

# Sector scorecard



analysis report 2019

NATIONAL  
HOUSING  
FEDERATION

HouseMark 



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# Foreword

## Clare Miller

### Chair of the Sector Scorecard Advisory Group, and Group Chief Executive, Clarion Housing Group

We are pleased that housing associations have yet again shown their commitment to transparency, value for money and efficiency through voluntarily taking part in the Sector Scorecard. The high level of participation from the sector shows a willingness to constantly improve and drive greater efficiency.

This year's results show that despite a challenging housing market and ongoing uncertainty, housing associations' financial and operational performance remains solid. The sector is committed to delivering excellent services, investing in the safety and quality of existing homes and communities, and building the new social housing the country needs.

## Kate Henderson

### Chief Executive, National Housing Federation

I am delighted that the National Housing Federation is again supporting the Sector Scorecard, which is now in its third year and becoming an established marker of the sector's commitment to transparency and improvement.

As Chief Executive of the National Housing Federation, it is clear to me that our members take value for money and efficiency very seriously in delivering on their social purpose. The Sector Scorecard is another excellent example of housing associations taking the lead and demonstrating their commitment to exceptional standards.

## Laurice Ponting

### Chief Executive, Housemark

Now in its third year, I'm pleased to see that participation in the Sector Scorecard remains high. The continued level of engagement from the sector shows a commitment to transparency, accountability and continuous improvement. It is important that our sector tells its own story of the positive impact it makes in communities around the country, including during periods of political uncertainty such as we are currently experiencing.

Being able to use data and integrate it into the DNA of an organisation to evidence impact, understand costs, target scarce resources and improve services is becoming increasingly important. The Sector Scorecard allows housing providers to compare their performance at the highest level.

HouseMark is pleased to support the publication of the Sector Scorecard to help demonstrate to residents, regulatory bodies and other stakeholders, the performance and efficiencies being achieved by the housing sector.

As the year-on-year data collected in the Sector Scorecard increases, the richness and depth of the data, alongside more trend information, will help to demonstrate the value of the housing sector across the UK.

I hope to see an increase in participation in 2020 to support evidence-based decision-making and to help the sector confidently articulate evidence of high performance and efficiency to all stakeholders.

# Executive summary

## Key messages

The Sector Scorecard is an initiative to benchmark housing associations' performance and assess value for money. It demonstrates the sector's accountability to its tenants and stakeholders, with measurements ranging from financial gearing ratios to customer satisfaction.

### The Sector Scorecard 2019 is the only publicly available dataset that:

- includes 304 housing association participants
- is based across all of the United Kingdom
- includes data from small landlords under £500k turnover to large landlords with over £800m
- represents two million homes in total

Despite an extremely uncertain environment and pressure on rents and costs, housing associations' financial and operational performance remains robust. The sector is responding to the call from the Government to invest in building new homes, delivering one quarter of all the houses built in England last year. They are committed to being responsible landlords and protecting the safety of residents, which has led to greater investment in fire safety measures and other risk mitigation techniques.

## Business health

Housing associations remain robust, secure organisations, with a median operating margin of 25.5% in 2018/19. This represents a two percentage point fall since the previous year, reflecting increased health and safety compliance costs, a slowdown in market sales, and the impact of the ongoing rent reduction on income in England.

## Development

Social housing development by the sector has continued at a steady pace in 2019. On average, developing housing associations delivered 16 new homes for every 1,000 homes they own. Development of homes for sale and rent on the open market remains part of the business plan for a significant minority of housing associations.

## Outcomes delivered

Housing associations achieve high rates of satisfaction with their services. Typically, between eight and nine tenants out of ten are satisfied with the service provided by their housing association landlord, and for a third of housing associations the figure is higher than 90%.

## Effective asset management

Housing associations are making effective use of their homes and investing in them. 99.5% of housing associations homes are occupied, and for every pound spent on planned maintenance, 65p is spent on responsive repairs.

## Operating efficiencies

Housing associations spend £3,725 each year managing and maintaining each social housing property, which represents a 3% real terms increase in headline social housing cost per unit compared to the previous year. This reflects increasing investment in existing homes.

## Overall

As a whole, no organisation or group of organisations consistently achieved upper quartile performance in all areas of the Scorecard, illustrating the diversity of the measures and of participants. Most recorded between one and three results in the top quartile, with the best achieving eight or nine results at this level.



# National medians

The chart below outlines the national median for each Sector Scorecard measure with commentary summarising 2019's results.

Theme	Measure	Median	Commentary
Business health	Operating margin (overall)	25.5%	Median operating margins remain strong, despite having fallen two percentage points since last year. This is consistent with the impact of higher management and maintenance costs from higher investment in existing homes. This is a result of the ongoing prioritisation of building safety, and the continuing rent reduction for homes in England. Organisations with bigger development programmes, higher gearing and greater reinvestment tend to have higher operating margins. Housing associations with large supported housing portfolios tend to have smaller operating margins.
	Operating margin (social housing lettings)	27.2%	Median social housing lettings operating margins have also fallen two percentage points since 2018, driving the fall in overall operating margins as explained above.
	EBITDA MRI (as % interest)	197.9%	The sector retains strong interest cover reflecting its financial stability, although the median fell by almost 20 percentage points since last year. This is, in part, due to reduced earnings reflecting wider housing market conditions. Participants with fewer than 1,000 units tend to have outlying figures for this measure, as do specialist supported housing providers. This is due to lower borrowing commitments and/or comparatively large capital works programmes.
Development – capacity and supply	New supply % (social)	1.00%	Development rates for new social housing are similar to previous years and show the sector is increasing output at a steady pace. Looking solely at developing housing associations, the median is 1.6%
	New supply % (non-social)	0.00%	Delivery of non-social housing has remained static; this reflects the low number of housing associations who are developing these tenures. Looking solely at developing housing associations, the median is 0.3%
	Gearing	33.8%	The median gearing ratio has remained stable since 2018. Borrowing is driven by development commitments, so developing housing associations tend to have higher gearing ratios than those who are not adding to new supply.
Outcomes delivered	Customer satisfaction GN & OP	87.5%	Satisfaction has remained stable since 2018 with a third of housing associations achieving satisfaction rates of 90% or more. Smaller organisations tend to report better satisfaction rates than larger organisations. Scottish associations record slightly higher rates of customer satisfaction when compared to England. However this gap is closing and is now two percentage points. Tenants of London-based associations remain less satisfied than other English tenants with a median satisfaction rate eight percentage points lower than landlords based in southern England.

Theme	Measure	Median	
Outcomes delivered cont.	Reinvestment %	5.4%	Median reinvestment rates have reduced slightly since the measure was introduced in 2018. Larger housing associations tend to record higher reinvestment rates, though this drops off a little for the very largest organisations. The median for those who don't have a development programme is 2.3%
	Investment in communities	N/A	This measure is collected as an absolute figure, so a median result is not appropriate. In total, 206 participants recorded £88.8m invested in communities, an average of £61 per property managed.
Effective asset management	Return on capital employed (ROCE)	3.2%	The median Return on Capital Employed rate has reduced by 0.5 percentage points since 2018, which corresponds with lower surpluses and operating margin figures.
	Occupancy	99.5%	Occupancy rates have remained stable since 2018 – with around 995 out of every 1,000 properties being occupied. Landlords in Northern Ireland recorded the lowest UK occupancy rates – with a median figure of 98.8%. Landlords with a large stock of supported housing also recorded lower occupancy rates – with a median of around 99.0%
	Ratio of responsive repair to planned maintenance	0.65	The median for the scorecard's repairs ratio measure has risen slightly since 2018 – indicating slightly higher expenditure on responsive repairs compared to planned works.
Operating efficiencies	Headline social housing cost per unit	£3,725	Median headline social housing costs per unit have risen in nominal terms by £174 since 2018 – with increases across each of the main components – management, maintenance, service charges and planned works. In real terms, this represents an overall increase of 3%, with 55% of housing associations recording above-inflation cost rises for this measure. London-based landlords continue to record the highest costs per unit in the UK – around £1,200 higher than the median – reflecting the higher costs of service provision in the capital.
	Rent collected	99.8%	Median rent collection rates have dropped a little since 2018. This could be the result of more tenants moving to Universal Credit, leading to increased arrears and some difficulties collecting rent when tenants move onto the new benefit system.
	Overheads as % of adjusted turnover	12.8%	Overheads figures have remained stable from 2018. Around an eighth of landlords' turnover is spent on overheads such as IT, finance, office premises and corporate services.

# Introduction

## What is the housing association sector?

Housing associations provide homes to rent and buy at affordable rates, cater for specialist needs and develop new homes. Housing associations generate income which doesn't go to shareholders, reinvesting their surpluses in homes and communities.

### Context

Most housing association business is centred on supplying accommodation to a regulated market. While there is a range of rent levels, the rent charged and increases (or decreases) are determined by regulation. Allocation of properties to tenants and owners is regulated in many circumstances and based on the applicant's level of housing need. Providing accommodation in this market means that housing associations face a unique set of issues, stemming from their position as socially-minded independent enterprises.

The Sector Scorecard continues to show the sector's commitment to transparency and accountability across a wide range of financial and operational metrics, and to using comparative information to support delivery.

### About the Sector Scorecard

The Sector Scorecard is an initiative to benchmark housing associations' performance and assess value for money. It demonstrates the sector's accountability to its tenants and stakeholders, with measurements ranging from financial gearing ratios to customer satisfaction.

The initiative started with a well-received pilot exercise and analysis report in 2017, which proved the worth of comparing measures at a high level – for housing associations of all sizes, across the UK. Some of these measures were subsequently adopted by the English Regulator of Social Housing through its Value for Money Standard. In 2018, the Sector Scorecard harmonised metric definitions with those used by the English Regulator to ensure consistency, while retaining the additional performance, impact and satisfaction measures that are essential to telling the sector's story in a holistic and balanced way. This suite of metrics has continued into 2019.

This year's scorecard exercise has continued to garner broad support across the sector with increased participation in Northern Ireland and backing from key sector representatives as well as continued support from the National Housing Federation.

### Implementation

Since the 2017 pilot exercise, the Sector Scorecard Advisory Group has used Acuity and HouseMark to collate Sector Scorecard data and provide reporting facilities. Acuity collects Sector Scorecard data from smaller associations managing up to around 1,000 properties, mainly in England. HouseMark collects data from larger providers managing over 1,000 properties as well as associations based in Scotland, Wales and Northern Ireland<sup>1</sup>.

The data for this report was extracted in October 2019. In total, 304 housing associations took part in the exercise. Participants are based across the UK, from the Channel Islands to the north of Scotland and from East Anglia to Northern Ireland. Together, these organisations manage approximately two million properties, around two thirds of UK housing association stock.

Where available, the location is based on the majority of an organisation's stock. Where the majority of stock is located in more than one English region, they are recorded as 'Mixed'.

Sector Scorecard participants are a broad range of sizes, from small associations managing fewer than 100 properties to large providers with tens of thousands of homes. The financial turnover of these businesses ranges from under £500,000 a year to over £800m. Most properties managed by Sector Scorecard participants are 'general needs' and not designated for specific client groups or investment programmes. However, there are several organisations with considerable proportions of 'supported housing'.

The number of participating housing associations has fallen slightly since 2018. There are 56 associations that took part in 2018 and not in 2019. This is offset by 31 new associations taking part, resulting in a net decrease in participation of 25 organisations.

1. Where organisations submitted data to both HouseMark and Acuity, the duplicate dataset has been removed from the analysis.



Around 1 in 5 of the 2019 non-participants were part of a group or a merged association that did submit data. In addition to this, there were a handful of organisations who submitted data after the deadline. The remaining non-participants were large and small landlords spread out across the UK mainland with no notable patterns to link them. It is likely that, as the Sector Scorecard matures, participation will churn each year.

In contrast to the overall decrease in participation, 12 associations in the Sector Scorecard 2019 are based in Northern Ireland. This has more than doubled from the five that took part in 2018 following positive endorsement of the exercise from several housing association stakeholders. The increase in participation means that HouseMark is producing a summary report outlining key messages for the housing association sector in Northern Ireland.

### This table shows the number of participants by location and size band

Location and size band <sup>2</sup>	Fewer than 1,000 units	1,000 - 5,000 units	5,000 - 10,000 units	10,000+ units	Total
South East	19	7	10	5	41
South West	11	6	2	4	23
London	31	13	9	7	60
Eastern	3	4	7	4	18
West Midlands	6	8	6	5	25
East Midlands	1	1	3	3	8
Yorkshire and Humber	5	10		4	19
North West	7	9	11	15	42
North East		4	1	5	10
Mixed		1		5	6
Scotland	8	21	4	1	34
Northern Ireland	5	4	1	2	12
Wales		3	1	1	5
Channel Islands	1				1
<b>Total</b>	<b>97</b>	<b>91</b>	<b>55</b>	<b>61</b>	<b>304</b>

2. English organisations submitting 2018 Global Accounts for a comparable entity.

## Method of analysis

The analysis in this report considers the spread of results recorded for each measure, the relationship between measures and the comparative results entered by each association across the Sector Scorecard. Definitions of each measure are available in Appendix 1.

This report uses quartiles to provide an idea of how the results entered by associations spread out across all participants. The median, or mid-point in the results helps to set a benchmark for what is 'average' for associations. This is preferable to the mean average as it is not skewed by extremely high or low results. The first and third quartiles show where the results are low or high for the group. Each measure has an explanation about whether high is good, low is good or whether the measure is neutral.

The report compares 2019 results to 2018 where appropriate. All comparisons are based on a balanced panel of organisations that submitted data consistently for both years.

Correlation analysis is used throughout this report to analyse the relationship between two measures. While it doesn't show causality, it does help to investigate whether patterns that show in aggregated groups (e.g. smaller associations) are evident across the dataset.

As a whole, no organisation performed consistently well in every area of the scorecard. Around 8% of participants had six or seven of their results in the best quartile<sup>3</sup> across the 13 measures (excluding two neutral polarity measures). A further 2% of participants achieved more than seven results in the top quartile, with one participant achieving nine. The proportion of consistent top performers has increased slightly since 2018 when no organisation achieved more than seven results in the best quartile. However, for the majority of participants, between one and three of their results were in the best quartile. Only 1 in 10 had no results in the top quartile.

More information on analysis methods is available in Appendix 2.

3. This analysis looked at how many associations achieved best quartile results where a polarity could be applied.

# Business health

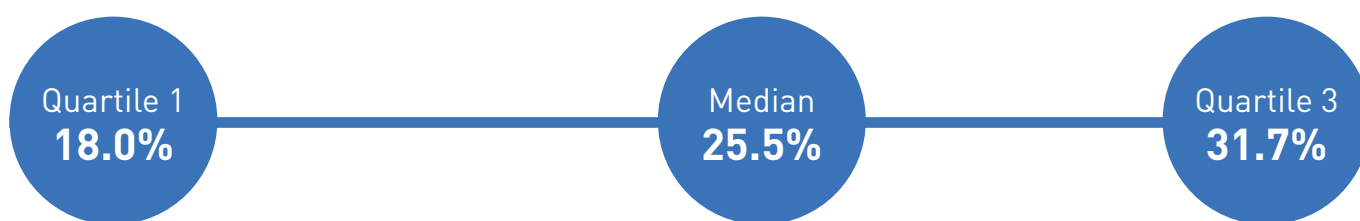
Business health measures demonstrate how associations are meeting the challenge of running successful businesses while fulfilling their social mission. All three measures in this section use the same definition as the English regulator's VFM metrics.

