[22] 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.

payout, and receipt of customer rebate. Almost 60% of providers reported a favourable variance against their forecast in June.

Figure 3: Interest cover from operating cashflows (excluding sales)



28. 12-month rolling interest cover has increased for a third quarter in a row and reached 85% for the year to September 2024 (June: 79%, September 2023: 74%), mainly due to the large one-off increase in this quarter's outturn interest cover. However, cash interest cover is expected to remain restricted, with forecasts for the year to September 2025 giving an estimate of 70% interest cover for the coming year.

29. The continuing downward pressure on interest cover results from the large increases in interest payable and repairs costs that have been experienced in recent years. By comparison with two years ago in September 2022, when annual interest cover stood at 111%, net interest payable has increased by £0.8 billion (24%), and capitalised major repairs costs have increased by £0.9 billion (39%). In contrast, net operating cashflows (including revenue repair costs) have increased by only £0.7 billion over the same period (12%).

30. These increasing costs result in net operating cashflows alone being insufficient to fund net interest payments, with an average cash shortfall of £159 million per quarter being experienced in the year to September 2024, and a shortfall of £245 million per quarter in the year to September 2023. In comparison, in the year to September 2022 surplus cash of £92 million per quarter was generated. The measures of interest cover and net operating cashflows referenced above exclude all surpluses from current asset sales, which reduce the shortfall to a more sustainable level. However, the remaining shortfall in operating cash is increasingly being managed by way of fixed asset sales receipts, with more providers relying on this form of income, and is reflected by the growing number of providers with a V2 viability rating in the last two years.

OFFICIAL

31. A total of 42 providers report having one or more loan covenant waivers in place (June: 43, September 23: 51). The waivers in place at the end of September include 17 agreements to exclude fire or building safety works from loan covenant calculations, a further 19 in respect of decarbonisation works and five were relating to general major repairs.

32. Total repairs and maintenance spend in the quarter amounted to £2.1 billion, in line with the previous quarter; of which £1.3 billion related to revenue works and £0.8 billion related to capital works. In the 12 months to September 2024 total repairs and maintenance spend was £8.4 billion, and for the 12 months to September 2025 the sector has forecast expenditure of £9.6 billion; a 3% increase on the 12-month forecast made in June.

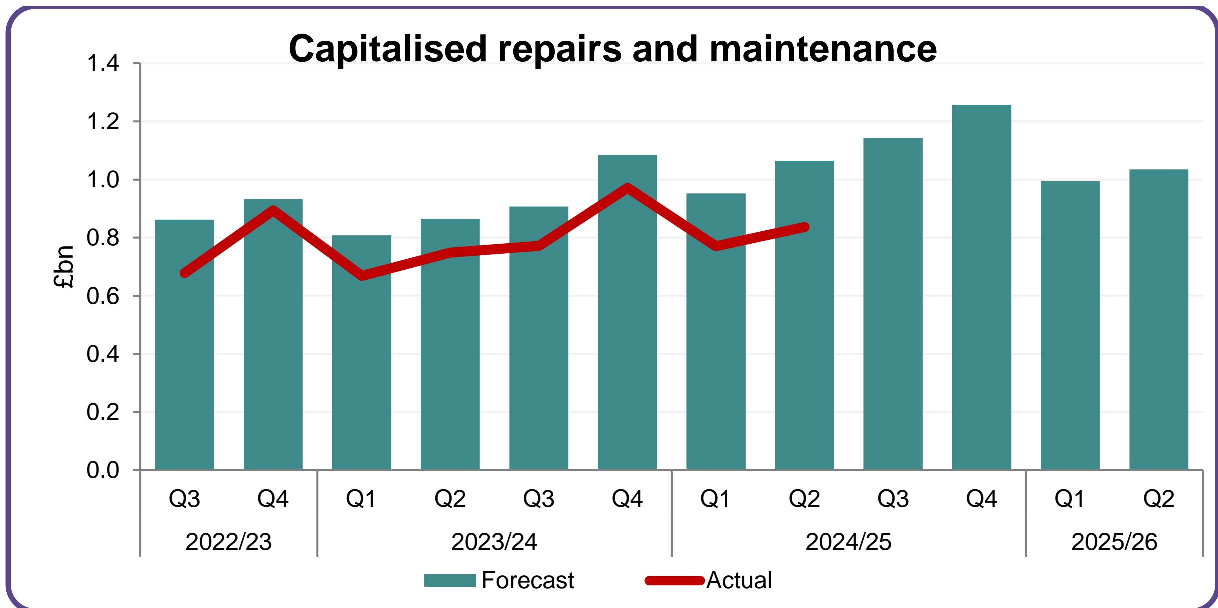
33. Revenue repairs slightly decreased by 1% since the previous quarter but were in line with the amount forecast in June and remain at elevated levels. In the 12 months to September 2024, a total of £5.0 billion has been spent on revenue repairs and maintenance, and a further £5.2 billion is forecast to be incurred in the year to September 2025.

