

## Introduction

The ongoing coronavirus crisis has led to significant changes for our sector due to its impact on the economy and society as a whole. And the impact is only starting to become apparent with effects expected to be with us for years to come.

Our sector is doing all it can to support tenants during the crisis, while also having one eye to the future as we are aware we will play an important role in the economic recovery of the country.

It is with this long-term view in mind that SFHA took the decision to collect data quarterly on the impact of COVID-19 from members to allow us to identify and track trends in the months ahead. As much as is possible, the data we are asking members for complements what is already being asked for by other organisations such as the Scottish Housing Regulator (SHR) and HouseMark.

This report compares the data collected by SFHA covering the pre-COVID January to March 2020 period with available data from the SHR from their monthly returns they have issued since April to help them understand the impact of the Coronavirus on landlord's services, and HouseMark's data from their monthly COVID-19 impact monitoring work which also began in April.

The return for April-June is currently with members with a deadline of August 31.

A number of changes have been made to our original return as a result of the SHR decision to make the data from their returns available on a landlord-by-landlord basis which was not their original intention.

At SFHA the data collected will be used alongside that available elsewhere to identify and track any trends and take any action required as a result. If particular concerns are identified, this data will give us the evidence we need to make a case to government for action or support for our sector in tackling it.

SFHA intends to continue collecting this data into 2021 as we remain in very uncertain times. Until the emergency measures such as the Job Retention Scheme in particular come to an end, it will be difficult to know how many tenants might face loss of income or unemployment. This brings with it the potential for substantial reductions in rental income. We already know wider economic shocks have a disproportionate impact on social housing tenants, many of whom are in precarious employment or work in sectors where it is not possible to work from home.

We also hope the data will begin to identify changes in the sector which are positive. For example, by tracking data on overheads we hope to be able to determine the impact moving to more home working has on office costs etc.

We will continue to publish the outcomes of our data collections quarterly alongside comparisons with other available, complementary data.

## Results summary

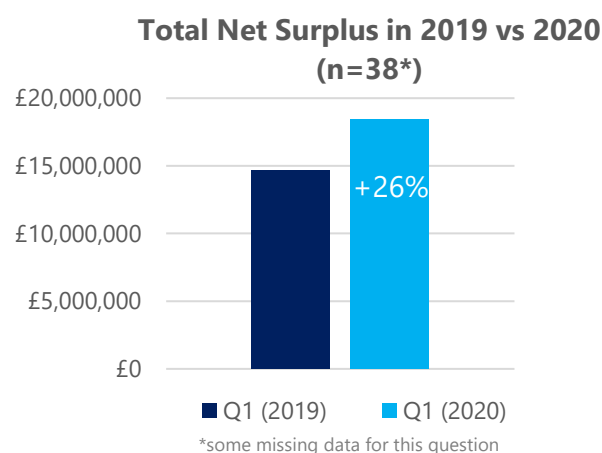
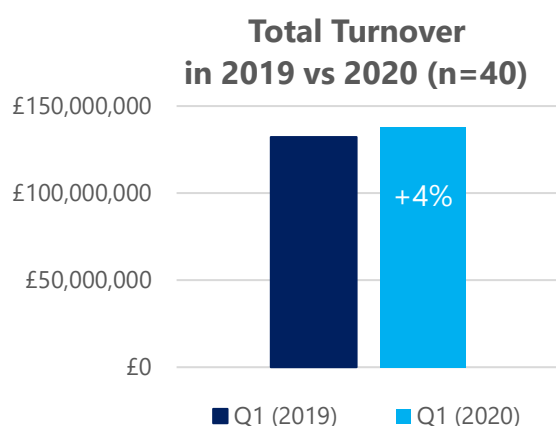
A total of 42 submissions were received from SFHA members as part of the **Q1 (January-March)** data collection however not all of these were complete. For example, a few submissions had insufficient data for 2019. These examples were therefore excluded from some of the 2019 and 2020 comparisons.