## Operating margin (overall)

For the housing association sector, operating margin measures the amount of surplus generated from turnover on a provider's day-to-day activities. It is therefore a key measure of operational efficiency as it is influenced by both income and expenditure. As not-for-profit organisations, surpluses are reinvested in delivering the association's mission.

There are various factors that can affect housing associations' operating margins, including the rent charged to tenants (lower rents mean lower margins) as well as expenditure on maintaining properties (higher costs mean lower margins).

This chart outlines the operating margin (overall) quartile points for the 297 Sector Scorecard participants who submitted data for this measure. Generally, a higher operating margin is regarded as better.



Housing associations remain financially stable enterprises – with many associations recording margins between 20% and 30% of turnover. All but three participants recorded operating surpluses, with deficits relating to expenditure such as planned investments or pension contributions.

The patterns in operating margin (overall) results by location have largely continued into 2019. Organisations based in the English South, East and Midlands regions tended to report higher operating margins. These figures correspond with comparatively high rents and reasonably low operating costs per unit resulting in larger operating surpluses.

Housing associations based in Northern Ireland recorded operating margins similar to the national median, while organisations in Scotland recorded comparatively low operating margins. This indicates that housing associations in Northern Ireland are recording higher operating margins – with operating costs similar to UK-wide figures and average rents that are similar to Scotland, but low compared to England.

One factor previously identified as influencing operating margins<sup>4</sup> is the proportion of supported housing in an association's stock. This continues to show in Sector Scorecard 2019 results. The median operating margin (overall) for participants managing the highest proportions of supported housing<sup>5</sup> was 11%, while providers with smaller proportions or no supported housing recorded median results similar to the national figure.

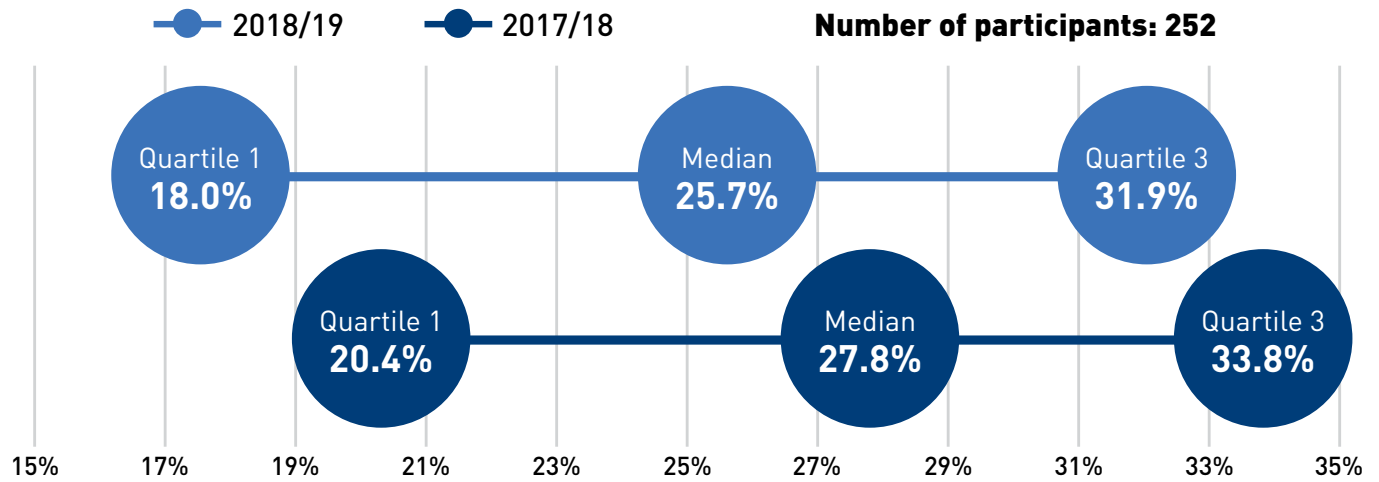
There also appears to be some relationship between other VFM metrics and operating margin (overall). Higher operating margins show a tendency to be associated with one or more of: higher gearing, larger development programmes and lower costs.

4. <https://www.gov.uk/government/publications/value-for-money-summary-and-technical-reports>

5. The top decile with more than around 12% of stock classified as supported.

## Comparison to 2017 results – operating margin (overall)

The chart below outlines the change in quartile position between the two years.

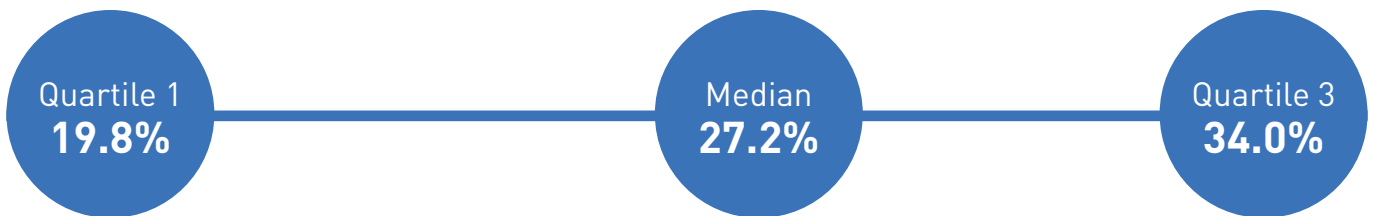


While housing associations continue to record surpluses, many providers have recorded lower operating margins in 2019 compared to 2018 – reflecting items such as increased health and safety compliance costs and a slowdown in market sales as well as the impact of the ongoing rent reduction on income in England. Across the sector, operating margins decreased by around two percentage points over the last 12 months at each quartile point.

## Operating margin (social housing lettings)

This measure looks at the operating margin for the part of the business that manages social housing.

The chart below outlines the quartile positions for the 295 organisations that submitted data for this measure. Generally, a higher operating margin is regarded as better.



The chart shows that median operating margins for social housing lettings are around 27%. There is a strong correlation<sup>6</sup> between the operating margin (social housing lettings) and operating margin (overall), which demonstrates that social housing lettings form the bulk of housing associations' businesses.

Patterns in social housing lettings operating margins tend to mirror those of overall operating margins, though social housing lettings margins are almost invariably two or three percentage points higher than the overall figure.

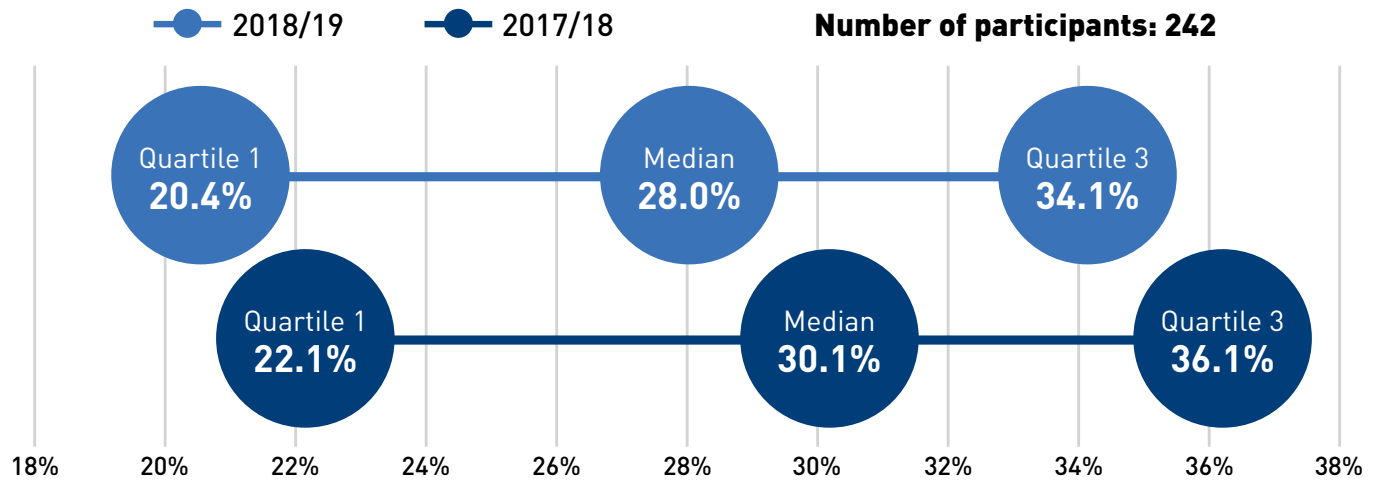
There is a moderate negative correlation<sup>7</sup> between participants' operating margin (social housing lettings) results and headline social housing cost per unit – which suggests that expenditure is a notable driver of performance in this measure.

6. A Pearson correlation coefficient score of 0.9

7. A Pearson correlation coefficient score of -0.5

## Comparison to 2018 results – operating margin (social housing lettings)

The chart below outlines the change in quartile position between the two years.

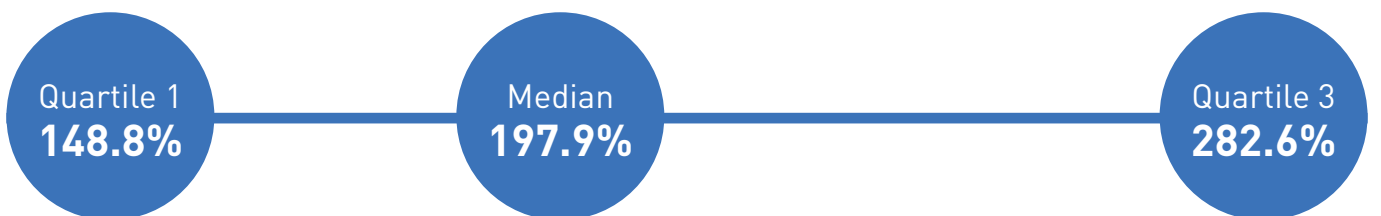


The reduction in operating margins between 2018 and 2019 are almost identical to those reported for overall operating margins – falling by around two percentage points at each quartile.

## EBITDA MRI (as % interest)

EBITDA is an acronym for Earnings before Interest, Tax, Depreciation and Amortisation. MRI means Major Repairs Included. It measures a company’s financial performance before factoring in financing decisions, accounting decisions or tax environments. EBITDA MRI is an approximation of cash generated; presenting it as a percentage of interest shows the level of headroom on meeting interest payments for outstanding debt.

The chart below shows the quartile points for the 296 organisations that submitted Sector Scorecard data for this measure. While it is important for earnings to cover interest payments, a high interest cover ratio could mean there is additional capacity for investment. As a result, this measure has neutral polarity.



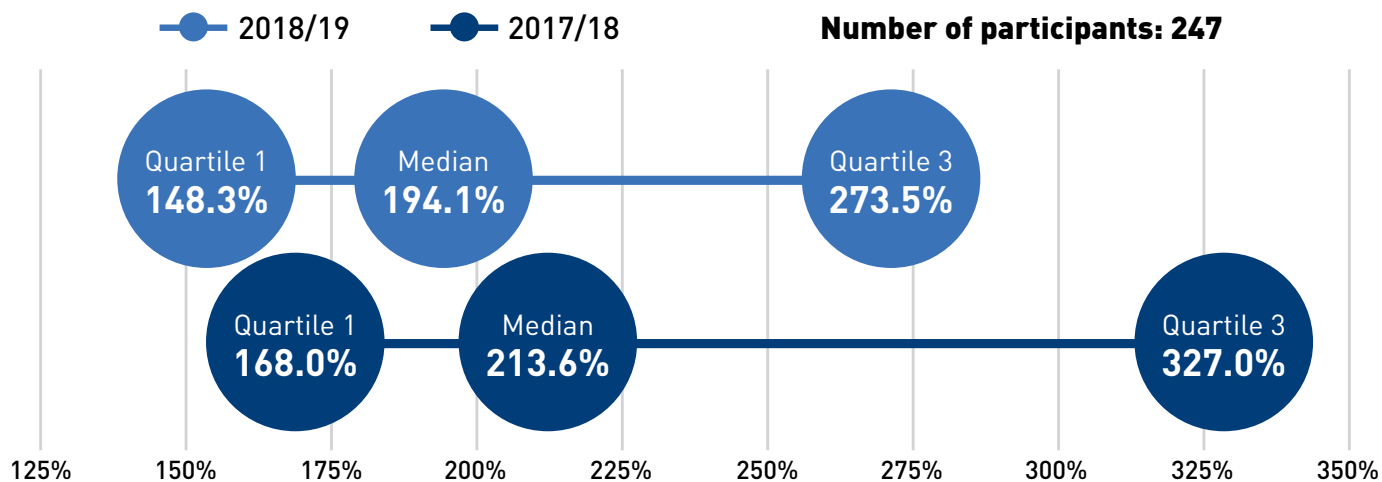
At the median point, housing associations’ earnings are just less than double their interest payments. There are few patterns to note for EBITDA MRI (as % interest), with no considerable differences at the median point relating to location, size band or type of housing association. There is a weak correlation<sup>8</sup> between the EBITDA (MRI) figure and the new supply delivered % measures, which points towards associations borrowing to develop properties, but there is no linear relationship.

There are outliers at the lower and upper end of the spectrum, with figures ranging from -4,684% to 14,915% where smaller associations have low borrowing requirements and/or large capitalised expenditure in the year. These figures demonstrate that this metric only provides meaningful information for associations who borrow to invest and cover interest payments with their operating surplus.

8. Pearson correlation coefficient of 0.3

## Comparison to 2018 results – EBITDA MRI (as % interest)

The chart below outlines the change in quartile position between the two years for a balanced panel of organisations submitting consistent data for both years.



In general, housing associations' earnings covered less of their interest payments in 2019 than in 2018, which is consistent with lower operating margins. Two-thirds of participants recorded a reduction in the last 12 months.



# Development (capacity & supply)

With the country relying on housing associations to deliver a large proportion of new homes, and the vast majority of affordable homes, it is important that an exercise such as the Sector Scorecard captures performance in this area.

The new supply delivered % and gearing measures in this section use the same definition as the English regulator’s VFM metrics. The new supply absolute measure uses the same definition as the numerator for the new supply % calculations.