34. Actual expenditure on the capitalised element of repairs and maintenance amounted to £836 million during the quarter. This is 9% more than the amount spent in the previous quarter and 21% below forecast, however it is the third highest spend recorded since cashflow data was first collected in 2015, and the highest quarter two spend. Some providers have reported timings of expenditure being out of sync with the phasing of forecasts, therefore resulting in the variances.

35. In the year to September 2024 capitalised expenditure on repairs and maintenance was £3.4 billion, compared to a total of £3.0 billion in the year to September 2023. For the 12 months to September 2025, a further £4.4 billion worth of expenditure has been forecast, slightly higher than the previous forecast (June: £4.3 billion), reflecting providers' intentions to utilise planned works budgets over the course of the year. Nine providers have each forecast capitalised expenditure of £100 million or more over the next 12 months, together accounting for 30% of the sector total. Both the 12-month actual and 12-month forecast expenditure continue to be the highest ever recorded.

OFFICIAL

Figure 4: Capitalised repairs and maintenance expenditure (£ billions)



36. The proportion of providers reporting delays or changes to repairs and maintenance programmes during the quarter stood at 47% (June: 43%). From the cohort of providers reporting delays, almost a quarter stated difficulties in recruiting skilled contractors in specialist areas and maintaining existing staff as being key drivers. Demand for damp and mould work remains high, with providers experiencing an increase in volume of responsive repairs. A small number of providers have reported delays to works due to the need to carry out surveys and obtain necessary approvals.

37. Current asset sales of £3.1 billion were achieved in the 12 months to September 2024; 24% less than the £4.0 billion that was forecast in September 2023 and 15% below the £3.6 billion sales that were achieved in the year to September 2023. For the 12 months to September 2025 the sector has forecast a further £3.9 billion worth of current asset sales (June: £3.9 billion), of which £3.5 billion relates to properties for which development is contractually committed (June: £3.4 billion). 10 providers have each forecast current asset sales of £100 million or more over the next twelve months, together accounting for 47% of the sector total.

38. In the 12 months to September 2024 fixed asset sales totalled £2.7 billion. For the 12 months to September 2025 the sector has forecast a further £4.7 billion worth of fixed asset sales (June 12-month forecast: £3.8 billion). The large increase is entirely attributable to one provider who accounted for a third of the overall forecast. From the total forecast, £2.1 billion relates to sales to tenants or other open market sales (including mainly staircasing, RTB/RTA and sale of void properties). The remaining £2.6 billion relates to other fixed asset sales, including bulk sales to other registered providers. Over 70% of forecast fixed asset sales have been reported by 10 providers, each of which is forecasting sales of £100 million or more.

39. Available cash, excluding amounts held in secured accounts, increased by £0.1 billion during the quarter to reach £4.0 billion (June: £3.9 billion); the second lowest amount in over ten years. Available cash is forecast to remain at £2.7 billion over the next 12 months. At sector level, the greatest consumption of cash reserves continues to be the funding of development programmes, but for individual providers there may be other more significant factors such as major works programmes or loan repayments.

40. Cash held in secured accounts or otherwise unavailable for use by providers totalled £0.9 billion, in line with previous quarter. Typically, these amounts relate to amounts in escrow, leaseholder sinking funds, debt servicing reserve accounts, and cash held on long-term deposit.

41. In aggregate, liquidity within the sector remains robust, and the sector continues to attract high levels of new financing from lenders and investors. The regulator will continue to monitor the financial viability of providers that are forecasting low liquidity levels or restricted interest cover and will engage with providers as necessary, in particular if there is reliance on fixed asset sales to support cashflows. Findings will be reflected in regulatory judgements where appropriate.

