Homes & Communities Agency

2015 GLOBAL ACCOUNTS OF HOUSING PROVIDERS

February 2016

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Introduction

The 2015 Global Accounts provide a financial overview of the social housing sector based on an analysis of the regulatory financial returns of private registered providers. Within this publication, private registered providers of social housing (primarily housing associations) are referred to as 'providers'.

The social housing sector is diverse in both the size of providers that operate within it and the range of activities each undertakes. In total there are around 1,500 active providers, of which the majority have fewer than 250 homes. This publication is concerned with the financial analysis of the 332 providers which own or manage at least 1,000 social homes, representing more than 95% of the sector's stock.

There are two sub-sectors within the total – traditional and stock transfer providers. The latter were introduced in 1990 to take transfer of stock from local authorities. In their early years they have distinctive characteristics which are very different from existing traditional providers and are therefore analysed separately within this publication.

The provision of homes for rent is the major activity for the majority of providers. However, many also provide homes for ownership, thereby generating income from the sale of homes. This type of activity exposes providers to a different risk profile to that for traditional renting and has changed the financial profile of a number of providers within the sector.

Further differences exist between providers in their degree of specialism. The majority have some specialist supported, care or housing for older people homes. There are, however, a small but significant number of primarily specialist providers, who are largely contract service rather than property based organisations. These providers face particular challenges in competition from other service providers for local authority commissioned support contracts. Additionally, a small number of providers undertake a significant amount of activity that is not social housing. They deliver a range of community regeneration and housing solutions through subsidiary or associated companies not registered with the social housing regulator.

The 2015 Global Accounts are presented in Part B. The section introduces the aggregate financial statements, with specific sections relating to the dynamics of the housing sector, balance sheet and funding, financial and operating performance, social housing activity and non-social housing activity.

Following the decision of the Office for National Statistics (ONS) to reclassify the sector as Public Non-Financial Corporations, the publication of the 2015 Global Accounts has been brought forward by one month compared to the normal date for publication. The Global Accounts will, from February, inform the monthly Public Sector Finances publications produced jointly by the ONS and HM Treasury and the forecasting work completed by the Office for Budget Responsibility (OBR) in March.

Part A – Executive summary

The 2015 Global Accounts demonstrate that the sector delivered a solid year of balance sheet growth, underpinned by a financially robust operating performance. The value of housing properties increased, by £7.1bn, to £138.1bn. Debt increased by £4.1bn. A surplus of £3.0bn was recorded in the year.

The £7.1bn growth in the value of housing properties is predominantly driven by the development of new properties. Over 46,000 social housing units were developed, an increase of 35% on 2014. Capital investment in major repairs to existing properties was £1.9bn. A £0.7bn revaluation of properties also contributed to the increase. Housing properties with a book value of around £1.2bn were sold, reducing the value of the properties on the balance sheet, whilst providing significant cash receipts.

The growth in housing properties was funded primarily through debt and the re-investment of operating surpluses. Grant accounted for £0.5bn.

The total balance of drawn debt was £63.4bn. This debt is primarily in the form of bank loans. However, the sector is increasingly accessing the capital markets for new debt. In total 41 bond issues or private placements took place in the year, raising a combined £4.4bn. As a result of the increase in debt there was a modest increase in gearing on a debt to equity basis to 98%. Debt per social housing property increased 6% to £24,000.

Cash and short term investments increased, by £0.5bn, to £5.0bn. This increase in cash is linked to the increased use of bond finance. Bonds typically involve a large cash drawdown at issue. This cash is available for future investment and to meet working capital requirements.

With total debt at 21 times the annual surplus, strong interest cover is required to demonstrate debt servicing ability. Interest cover was 156% in 2015, up from 154% in 2014, as improvements in operating margin and a stable cost of debt had a greater impact on interest cover than the additional amount of debt raised. The strength of the interest cover result suggests that the sector has continued borrowing capacity subject to balance sheet and other constraints.