## New supply delivered: absolute (social and non-social)

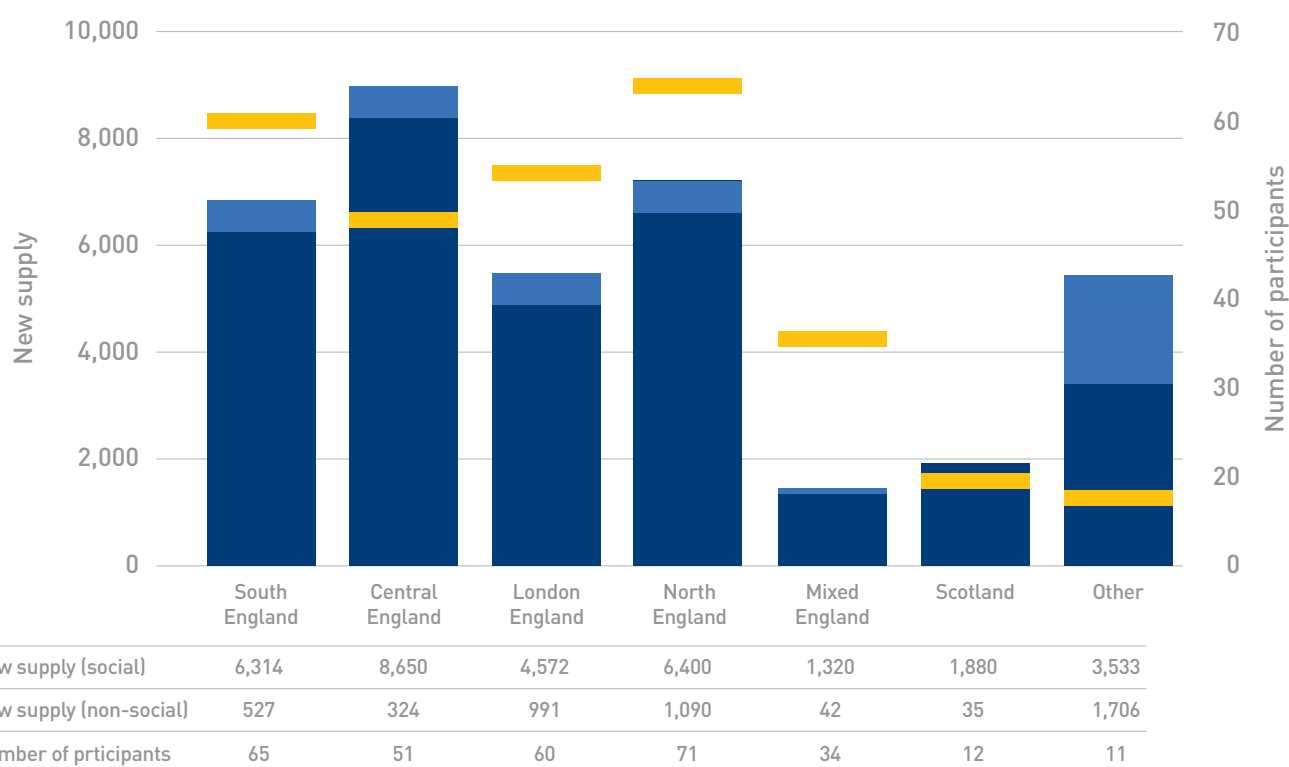
In total, Sector Scorecard participants completed 37,384 new units in the year to 31 March 2019. By country:

- English participants completed 34,006; around 20% of all new dwellings in England<sup>9</sup>.
- Scottish Sector Scorecard participants completed 1,362 units; about 6% of the total in Scotland<sup>10</sup>.
- Sector Scorecard participants from Northern Ireland completed 1,915 units; about 25% of the total for new completions in the country<sup>11</sup>.

Out of 282 organisations submitting data for this measure, 79% completed at least one new unit in the period.

The largest number of units developed (of any tenure) by a participant was 1,876. Six participants completed over 1,000 units in the period. All six associations were large organisations with over 15,000 existing properties. The largest number of units built by a small association with fewer than 1,000 units was 71.

The chart below outlines how many properties were built by the location of participants<sup>12</sup>.



9. 169,770 completions House building; new build dwellings, England: MHCLG July 2019

10. 21,292 completions Housing Statistics for Scotland - All sector new build: Scottish Government Sep 2019

11. 7,809 completions New dwelling statistics report: NI Department of Finance August 2019

12. See contextual information for definition of location. 'Other' includes Wales, Northern Ireland and Channel Islands. The chart excludes participants recording zero new supply for social and non-social units.

## Comparison to 2018 results – new supply delivered: absolute (social and non-social)

The table below outlines the change in new supply by organisation stock size band between the two years. The figures are based on a balanced panel of 235 associations submitting consistent data for both years.

<b>New supply delivered: absolute (social and non-social)</b>	<b>2018</b>	<b>2019</b>
10,000+	20,031	21,920
5,000 - 10,000	5,769	5,462
1,000 - 5,000	3,426	4,300
Under 1,000	479	276
<b>All</b>	<b>29,705</b>	<b>31,958</b>

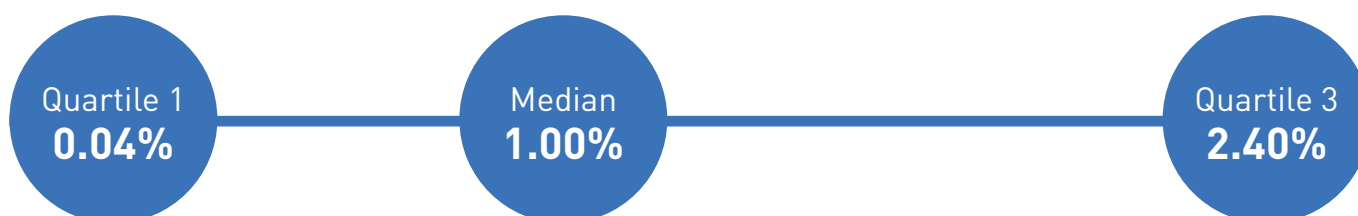
Altogether, Sector Scorecard participants developed 8% more properties in 2019 than in 2018. While the biggest 25 housing associations built 1,890 of the 2,253 net increase for this group, smaller landlords with stock in the 1,000 to 5,000 unit size bracket increased their net new supply by 25% year-on-year. This shows that smaller landlords are making an active contribution to development figures.

Fewer than half the group (44%) recorded increases in development between the two years, with 39% recording a decrease. These results suggest that the reality is more nuanced than the headline figures and indicate natural or planned fluctuations in development programmes, which are likely to span more than single years.

## New supply delivered % (social housing units)

This comparable measure allows associations to assess the size of their development programme in relation to the amount of stock they already own. This makes it possible to compare large landlords delivering volume to smaller landlords concentrating on a particular type of provision or geographical area. These measures follow the definition set out by the English regulator's VFM metric.

The chart below outlines the quartile positions for the new supply delivered % (social housing units) measure. In total, 285 associations submitted data for this measure; of these 214 recorded a figure above zero. While larger development programmes might be seen as better, this has to be set in the context of appropriate risk management and the ongoing financial viability of the organisation.



The figures show that at the median, housing associations are developing new social housing equating to 1% of their stock in a year – this figure is lowered by the number of organisations recording zero. The median for landlords developing social housing (i.e. with a rate greater than zero) is 1.60%.

By location, there is a mix of results across the UK. Landlords based in England recorded a median result identical to the UK figure, those based in Scotland recorded much lower rates of development with a median of 0.36%, while landlords in Northern Ireland recorded much higher rates of development – with a median figure of 4.95%.

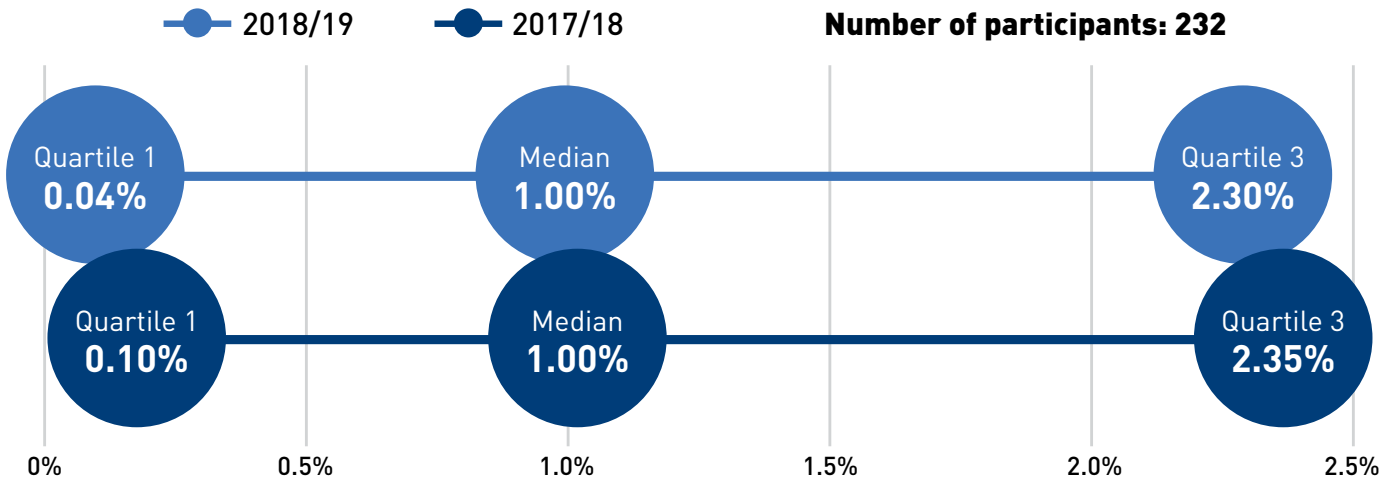
Within England, landlords based in East Anglia, the Midlands and Yorkshire all recorded figures higher than the national median, while landlords based in the North East and North West recorded median rates of social housing new supply between 0.5% and 1% of stock owned.

These results suggest that conditions set across the UK in terms of government grant funding as well as factors such as demand have a direct influence on development rates.

Of the 71 landlords recording zero for this measure, 67 had stock under 5,000 units. While only one of these landlords was based in Northern Ireland, the remainder are based throughout the UK, with no notable pattern. This suggests that the size and scope of an association is another key factor to explain why landlords are not developing.

## Comparison to 2018 results – new supply delivered % (social housing units)

The chart below outlines the change in quartile position between the two years for a balanced panel of organisations submitting consistent data for both years.



While the median point has remained steady across the two years of data, the results for Quartile 1 and Quartile 3 have both reduced, which means that landlords with very large and very small social housing development programmes both tended to record reductions in new supply. This corresponds with the absolute figures – where similar numbers of landlords recorded increases and decreases in units developed across the two years, with a stable group recording zeros in both years.

## New supply delivered % (non-social housing units)

This VFM metric captures non-social new supply as a percentage of all units owned by the association (social and non-social). It demonstrates how housing associations are developing non-social dwellings including outright sale, market rent and non-social leasehold units.

Developing non-social new supply is often part of a model that uses additional surplus generated by these tenure types to cross subsidise the delivery of new social homes.

The quartile positions for the new supply delivered % (non-social housing units) measure are all zero because less than one quarter recorded any non-social completions in the year. The quartile positions for this measure highlight the fact that majority of housing associations have not moved into developing non-social tenures.

In total, 269 associations submitted data for this measure; of these 56 (20.8%) recorded a figure above zero. Half of these landlords are in the large 10,000+ units size band, with the remainder spread out between the smaller size bands – including 14 associations with fewer than 5,000 properties.

While the cross-subsidy model may appear to be based on market conditions in London and the South East, associations with non-social development programmes are based across England – though comparatively few are based in Scotland and Northern Ireland.

## Comparison to 2018 results – new supply delivered % (non-social housing units)

The table below outlines how many landlords recorded changes in their non-social new supply delivered over two years. It is based on a balanced panel of organisations submitting consistent data for both years.

New supply delivered % (non-social housing units)	Number recording between 2018 and 2019
Increased non-social development	32
Reduced non-social development	32
Remained the same	144
Number of participants	208

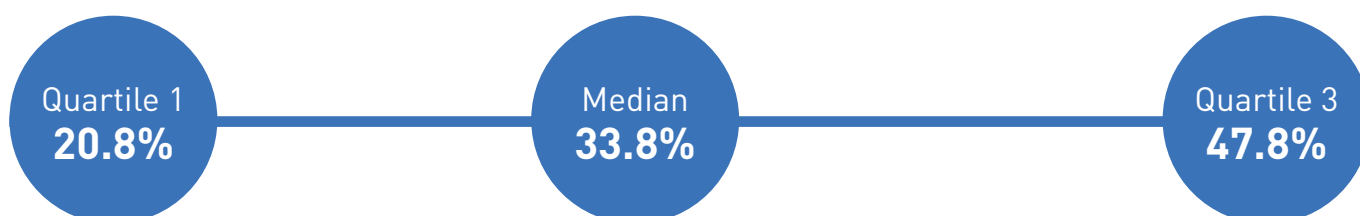
The number of Sector Scorecard participants increasing their non-social new supply in 2019 is identical to the number reducing non-social new supply, while the vast majority of participants did not develop non-social new supply in either year. This suggests that there is no general movement towards or away from the cross-subsidy model and non-social development.

## Gearing

Gearing measures the ratio of debt to assets using a concept that is similar to mortgage lenders' loan to value ratio. If the result is low, this could indicate that an association has capacity to leverage its existing assets to provide funds for development or new services (although there might be other constraints on an association's ability to do so). However, a high ratio could indicate that an association has taken on too much borrowing, which could put its assets at risk. Gearing can also be affected by funders' lending covenants, which may set conditions in relation to borrowing levels.

There are several ways to measure gearing, so the Sector Scorecard has adopted the English regulator's VFM metric, which measures the proportion of borrowing (offset by cash and cash equivalents) in relation to the size of the association's asset base.

The chart below shows the quartile points for the 295 organisations that submitted Sector Scorecard data for this measure. While a gearing ratio slightly above the median may demonstrate willingness to leverage assets to fund development, this measure has no real polarity.



At the median point Sector Scorecard participants have borrowed against one-third of their asset base. The majority of landlords in the group recorded ratios between 20% and 50%.

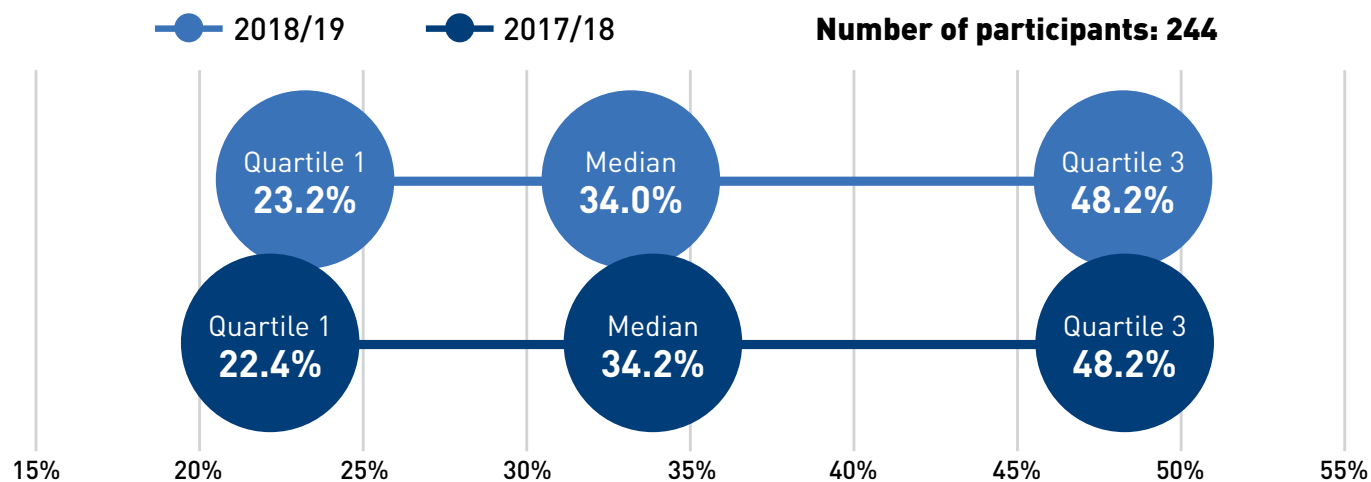
There were 10 comparatively highly geared associations with ratios above 70%, even after offsetting borrowing against cash and cash equivalents. At the other end of the scale, there were 18 organisations who recorded negative gearing ratios, often due to cash and cash equivalents being greater than loans. These numbers are similar to the 2018 Sector Scorecard report.