Development

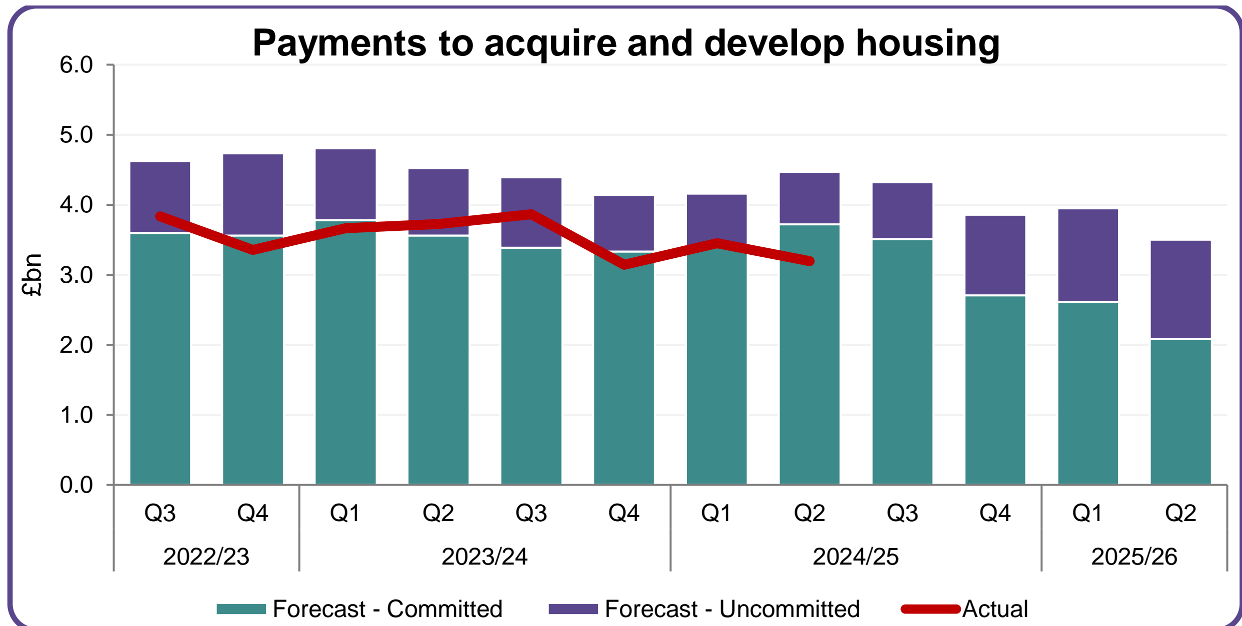
42. In the 12 months to September 2024, £13.7 billion was invested in the acquisition and development of housing properties. This compares to £14.6 billion in the year to September 2023, and £12.6 billion in the year to September 2022. This is the third consecutive quarter where the rolling total 12-month development spend has reduced, following a period of 18 months where outturn expenditure increased to record levels.

43. Although over 90% of PRPs undertake some form of development activity, expenditure continues to be 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 56% of the sector total. This included six providers with expenditure above £400m, representing 23% of sector expenditure.

44. Actual expenditure in the three months to September 2024 stood at £3.2 billion; 7% less than the £3.5 billion reported in the previous quarter and below the average expenditure of £3.4 billion per quarter over the last three years. Seven providers each recorded expenditure in excess of £100 million during the quarter, together accounting for 27% of the sector total. Overall expenditure was 28% below the total forecast for the quarter, with 80% of providers reporting an adverse variance. Expenditure was also 14% below the forecast for contractually committed schemes.

45. In addition to general scheme delays, providers have experienced planning issues and legal delays entering into contract, and insolvency amongst contractors continues to be reported. Where delays have occurred, the majority of providers have re-profiled expenditure into the following four quarters, although in a minority of cases expenditure has been deferred for over a year. A small number of providers have also reported new developments being placed on hold as a result of uncertainty over the availability of grant funding.