The sector's turnover increased, by 4.1%, to over £16bn. The majority of the increased revenue was achieved in the core social housing lettings activity, which was responsible for 84% of turnover. The operating margin also increased from 26% to 28% as costs increased by less than revenues.

The increasing maturity of the stock transfer sub-sector is a significant contributor to the strong financial result. Over 70% of stock transfer providers are over 10 years old. This means that their initial debt funded improvement programmes are complete. There is now little difference between the sub-sectors in respect of financial performance.

The sector has also benefitted from favourable macroeconomic conditions in recent years. There has been a prolonged period of low interest rates which have borne down on interest costs. RPI inflation, which was up to 2015 the framework applicable to determine increases in rental income, has outstripped wage inflation.

The strength of the housing market has underpinned a significant proportion of the 2014/15 surplus. The surplus on sales of fixed assets was over 20% of the overall reported surplus. The sector also builds new properties for shared ownership and outright sale. Development for-sale has increased considerably in 2015. First tranche shared ownership sales were £924m, delivering a contribution to surpluses of £250m.

A small percentage of the sector's outright sale activity is carried out by the registered entities that are covered by the aggregated financial statements of the Global Accounts. This means that the majority of the £1.1bn sales achieved by organisations under the sector's control are not reported in turnover. However, profit achieved from these sales does affect the surplus in registered entities. It is mainly disclosed under Gift Aid in these accounts. The £228m reported compares to £72m 2014.

Since March 2015, the end of the period covered by these accounts, policy announcements and forthcoming legislation have resulted in significant changes to the operating environment. Following parliamentary approval of the Welfare Reform and Work Bill, providers will be required to reduce social rents by 1% per annum for 4 years from 1 April 2016. The 2015 accounts also pre-date announcements on capital funding and welfare reform made at the Spending Review, the decision by the ONS to reclassify registered providers as public corporations and the inclusion of deregulatory measures in the Housing and Planning Bill.

The strong financial result in 2015 should be understood in the context of the range and scale of the forthcoming changes faced by the sector. Financial performance is strong in aggregate which means the sector as a whole is well placed to respond. However, the performance of individual providers varies significantly and is masked by the aggregation of data. It is more vital than ever that the sector continues to manage the range of operational risks to its income and cost base.

The principal focus of the regulator remains to ensure that providers are financially viable and well governed. As the operating environment becomes more challenging, the regulator will continue to monitor the sector as a whole and engage with individual providers to gain assurance that the changes can be effectively managed.

Part B – 2015 Global Accounts

This analysis is based on a database of information derived from housing providers' audited financial statements. The database contains data from the annual account regulatory returns (FVAs) which must be submitted by providers that manage 1,000 or more homes. These regulatory returns are aggregated to produce the balance sheet and income and expenditure account for the sector for the year 2014/15. Comparative figures for 2013/14 and 2012/13 are also provided.

The Global Accounts excludes the consolidated accounts of registered provider group structures, because they include financial information from unregistered bodies. The accounts of non-asset holding parents of groups, where the parent provides centralised corporate services which are recharged to group subsidiaries, are also excluded from the aggregate sector figures to avoid double counting of income and costs. As individual group member accounts are included, there remains a degree of grossing-up of income and expenditure, and of current assets and liabilities, reflecting intra-company charges and balances at year end.

However, in 2015, the regulator collected consolidated FVAs reflecting the financial statements of registered provider group structures. Although these figures are excluded from the aggregate financial statements, the publication does make reference to the consolidated group returns and activities in unregistered entities where relevant to the analysis.

Aggregate income and expenditure account
The aggregate income and expenditure account reflects the sum of private registered provider activity for all accounting periods ending between 1 April 2014 and 31 March 2015.

Aggregate balance sheet
The aggregate balance sheet is the sum of individual private registered provider balance sheets whose financial year ends fall within the period from 1 April 2014 to 31 March 2015.

Additional information
Additional information is provided on the aggregate income and expenditure on social housing lettings, income and expenditure on other activities, and the number of homes in management.