While there are no strong correlations between Gearing and other VFM metrics, there are some notable patterns when associations are grouped together by comparative characteristics. Associations with no development programme recorded a median Gearing result of 20%, while associations with large development programmes recorded a median Gearing figure of 41%. Lower Gearing results are also evident among associations with comparatively low operating margins, high costs per unit and low reinvestment rates. These comparative results start to build a cohort of associations that is using finance to reinvest and develop new properties.

By location, landlords based in Scotland and Northern Ireland recorded similar median Gearing ratios of 23% and 25% respectively, which are much lower than England median figure of 36%. In Northern Ireland, this appears to be driven by comparatively high asset valuations while in Scotland, the difference is likely to be driven by lower borrowing and/or higher levels of cash and cash equivalents.

## Comparison to 2018 results – gearing

The chart below outlines the change in quartile position between the two years for a balanced panel of organisations submitting consistent data for both years.



While there has been a small reduction in gearing results at the median, there is an increase at quartile 1. This situation suggests that these ratios are moving closer together across the sector.

# Outcomes delivered

Housing associations need to achieve a balance between building homes and delivering services to existing residents. The Sector Scorecard measures some of the outcomes delivered for the millions of people who live in homes they manage.

Alongside customer satisfaction, this section includes the English regulator's reinvestment VFM metric and a measure for investment in communities.

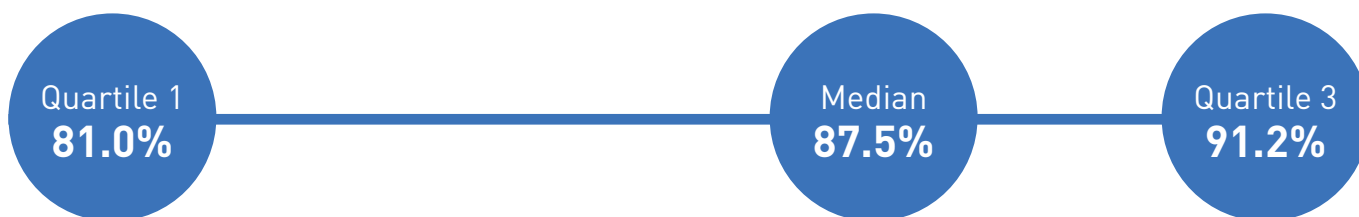
## Customer satisfaction - general needs and housing for older people stock

The social housing sector has a framework for periodic surveys of customer perception, developed by HouseMark called STAR (Survey of Tenants and Residents). This uses a consistent set of questions, response scales and methodology for participants to measure customer satisfaction and to compare results with each other.

For the Sector Scorecard, associations enter the combined satisfaction score for the overall service question. This is the proportion of survey respondents who stated that they were fairly or very satisfied with the service provided by their landlord.

During 2019, HouseMark has been leading a review of STAR involving stakeholders across the social housing sector as well as thousands of tenants and residents. Early indications from this review are to retain the overall satisfaction question and scoring mechanism that is used in the Sector Scorecard.

The chart below outlines figures supplied by 234 participants, who entered their results for tenants living in general needs and housing for older people stock. As a satisfaction measure, higher results are better than lower results.



Typically, between eight and nine tenants out of ten are satisfied with the service provided by their housing association landlord. Ten landlords recorded scores of 98% or more – all managed fewer than 1,250 properties. Two very small landlords with around 100 properties each recorded 100% satisfaction rates.

Landlords based in North East England recorded the highest median rate at 90%. Landlords based in Scotland, Northern Ireland, the West Midlands and southern England all recorded median satisfaction rates around 89%. While associations based in London recorded lower median satisfaction at 81%.

Landlords in the Under 1,000 units size band recorded comparatively higher satisfaction rates, with a median result of 92%, while landlords in the largest 25 associations in England recorded a median rate of 83%. There is, however, only a very weak correlation<sup>13</sup> between stock size and satisfaction – two of the five lowest scores were landlords in the Under 1,000 units size band and a handful of landlords in the 10,000+ units size band recorded satisfaction in the highest quartile.

While there are no patterns to link median satisfaction levels and financial metrics such as gearing and operating margin, there is a tendency for higher cost landlords to record lower satisfaction rates. Median satisfaction rates for landlords with high costs per unit were around three percentage points lower than those with comparatively low costs per unit. This corresponds with HouseMark research showing that lower costs can correspond with more efficient service delivery and higher satisfaction<sup>14</sup>.

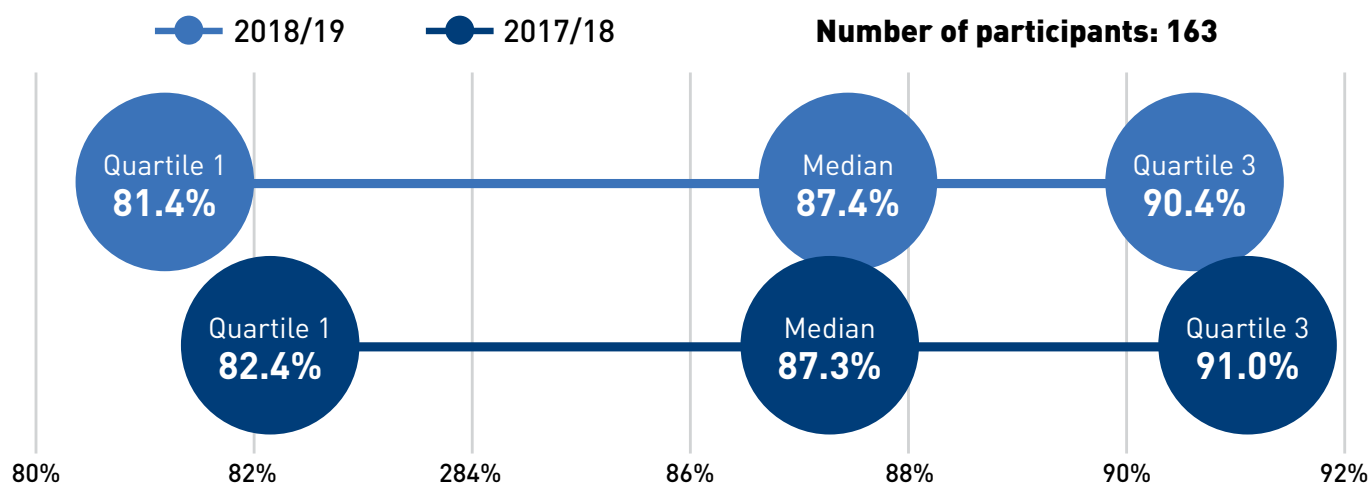
13. Pearson correlation coefficient of -0.14

14. HouseMark Technical User Forum Spring 2019



## Comparison to 2018 results – customer satisfaction - general needs and housing for older people stock

The table below outlines the change in new supply by organisation stock size band between the two years. The figures are based on a balanced panel of 235 associations submitting consistent data for both years.

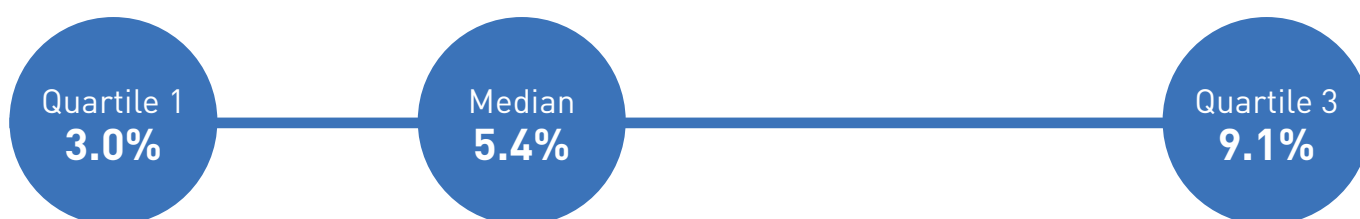


STAR satisfaction survey results are valid for two years – around a third of the group used the same results in both years. Of the organisations that reported updated satisfaction survey results, the numbers were equally split between those recording an increase in satisfaction and those recording a reduction. While individual landlords' results changed by as much as 10 or 12 percentage points, the results overall suggest that sector satisfaction ratings do not change rapidly or by large amounts.

## Reinvestment %

This measure adopts the English regulator's VFM metric. It looks at the investment an association makes in its properties (existing stock as well as new supply) as a percentage of the value of total properties held. This helps to demonstrate that housing associations are putting their finances to good use by maintaining and improving stock as well as adding to the asset base.

The chart below shows the quartile points for the 285 organisations that submitted Sector Scorecard data for this measure. While a higher reinvestment rate could be considered positive, outlying results could be the result of fluctuations in acquisitions or works programmes. The rate will also be affected by comparative property values across different locations.



At the median, participants are spending the equivalent of 5.4% of their assets' value on reinvestment. As an illustration, at this rate, a landlord with assets valued at £1bn would be spending £54m on items such as development and acquisition of new properties, works to existing properties and capitalised interest.

There are moderate correlations<sup>15</sup> between reinvestment and new supply delivered % (social housing units) as well as reinvestment and major repairs cost per unit – those organisations with larger development or major works programmes tended to record higher reinvestment % results. This has changed from the 2018 report, which recorded a correlation with the new supply measure only. This suggests that increased expenditure on major repairs (e.g. external cladding replacements) has had as much impact on Reinvestment figures as development expenditure.

15. Both produced Pearson correlation coefficients of 0.3

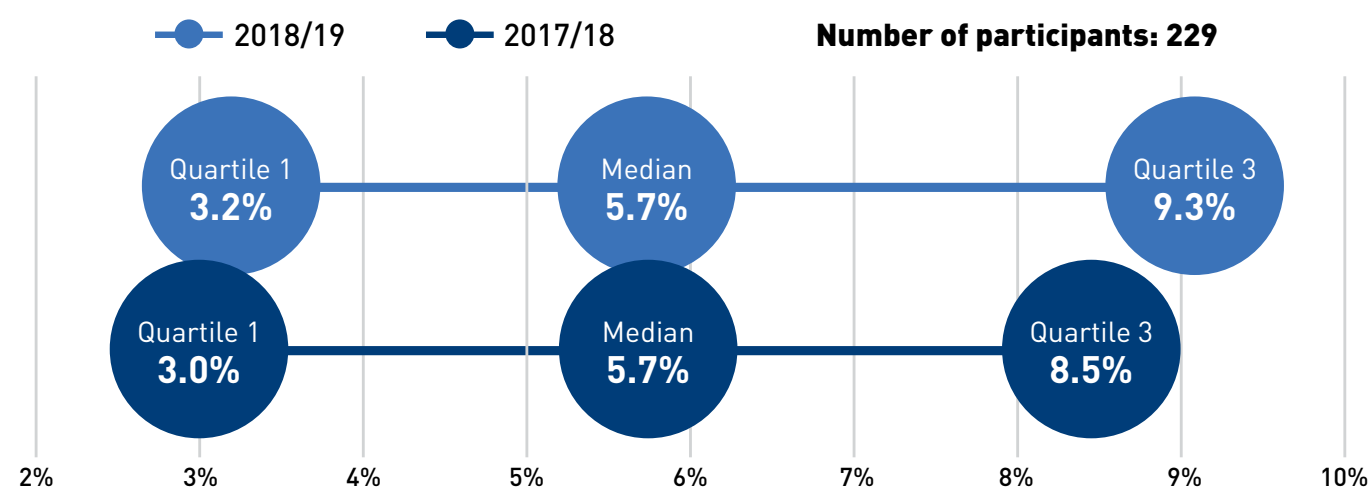
By location, landlords based in Northern Ireland recorded the highest median reinvestment rate across the UK with a figure of 7.7%. This contrasts with the lowest UK median figure, of 3.6% for landlords based in Scotland. This is likely to be driven by the large difference in development rates between the two countries.

In England, landlords in central and northern England recorded the highest median rates of reinvestment (7.1% and 6.5% respectively). Higher reinvestment rates in central England (Eastern and Midlands regions) appear to be driven by comparatively high development, while investment rates in the North are more likely to result from higher major repairs expenditure – particularly for landlords based in the North East.

Stock transfer housing associations recorded considerably higher median reinvestment rates compared to traditional associations. LSVTs<sup>16</sup> recorded a median reinvestment % result of 7.9%, while traditional housing associations recorded a median of 4.3%. This showed in the 2018 results and suggests that stock transfers are continuing to fulfil their conditions of transfer and promise to tenants by investing funds to improve stock and develop new homes.

## Comparison to 2018 results – reinvestment %

The chart below outlines the change in quartile position between the two years for a balanced panel of organisations submitting consistent data for both years.



Across the two years of data, reinvestment % rates have remained stable.

## Investment in communities

Sector Scorecard participants are closely associated with a social mission – to make a positive contribution to the communities where they own and manage homes. This Sector Scorecard indicator measures this through expenditure on community or neighbourhood activities such as employment skills training, money advice and community groups.

The definition for this measure has expanded from the 2018 exercise, which was linked to accountancy figures. Housing associations should include all expenditure relating to Investment in communities – not just the amount noted in financial statements. In total, 206 organisations submitted data for this measure recording a total investment of £88.8m. The table below outlines mean average community investment by stock size band.

Size band	Investment in communities per participant	Investment in communities per property	Number of participants
Under 1,000 units	£22,684	£44	56
1,000 - 5,000 units	£236,766	£99	69
5,000 - 10,000 units	£597,936	£90	38
10,000+ units	£1,126,089	£48	43
<b>Overall</b>	<b>£430,828</b>	<b>£61</b>	<b>206</b>

16. Large Scale Voluntary Transfer

On average, Sector Scorecard participants invested the equivalent of £61 for every property in 2018/19. If this figure is multiplied to represent all housing associations across the UK, we estimate that the total amount invested in community projects is over £180m.

About one in five (39) organisations recorded zero for this measure. Most of these landlords fell into the smaller size bands, though five large landlords with more than 10,000 units recorded Investment in communities figures of £0. At the other end of the scale, 24 organisations recorded expenditure over £1m – all in the larger stock bands over 5,000 units.