Figure 5: Payments to acquire and develop housing

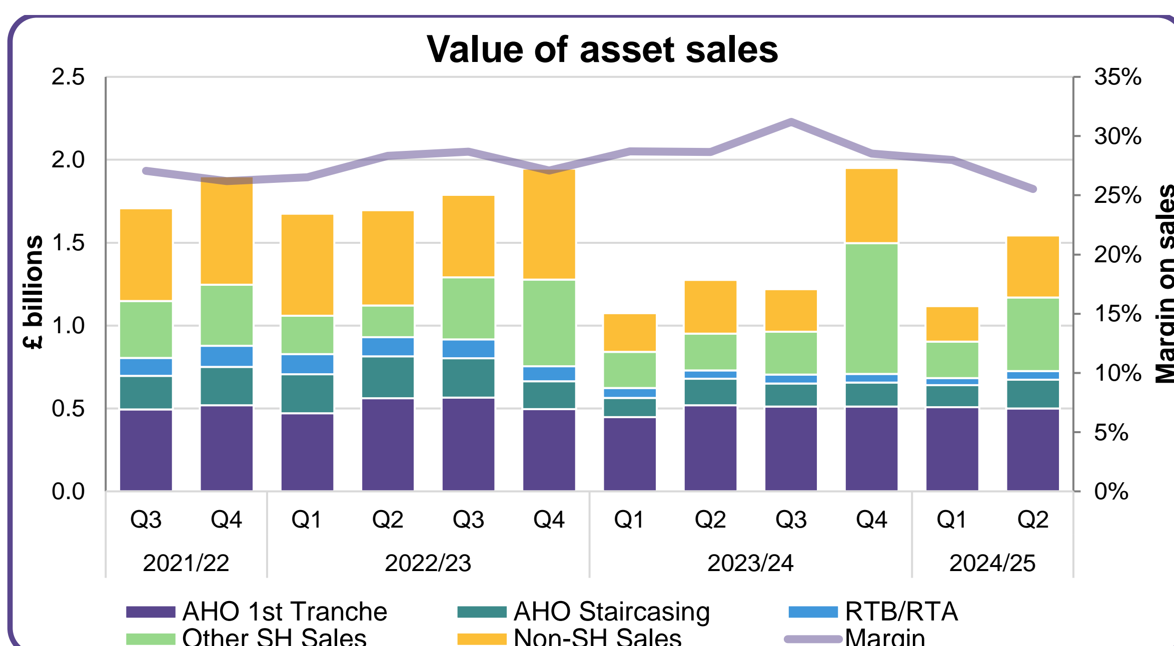


46. For the next 12 months a further £15.6 billion (June: £16.2 billion) worth of investment has been forecast, of which £10.9 billion (June: £11.7 billion) is contractually committed. Forecasts have reduced by 3% since the previous quarter, with 45% of providers having increased forecasts since quarter one and 49% reducing forecasts. Of the £15.6 billion projected spend, 23% is attributable to six providers, each of which is forecasting over £400m expenditure over the next 12 months. For-profit providers account for £0.7 billion of the overall forecast; equivalent to 5% of the total.

Housing market

47. 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 £1.5 billion in the quarter to September (June: £1.1 billion).

Figure 6: Value of asset sales



48. The overall surplus from asset sales stood at £394 million for the quarter (June: £312 million), giving a combined margin of 26% (June: 28%); slightly below the average margin of 28% achieved over the last three years.

49. Total fixed asset sales amounted to £0.8 billion (June: £0.4 billion), slightly above both the amount previously forecast and the average of £0.7 billion per quarter reported 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 £457 million (June: £356 million), in line with the amount previously forecast. Ten providers each recorded sales of over £10 million each, together accounting for around half of the sector total. A margin of 39% was achieved on staircasing sales, compared to an average of 41% over the last three years. For RTB/RTA sales the margin amounted to 58%; slightly above the three-year average of 56%. The accounting surplus on RTB sales in particular is typically much higher than on other types of housing fixed asset disposal, as housing properties were often historically acquired through Local Authority stock transfers

at a low nominal value to reflect the high levels of additional investment required to maintain them.

- Bulk fixed asset sales to other organisations amounted to £309 million (June: £69 million), 18% higher than the amount previously forecast. Bulk fixed asset sales can fluctuate widely between quarters due to the relatively low number but potentially high value of transactions. In the current quarter, a total of 30 providers reported sales of this type, with two providers accounting for half of the sector total. Although there is insufficient information available to calculate the margin on individual categories of bulk disposal, the receipts this quarter include one relatively high value but low-margin fixed asset sale of student accommodation. Other sales included the disposal of extra care units and market rent portfolios.

50. Total cash receipts in respect of current asset sales (market sales and first tranche AHO sales) amounted to £0.8 billion in the quarter; a 13% increase in comparison to the previous quarter, but 17% below the amount previously forecast. Adverse variances continue to be attributed mainly to delays in development handovers, with future forecasts being updated accordingly.

Table 4: AHO units

AHO units	*Previous quarter*	*Current quarter*	*% change*
Completed	3,790	3,917	3.4%
Sold	4,252	4,285	0.8%
Margin on first tranche sales	17.0%	17.5%	3.0%
Unsold	7,424	6,769	(8.8%)
Unsold for more than 6 months	2,632	2,854	8.4%
18-month pipeline	33,949	32,048	(5.6%)

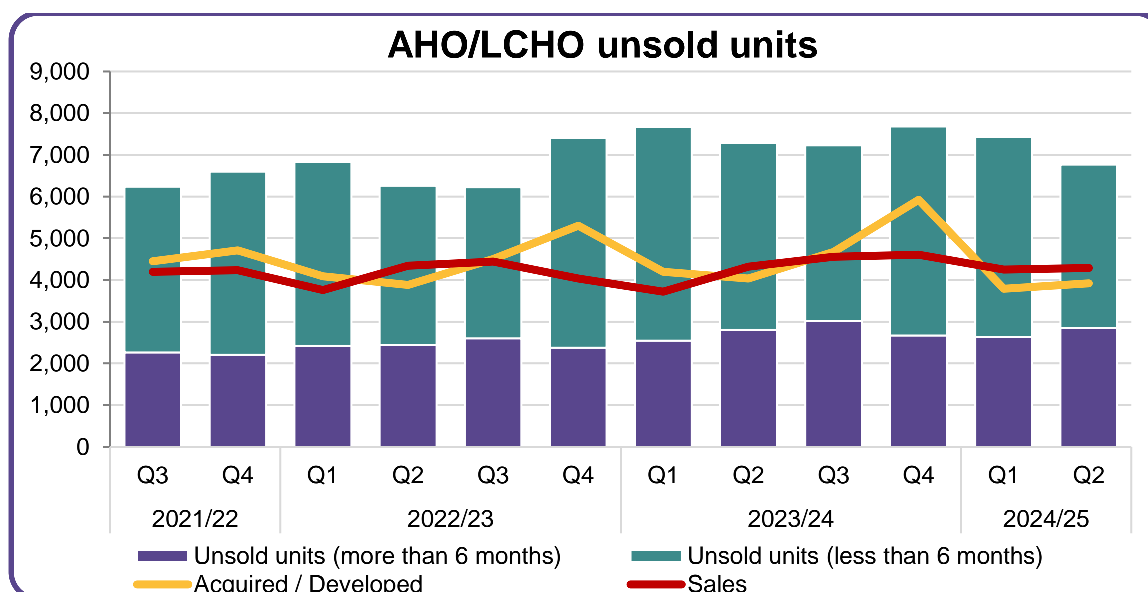
51. AHO completions have increased in comparison to the previous quarter, but at 3,917 units, completions remain below the average of 4,456 units per quarter achieved over the last three years. However, annual completions have increased year-on-year, with a total of 18,301 units completed in the last 12 months, compared to 18,036 units in the year to September 2023, and 17,129 units in the year to September 2022.

