



Glasgow and West of Scotland
Forum of Housing Associations

Is big really better?

An analysis for GWSF by
Scotland's Housing Network

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1. Introduction

This analysis of landlord performance by size was prepared at the request of the Glasgow and West of Scotland Forum of Housing Associations (GWSF).

The Charter data for 2015-16 was used as the basis of performance, with RSLs classified by size and peer group. Specialist RSLs were excluded, but all other RSLs (except GHA), including both members and non-members of GWSF, were included in the analysis.

The classification produced these groups:

Table 1 Size classification by peer group

Size classification	Number in group	Rural	Small urban	Medium urban	Large urban	Small stock transfer	Large stock transfer
<500	29	3	24			2	
<1000	46	9		29		8	
<2000	30	2			18		10
<4000	27	3			15		9
>4000	10				6		4

Unlike the urban RSL peer group, which is already categorized by size, the rural and stock transfer landlords are spread across the classifications used here, so they have been retained, as this factor would not affect the analysis.

The average (unweighted) performance of each group of landlords was compared against all the major Charter indicators. The results are set out in Table 2, colour coded using Excel's conditional formatting: this allocates a colour between dark green through lighter green and yellow to orange and red, depending on the relative performance on each indicator. This gives an immediate visual comparison of performance for each size classification.