The widened definition appears to have had little impact on the overall result as these are similar figures to 2018.

## Effective asset management

An important part of a housing association's business is looking after the assets it manages, ensuring they are good quality homes that people want to live in, now and in the future. Any business maintaining fixed assets needs to make strategic investments to renew and improve components, meet health and safety compliance measures as well as seeing a sustained financial, social and environmental return in the long term.

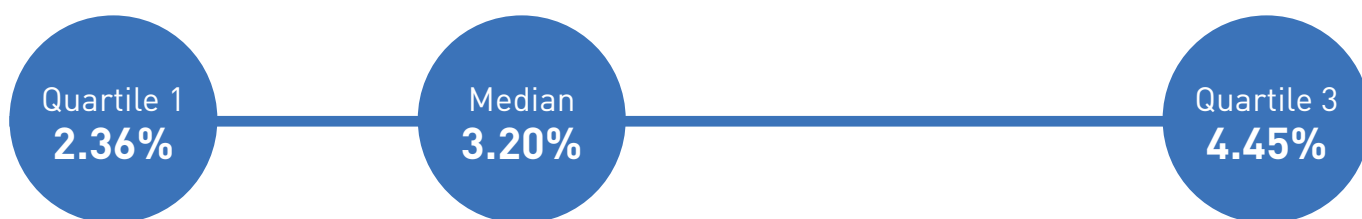
All three measures in this section have been part of the Sector Scorecard since the 2017 pilot exercise. One measure – return on capital employed – is aligned with the English regulator's VFM metric.

### Return on capital employed (ROCE)

Return on capital employed (ROCE) shows how well a provider is using both its capital and debt to generate a financial return. It is a commonly-used ratio to assess the efficient investment of capital resources. The ROCE metric supports associations with a wide range of capital investment programmes. However, it can be influenced by the nature of the organisation's property portfolio (e.g. balance between market and social rent, age of stock, historic debt, basis of valuation).

While ROCE is like operating margin (overall) in that it uses an association's surplus in the numerator, unlike operating margin (overall) it measures this against the amount of capital in an association's asset base. Put simply, this means that an association's surplus is compared to the value of its properties.

This chart outlines the ROCE quartile points for the 294 Sector Scorecard participants who submitted data for this measure. Generally, higher returns are perceived as better.



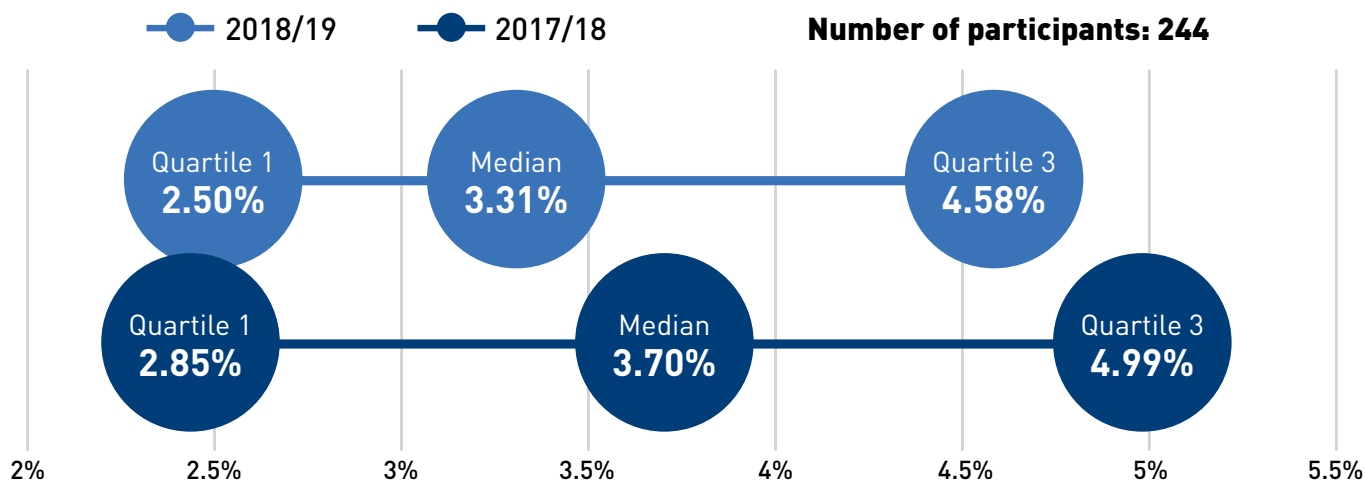
At the median point, participants recorded a return of 3.2% on their capital employed, which includes fixed assets and current assets less creditors where the amount is due within one year. Two organisations recorded a negative ROCE rate, which corresponds with negative operating margins. One organisation recorded a ROCE rate above 20%. This association operates a lease-based model where properties are managed rather than owned by the association, which leads to a small asset base to compare against the surplus – this landlord's operating margin (overall) was less than 10%.

There are some notable patterns for this measure across the UK. The median rate for English housing associations (3.45%) was considerably higher than Scotland (2.16%) and Northern Ireland (1.92%). While the Scottish result corresponds with comparatively high costs per unit and comparatively low operating margins, the Northern Ireland figure appears to be driven by higher asset values. While there is no publicly available 'global accounts' data for Northern Ireland, it is possible to calculate a crude average asset value from individual housing associations' accounts. This figure is usually higher than the average for English housing associations.

There is a pattern with ROCE rates that is evident in other financial measures. Landlords with comparatively high ROCE rates tend to have higher gearing ratios, higher operating margins, lower costs per unit and higher reinvestment rates.

## Comparison to 2018 results – return on capital employed (ROCE)

The chart below outlines the change in quartile position between the two years for a balanced panel of participants.

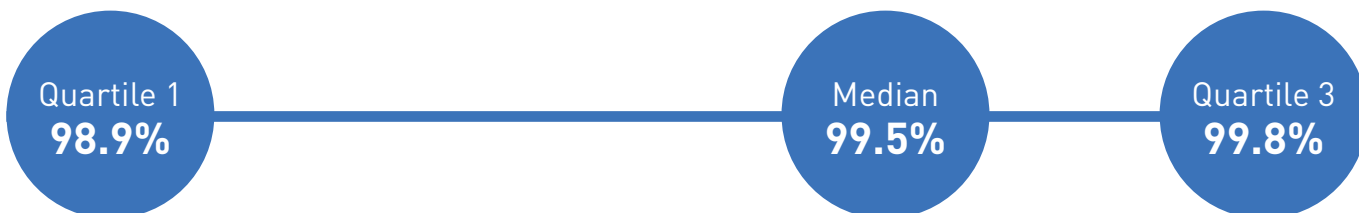


Sector Scorecard participants’ ROCE rates decreased over the period. This corresponds with reduced surpluses and lower operating margins in 2018 compared to 2019. This continues a pattern of falling ROCE rates from the pilot exercise in 2017 – which recorded a median rate of 4%.

## Occupancy

Keeping tenants in properties is a crucial part of every housing association’s business. Occupancy rates demonstrate how efficient providers are at turning around void (untenanted or empty) properties and at sustaining existing tenancies. Traditionally, landlords have measured this activity through vacancy rates and void rent loss. This measure provides a more positive perspective; looking at the number of homes occupied. The measure is taken as a snapshot at the end of the benchmarked period.

The chart below outlines the quartile points for the 257 participants that submitted occupancy figures as a snapshot at the end of the financial year. Higher Occupancy rates are seen as better.



The quartile points for this measure are very close together with a range between quartile 1 and quartile 3 of less than one percentage point. At the median point an occupancy rate of 99.5% equates to around five empty properties for every 1,000 managed by the landlord.

The lowest occupancy result recorded by any participant in 2019 was 92.7%, while 29 organisations recorded 100% for this measure. These organisations were all smaller landlords with fewer than 5,000 properties. While there is a tendency for smaller landlords to record higher occupancy results, there is no linear correlation to link the two measures. This means that associations in the smallest size band perform comparatively well at this measure, but occupancy tends to vary across the larger size bands.

By location, landlords in Northern Ireland recorded the lowest median occupancy at 98.8%. This is indicative of a UK-wide north/south divide – with similarly low median occupancy rates in Scotland (99.2%) and North East England (99.0%). The highest median rates were recorded by landlords based in Central England and London, with a figure of 99.6%.

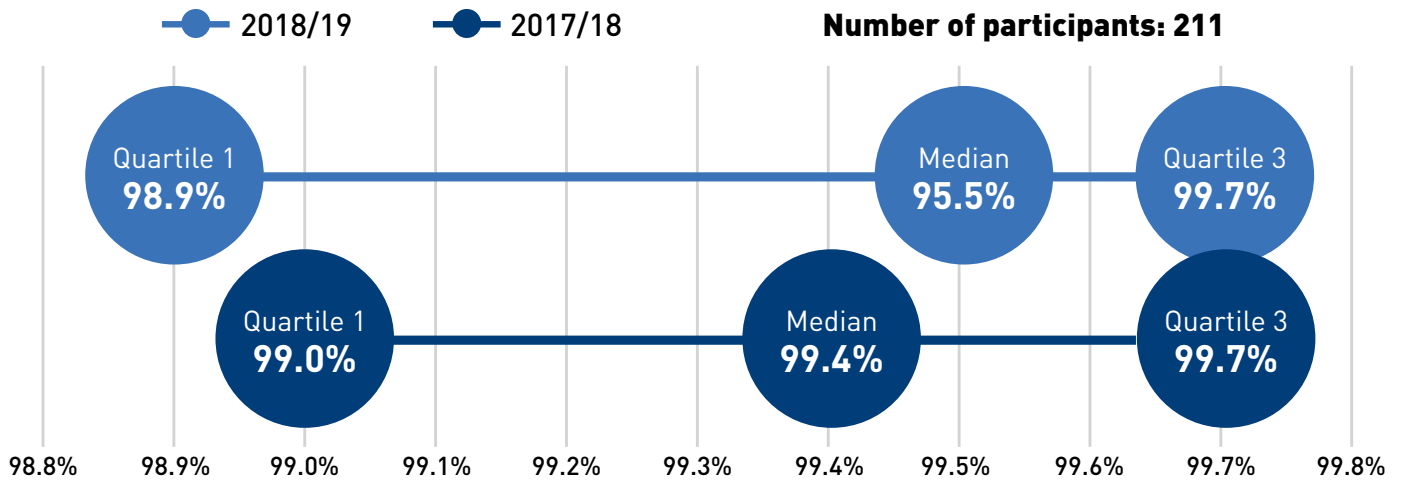
Landlords with a comparatively high proportion of supported housing recorded a lower median occupancy rate than landlords with small proportions or no supported housing. Landlords in this top band recorded a median rate of 99.0% occupancy, compared to 99.4% for landlords with some supported housing and 99.6% for landlords with no supported housing.

There are no notable patterns between the financial measures in the Sector Scorecard and the occupancy measure.

17. Tenth decile of landlords by proportion of stock that is supported housing

## Comparison to 2018 results – occupancy

The chart below outlines the change in quartile position for a balanced panel of organisations between 2018 and 2019.



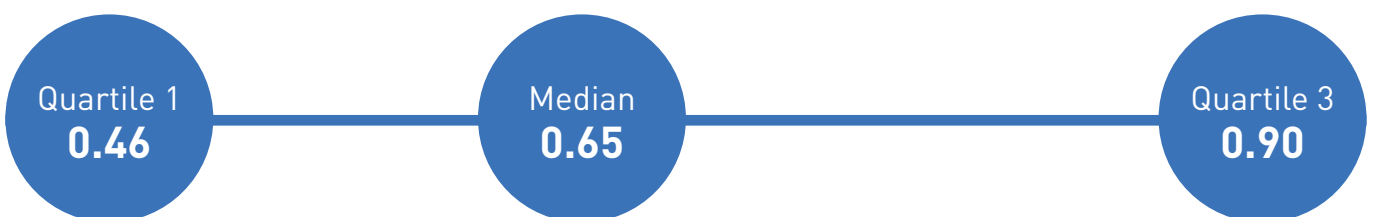
At the median point, there has been an increase in occupancy between the two years. Put in context, this median rate means that a landlord with 10,000 properties would have had 9,942 occupied at the end of March 2018, and 9,949 occupied at the end of March 2019. This increase of seven empty properties for a large landlord between years demonstrates that the change is small. The 2018 report shows a similarly small decrease in occupancy, which suggests that this measure only fluctuates very slightly between years.

## Ratio of responsive repairs to planned maintenance

Effective planning based on detailed stock condition surveys and understanding of assets potentially allows the sector to reduce spend on responsive repairs in favour of planned maintenance. There is an assumption that planned work is the more cost-effective way of maintaining properties.

This measure looks at the ratio of an association’s expenditure on routine maintenance to spend on planned maintenance, major repairs and capitalised major repairs. It is calculated by dividing routine maintenance expenditure by the sum of planned maintenance, major repairs and capitalised major repairs.

The chart below outlines the quartile points for the 264 organisations that submitted data for the ratio of responsive repairs to planned maintenance. Generally, a lower ratio of responsive repairs to planned works is considered better, though there are likely to be explanatory reasons for ratios that are at either end of the scale. This measure may also be affected by cyclical fluctuations in expenditure.



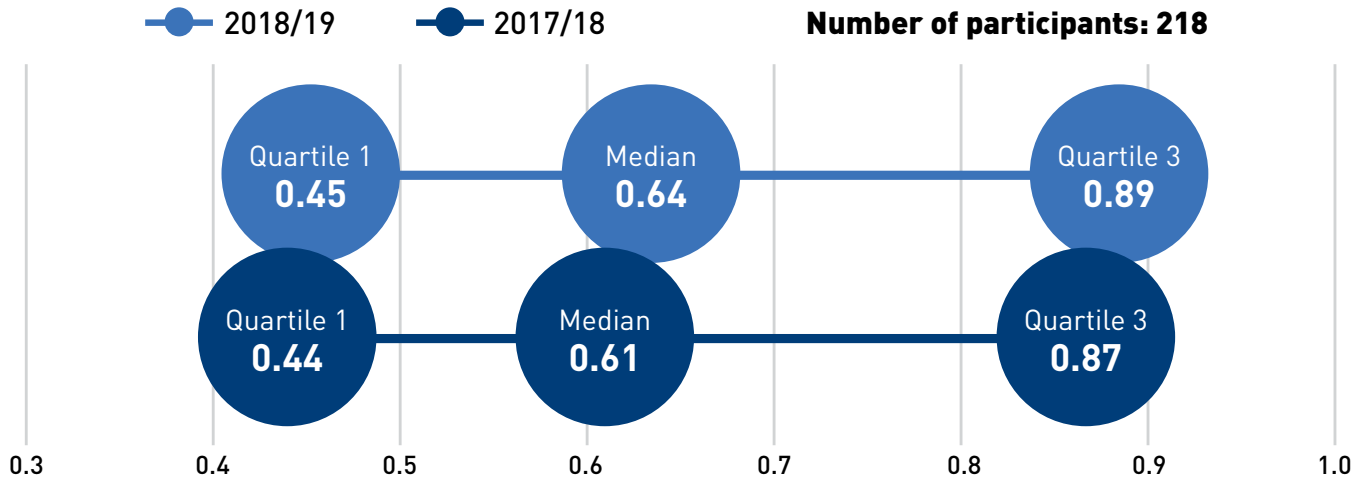
The chart shows that at the median, participants’ expenditure on responsive repairs equates to around 65% of their planned maintenance expenditure. For example, if an association recorded £10m planned maintenance expenditure, a 0.65 result would indicate responsive repairs expenditure of £6.5m.