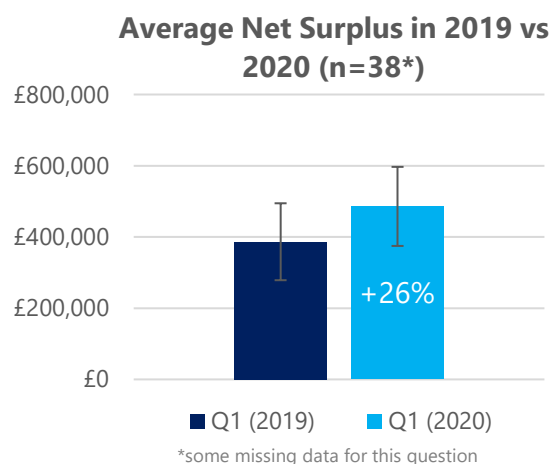
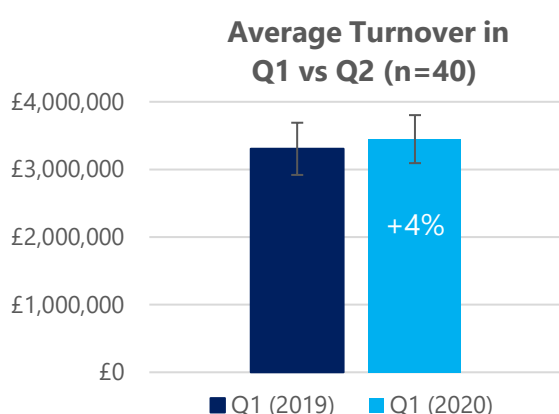
Of the 42 submissions to SFHA for **January-March**, 40 of these had also submitted information to the Scottish Housing Regulator (monthly submission for **April, May and June**), referred to as **Q2 within this document**. In these cases, comparisons were also performed between the Q1 and Q2 periods.

Where possible statistical tests (paired t-tests) have been performed to identify statistically significant differences in the average figures as determined at the  $P \leq 0.05$  level. Where error bars are shown these illustrate the standard error of the mean.

### Turnover and Net Surplus

Based on 42 submissions, total turnover for Q1 of 2020 was around **£297 million**. When comparing with the same period in 2019, based on those who provided sufficient data, there was an apparent **4% increase** in the average turnover however the difference was not statistically significant due to considerable variability within the sample. For example, the difference in turnover for individual organisations ranged between -47% and +38% highlighting the wide range of experiences even within this relatively small sample. Based on the figures received, the total net surplus had increased by **26%** between 2019 and 2020, however, again the change in average net surplus did not reach the level of statistical significance. It should also be noted that these figures can be heavily skewed depending on pension liability transactions.