2. Data analysis

Table 2 Charter results by size classification

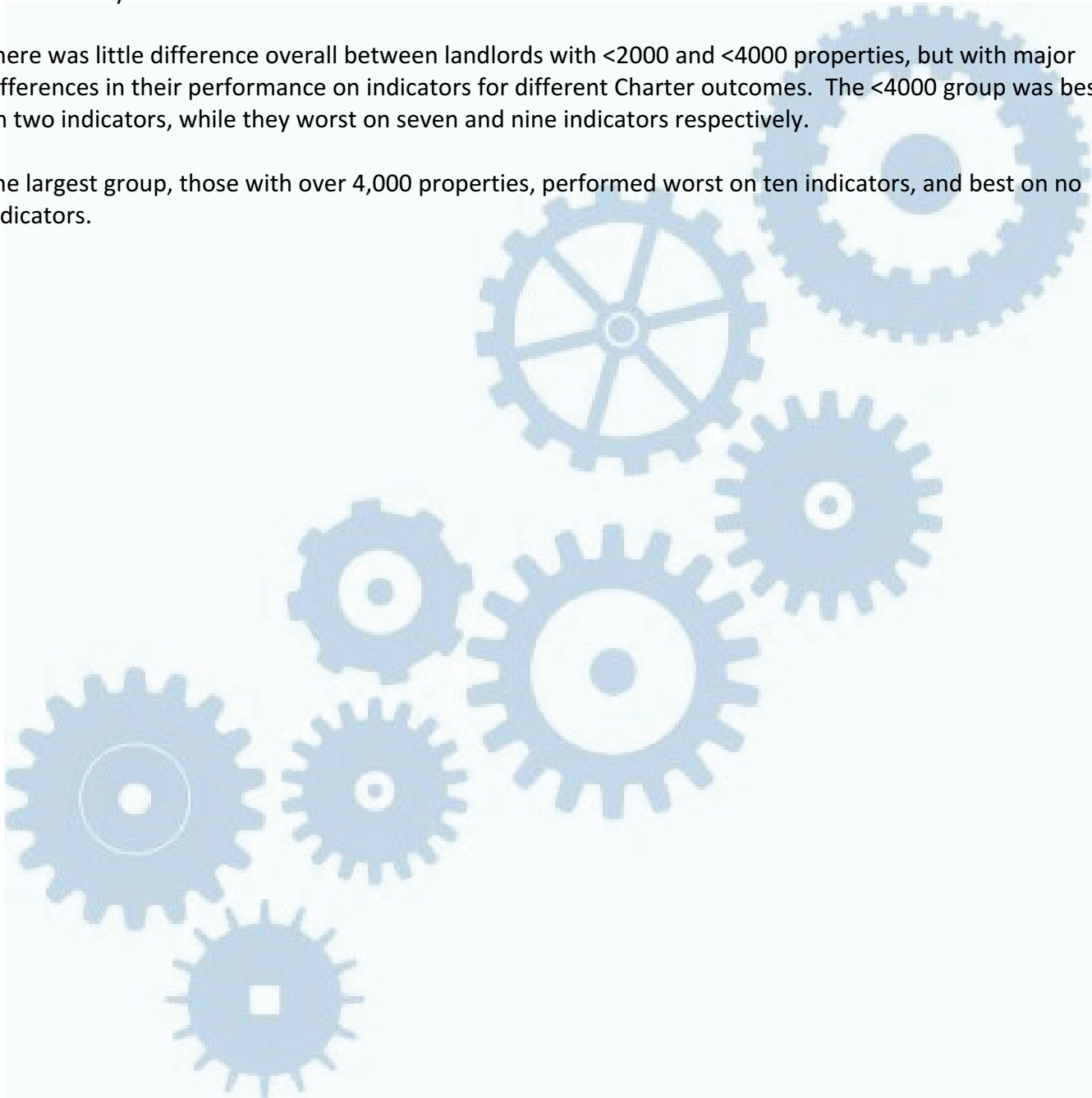
Charter Indicator	Size classification				
	<500	<1000	<2000	<4000	>4000
Average weekly rent	73.32	75.83	75.55	78.08	77.50
I1 Percentage satisfied with overall service	93.38	90.51	88.96	87.58	88.79
I3 Percentage satisfied with keeping tenants informed	95.44	93.74	91.29	89.98	90.52
I5 all 1st stage complaints responded to in full within SPSO timescales	92.92	91.01	91.51	85.42	86.42
I5 all 2nd stage complaints responded to in full within SPSO timescales	87.01	91.55	85.21	81.46	86.34
I6 Percentage satisfied with opportunities to participate	88.92	84.31	82.16	80.59	80.90
I7 Percentage properties meeting SHQS year end	96.45	94.50	89.69	90.62	93.12
I9 Satisfied with standard of home when moving in	88.88	89.09	86.24	88.43	87.34
I10 Satisfied with quality of home	87.72	87.42	83.82	86.96	86.38
I11 Average length of time taken to complete emergency repairs	2.30	2.48	2.59	3.40	3.20
I12 Average length of time taken to complete non-emergency repairs	3.79	4.13	4.98	5.73	7.21
I13 Percentage reactive repairs right first time	94.73	93.78	93.79	91.29	86.86
I14 Percentage of repairs appointments kept	97.44	95.43	96.38	95.05	94.38
I15 Gas safety record renewed by anniversary date	99.87	99.86	99.84	99.94	99.86
I16 Satisfaction with repairs service	93.91	91.29	88.22	87.64	90.19
I17 Satisfaction with management of neighbourhood	90.86	87.23	85.22	85.18	83.74
I18 Percentage of tenancy offers refused	25.70	28.54	37.42	28.29	35.18
I19 ASB cases resolved within locally agreed targets	95.04	87.80	86.07	84.44	78.98
I20 Percentage of all tenancies from previous year sustained	91.20	90.89	89.72	90.00	88.68
I20 Percentage of new tenancies sustained - assessed as statutorily homeless	82.49	90.35	85.60	89.26	89.85
I21 Percentage of lettable houses that became vacant during the year	7.31	8.05	9.14	8.34	9.04
I23 Average time to complete applications	45.64	70.46	78.97	68.88	51.38
I29 Rent represents value for money	83.49	76.27	78.32	77.52	82.77
I30 Rent collected as percentage of rent due	99.95	100.02	99.75	100.08	99.09
I31 Gross rent arrears percentage of rent due	3.52	3.80	4.16	4.87	5.35
I34 Percentage of rent due lost through empty properties	0.28	0.37	0.76	0.58	1.29
I35 Average time to re-let properties	13.91	15.13	26.16	24.30	39.22

It is immediately obvious from the table that the smallest landlords with under 500 self-contained properties perform best on most indicators, and performance generally deteriorates as the landlord size increases. In fact, of the 27 indicators selected, the smallest group performed best on 22, and worst on only one.

The second smallest group, <1000 properties, was the next best performer, best on three indicators, and worst on only one.

There was little difference overall between landlords with <2000 and <4000 properties, but with major differences in their performance on indicators for different Charter outcomes. The <4000 group was best on two indicators, while they worst on seven and nine indicators respectively.