Fifty-one landlords recorded results over 1.00, which means they spent more on responsive repairs than on major repairs in the period. This is a similar figure to 2018. There was no particular pattern to note as these landlords were of varying size, type and location. This suggests that organisational characteristics do not influence comparative expenditure on responsive and major repairs.

Unlike last year’s figures, there was no correlation between this ratio and participants’ major repairs cost per unit. It appears that comparative expenditure on maintenance has little bearing on this figure in the light of increased costs of health and safety compliance and related items.

## Comparison to 2018 results – ratio of responsive repairs to planned maintenance

The chart below outlines the change in quartile position for a balanced panel of organisations between the two years.



The figures suggest that, more housing associations recorded increased responsive repairs expenditure compared to planned and major repairs expenditure than recorded decreases. For example, at the median point, if an organisation's planned maintenance expenditure was £10m in both 2018 and 2019, it would equate to an increased responsive repairs budget of £300k.

In reality, the situation is more mixed. The increases in this ratio at each quartile are due to a majority of participants (53%) recording increases. There were, however, some large decreases in this ratio recorded by some housing associations. These figures indicate that the changes result from small fluctuations in the figures between years as repairs budgets change to meet the organisation's current priorities.



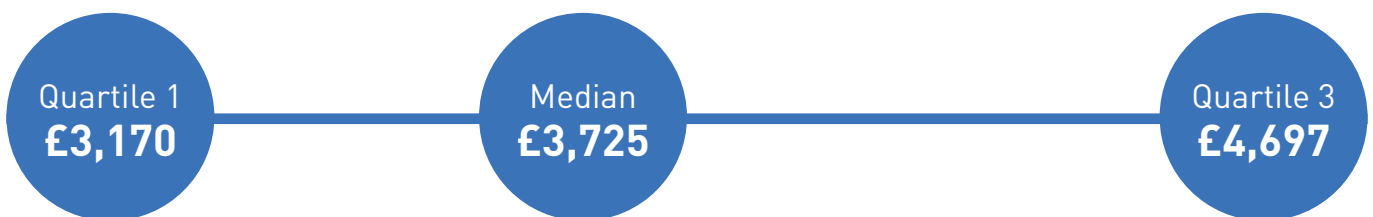
# Operating efficiencies

Housing associations need to demonstrate how they deliver value for money through their strategic and operational choices. The Sector Scorecard takes this on board with measures looking at the cost of providing social housing, which is an English regulatory VFM metric as well as income collection rates and proportionate expenditure on overheads.

## Headline social housing cost per unit

This measure is aligned with the English regulatory VFM metric. It uses components from associations' financial statements<sup>18</sup> to create a social housing cost figure. This is divided by the number of properties owned and/or managed by the association for a cost per unit figure that is comparable between different organisations.

The chart below outlines the quartile points for the 292 organisations that submitted data for the headline cost per unit measure. It is important for associations to understand their cost drivers and the outcomes they are achieving by incurring this expenditure.



At the median point, housing associations spend £3,725 each year managing and maintaining each social housing property. Put into context; if the annual rent due from a property is £5,000, a typical housing association will spend about 75% of rental income on management and maintenance. These costs are similar to the private rented sector where management and maintenance costs are estimated around £4,000 a year<sup>19</sup>.

Underneath these headlines, there is some variation. Nine organisations recorded costs of less than £2,500 per unit while 12 recorded cost per unit figures of over £10,000. Three-quarters of the high cost group of landlords were care and support specialist providers, with high cost per units recorded under service charges and 'other' costs (i.e. not management and maintenance).

The effect of supported housing on the headline social cost per unit has been documented by the English Regulator<sup>20</sup>. In 2019 Sector Scorecard participants managing a large proportion of supported housing properties recorded a median cost per unit of £6,775, which is more than £3,000 per unit higher than the national median. This is due to the high support costs and broader range of activities that care and support providers undertake. A group of housing associations is working with the National Housing Federation, HouseMark and Acuity to understand the drivers for higher supported housing costs with a Supported Housing Sector Scorecard initiative, which is due to be piloted in 2020.

There is a tendency for landlords in the smaller size bands to record higher cost per unit figures. Landlords in the under 1,000 properties size band recorded a median cost per unit of £4,100, compared to a median cost per unit of £3,404 for landlords in the 10,000+ units band. There is, however, no linear correlation between the two measures. All but one of the nine low cost landlords were smaller associations with fewer than 5,000 units. This shows that smaller housing associations can achieve low cost per unit results.

This is a measure where there is an identifiable 'London effect'. The median cost per unit for landlords based in London was £4,873, which is around £1,200 more than the median cost per unit for English participants. Landlords in Yorkshire recorded the second highest headline cost per unit with a median figure of £3,872, this appears to be driven by a comparatively high number of smaller associations and supported housing participants based in the region. The East Midlands recorded the lowest median cost per unit at £2,809. There were no supported housing specialists in this group, which contained mainly medium and large associations with more than 5,000 units.

Landlords in Scotland recorded a headline cost per unit above the UK median at £3,783, while Northern Ireland-based participants recorded a median below the UK figure, at £3,714.

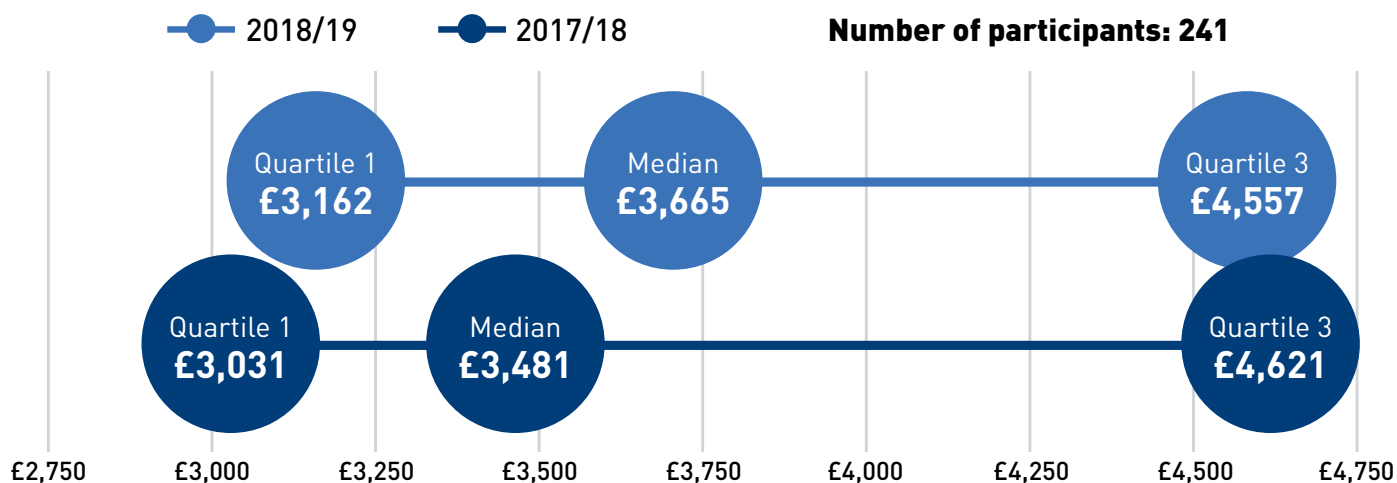
18. And Financial Viability Assessments where completed

19. LV= research puts the average PRS maintenance cost at £3,135. 'Which' estimates letting management fees at 10-20% of rent, which based on VOA's median English PRS rent of £8,340 per year would add at least £834.

20. <https://www.gov.uk/government/publications/value-for-money-summary-and-technical-reports>

## Comparison to 2018 results – headline social housing cost per unit

The chart below outlines the change in quartile position for a balanced panel of organisations over two years.



The results show an increase of £174 per unit at the median point. This rise represents an increase in costs of 5.0%, which is higher than the mid-year 2.4% CPI inflation rate for 2018/19<sup>21</sup>. This is reflected in higher real-terms operating costs in many of the breakdown categories – including management, maintenance and major repairs<sup>22</sup>. This suggests that, while increased focus on items such as health and safety compliance will be a factor, the cost of social housing lettings as a whole is rising for most associations.

### Unit cost breakdown

Sector Scorecard participants could opt to enter the breakdown of their headline social housing cost per unit into its component parts:

- management cost per unit
- service charge cost per unit
- maintenance cost per unit
- major repairs cost per unit
- other social housing costs cost per unit

The table below outlines the quartile points for these measures. Around 270 associations submitted data for each breakdown measure.

Cost per unit measure	Quartile 1	Median	Quartile 3	Participants
Management	£842	£1,059	£1,319	279
Service charge	£208	£365	£648	273
Maintenance	£766	£951	£1,160	279
Major Repairs	£470	£703	£1,020	274
Other social housing costs	£80	£218	£597	259

While headline cost per unit is widely understood, there are few 'rules' governing which category the headline costs are broken down into. This leads to wide variation as associations will split out service charges to different degrees of precision. The terms 'management' and 'maintenance' are also open to some interpretation, including to where to place overhead costs. The 'other' category's wide variation reflects the diversity of the sector and the nature of each business as it can cover items such as support provision, leasing temporary accommodation and non-capitalised development costs.

21. CPI September 2018 <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

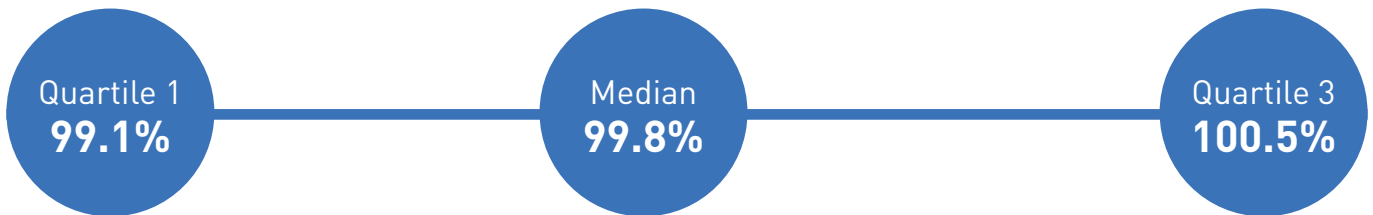
22. Real-terms increases based on Sep 2018 CPI. At the median: management CPU +3%, maintenance CPU +6%, major repairs CPU +7%.

## Rent collected as % of rent due – general needs tenants

This Sector Scorecard measure demonstrates the effectiveness of the income management function in collecting rent due and managing arrears levels.

With around 6% of tenants moving from Housing Benefit to Universal Credit each year, the nature of income management is slowly changing. Housing Benefit cycles will have less effect on a housing association's income, while relationships with the Department for Work and Pensions (DWP) and individual tenants will have a greater impact on the proportion of rent an association collects and the arrears it manages. Rent collection rates continues to be a crucial measure of operational performance going forward, as it accounts for a large proportion of turnover.

The chart below outlines the quartile points for the 264 landlords that submitted data for rent collected as % of rent due from general needs tenants. This figure excludes arrears brought forward. Generally, higher collection rates are seen as better.



The differences between each quartile are small in percentage terms, but the amounts they represent are large. An association with 10,000 units could have an annual rent roll of £50m, so 0.1% of this figure represents £50,000 of rent.

Housing associations across the UK are generally good at collecting rent. While 8 in 10 landlords collected at least 99% of rent due, 106 landlords in the dataset recorded collection rates of over 100% – which means they collected all the rent due and reduced their arrears.

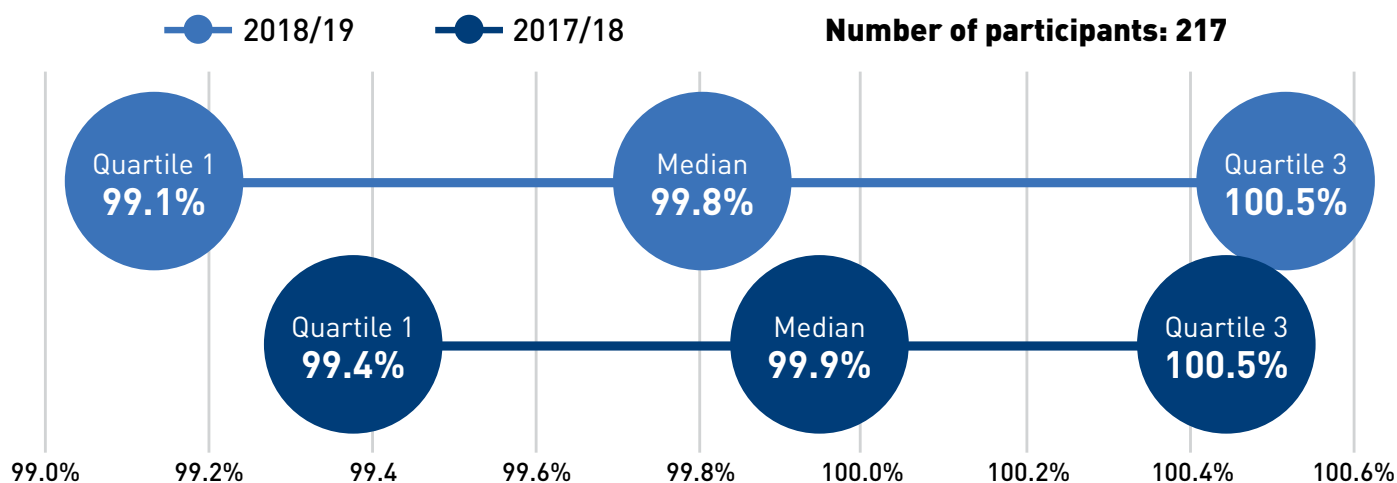
There is some relationship between the size of a landlord's stock and its rent collection rate. The median rate for landlords collecting rent from fewer than 1,000 units was 100.0%. This compares to a median rate for landlords in the 10,000+ units band of 99.6%. In spite of this, there is no linear correlation between the two measures, which means that there are plenty of larger associations who record high rates of rent collection.

London-based landlords recorded the highest median collection rate of 100.2% and landlords based in the South East of England recorded a median collection rate of 100.0%. This is likely to relate to the comparatively high proportion of participants from smaller housing associations in these regions. Housing associations based in the West Midlands and South West of England also recorded median rent collection rates over 100%.

While landlords in Scotland recorded the same median rent collection rate as their counterparts across northern England (99.6%), associations in Northern Ireland recorded the lowest median collection rate in the UK at 99.0%. Welfare reforms in Northern Ireland are being rolled out on a different timetable to the UK mainland, which could help to explain the considerable difference, when so many other Sector Scorecard results are comparable with other part of the UK.