Restatements
The balance sheets disclosed overleaf include a restatement of fixed assets reported in periods ending up to 31 March 2014 and 31 March 2013. In the 2015 returns a number of providers have corrected inconsistencies in the presentation of the gross book value of fixed assets and the associated grant figure where the carrying value of properties was on a valuation basis.

The number of social homes in management for the year ending 31 March 2014 has also been restated. In the 2015 returns a number of providers have reclassified leaseholder units as non-social and corrected other inconsistencies in the classification of social units in management.

Full details of both restatements are included in Annex B.

Key financial ratios
The analysis and narrative in the Global Accounts references a number of financial ratios and metrics. A full list of ratios and results for the sector in aggregate, the stock transfer sub-sector and the traditional sub-sector is included in Annex A.

Table 1[1]
Summary income and expenditure account

All figures in £m	Traditional 2015	Stock transfer 2015	Total 2015	Total 2014	Total 2013
Turnover	10,263	6,005	16,268	15,634	14,860
Operating costs	(6,732)	(4,062)	(10,794)	(10,606)	(10,147)
Cost of sales	(663)	(210)	(873)	(848)	(852)
Exceptional items	(1)	(4)	(5)	(41)	(12)
Operating surplus	**2,868**	**1,728**	**4,596**	**4,139**	**3,849**
Surplus on the sale of fixed assets	487	151	638	630	466
Gift Aid	229	(1)	228	72	47
Other items	166	55	221	(25)	(13)
Interest receivable and other income	185	46	231	217	182
Interest payable and similar charges	(1,897)	(914)	(2,812)	(2,638)	(2,522)
Exceptional items relating to early redemption of loans	(29)	(63)	(92)	(34)	(64)
Surplus before tax	**2,007**	**1,003**	**3,010**	**2,362**	**1,946**
Corporation tax	(4)	6	2	(12)	(15)
Surplus after tax	**2,003**	**1,009**	**3,011**	**2,350**	**1,930**
Transfer (to)/from reserves	57	128	185	130	158
Accumulated surplus brought forward	12,170	4,087	16,256	13,526	11,745
Actuarial surplus / (loss) on pension scheme liability	(174)	(388)	(562)	166	(196)
Prior period adjustments	136	9	145	84	(112)
Accumulated surplus carried forward	**14,192**	**4,844**	**19,036**	**16,256**	**13,526**

Table 2
Income and expenditure from social housing lettings (SHL)

All figures in £m	Traditional 2015	Stock transfer 2015	Total 2015	Total 2014	Total 2013
Income					
Rents	7,068	5,114	12,181	11,645	11,030
Service Income	861	272	1,133	1,116	1,063
Net rental income	**7,929**	**5,385**	**13,314**	**12,761**	**12,093**
Other & revenue grants	285	66	350	357	380
Total turnover from SHL	**8,214**	**5,451**	**13,665**	**13,119**	**12,473**
Expenditure					
Management	1,614	1,123	2,737	2,612	2,488
Service costs	1,041	319	1,360	1,365	1,302
Routine maintenance	1,054	827	1,881	1,877	1,826
Planned maintenance	461	350	811	801	767
Major repairs	207	384	591	576	572
Bad debts	59	39	99	118	96
Depreciation of housing properties	867	654	1,521	1,452	1,347
Impairment of housing properties	35	10	45	34	50
Other	295	86	381	377	397
Total expenditure on SHL	**5,633**	**3,794**	**9,427**	**9,212**	**8,844**
Surplus on SHL	**2,581**	**1,657**	**4,238**	**3,906**	**3,629**

[1] Providers' FVA returns are reported in £ thousand and the aggregate data is reported in £ million, therefore sub-totals may contain rounding differences