52. AHO sales were slightly above the three-year average of 4,230 per quarter. Six providers each reported sales of 100 AHO units or more in the quarter, together accounting for 30% of the sector total. A total of 17,702 AHO sales were recorded in the year to September, compared to 16,517 in the year to September 2023 and 16,538 in the year to September 2022.

53. As AHO sales were above the number of handovers in the quarter, the overall number of unsold units has reduced to 6,769 (June: 7,424). However, the number of units

unsold for over six months has increased by 8% to 2,854 units; the second highest level since the Covid pandemic. Seven providers each held over 100 units that were unsold for over six months, together accounting for almost half 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 7: AHO/LCHO units



54. Sales proceeds from 1st tranche AHO sales amounted to £499 million during the quarter (June: £507 million), with an overall surplus of £87 million being reported (June: £86 million). This resulted in an average margin of 17.5% (June: 17.0%), compared to an average margin of 19.1% over the last three years.

55. The pipeline of AHO completions expected in the next 18 months has reduced by 6% to 32,048 units (June: 33,949), of which 29,308 units are contractually committed (June: 29,567). Around 60% of the overall net reduction in pipeline units is attributable to one provider, where all uncommitted units have been removed from their business plan. This has reduced the pipeline of uncommitted units down to 2,740 (June: 4,382); the lowest amount recorded since data was first collected in 2015. Before this, the smallest uncommitted pipeline had been 3,399 units in September 2015.

Table 5: Market sale units

Market sale units	*Previous quarter*	*Current quarter*	*% change*
Completed	487	738	51.5%
Sold	472	658	39.4%
Unsold	1,590	1,592	0.1%

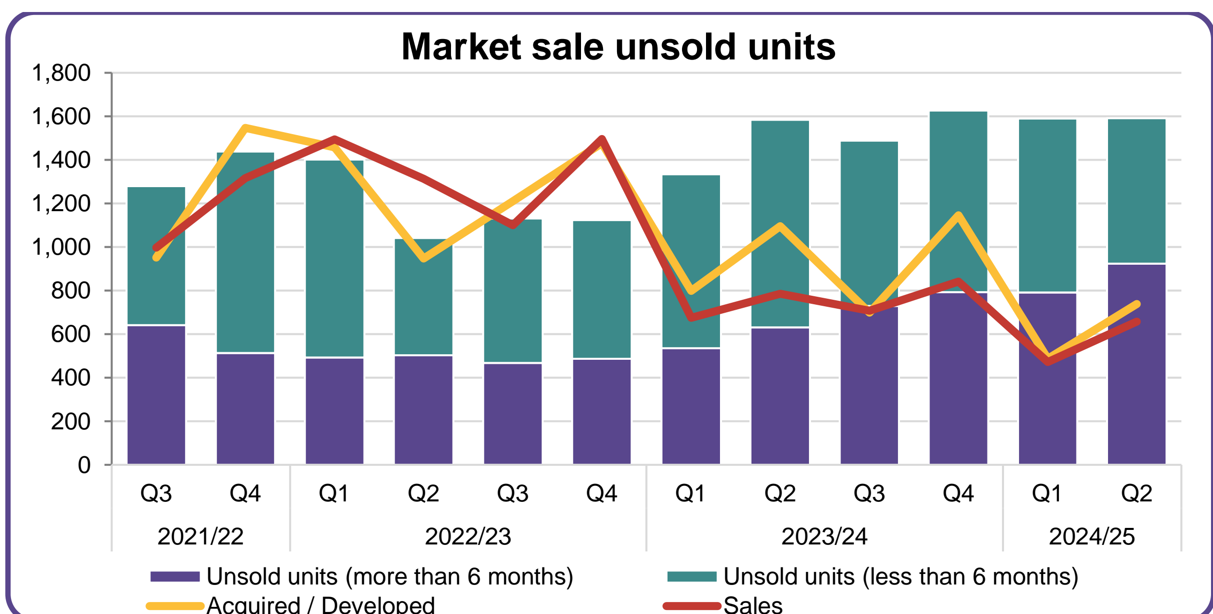
Unsold for more than 6 months	791	924	16.8%
18-month pipeline	5,747	6,118	6.5%

56. Following an exceptionally low level of handovers in the previous quarter, market sale completions have increased by 52% during the current quarter, however they remain substantially below the average of 1,046 units per quarter over the last three years. In contrast to AHO unit completions, the development of market sale units has steadily declined over recent years; a total of 3,069 units were completed in the year to September 2024, compared to 4,579 units in the year to September 2023, and 4,904 units in the year to September 2022.

