

Sector Scorecard

analysis report 2021

January 2022

Summary

The Sector Scorecard is an initiative to benchmark housing associations' performance and check they are providing value for money. This report provides the results for 2020/21 and has been produced by Housemark and the National Housing Federation.

The coronavirus crisis meant this was an unprecedented year for housing associations and their residents, and some of this year's Sector Scorecard results reflect this. Housing associations devoted significant resources to supporting residents through the pandemic alongside maintaining business outcomes.

Despite the considerable challenges throughout the year, the Sector Scorecard shows that housing associations remain financially secure, well-managed and efficient organisations. Key results are as follows:

Business health

- The pandemic-led pause in planned works during 2020/21 meant less expenditure and a rise in operating margins – with a median result of 23.54%.
- Operating margins for supported housing and housing for older people stock average around 8 percentage points lower than social housing lettings overall, which includes general needs stock.

Development – capacity and supply

- Development programmes suffered some quite severe setbacks in 2020/21. During the first lockdown almost all building sites shut down, with many remaining closed for 10 weeks or more.
- With a median rate of 0.9%, the knock-on effect has been a 30% reduction in new supply delivered compared to the 1.3% rate published in the 2020 report.

Outcomes delivered

- Average satisfaction scores of 86% are 1-2 percentage points lower than previous Sector Scorecard reports.
- Developments of the course of the pandemic have led to a situation where customer expectations returned to 'normal' while landlords continued to tackle backlogs in activities such as repairs and lettings.

Effective asset management

- Restrictions on home moves, residents' lack of confidence about moving and delays in void turnaround throughout 2020/21 had an adverse impact on lettings activities. Terminations surpassed re-lets, resulting in more empty homes and average occupancy rates reducing to 99.2%. This means around 9,000 additional empty housing association properties across the UK.
- While almost all maintenance and improvement works were disrupted by the pandemic, in terms of costs, major improvement expenditure reduced more than responsive repairs. This means that housing associations spent proportionately more on responsive repairs, with a median ratio of 0.71 – the first time it has risen above 0.70.

Operating efficiencies

- The decrease in planned works expenditure, which affects operating margins, reinvestment and return on capital employed has reduced the overall median cost per unit from £4,023 in 2020's Sector Scorecard report to £3,891 in 2021.
- After an initial shock to income management caused by the increase in Universal Credit claimants during the first lockdown, many housing associations managed to recover outstanding debts. By the end of the financial year more than half had collected 100% of rent due within the period – a position shared across general needs, supported housing and housing for older people.

This report provides further details on the results above.

The full set of results is also available from [the Sector Scorecard website](#) to download as a spreadsheet.

About the Sector Scorecard

Housing associations are not-for-profit social landlords that provide homes and support for around six million people all around the country. They are driven by a social purpose: providing good quality housing that people can afford.

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

You can [find out more on the Sector Scorecard website](#).

Implementation

The Sector Scorecard is owned by an advisory group of housing association senior leaders with support from the National Housing Federation. The group has engaged Acuity and Housemark to collate Sector Scorecard data and provide reporting facilities.

Data collection is conducted either proactively by the association or by using publicly accessible documents such as financial statements. 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.

This year, the Sector Scorecard has been expanded to cover housing for older people and supported housing. This is the result of work by a group of housing associations, who piloted a parallel 'Supported Scorecard' providing comparisons of key costs and performance for supported and older person's stock.

This report incorporates 16 Supported Scorecard measures into the analysis. These measures are indicated by SH (supported housing) and/or OP (housing for older people/sheltered) in the title.

Participation

The data for this report was extracted in November 2021 and covers the financial year up to 31 March 2021. In total, 317 housing associations' data is included in the

report, who manage over 2.5 million homes, with a combined turnover of almost £20bn.

Participants are based across the country, from the Channel Islands to Scotland and from East Anglia to Wales and Northern Ireland. Sizes range from small associations managing fewer than 100 properties to large providers with tens of thousands of homes.

Sector Scorecard results 2020-2021

Business health

Operating margin (overall)			
Quartile 1	Median	Quartile 3	Sample
15.75%	23.54%	28.80%	308
For the housing association sector, operating margin measures the amount of surplus generated from turnover on a provider's day-to-day activities. Following several years of decreasing margins in the face of rising building safety costs and English rent cuts, housing associations' overall operating margins rose during 2020/21. This corresponds with pandemic-related reduced expenditure on development and works to existing stock.			

Operating margin (social housing lettings)			
Quartile 1	Median	Quartile 3	Sample
17.50%	25.49%	31.28%	300
Social housing lettings is the mainstay of many housing association businesses and is a key driver of overall operating margins. The pandemic-led pause in planned works during 2020/21 meant less expenditure and a rise in operating margins.			