Table 3
Balance sheet

All figures in £m	Traditional 2015	Stock transfer 2015	Total 2015	Total 2014	Total 2013
Fixed assets					
Housing properties at cost	91,110	21,643	112,753	106,851	102,966
Housing properties at valuation	7,641	17,684	25,325	24,105	21,175
Gross book value of housing properties	**98,751**	**39,327**	**138,077**	**130,956**	**124,141**
SHG/HAG[2]	38,643	3,844	42,487	41,984	41,602
Other capital grants	1,604	795	2,399	2,367	2,200
Depreciation	6,846	2,733	9,580	8,427	7,551
Net book value of housing properties	**51,657**	**31,954**	**83,611**	**78,179**	**72,788**
Other fixed assets	3,701	835	4,536	3,780	3,569
Total fixed assets	**55,358**	**32,789**	**88,147**	**81,958**	**76,357**
Current assets					
Properties for sale	1,116	252	1,367	1,101	1,031
Non liquid current assets	1,418	1,081	2,500	2,310	2,178
Cash and short term investments	2,989	1,991	4,979	4,523	3,914
Other current assets	2,668	1,116	3,784	3,129	3,060
Total current assets	**8,190**	**4,440**	**12,631**	**11,063**	**10,184**
Current liabilities					
Short term loans	562	254	816	694	823
Bank overdrafts	13	9	22	13	27
Other current liabilities	3,330	1,376	4,705	4,329	5,638
Total current liabilities	**3,905**	**1,638**	**5,543**	**5,037**	**6,488**
Net current assets (excluding pensions)	**4,285**	**2,802**	**7,087**	**6,027**	**3,696**
Pension liabilities	(424)	(896)	(1,320)	(724)	(963)
Net current assets (including pensions)	**3,861**	**1,907**	**5,768**	**5,302**	**2,733**
Total assets less current liabilities	**59,219**	**34,696**	**93,915**	**87,261**	**79,090**
Financing and reserves					
Long term loans	33,140	17,718	50,858	50,706	51,215
Amounts owed to group undertakings	6,777	3,054	9,831	6,119	N/A
Finance lease obligations	156	12	167	130	N/A
Other long term creditors	1,443	239	1,682	1,635	3,659
Provisions	97	854	951	1,232	897
Accumulated surplus	14,192	4,844	19,036	16,256	13,526
Designated reserves	152	113	265	473	456
Restricted reserves	41	344	385	560	585
Revaluation reserves	3,139	7,585	10,725	10,019	8,731
Pension reserves	83	(68)	14	129	21
Total financing & reserves	**59,219**	**34,696**	**93,915**	**87,261**	**79,090**

[2] Social Housing Grant (SHG) and Housing Association Grant (HAG)