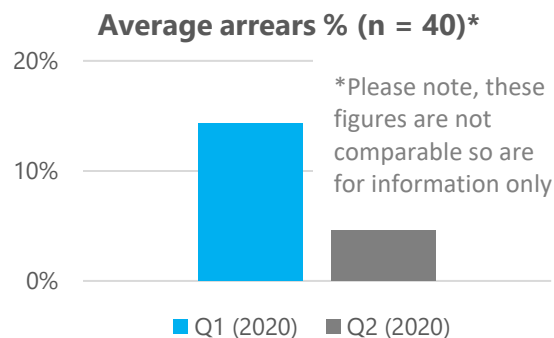
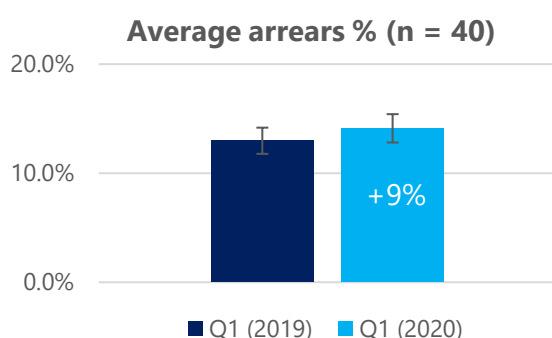
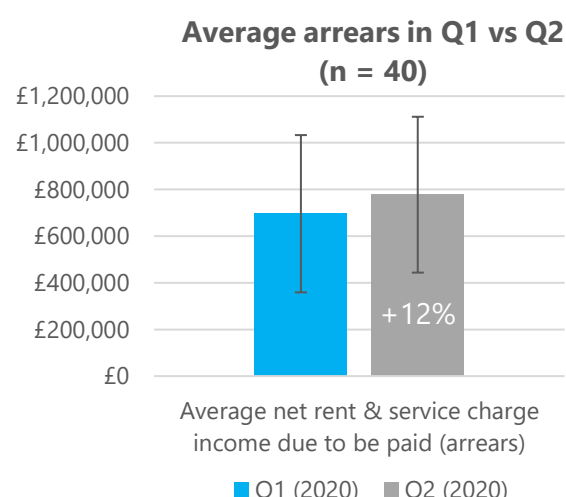
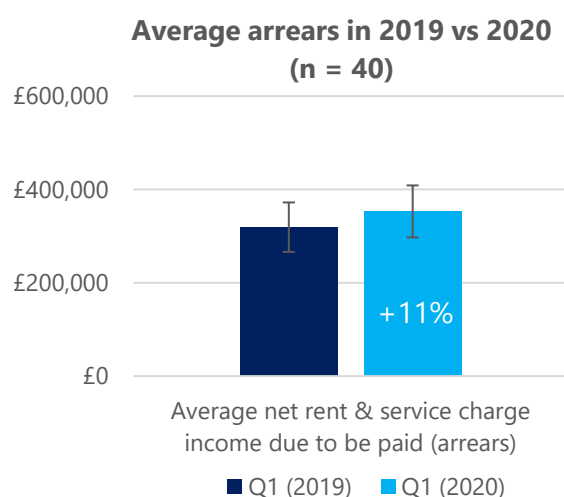
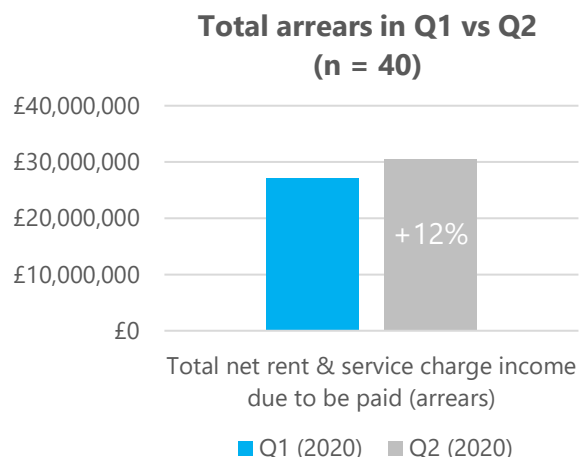
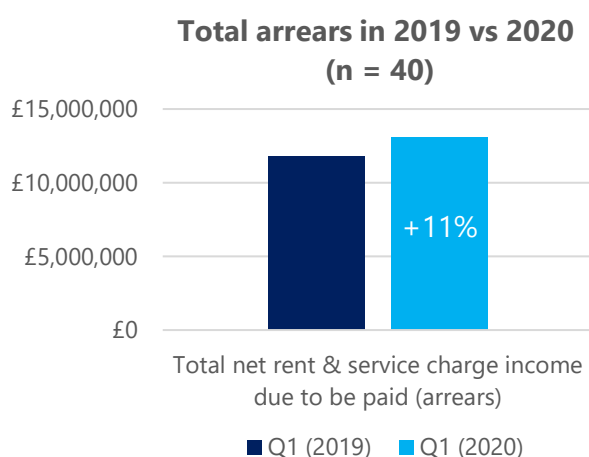
## Arrears

The arrears figures, based on total net rent and service charge income due to be paid, equated to around **£29 million** when calculated based on all 42 organisations. When comparing the Q1 figures for 2019 and 2020, there was an **12% increase** in the total arrears value with the average arrear figure, based on the participating organisations, increasing from approximately £321,000 to £356,000. In this case, while there still some variability within the sample, a paired t-test confirmed that this difference was statistically significant. This indicates a higher level of arrears in the period between January and March (i.e. in the very early stages of the pandemic) when compared with the previous year. The average arrears percentage figure (where arrears are calculated as a percentage of net rents and service charges) also increased slightly from **13%** in 2019 (compared to **14%** in 2020), representing an increase of 9% based on the data from the SFHA responses. Again, this difference was statistically significant following a pairwise comparison of the data.

In conducting a further comparison between the first three months of 2020, as obtained from the SFHA data collection, and the data collected by the Scottish Housing Regulator for the subsequent quarter, the total arrears had increased by a further **12%**. There was again considerable variation amongst the individual organisations. For instance, there were six cases where the arrears had more than doubled while three organisations had experienced a notable reduction. Despite the variation, the result was still statistically significant indicating an overall increase in arrear levels following the national lockdown in March.