Operating margin (supported housing)			
Quartile 1	Median	Quartile 3	Sample
4.20%	17.34%	35.23%	12
This Supported Scorecard measure shows that supported housing can make a reasonable surplus, but the additional costs involved in providing specialist housing tend to result in lower operating margins. The comparatively low number in the sample and wide variation in results suggests that more analysis is needed to understand cost drivers in this activity.			

Operating margin (housing for older people)			
Quartile 1	Median	Quartile 3	Sample
9.67%	16.55%	29.02%	14
<p>While this Supported Scorecard measure suggests that managing housing for older people produces lower surpluses than general needs, there is considerable variation behind the median figure. This is driven by a tendency among smaller, specialist associations to reinvest more surplus in-year, while larger organisations are likely to carry surpluses over into future years and report margins similar to Operating margin (social housing lettings).</p>			

EBITDA MRI (as % interest)			
Quartile 1	Median	Quartile 3	Sample
156.00%	215.95%	343.72%	298
<p>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 debt¹. In spite of some pressures from increased rent arrears during the first lockdown, housing association earnings during 2020/21 were consistent with previous years. With larger surpluses, lower major repairs expenditure and continued low borrowing rates, the sector increased its interest cover in 2020/21 to over 200%, a similar median point to the Sector Scorecard report from 2018. The Sector Scorecard result is considerably higher than the English regulator's global accounts due to the difference in participation. The under 1,000 units size band recorded a median of 333% for this measure, while Scottish participants recorded a median of over 400%.</p>			

Development – capacity and supply

New supply delivered % (social housing units)			
Quartile 1	Median	Quartile 3	Sample
0.00%	0.90%	1.95%	300
<p>This comparable measure allows associations to assess the size of their development programme in relation to the amount of stock they already own. Development programmes suffered some quite severe setbacks in 2020/21.</p>			

¹ <https://www.gov.uk/government/publications/value-for-money-metrics-technical-note/value-for-money-metrics-technical-note-guidance-june-2020#metric-4--earnings-before-interest-tax-depreciation-amortisation-major-repairs-included-interest-cover->

During the first lockdown almost all building sites shut down, with many remaining closed for 10 weeks or more. The knock-on effect has been a 30% reduction in new supply delivered compared to the 1.3% rate published in the 2020 report.

New supply delivered % (non-social housing units)

Quartile 1	Median	Quartile 3	Sample
0.00%	0.00%	0.00%	293

Previous years' Sector Scorecard reports have shown that only a minority of housing associations develop non-social housing in any given year. Even with the pandemic just less than one in four landlords recorded a figure above zero for this measure, which is comparable to 2019/20.

New supply delivered: absolute (supported housing)

Quartile 1	Median	Quartile 3	Sample
N/A			4

This measure is collected as an absolute figure, so a median result is not appropriate. With just four associations submitting data for supported housing new supply, it is not possible to present any reliable analysis.

New supply delivered: absolute (housing for older people)

Quartile 1	Median	Quartile 3	Sample
N/A			8

This measure is collected as an absolute figure, so a median result is not appropriate. Despite the low number in the sample, the pattern of housing for older people new supply appears similar to non-social output, with concentrations of development. Two out of the sample of eight recorded substantial programmes with the remainder recording one or zero new units.

Gearing

Quartile 1	Median	Quartile 3	Sample
17.70%	33.82%	47.21%	306

Gearing measures the ratio of debt to assets using a concept that is similar to mortgage lenders' loan to value ratio. Median gearing ratios have changed little from Sector Scorecard results published for 2019 and 2020. While there is headroom for many associations to borrow more, there may not be an appetite to increase debt with a risk of rising interest rates. Factors likely to change this

Gearing

position would be borrowing to cover works to existing properties such as remedial safety or decarbonisation.

Outcomes delivered

Customer satisfaction (general needs and housing for older people)

Quartile 1	Median	Quartile 3	Sample
78.90%	86.00%	90.75%	195

The Sector Scorecard measures satisfaction using the STAR standardised framework for periodic surveys of customer perception. This year's combined general needs and housing for older people median figure is 1-2 percentage points lower than previous Sector Scorecard reports.

Customer satisfaction (supported housing)

Quartile 1	Median	Quartile 3	Sample
78.18%	87.50%	93.25%	32

The STAR framework is designed for surveying residents living in all types of social housing. Surveys of supported housing residents show that satisfaction levels are slightly higher than the combined general needs and housing for older people results.

Customer satisfaction (housing for older people)

Quartile 1	Median	Quartile 3	Sample
82.75%	91.00%	96.00%	43

Prior to the pandemic, Housemark's STAR benchmarking had established a clear gap between satisfaction results of general needs and housing for older people residents. The pandemic has had no effect on this gap, with five percentage points separating the median between the combined general needs and housing for older people result and the sole housing for older people score.