The largest group, those with over 4,000 properties, performed worst on ten indicators, and best on no indicators.



3. Detailed performance by size

The reasons behind differing levels of performance on specific indicators would in many cases merit further research and so should be treated with caution. What is more significant is the overall trend in terms of the relationship between size of association and performance.

Landlords with under 500 units

Perhaps surprisingly, the average rent charged is lowest for smaller landlords. A limited financial analysis is included further on in the report, to consider this in more detail.

For the Charter indicators on service quality, the <500 group was generally around 3% better than the average for all five groups. The performance was particularly better on the value for money indicators, particularly re-lets. The <500 landlords averaged 14 days to re-let empty properties, and void rent loss was also much better, at 0.3%.

The only indicator where the <500 landlords performed worst was on tenancy sustainment for homeless applicants. This was markedly worse, even excluding the landlord with 0%. This is particularly surprising given the relatively low percentage of lets to homeless applicants from small landlords.

Landlords with under 1,000 units

In general, the landlords with <1000 stock performed well, particularly on rent collection and voids, tenancy sustainment and most satisfaction indicators, although they were the lowest for 'rent representing value for money'.

Landlords with under 2,000 units

This group were only second highest on two indicators, 1st stage complaints timescales and keeping appointments, while they were lowest on SHQS and quality of home, refusals, and adaptations timescales, as well as having the highest tenancy turnover.

Landlords with under 4,000 units

This group had the best performance for gas safety, and for rent collection. However, they had the highest average rents, and were lowest on several satisfaction indicators, as well as complaints timescales. Performance on most other indicators was otherwise close to average.

Landlords with more than 4,000 units

The largest landlords had the lowest results for most repairs indicators, neighbourhood and community, and the value for money indicators. Their relet times are three times higher than the <500 group, while the void rent loss is between four and five times higher. Most satisfaction indicators were substantially lower, although the rent offering value for money indicator is very close to the figure for the <500 landlords, even though the average rent is around £4 a week higher. Their performance on adaptations was also similar to the <500 landlords.

4. Variation within size classifications

The analysis above focuses on the average for each group. However, the performance of individual landlords varies. The table below illustrates this for four indicators: average weekly rent, overall satisfaction, emergency repairs timescale and average days to re-let properties.

Table 3 Variation in Charter results for selected indicators

Average rent			
Size	Highest	Average	Lowest
<500	93.36	73.32	63.65
<1000	96.88	75.83	56.79
<2000	85.99	75.55	56.65
<4000	87.05	78.08	65.99
>4000	88.18	77.50	69.55
Overall satisfaction			
<500	100.00	93.38	84.00
<1000	97.60	90.51	71.82
<2000	96.27	88.96	71.66
<4000	93.78	87.58	74.29
>4000	95.03	88.79	79.94
Emergency repairs timescale			
<500	4.7	2.30	0.6
<1000	6.3	2.48	0.9
<2000	8.9	2.59	1.2
<4000	9.4	3.40	1.3
>4000	8.6	3.20	1.4
Average days to re-let			
<500	37.7	13.91	0.0
<1000	76.9	15.13	1.3
<2000	62.2	26.16	6.8
<4000	58.0	24.30	5.2
>4000	102.2	39.22	13.1

For each of these four indicators, the best performing landlords in each size classification perform better than the average for the smallest landlords as a group, even though this is the best performing group. Similarly, with one exception, the worst performing small landlords perform more poorly than the average for larger landlords, and substantially worse than the best performing larger landlords.

This suggests that that while size may matter, it is clearly not the only factor affecting landlords' performance.

5. Financial indicators

As the average weekly rent for small landlords was lower, some further analysis was done of some financial indicators published by SHR.

Table 4 Financial indicators by size classification

Financial Indicator	<500	<1000	<2000	<4000	>4000
Management & maintenance admin. (£)	1272	1232	1103	1118	1032
Staff costs to turnover (%)	20	20	19	21	24
Key Management Personnel to staff costs (%)	19	21	14	9	7
Net surplus / (deficit) (%)	17	16	16	10	18
Cash per unit	4449	3522	3282	2206	1956
Housing properties NBV per unit	38401	45122	35001	47866	34493
Housing grants per unit	21367	25981	15756	23590	15358
Net debt per unit	17033	19141	19244	24276	19136
Interest payable per unit	309	446	393	611	555

Management and maintenance administration costs per unit showed that smaller landlords spent more than large landlords. Whether this is due to economies of scale or different spending priorities is not clear from this.