## Comparison to 2018 results – rent collected as % of rent due – general needs tenants

The chart below outlines the change in quartile position for a balanced panel of organisations over two years.



The results show a divergence in rent collection rates across the dataset. Just under half the group (108) recorded an increase in rent collection rates between the year, which suggests that individual landlords will record fluctuations in rent collection levels that may not be represented by quartile movements.

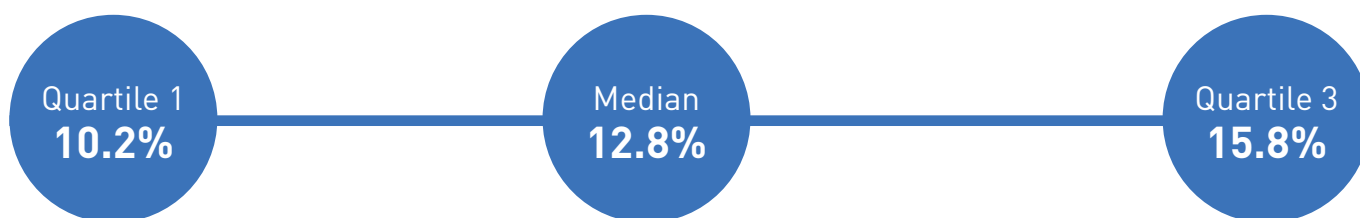
The widening in the range of results means that the best performers collected more rent in 2019, while average and poorer performers tended to record reductions in rent collection. Declining rent collection rates could be related to increasing numbers of tenants claiming Universal Credit.

## Overhead costs as a percentage of turnover

This Sector Scorecard measure shows the proportion of an organisation's turnover that is spent on overheads, including IT, HR, finance, office premises and corporate services.

This measure is sourced from the annual cost and performance benchmarking exercise conducted by HouseMark and Acuity. It is the actual cost of overheads divided by the organisation's adjusted turnover. The turnover recorded in an association's financial statements is adjusted to make valid comparisons, for example by allowing for directly employed maintenance teams and removing sales income. Overheads are calculated by mapping employee time and costs as well as revenue expenditure to activities identified as overheads.

The chart below outlines the quartile positions for the 220 organisations submitting data for the overheads measure. While lower figures are generally considered to be 'better', there may be justifiable reasons for higher figures.



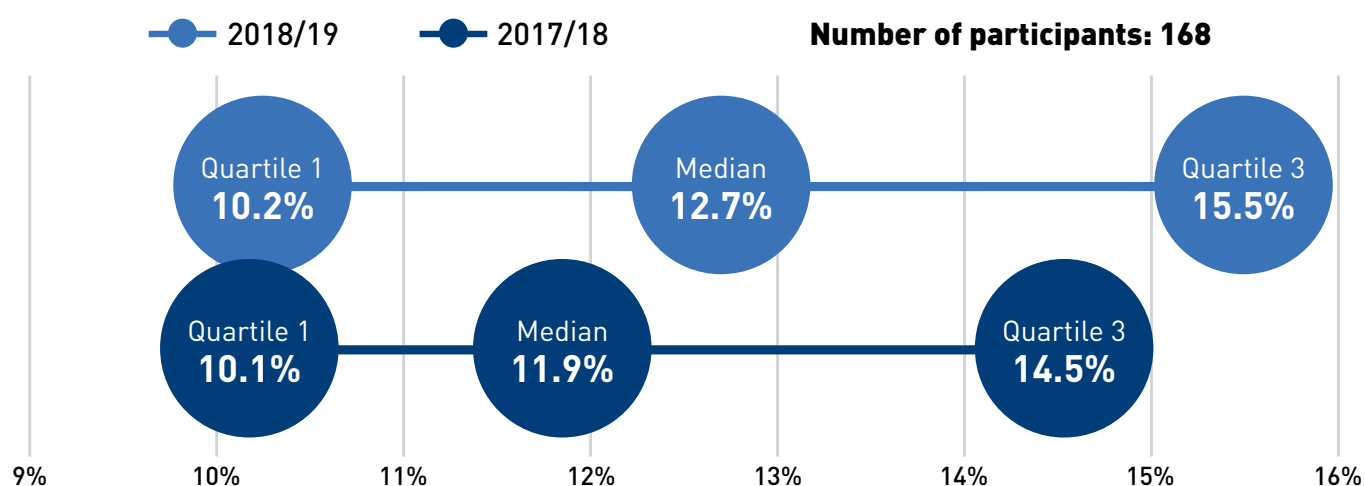
The chart shows that, at the median, housing associations spend around one eighth of their adjusted turnover on back office functions. Overheads rates are generally between 10% and 15% of adjusted turnover. There are, however, some outliers. Seven landlords recorded a rate lower than 5% including very large and very small landlords across a variety of locations. Ten participants recorded rates higher than 25% - all but one of these organisations were smaller housing associations with fewer than 1,000 units.

There is some relationship between this measure and the size of an organisation. The median result for landlords in the under 1,000 units size band was 16.0%, while the landlords from the top 25 largest associations in England recorded a median result of 9.4%. There is, however, only a weak correlation<sup>24</sup> between stock size and the overheads measure – which is exemplified by the outlying low results recorded by smaller associations. While there is some economy of scale in this area, smaller associations are capable of recording results that compare favourably to the biggest in the sector.

By location, landlords based in London and southern England tended to record higher median overheads rates (15.0% and 14.1% respectively) compared to landlords in Central England (11.8%), northern England (12.5%) and Scotland (12.1%). Landlords based in Northern Ireland recorded the lowest UK overheads rates, with a median of 9.7%. Like costs, this could be explained by comparatively large proportions of small associations based in London and southern England, or it could relate to higher business running costs – such as office premises and employee pay.

### Comparison to 2018 results – overhead costs as a percentage of turnover

The chart below outlines the change in quartile position for a balanced panel of organisations over two years.



Overheads have increased as a proportion of adjusted turnover since 2018. This is likely to be a result of increased costs (highlighted under the cost per unit measure) and slightly smaller turnover – due to the continuing 1% rent cut for English landlords. Notwithstanding these headline results, just over a third (62) of participants reduced their overheads figure during the period.

## Conclusions

Now in its third year, the Sector Scorecard continues to demonstrate the commitment of housing associations across the UK to transparency by publicly taking part in a voluntary exercise to compare value for money and efficiency.

The results in this report continue to show the sector’s commitment to meet the demand for new homes while looking after their core business of managing and maintaining social housing for existing tenants.

In 2019, we have seen how landlords have taken on board additional costs of items such as health and safety compliance with lower operating margins and higher maintenance costs. This has been achieved with no reduction to satisfaction levels or investment in communities.

Going forward, it is vital that the sector continues to measure what is important to boards, executive teams and tenants, using the Sector Scorecard exercise to understand and help inform their decision making. As conditions change for housing associations, the Sector Scorecard will adapt to meet the need to share, compare and learn.

24. A Pearson correlation coefficient of 0.22

# Appendices

## Appendix 1: Sector Scorecard definitions

Sector Scorecard definitions are also available online from [www.sectorscorecard.com](http://www.sectorscorecard.com)

\* Denotes where the measure is an English regulatory VFM metric

### 1 Definitions – business health

#### 1.1 RSH 101 – operating margin (overall) \*

The operating margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. When the regulator assesses this ratio, consideration is given to registered providers' purpose and objectives (including their social objectives). Further consideration is also given to specialist providers who tend to have lower margins than average.

Operating margin (overall) =  $(A \div B) \times 100$

A = Overall operating surplus/(deficit), not including any gain/(loss) on disposal of fixed assets (housing properties). Similarly, results of JVs are not included in either turnover or operating surplus.

B = Turnover (overall)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

#### 1.2 RSH 102 – operating margin (social housing lettings) \*

Operating margin (social housing lettings) =  $(A \div B) \times 100$

A = Operating surplus/(deficit) on social housing lettings, not including gain/(loss) on disposal of fixed assets (housing properties). Similarly, results of JVs are not included in either turnover or operating surplus.

B = Turnover from social housing lettings

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

#### 1.3 RSH 103 – EBITDA MRI (as % interest) \*

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

EBITDA MRI (as % interest) =  $(\text{EBITDA MRI} \div \text{Gross interest payable}) \times 100$

EBITDA MRI = [Overall operating surplus / (deficit)

- Gain/(loss) on disposal of fixed assets (housing properties)

- Amortised government grant

- Grant taken to income

+ Interest receivable

- Capitalised major repairs expenditure for period

+ Total depreciation charge for period]

Gross interest payable = [Interest capitalised + Interest payable and financing costs]

Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

### 2 Definitions – development (capacity and supply)

#### 2.1 New supply delivered: absolute

##### 2.1.1 SS 201A – social housing units

This uses the numerator for the RSH VFM metric on new supply (social housing).

Total social housing units developed or newly built units acquired in-year (owned):

- social rent general needs housing (excluding Affordable Rent)
- affordable Rent general needs housing
- social rent supported housing and housing for older people (excluding Affordable Rent)
- affordable Rent supported housing and housing for older people

- low Cost Home Ownership
- care homes
- other social housing units
- social leasehold

MHCLG definition of completion: in principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

Also, include additions of properties which are new to the social rented sector, i.e. not previously held by registered providers or otherwise let on social or affordable tenancies, including acquisitions from the open market regardless of whether these are newly built or not.

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### 2.1.2 SS 201B – non-social housing units

This uses the numerator for the RSH VFM metric on new supply (non-social housing).

Total non-social units developed or newly built units acquired in-year (owned):

- total non-social rental housing units owned
- non-social leasehold units owned
- new outright sale units developed or acquired

MHCLG definition of completion: in principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

## 2.2 New supply delivered %

### 2.2.1 RSH 204 A – social housing units\*

New social housing supply delivered as a percentage of stock owned, during the period April – March.

$[A / B] * 100$

A = Total social housing units developed or newly built units acquired in-year (owned) [social rent general needs housing (excluding affordable rent), affordable rent general needs housing social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units, social leasehold]

B = [Total social housing units owned at period end ('social units' as defined in numerator)]

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### 2.2.2 RSH 205 B – non-social housing units\*

New non-social housing supply delivered as a percentage of stock owned, during the period April – March.

$[A / B] * 100$

A = [Total non-social units developed or newly built units acquired in-year (owned)

(Total non-social rental housing units owned, non-social leasehold units owned, New outright sale units developed or acquired)]

B = [Total social housing units owned (period end)

+ Total non-social rental housing units owned (period end)

+ Social leasehold units owned (period end) [if not included in Total social housing units owned]

+ Non-social leasehold units owned (period end)]

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### 2.3 RSH 203 – Gearing \*

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.

Gearing = (net debt ÷ carrying value of housing properties) x 100

Net debt = [short-term loans

+ Long term loans

- Cash and cash equivalents

+ Amounts owed to group undertakings

+ Finance lease obligations]

Carrying value of housing properties = [tangible fixed assets: housing properties at cost (period end) / tangible fixed assets: housing properties at valuation (period end)]

NB. Cost is the net book value after any depreciation rather than just the cost of properties if the intention is to use the word cost as it is used in the Global Accounts.

SPBM members: If you use different version of cost, you must indicate in the profile data for your organisation whether properties are held at historic cost, deemed cost or valuation.

The regulator recognises that there is a wide variety of different gearing measures in use across the sector; different organisations will use different metrics to reflect the nature of their business and their existing loan covenants.

In order to reflect the growing number of providers who operate through the capital markets in which to access funding, this metric measures gearing on a net debt basis.

This will provide a more meaningful measure of the financial position of the significant minority of providers who have recently raised funding from the capital markets and therefore hold a significant amount of cash, in preparation for a range of investment programmes. The regulator recognises that registered providers can be restricted by lenders' covenants and therefore may not have the ability in which to increase the loan portfolio despite showing a relatively average gearing result.

Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

## 3 Definitions – outcomes delivered

### 3.1 STA 001 GN/OP – Customer satisfaction - general needs and housing for older people

Percentage of respondents very or fairly satisfied that their landlord's services overall. In line with STAR guidance. Includes general needs and housing for older people

### 3.2 RSH 304 – Reinvestment %\*

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

Reinvestment % = [A ÷ B] x 100

A = [properties acquired (total housing properties)

+ Development of new properties (total housing properties)

+ Works to Existing (total housing properties)

+ Capitalised Interest (total housing properties)

+ Schemes completed (total housing properties)]

B = [Tangible fixed assets: housing properties at cost (period end) / tangible fixed assets: Housing properties at valuation (period end)]

**NB. Cost is the net book value after any depreciation rather than just the cost of properties if the intention is to use the word cost as it is used in the global accounts.**

SPBM members: if you use different version of cost, you must indicate in the profile data for your organisation whether properties are held at historic cost, deemed cost or valuation.

Source: Statutory financial statements (cash flow statement). Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

SS 303 – Investment in communities

**NB: definition has been updated for 2019**

This measure should quantify your expenditure on activities that go beyond being a landlord or housing developer. Community investment includes community and neighbourhood activities (e.g. employment skills training, money advice, community groups etc.) and shows that you are making a positive contribution to the communities where you own and manage stock. It is likely that all social landlords will have expenditure on this item.

Note: There may be inconsistency in how community investment is accounted for and accounts alone could underestimate the overall community impact that housing associations have. Please ensure you include all expenditure on items outlined above.

33 This metric is not based on cashflow data given the limitations on data collected as part of the FVA regulatory return.



## 4 Definitions – effective asset management

### 4.1 RSH 401 – return on capital employed (ROCE) \*

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

$$\text{ROCE} = (A \div B) \times 100$$

A = Return [operating surplus / (deficit) (overall)] including gain / (loss) on disposal of fixed assets (housing properties) + share of operating surplus/(deficit) in joint ventures or associates]

B = Capital employed [total fixed assets + total current assets - current liabilities]

NB. Gain / (loss) on disposal of fixed assets (housing properties) is not usually included in operating surplus. Similarly, results of JVs are not usually included in either turnover or operating surplus. However, these results are included in this measure as they can be considered to form part of the return on the capital investment in either fixed assets or joint ventures.

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

### 4.2 SS 402 – Occupancy

Managed general needs properties:

$$\text{Occupied units} \div (\text{occupied units} + \text{vacant units available for letting} + \text{vacant units unavailable for letting}) \times 100$$

This percentage should be the inverse of your vacant properties available and unavailable to let measure.

"Units in the following states would be considered to be available for letting:

- first let and ready for immediate occupation;
- re-let and ready for immediate occupation;
- to be let or re-let after minor repairs or normal maintenance and redecoration work between lets;
- the previous tenant is no longer being charged rent and no works are required before a new tenant can move in;
- handed over from a contractor, development section or maintenance section on completion of works, for new letting or re-letting, and is in a satisfactory condition for letting."

Units would not be considered available for letting:

- awaiting improvement, conversion, repair or other works;
- awaiting sale;
- unauthorised occupation;
- waiting to be demolished.

Additionally, a unit can only be considered as being available for letting if it can be freely let by the provider."