Reinvestment %

Quartile 1	Median	Quartile 3	Sample
2.56%	5.10%	7.95%	301

This measure 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. The pandemic-related reduction in major works and development has resulted in lower reinvestment for 2020/21.

Reinvestment (supported housing)

Quartile 1	Median	Quartile 3	Sample
N/A			5

This measure looks at reinvestment in existing stock and new supply for housing associations' supported housing portfolios. With five associations submitting data for this measure, it is not possible to present a reliable analysis of results.

Reinvestment (housing for older people)

Quartile 1	Median	Quartile 3	Sample
3.43%	6.32%	11.16%	8

This measure looks at reinvestment in existing stock and new supply for housing associations' housing for older people portfolios. While the median result is higher than the overall Reinvestment measure, the figures are not very comparable. Apart from the much lower sample size, the denominator (value of housing for older people units) is much smaller compared to all stock. As a result, associations with housing for older people new supply have recorded comparatively high reinvestment rates, raising the median point.

Investment in communities

Quartile 1	Median	Quartile 3	Sample
N/A			145

This measure is collected as an absolute figure, so a median result is not appropriate. In total, 145 participants recorded £120m invested in communities, an average of £65 per property managed. With access to funding linked to landlords expressing ESG (Environmental, Social and Governance) credentials, investment in community activities is likely to rise in the medium term as the sector increases expenditure and improves recording mechanisms.

Service users supported to establish and maintain independent living (supported housing)			
Quartile 1	Median	Quartile 3	Sample
N/A			2
This measure looks at outcomes for supported housing service users moving into more permanent accommodation. With two associations submitting data for this measure, it is not possible to present a reliable analysis of results.			

Planned move on from temporary accommodation-based services (supported housing)			
Quartile 1	Median	Quartile 3	Sample
N/A			2
This measure looks at outcomes for supported housing service users moving on from emergency accommodation. With two associations submitting data for this measure, it is not possible to present a reliable analysis of results.			

Effective asset management

Return on Capital Employed (ROCE)			
Quartile 1	Median	Quartile 3	Sample
2.21%	3.10%	4.03%	306
Return on capital employed (ROCE) shows how well a provider is using both its capital and debt to generate a financial return by comparing an association's surplus to the value of its properties. While the pandemic resulted in temporarily higher housing association surpluses, the sector's asset values remained steady. As a result, the median ROCE rate is higher than the result reported in 2020.			

Occupancy (general needs)			
Quartile 1	Median	Quartile 3	Sample
98.53%	99.20%	99.53%	187
Occupancy rates demonstrate how efficient providers are at turning around void (untenanted or empty) properties and at sustaining existing tenancies. The pandemic has had an adverse impact on lettings activities. Even after lockdown restrictions on house moves were lifted in the early summer of 2020, many potential residents were reluctant to take on a new home. This led to a situation where terminations surpassed re-lets, meaning more empty homes and lower			

Occupancy (general needs)

Quartile 1	Median	Quartile 3	Sample
occupancy rates. By March 2021, around 9,000 more UK housing associations homes were empty compared to 2019.			

Occupancy (supported housing)

Quartile 1	Median	Quartile 3	Sample
90.40%	95.35%	98.03%	21

Unlike general needs units, where demand is often steady and predictable, occupancy rates in supported housing are affected by the type of provision (e.g. short term, long term) and the suitability of applicants. This would have resulted in lower occupancy rates even before taking account of the pandemic. The first year of this measure's inclusion in the Sector Scorecard report shows that 19 out of 20 supported housing units were occupied at the end of March 2021.

Occupancy (housing for older people)

Quartile 1	Median	Quartile 3	Sample
95.39%	97.33%	99.10%	25

Occupancy rates in housing for older people stock are subject to the same suitability issues as supported housing, alongside lower demand compared to general needs stock. Housemark anecdotal evidence collected during 2020 suggested that older people were more reluctant to move because of the pandemic. This resulted in lower occupancy rates. As the vaccination and booster programmes increase confidence amongst older people to move home, occupancy rates are likely to rise in 2021/22, but will still be subject to the same pressures as general needs stock.

Ratio of responsive repairs to planned maintenance

Quartile 1	Median	Quartile 3	Sample
0.51	0.71	0.98	194

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. Housemark research has found that while almost all maintenance and improvement works were disrupted by the pandemic, in terms of costs, major improvement expenditure reduced more than responsive repairs. The result is that the ratio of responsive repairs increased relative to planned works. Compared to previous Sector Scorecard reports, this is the first year that the median ratio has

risen above 0.70. This is likely to be a one-off as most planned works have continued unrestricted during 2021.