Staff costs show little variation across categories, but there is a substantial difference for the SHR key financial ratio of 'Key Management Personnel to staff costs (%)'. This ratio is calculated by SHR, and is one of their risk factors. Larger landlords have a much lower ratio than smaller landlords.

The net surplus across the different size classifications is similar for all except the <4000 group.

The smallest landlords have a more favourable financial position overall – their cash holdings are substantially higher, and their net debt per unit is lower, with interest payments correspondingly lower as well.

In summary, there are probably two factors at stake in relation to the lower rents for smaller landlords:

- the lower debt and interest costs aid the lower average rent for smaller landlords, and
- the better performance on voids and arrears has a long-term cumulative effect that benefits smaller landlords' financial position.

6. Historical changes

It should also be remembered that the RSL sector has undergone major changes in the last 15 years. The number of landlords and their average holding are now very different from the position in 2001-02 (the earliest for which data is available). The Table below shows this for all RSLs (including specialists).

Table 5 Changes in number of landlords and stock by size classification, 2001-02 and 2015-16

Number of landlords and stock for 2001-02 and 2015-16	<500	<1000	<2000	<4000	>4000
2001-02 Number of landlords	94	34	37	9	1
2001-02 Total number of lettable self-contained units	22084	25589	52140	22818	4282
2015-16 Number of landlords	39	47	33	29	11
2015-16 Total number of lettable self-contained units	11170	34876	47793	79150	63080

Of course, these changes will have come about through growth of smaller landlords into larger ones, as well as through new-build, mergers, and stock transfers, as well as growth of larger landlords.

However, because the relative size of the sector has changed, small landlords make up a very small proportion of the total. So although the <500 group has higher management costs, this only totals around an extra £2.4m, the same amount as the additional void rent loss of the >4000 group compared to the position if their void loss was similar to that of the <500 group.