57. Market sales have also recovered slightly following a record low level being recorded in the previous quarter, however the 658 sales are still substantially below the average of 988 sales per quarter achieved over the last three years. Market sale activity continues to be concentrated in a small number of providers, with fewer than a quarter of providers recording market sale handovers over the last 12 months. Ten providers each developed over 100 market sale units in this period, together accounting for two-thirds of the sector total.

58. The total number of unsold market sale units remained in line with the previous quarter, however, the number of units unsold for over six months increased to the highest level in almost four years. At the end of the quarter, three providers each held over 100 market sale units that had been unsold for over six months; together accounting for 60% of the sector total.

Figure 8: Market sale units



59. The pipeline of market sale completions expected over the next 18 months has increased for a second consecutive quarter and now stands at 6,118 units (June: 5,747), of which 5,786 units are contractually committed (June: 5,405). Although total pipeline figures remain at historically low levels, if achieved, this would represent an increase of 23% compared to actual completions recorded over the previous 18 months. In total, 49 providers have reported an active pipeline for market sale units, however over half of the sector total is reported by just five providers.

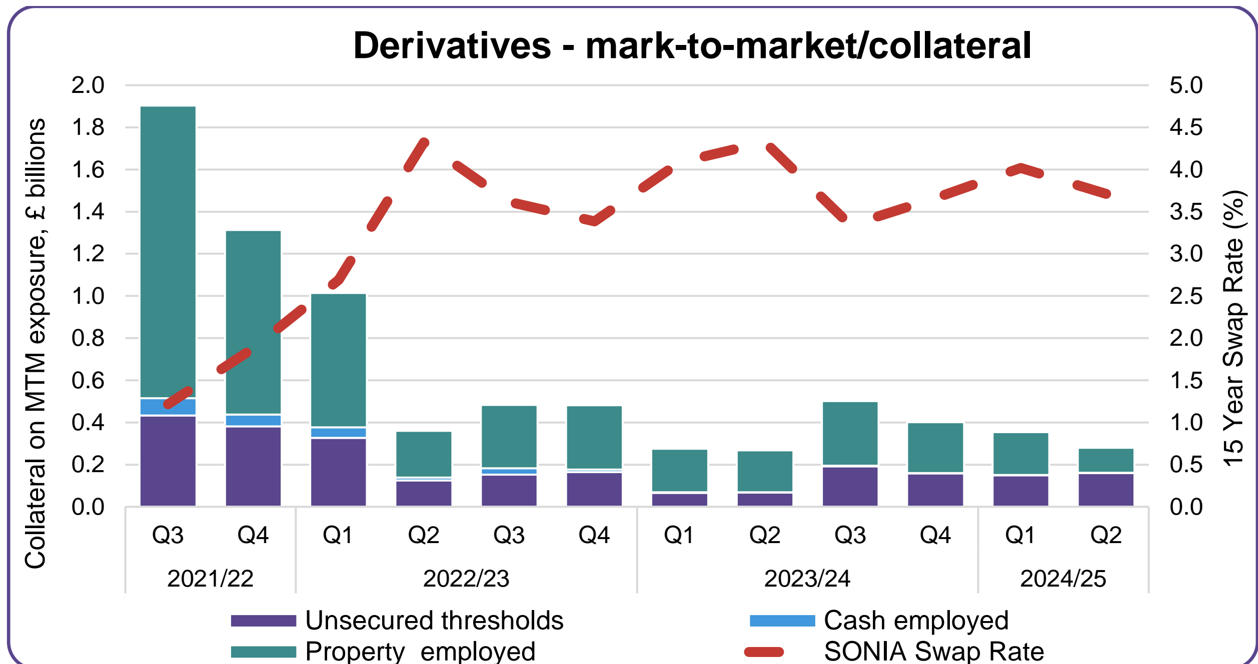
Derivatives

60. At the end of September 50 providers (June: 47) reported making use of free-standing derivatives. The notional value of standalone derivatives increased from £9.4 billion to £9.8 billion over the quarter, as three providers reported derivatives for the first time and a further four providers entered into additional agreements.

61. The 15-year swap rate reduced from 4.02% at the end of June to 3.71% at the end of September. This resulted in an overall increase in MTM exposure, which stood at £0.3 billion at the end of September (June: £0.2 billion). As the majority of derivative instruments utilised by the sector are floating-to-fixed interest rate swaps, MTM exposure will increase as swap rates fall.

62. Of the 50 providers that were making use of free-standing derivatives, 44 had collateral pledged that exceeded or equalled their level of gross exposure, and the remaining six 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 September (June: £2.2 billion).