Source: Definition of available and unavailable for letting are aligned with the Statistical Data Return (SDR), however unit numbers may differ from the SDR if a provider has units outside of England.

### 4.3 SS 403 – ratio of responsive repairs to planned maintenance

$$\text{Routine maintenance} \div (\text{planned maintenance} + \text{major repairs expenditure} + \text{capitalised major repairs and re-improvements expenditure})$$

Source = statutory financial statements or FVA.

## 5 Definitions – operating efficiencies

### 5.1 RSH 501 – headline social housing cost per unit \*

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. The cost measures set out in the metric are unchanged from the metric used in the regulator's 2016 publication Delivering better value for money. However, the denominator has been changed from units managed to units owned and/or managed.

$$\text{Headline social housing cost per unit} = \text{social housing costs} \div \text{social housing units}$$

$$\text{Social housing costs} = [\text{Management costs} + \text{Service charge costs} + \text{Routine maintenance costs}$$

+ Planned maintenance costs + Major repairs expenditure + Capitalised major repairs expenditure for period + Lease costs + Other (social housing letting) costs + Development services + Community / neighbourhood services + Other social housing activities: other (operating expenditure) + Other social housing activities: charges for support services (operating expenditure)]

**NB. Use actual expenditure rather than £000s in this and all related cost per unit measures.**

34 Accounting Direction 2015 requires material items of social housing activity to be separately identified. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/465837/Accounting\\_direction\\_2015\\_full.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465837/Accounting_direction_2015_full.pdf)

35 Leasehold units which for example include Right to Buy and fully staircased shared ownership units where the provider retains the freehold are excluded from this definition.

Divided by

Social housing units = total social housing units owned and/or managed at period end

(Social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

**NB. Leasehold units which for example include right to buy and fully stair-cased shared ownership units where the provider retains the freehold are excluded from this definition and all related cost per unit measures.**

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

## 5.2 SS 502 – Management cost per unit

This unit cost metric assesses the MANAGEMENT cost per unit as defined by the regulator in the Accounting direction for providers of social housing 2015. The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Management cost per unit =  $A \div B$

A = Management costs

B = Social housing units

“Management costs” = total expenditure on management relating to social housing lettings, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end

(Social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

## 5.3 SS 503 – Maintenance cost per unit

This unit cost metric assesses the routine and planned maintenance cost per unit as defined by the regulator in the Accounting direction for providers of social housing 2015. The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Maintenance cost per unit =  $A \div B$

A = Routine maintenance + planned maintenance

B = Social housing units

“Maintenance costs” = total expenditure on routine maintenance and planned maintenance costs relating to social housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end

(Social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

## 5.4 SS 504 – major repairs cost per unit

This unit cost metric assesses the major repairs cost per unit as defined by the regulator in the Accounting direction for providers of social housing 2015. The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Major repairs cost per unit =  $A \div B$

A = Major repairs + capitalised major repairs expenditure for period

B = Social housing units

“Major repairs costs” = total expenditure on Major repairs (including capitalised) relating to social housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end

(Social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

35 Leasehold units which for example include Right to Buy and fully staircased shared ownership units where the provider retains the freehold are excluded from this definition.

36 Leasehold units which for example include Right to Buy and fully staircased shared ownership units where the provider retains the freehold are excluded from this definition.

37 As above

38 As above

## 5.5 SS 505 – Service charge cost per unit

This unit cost metric assesses the service charge cost per unit as defined by the regulator in the Accounting direction for providers of social housing 2015. The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Service charge cost per unit =  $A \div B$

A = Service charge costs

B = Social housing units

“Service charge costs” = total expenditure on service charge costs relating to Social Housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end

(Social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: Accounting direction 2015.

## 5.6 SS 506 – Other social housing costs per unit

This unit cost metric assesses other social housing costs per unit as defined by the regulator in the Accounting direction for providers of social housing 2015. The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Other social housing costs per unit =  $A \div B$

A = Other (social housing letting) costs + development services + community / neighbourhood services + other social housing activities: other (operating expenditure) + other social housing activities: charges for support services (operating expenditure) + lease costs

B = Social housing units

“Other (social housing letting) costs” = total expenditure on other costs relating to social housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end

(social rent general needs housing (excluding affordable rent), affordable rent general needs housing, social rent supported housing and housing for older people (excluding affordable rent), affordable rent supported housing and housing for older people, low cost home ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for social housing may be found here: Accounting direction 2015.

## GNPI 28 – Rent collected as % of rent due (GN)

For managed general needs properties only:

Rent collected  $\div$  (rent and service charge due for the period - rent loss due to empty properties) x 100

**Rent and service charge due for the period** = Gross rent and service charge due on the relevant units (gross annual rent roll), including void properties and excluding arrears brought forward.

**Rent collected** = Actual rent and service charge income received in the period from current or former tenants (including Housing Benefit payments), with no adjustments made for late Housing Benefit payments, pre-payments or post-payments.

Items collected by the landlord as an agent such as water rates, those not directly part of the rent such as court costs and repairs recharges, and recovery of overpaid housing benefit through the rent collection system should be excluded.

It is acceptable to report this figure a few days after the end of the reporting period to coincide with the end of the rental period. However, no adjustments should be made to this figure for payments received after the end of the rental period.

**Rent loss due to empty properties** = Rent and service charges that could not be collected during the period due to empty dwellings. The dwelling may have been vacant for any reason and includes dwellings that are unavailable to let. Dwellings that are unavailable to let and excluded from the annual rent roll (policy voids), the rent and service charges should be zeroed out. For example, properties awaiting demolition.

## CPP 04 – Overhead costs as a percentage of turnover

This measure is aligned with the HouseMark/Acuity measure. For SPBM members we would expect a figure of between 10% and 20%.

Overheads  $\div$  adjusted turnover x 100

## Overheads

Overheads are broadly categorised into Finance, IT, Premises and Central (corporate costs, HR, staff benefits, governance etc).

The numerator must include:

- Total cost of all staff directly engaged in overhead (back-office) functions, including their national insurance, pensions and on-costs.
- All non-pay costs relating to overheads

Exclude costs relating to direct activities (repairs, maintenance, housing management, supported housing, development, estate services, leasehold, shared ownership, other social housing, costs eligible for service charges, property insurance, community investment, costs relating to property sales or non-social activities).

Overheads should only include staff costs (including travel and subsistence) for staff where time is not spent on any of the above direct activities.

Calculation for adjusted turnover

Adjusted Turnover = (statement of comprehensive income turnover + DLO internal turnover – statement of comprehensive income cost of sales)

DLO internal turnover: Whether or not you have an in-house maintenance DLO could significantly affect this indicator; there will be associated overheads but no corresponding turnover. An adjustment is therefore made for the notional turnover generated by this business, being the schedule of rates or equivalent value of the repairs carried out for your own organisation. As a rough check, we would expect the internal turnover to be in the region of 150 - 200% of the corresponding staff costs of the internal workforce. This adjustment should only be made if the DLO is part of the entity being benchmarked.

Examples of overheads and direct costs

### Overheads employees include:

- Chief executive and PA
- Corporate services directors and PA
- Office managers
- Corporate support officers
- Front-of-house receptionists
- IT staff
- Finance staff (including rent and service charge accountants)
- Insurance officers
- HR and payroll processing staff
- Performance management and business improvement staff
- PR and marketing staff (including any graphic designers)
- Company secretary and other corporate governance staff

### Note it would exclude:

- All staff engaged in housing management as detailed under 'direct cost per property of housing management'
- All staff engaged in management or delivery of responsive repairs and void works as detailed under 'direct cost per property of responsive repairs and void works'.
- All staff engaged in management or delivery of major works and cyclical maintenance programmes as detailed under 'direct cost per property of major works and cyclical maintenance'.
- All estate services 'contractor-side' staff such as caretakers, concierges, groundsmen, cleaners etc.
- All care and support staff
- All staff carrying out 'wider-role' functions, such as community investment, financial inclusion, regeneration etc.

### Overhead non-pay costs include:

- Office rent and/or depreciation
- Other office premises costs (utilities, cleaning, maintenance, furniture, fixtures and fittings)
- Office supplies (such as stationery, printing, postage, refreshments, books and periodicals)
- Finance costs (including audits fees and payroll processing)
- General business insurance liability premiums (but exclude property insurance premiums which go to 'other')
- IT costs (including hardware and software purchase and depreciation, and telephone costs)
- HR costs
- Recruitment
- Staff training costs

- Corporate board and governance costs (including payments to board members, committee costs and training costs)
- PR and marketing costs (including graphic design and website)
- Corporate membership and subscription fees
- Tenant survey costs
- Consultancy fees relating to central corporate management (but stock condition survey costs are included in major works and cyclical maintenance).

**Note it would exclude:**

- All housing management costs as detailed under 'direct cost per property of housing management'
- All responsive repairs and void works costs as detailed under 'direct cost per property of responsive repairs and void works'
- All cost relating to major works and cyclical maintenance programmes as detailed under 'direct cost per property of major works and cyclical maintenance'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as:
  - › One-off redundancy costs
  - › One-off pension deficit funding
  - › Loan fees and financing arrangements
  - › Charges for bad debts
  - › Charitable donations
  - › Depreciation of housing stock
  - › Impairment
  - › Cost of sales
  - › And any other costs that are not part of your ongoing operating expenses.

## Appendix 2: Calculations used in this report

### Aggregation

The figures in this report are based on aggregated data from individual landlords. Sector Scorecard participants' underlying data is available in an accompanying schedule.

#### Correlation

Correlation is a technique for investigating the relationship between two variables. We have used Pearson's correlation coefficient to measure the strength of the association between the two variables.

Pearson's method rates correlation on a scale ranging from -1 to +1, where +1 and -1 are perfect linear correlations, which show up as 45° diagonal lines on a scatter plot. If the value is 0, then there is no apparent linear relationship between the two variables, this appears as a horizontal line on a scatter plot. The closer the correlation coefficient gets to +1 or -1, the stronger the correlation; the closer it gets to 0, the weaker it is.

We have interpreted the strength of the coefficient scores in the following way:

- 0.50 to 1            Strong
- 0.30 to 0.49       Moderate
- 0.10 to 0.29       Weak
- 0 to 0.09            No correlation

Note: the scale is the same for negative scores.

It may help to interpret the figure as percentages, so 0.33 = 33%, where 100% is the maximum.

### Percentages and percentage points

This report uses % to indicate proportional increases and percentage points to describe the change in percentage figures between years.

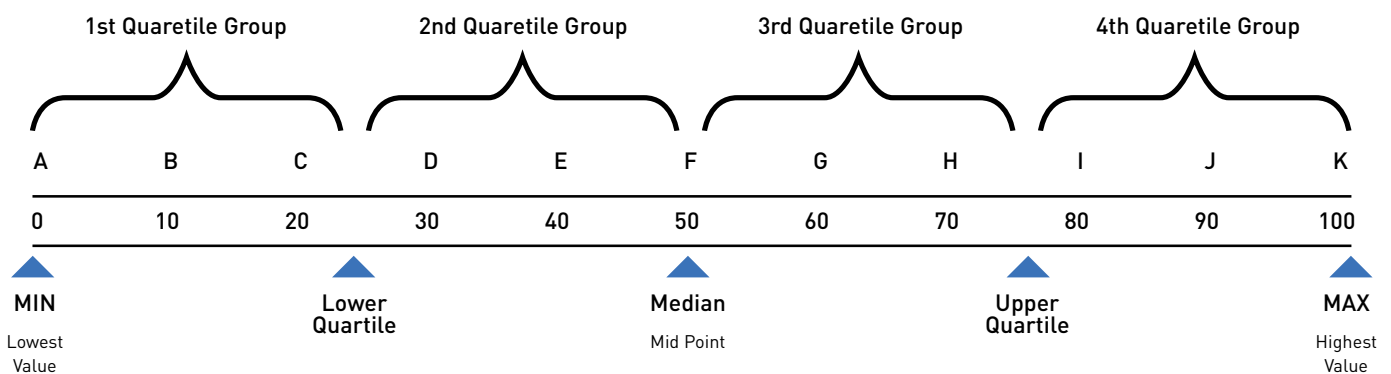
When we compare two figures, we can describe the difference between them by either calculating the actual change in units or by the proportional change expressed as a percentage. For example, if headline social housing costs had increased from £3,500 to £3,600 this would equate to a £100 actual increase or a 2.9% proportional increase.

If reinvestment had increased from 2.9% to 3.3% the actual change between the two figures would be 0.4 percentage points. If we were to describe the change as a 0.4% increase this would be incorrect. Expressing the change as a percentage indicates that this is a proportional change however the actual proportion change between the two figures is 6.9%.

### Quartiles and medians

Medians and quartiles are used throughout the report to indicate how your organisation compares to the other participants. With the data points arranged in numerical order, the median is the middle value and the quartiles divide the dataset into four equal parts.

The 4th quartile group represents the organisations with the highest values and the 1st quartile group, the lowest - regardless of whether having a high value is seen as positive or negative.



## Profile characteristics

This report uses several characteristics that have been calculated using results entered by Sector Scorecard participants as well as external data sources.

## Location and stock size

For HouseMark participants, we used publicly available sources of information for location and stock figures: English Global Accounts 2018, Scottish AFS units 2018, Welsh Government data, Northern Ireland DfC data, English SDR 2018 and individual organisations' websites.

Acuity members supplied location and stock information directly as part of their data collection exercise.

## Housing association type

We sourced housing association type information from the following sources:

- Global accounts: provider type
- HouseMark benchmarking information
- Acuity benchmarking profile information
- Individual organisations' websites

## Supported housing % of stock

We sourced housing association tenure type information from the following sources:

- Global accounts: % social housing owned or managed by type
- English Statistical Data Returns
- Scottish AFS units
- Welsh Government data
- Northern Ireland DfC data
- HouseMark benchmarking information
- Acuity benchmarking profile information

## Comparative groups

As well as banding organisations by stock size, this report also bands together participants by the figure they entered for three measures: development programme size, gearing and operating margin.

For each of these measures we split the group into three 'terciles' using the 33rd and 66th percentiles. This means that organisations' results in the highest third could be described as having a large development programme in relation to stock, high gearing and high operating margin. Those in the middle third were described as medium and those in the lowest third were described as having a comparatively small (development programme) or low gearing / operating margin.

We applied a similar method to organisations' supported housing and housing for older people stock. Using the Supported Housing as a percentage of stock, we calculated the top 10% (decile). These organisations were described as having a comparatively large proportion of supported housing stock. Organisations that recorded a figure above zero were recorded as having 'some' supported housing stock.

## Balanced panel

To compare the movement of quartile points over time, we have used a dataset of organisations that submitted data for the measure in 2018 and 2019, so the comparison of quartile points over time is based on a consistent cohort of organisations. This is referred to in the report as a balanced panel.

The balanced panel is based on the name of the organisation matching in 2018 and 2019. It excludes organisations that have merged and/or changed name between the years. The balanced panel will include organisations whose business has changed between years, but retained the same name.

To maintain a reasonable dataset size, the balanced panel is different for each measure. No direct comparisons are made between measures over time.









This report has been produced by HouseMark.  
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