# SFHA FINANCIAL DATA COLLECTION SUMMARY

## August 2020

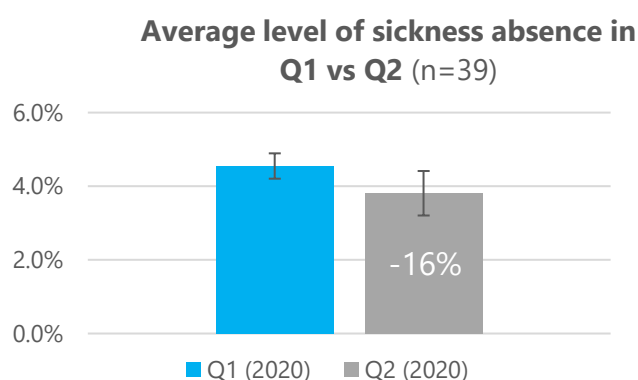
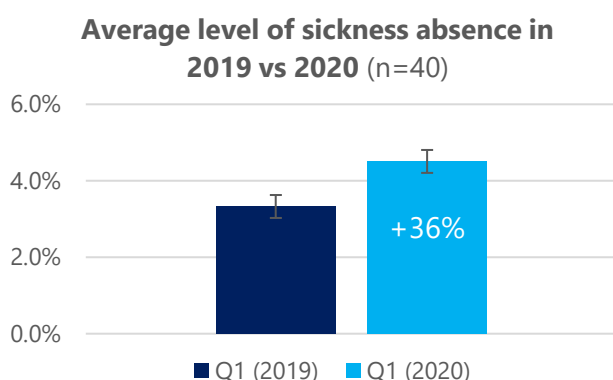


The SHR data shows for all RSLs in Scotland, arrears stood at £61,501,669 in April. This gives a total landlord arrears percentage of 4.51% calculated by dividing the the total value of gross rent arrears by the total rent due for the year. In May this rose to £63,472,770 (4.62%) and in June it rose again to £64,098,156 (4.67%). Their figures also show highest landlord arrears are around 11%. Due to the different calculated methods used, these figures are not comparable to the SFHA arrears percentage figure.

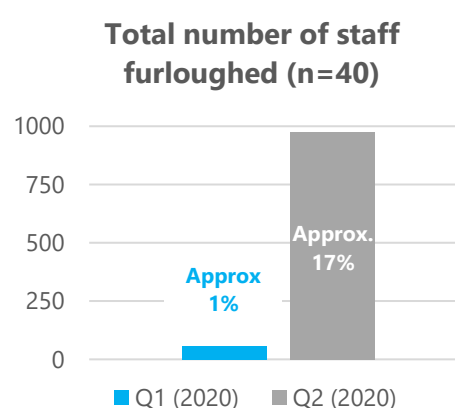
Research by HouseMark<sup>1</sup>, based on a sample of housing associations located throughout the UK, suggested increases in the level of arrears during Q2 with an average median arrears percentage of around 5% at the end of June. The HouseMark data for Scotland<sup>2</sup> also suggests that arrears will peak in December 2020, reaching a 42% increase compared to the March 2020 baseline.

## Staff

In relation to staffing levels, the data for 2019 suggests an average level of sickness absence of 3.3%. When compared to first quarter of 2020, in the early stages of the pandemic, sickness absence levels were 36% higher at 4.5%. When comparing the Q1 data for 2020 with the Q2 data gathered by the Scottish Housing Regulator, there was a slight decrease with an average figure of 3.8% reported for Q2 however this did not reach the level of statistical significance. These figures are however similar to the figure of 4% reported by HouseMark<sup>3</sup>.



In terms of the number of staff on furlough, it was estimated that during the first three months of 2020, **58 members of staff** had been furloughed based on the data to submitted SFHA. When comparing this figure to the data collected by the Scottish Housing Regulator for the Q2 period of 2020, it was estimated that **974 members of staff** were now furloughed (*based only on organisations who had submitted Q1 data to SFHA*). It was therefore estimated that the percentage of the workforce who had been furloughed had increased from **1%** in Q1 to **17%** in Q2, based on the figures of those who participated in both the SFHA and SHR data collections. This confirms significant uptake of the Coronavirus Job Retention Scheme following the national lockdown in March.