Figure 9: Derivatives – Mark-to-market/collateral



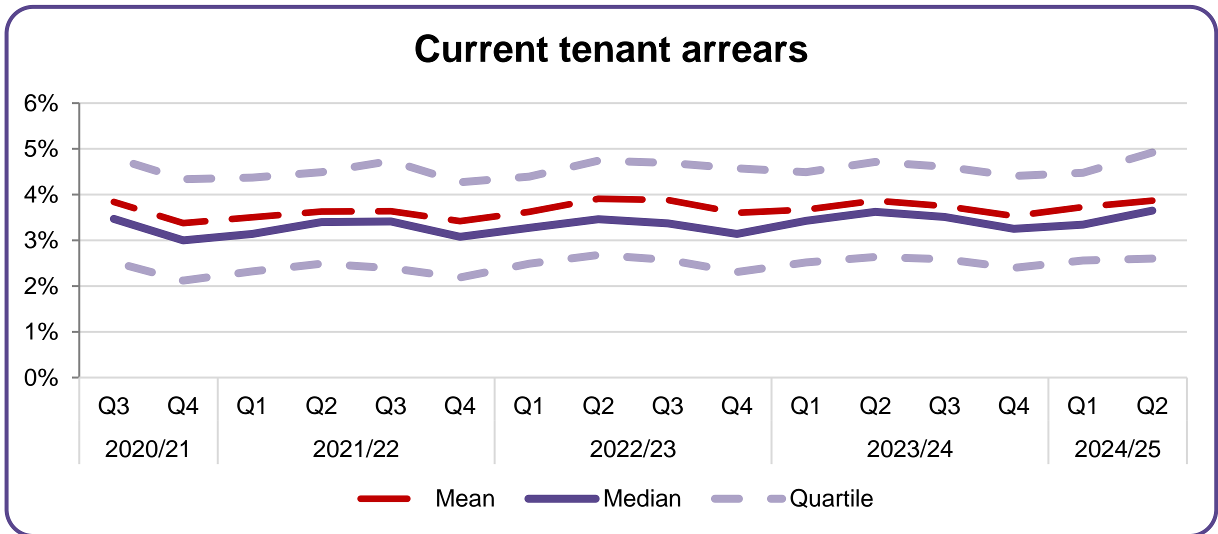
63. The above graph shows MTM exposure excluding excess collateral. Collateral pledged continues to be well above the sector's exposure levels, and at the end of September, the total headroom of collateral and unsecured thresholds available over MTM exposure was £2.0 billion (June: £2.0 billion).

64. With swap rates continuing to fluctuate, providers must ensure they have sufficient collateral available to cover potential increases in exposure and that they understand the sensitivity to changes in underlying rates.

Income collection

65. At the end of September, 66% of providers reported that their levels of arrears, rent collection and voids were all within, or outperforming, their business plan assumptions (June: 70%).

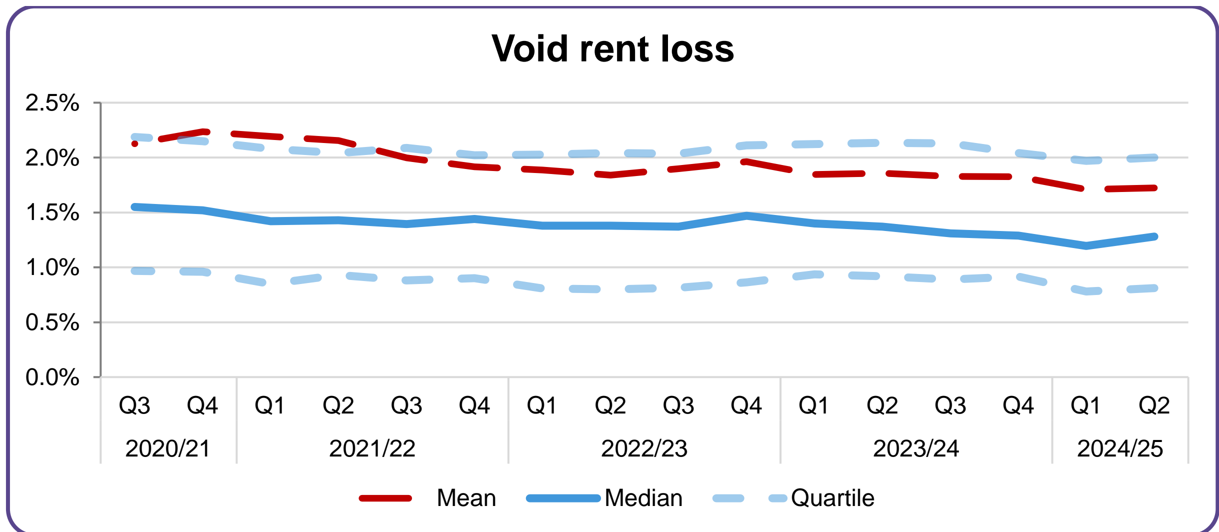
Figure 10: Current tenant arrears



66. Median current tenant arrears stood at 3.7% at the end of September, an increase on the previous quarter (June 3.3%). This is mainly due to the timing of Housing Benefit payment cycles, which is impacted by the extra week in September and follows the same trend seen in previous years. Some providers have also stated reasons such as the acquisition of additional properties with historically higher arrears, a change in reporting, and ongoing cost of living pressures which has increased their arrears in the quarter. The mean average increased to 3.9% (June 3.7%), in line with the 3.9% reported in September 2023.