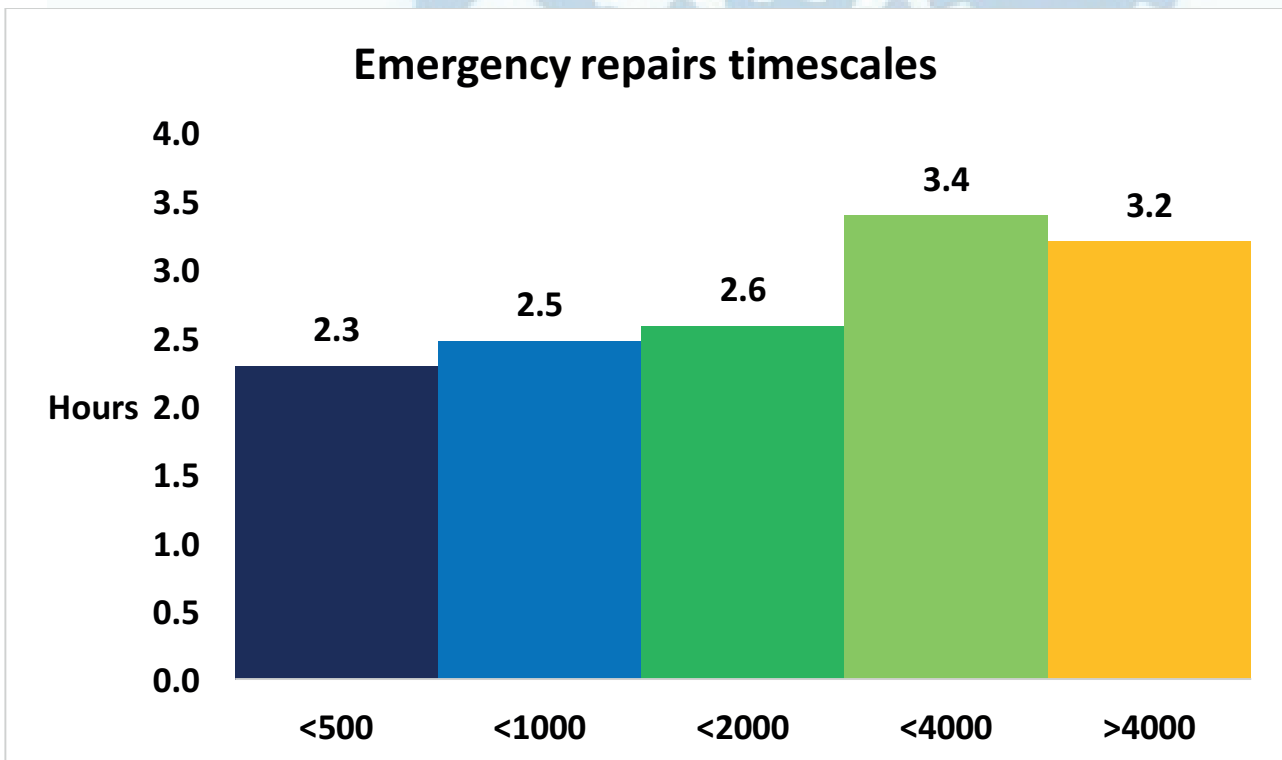
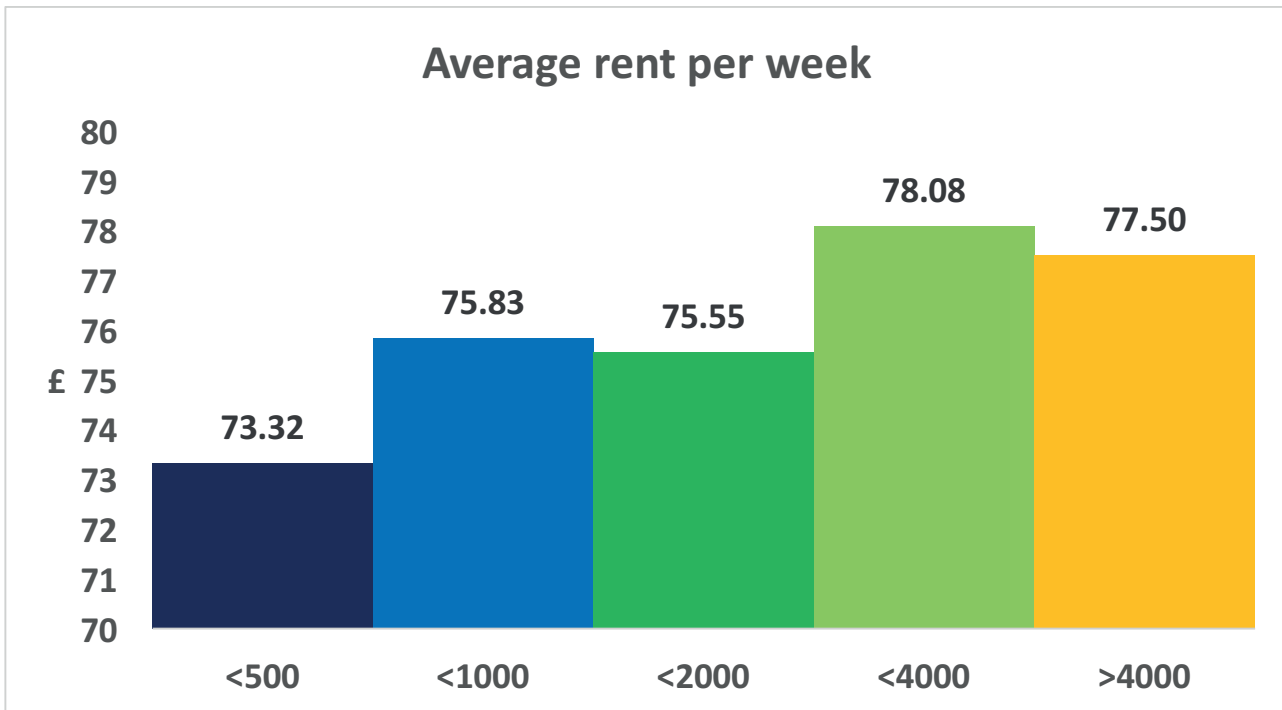
7. Conclusions

The Charter data clearly demonstrates that smaller landlords perform better for their tenants than larger landlords generally. Their financial position is also stronger, partly because they perform better at letting properties and collecting rents, but also because their debt position is better than larger landlords. However, there is also variation amongst landlords: this suggests that while size may matter, it is clearly not the only factor affecting performance.