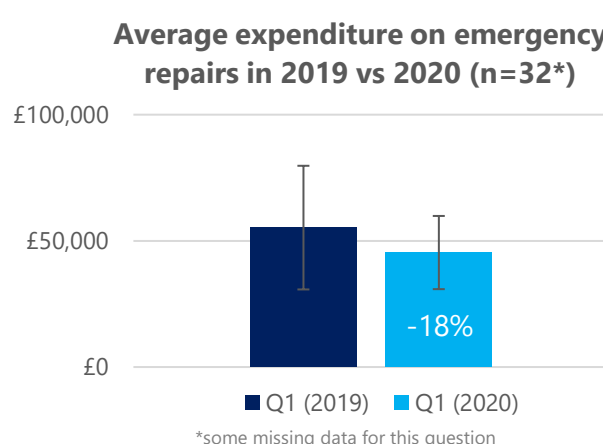
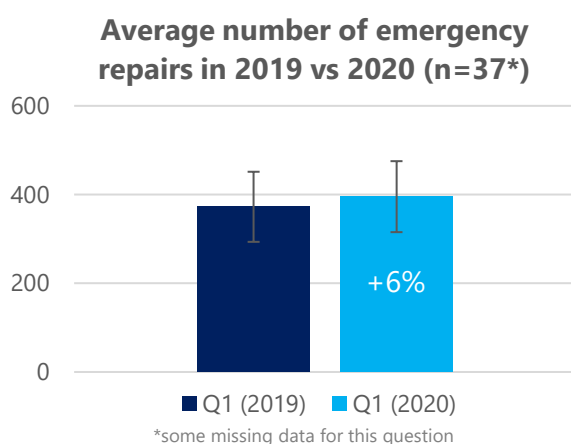
<sup>1</sup> <https://www.housemark.co.uk/subscriber-tools/covid-19-response-solutions/covid-19-impact-monitoring>

<sup>2</sup> <https://www.housemark.co.uk/hm-news/all-articles/scotland/three-month-housemark-scotland-covid-19-impact-data-reflects-different-approaches-to-easing-lockdown-across-uk>

<sup>3</sup> <https://www.housemark.co.uk/hm-news/all-articles/scotland/three-month-housemark-scotland-covid-19-impact-data-reflects-different-approaches-to-easing-lockdown-across-uk>

## Repairs

While the data for Q1 suggested that the number of emergency repairs carried out in 2020 was similar to that of 2019 (6% increase, not statistically significant), the average expenditure on emergency repairs is 18% lower in 2020, although again this difference was not statistically significant. There is not yet any comparable data for the Q2 period and although research by HouseMark (2020)<sup>4</sup> indicates reductions in the reporting of non-emergency repairs during the lockdown period, this does not include data on emergency repairs.



## Other findings

- There was no significant difference in the loss of rental income due to voids with both 2019 and 2020 demonstrating overall losses of around **£1.3 million** for the first quarter of the year for the 42 housing associations who provided data.
- The percentage of rent paid by Universal Credit or Housing Benefit was equivalent to **48%** based on Q1 for 2020. This was similar to the figure reported for Q1 of 2019.

## Conclusions

The most obvious impact at this early stage is the increase in arrears. With this expected to peak once current government support schemes end, this will be a key indicator in determining impact over the long-term.

Given the period covered in the SFHA return included only the very early stages of the crisis, it will be data from future returns which will allow us to assess the true consequences for staff and resources, to assess the support received from grant funding during the crisis and its impact, and to understand the level of increase in tenants receiving support with housing costs.

<sup>4</sup> <https://www.housemark.co.uk/hm-news/all-articles/scotland/three-month-housemark-scotland-covid-19-impact-data-reflects-different-approaches-to-easing-lockdown-across-uk>

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### August 2020

Our future returns will also allow us to monitor the costs of emergency repairs and determine whether costs have increased as a result of the pandemic. If this is to be the case, we can work with members and sector partners to consider solutions.

It's early days both in terms of the impacts of COVID-19 and our data collection, but we hope members will continue to work with us by supporting these returns to allow us the best evidence possible in terms of the support and lobbying we can provide for the sector as a whole.

For further information, or to take part if you have not already, please contact SFHA policy lead, Shona Mitchell at [smitchell@sfha.co.uk](mailto:smitchell@sfha.co.uk)