Operating efficiencies

Headline social housing cost per unit

Quartile 1	Median	Quartile 3	Sample
£3,233	£3,891	£5,101	303

This measure uses components from associations' financial statements to calculate a headline social housing cost, which is divided by the number of properties owned and/or managed for a comparable cost per unit figure. The decrease in planned works expenditure, which affects operating margin, reinvestment and ROCE has reduced the overall median cost per unit to £3,891 from £4,023 in 2020's Sector Scorecard report. Median cost per unit results for 2021/22 are likely to be higher than £4,000 as associations catch-up on planned works programmes. A breakdown of this measure into categories (e.g. management and maintenance) is available to download from [the Sector Scorecard website](#).

Headline social housing cost per unit (supported housing)

Quartile 1	Median	Quartile 3	Sample
£3,649	£5,050	£9,706	10

This measure divides all supported housing costs recorded in associations' financial statements by the number of supported housing units owned and/or managed. The labour-intensive nature of providing supported housing has long been acknowledged as a driver of higher costs, which varies according to the type of support provided and specialist nature of the buildings. These factors result in supported housing unit costs that are around 30% higher than the Headline social housing cost per unit figure.

Headline social housing cost per unit (housing for older people)

Quartile 1	Median	Quartile 3	Sample
£4,003	£4,283	£5,706	11

This measure divides all housing for older people costs recorded in associations' financial statements by the number of housing for older people units owned and/or managed. Similar to supported, housing for older people costs are driven by additional staff and more equipment to help residents. Compared to supported

Headline social housing cost per unit (housing for older people)

housing, there is less variation and less intensity in the type of assistance provided in housing for older people. This means that median housing for older people unit costs are only 10% higher than the figure for all social housing.

Rent collected as % of rent due (general needs)

Quartile 1	Median	Quartile 3	Sample
99.41%	100.00%	100.60%	196

This Sector Scorecard measure demonstrates the effectiveness of the income management function in collecting rent due and managing arrears levels for general needs residents. When the first pandemic-related lockdown began in March 2020, the UK economy stalled. Millions of people found themselves without work – and hundreds of thousands made new claims for Universal Credit. The huge increase in claimants coupled with the five-week wait for the first full payment led to lower rent collection levels and unprecedented increases in social housing sector arrears. After this initial shock, many housing associations managed to recover outstanding debt, so that by the end of the financial year more than half had collected all rent due within the period – which is a better position than all Sector Scorecard reports going back to 2017.

Rent collected (supported housing)

Quartile 1	Median	Quartile 3	Sample
98.30%	100.00%	100.64%	44

Compared to general needs accommodation, rent collection in supported housing stock has not been affected by issues with housing costs in Universal Credit as residents are able to claim Housing benefit.

While direct payment of benefit is much more likely in supported housing than general needs, rent collection is complicated by factors such as claim changes in short-term accommodation and splitting out eligible service charges. Even taking into account these differences, the median point for supported housing rent collection is identical to general needs and shows that more than half the sample collected the equivalent of all rent due within the year.

Rent collected (housing for older people)

Quartile 1	Median	Quartile 3	Sample
99.18%	100.19%	100.67%	50

Compared to general needs accommodation, rent collection in housing for older people stock has not been affected by issues with the working-age benefit

Universal Credit. While the pandemic caused increased voids in housing for older people stock, rent payment levels continued as expected. More than half the sample were able to collect more rent than was due, which means that many started to clear some historical debts. In 2021/22, rising energy and food costs are likely to erode fixed incomes from pensions and other sources and put pressure on collection rates as residents struggle to heat, eat and pay rent.

Overhead costs as a percentage of turnover

Quartile 1	Median	Quartile 3	Sample
10.47%	13.35%	16.84%	186

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. During the 2020/21, Housemark has recorded decreases in some overhead costs such as recruitment fees, legal fees, consultancy and office premises. However, this was offset by increased expenditure in activities including IT and centralised costs such as procuring PPE. This balance of higher and lower expenditure has resulted in a median point slightly lower than the 13.9% shown in the Sector Scorecard 2020 report, but is higher than the 12.8% from the 2019 report. This balancing out of back-office costs is likely to continue into 2021/22 as changes to working patterns become established, while other parts of the business (e.g. recruitment) pick up.

Appendix 1: 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 from the Sector Scorecard website.

Supported housing and housing for older people

Sector Scorecard measures relating to supported housing and housing for older people are based on units that meet the English Regulator of Social Housing's definition of supported housing as specified in the Welfare Reform and Work Act 2016 (WRWA 2016) and regulations made under it.

Percentages and percentage points

This report uses percentage 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.