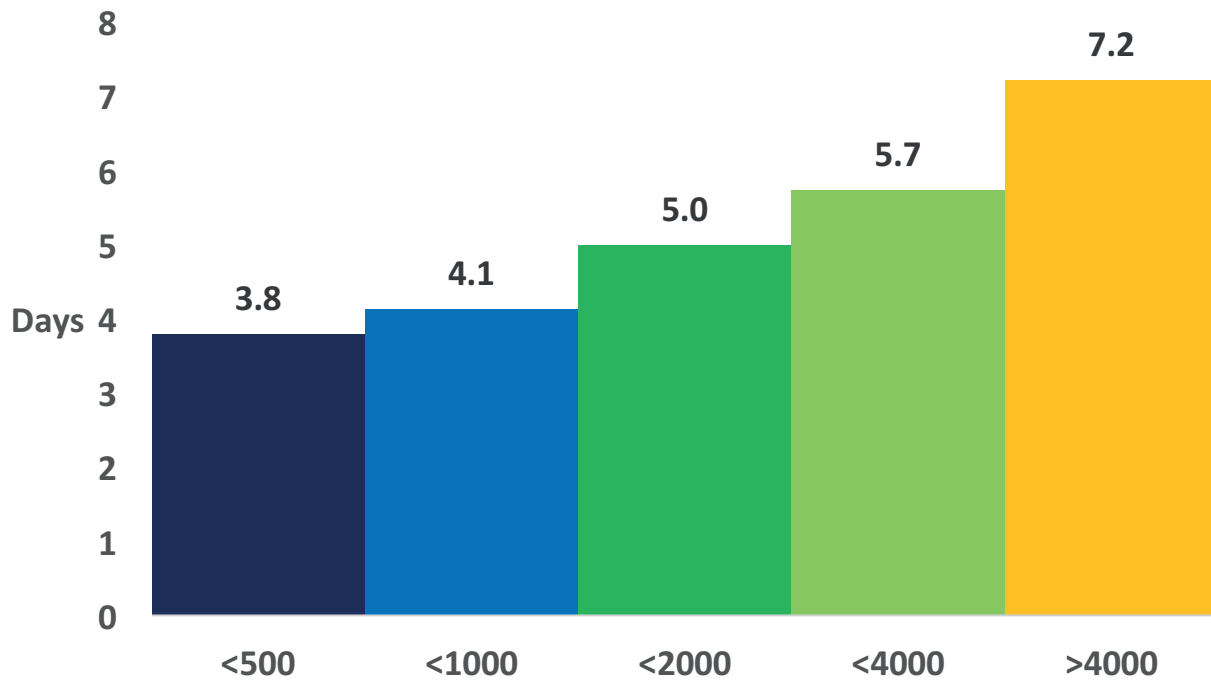
Comment from GWSF: The Forum's aim in commissioning this report is not to try to argue that being smaller inherently makes a housing association good, or that larger associations are inferior. Indeed a number of GWSF's members are larger associations. A wide range of factors make for a good association – its culture, its commitment to the community it serves, good governance and high quality staff, to name but a few.

Instead, the report aims to provide evidence to counter often-heard claims – including from within the sector itself – that there are 'too many small housing associations'. If people want to hold that opinion, then that is their right, of course. But GWSF believes that this report, like others before it, provides no evidence that smaller associations are less efficient or less effective, with much data appearing to point in the opposite direction.