67. Providers have reported separately the arrears relating to social housing and non-social housing, in addition to their overall arrears percentage. Mean average social housing arrears were reported as 3.8%, broadly in line with the overall sector average. For providers reporting non-social housing arrears, such as those relating to student accommodation and market rent tenures, the average stands at 6.4%. Non-social housing arrears can also include leaseholder charges, which are often applied as an annual charge and then paid monthly over the course of the year.

Figure 11: Void losses

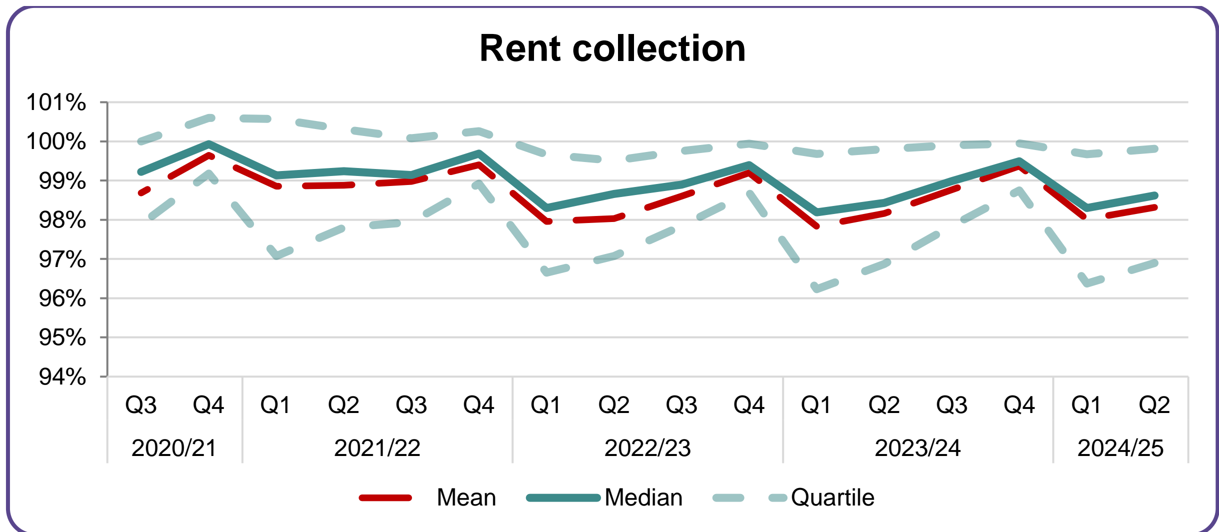


68. Median void losses slightly increased to 1.3% at the end of September (June: 1.2%), with the mean standing at 1.7% (June: 1.7%). Void performance have now reduced to levels seen pre-pandemic, which for the 2019/20 financial year equated to a median of 1.1% and mean of 1.6%.

69. 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 nine providers reported void losses in excess of 5% (June: 10), and of these, eight hold over 50% of their stock within these specialist categories.

70. Although overall performance has improved in comparison to recent quarters, around 20% of providers have reported being outside of their business plan assumptions for void rent losses. Reported factors include staffing pressure in support organisations having an impact on relet times, high level of properties requiring major repairs works; including building safety and damp and mould issues, whilst other properties are assessed for possible disposal.

Figure 12: Rent collection



71. Rent collection rates have increased since the end of June, in line with seasonal trends, and are slightly above the figures reported in the same period of the previous year. Mean average rent collection rates stood at 98.3%, compared to 98.0% at the end of June and 98.2% in September 2023. The median rent collection rate stood at 98.6% (June 2024: 98.3%, September 2023: 98.4%).

72. The number of providers reporting rent collection rates of less than 95% stood at 19 at the end of September (June 2024: 28, September 2023: 24). Income collection rates typically increase over the course of a financial year as Housing Benefit and Universal Credit receipts fall in line with rent charges, and for some providers, as rent-free weeks are applied.

© RSH copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/rsh

Any enquiries regarding this publication should be sent to us via enquiries@rsh.gov.uk

or call 0300 124 5225.

or write to:

Regulator of Social Housing
Level 2
7-8 Wellington Place
Leeds LS1 4AP

RSH promotes a viable, efficient and well-governed social housing sector able to deliver more and better social homes. It does this by setting standards and carrying out robust regulation focusing on driving improvement in social landlords.