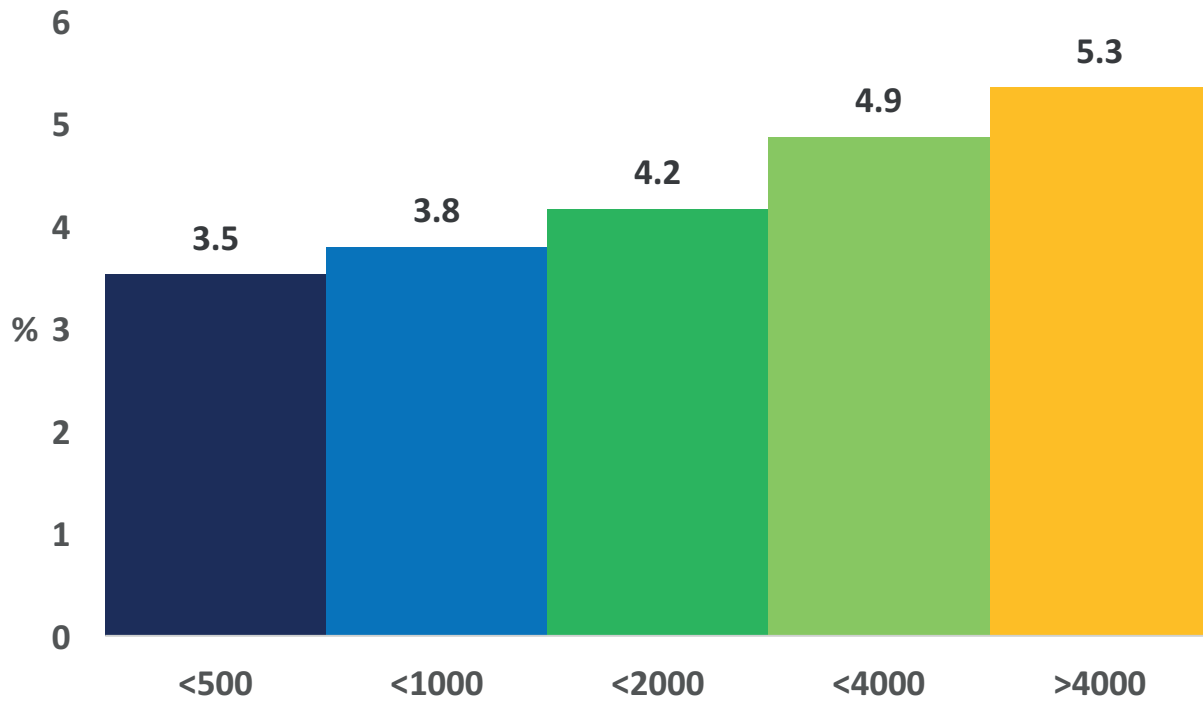
Appendix – additional charts (based on Charter data 2015/16)



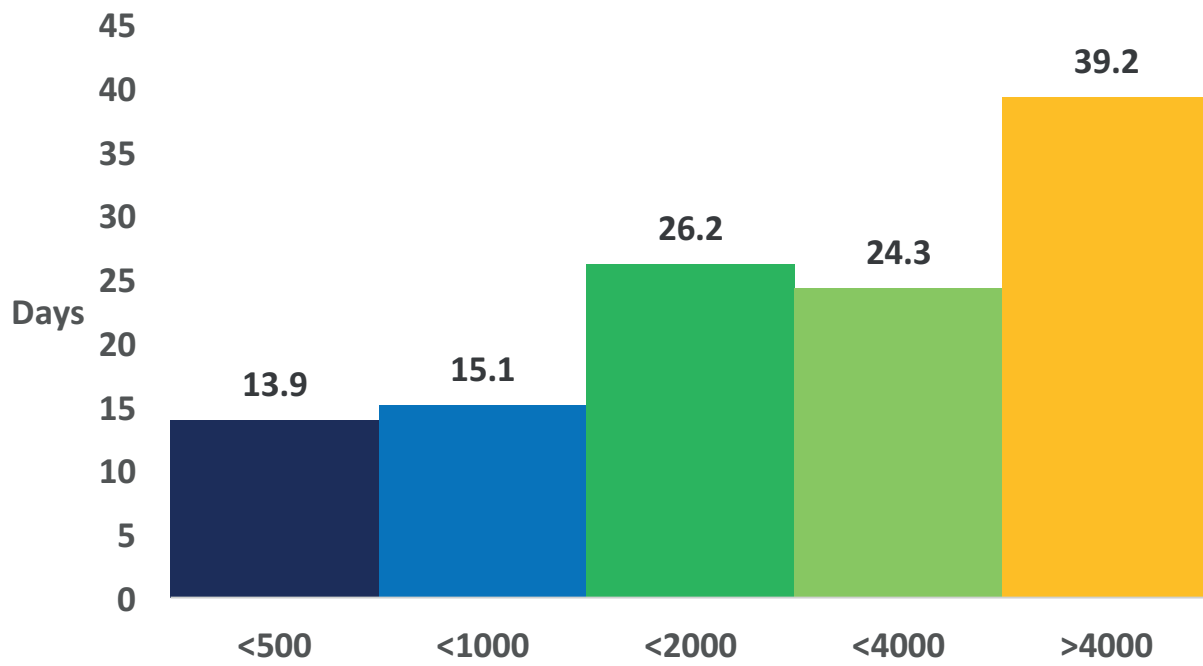
Non-emergency repairs timescales



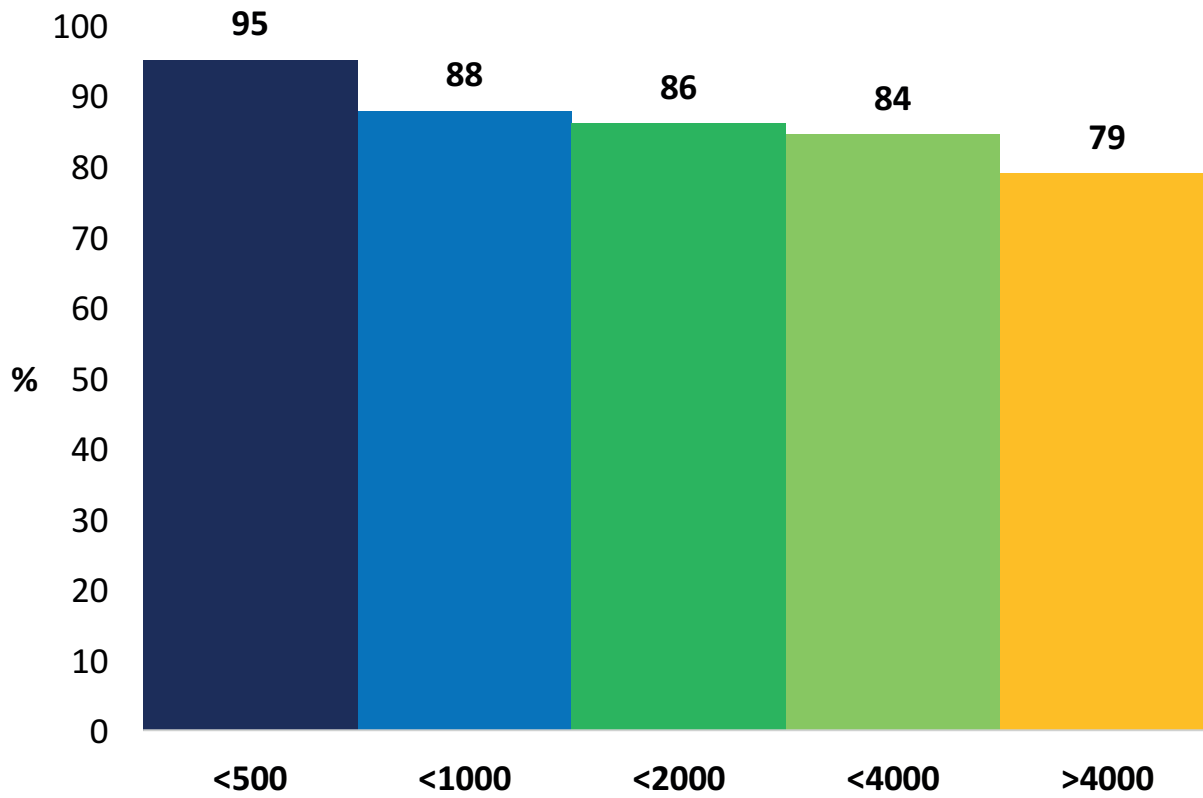
Gross rent arrears



Time to re-let properties



ASB on target





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About Us

Scotland's Housing Network is the national benchmarking club in Scotland and supports social landlords to improve services by benchmarking cost and performance results and sharing best practice. The organisation provides support to landlords through our data collection and benchmarking service, our invaluable forums and through our self-assessment resources. With over two thirds of social landlords in Scotland as members of the network, representing almost 90% of the sector by stock, the organisation plays an important role in driving up service standards across the social rented sector in Scotland.

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GWSF is the membership body for 68 community based housing associations in Glasgow and the West of Scotland. Contact us on 0141 946 0645 or via www.gwsf.org.uk