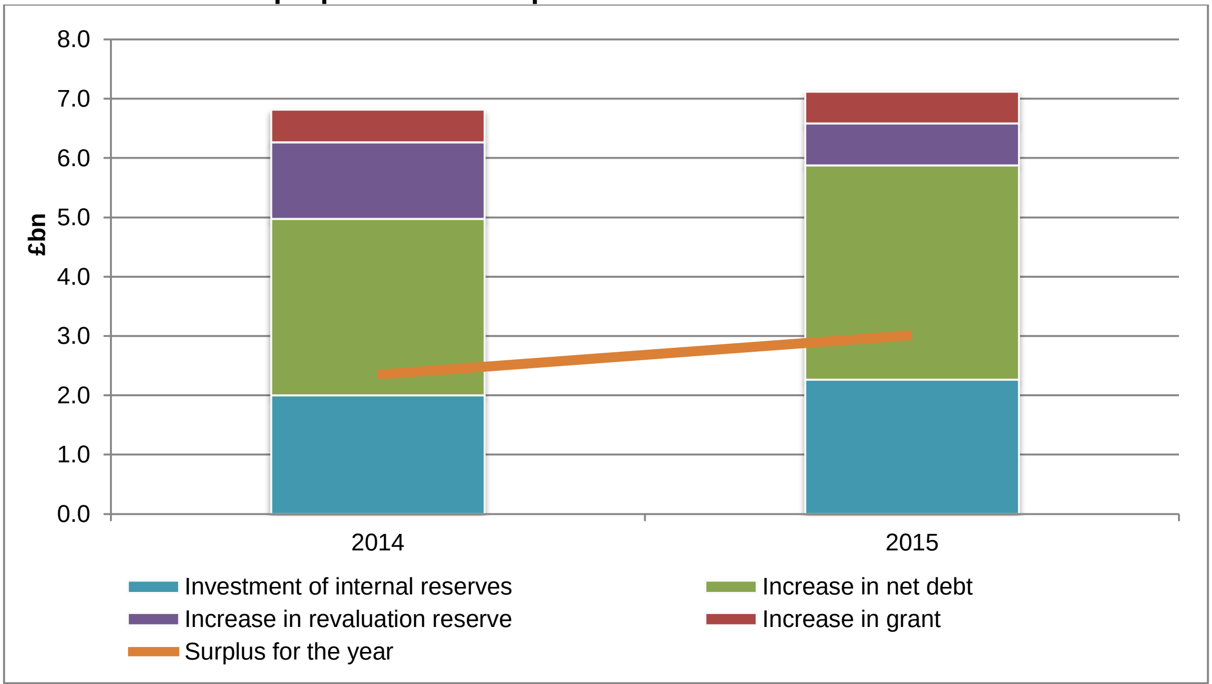
1. Dynamics of the housing sector

The Global Accounts in 2015 demonstrate that, in aggregate, the sector remains financially robust and continues to invest significantly in its asset base. Despite there being no stock transfer providers reporting their first results in 2014/15, the Gross Book Value (GBV) of the sector's assets (total housing properties at cost and valuation) increased by £7.1bn.

The majority of the growth in assets was attributable to the development of new properties. With grant rates remaining constrained, the increase in GBV was primarily funded through the reinvestment of surpluses and further borrowing.

Figure 1

Increase in GBV of properties and surplus



The increase in net debt (total borrowing less cash and short term investments) and investment of internal reserves can be used as a proxy for the sector's investment in its fixed asset base. On this basis, 77.9% of the increase in GBV in 2014 and 2015 has been funded through reinvestment by the sector.

In 2015 the sector's reinvestment in fixed assets is approximately double the surplus generated in the period. Of the increase in GBV in the year, approximately £2.3bn was attributable to the investment of internal reserves. The investment of internal reserves is broadly consistent with the £2.4bn surplus reported in the previous year.

Providers continued to raise significant levels of debt required to deliver their planned growth. Bank lenders continued to offer loans to the sector, however the number and capacity of lenders is limited. New debt is increasingly sourced on the capital markets. In total 41 bond issues or private placements were completed during the year, totalling £4.4bn. Whilst providers have been successful in utilising the capital markets to raise finance, they pose different risks and a different set of challenges for the sector to manage.

The sector has benefited from historically low interest rates with the Bank of England Base Rate remaining at 0.5% since 2009. Between April 2014 and March 2015 LIBOR has remained stable moving only marginally from 0.53% at 1 April 2014 to 0.57% at 31 March

2015[3]. It is uncertain when and to what extent interest rates will rise in the future. An increase of 2% in the Bank of England Base Rate (significantly lower than pre-credit crunch levels of 5%) could increase annual interest costs by £400m. This is equivalent to over 13% of the surplus reported in 2015.

The reporting of a surplus of £3bn is consistent with a period of growth in the sector. From 2008, operating margins, net margins, interest cover, and reported surpluses have increased year on year. This improvement has largely been driven by operating performance on social housing lettings activity. The sector has benefitted from movements in the underlying inflation rates, with permitted annual rent increases linked to RPI inflation outstripping wage inflation. The increasing maturity of the stock transfer sector, linked to the completion of stock improvement programmes, has boosted the performance of the sector in aggregate.

The strength of the housing market has underpinned robust performance in sales. In 2014/15 in England the average price for a new dwelling increased by 13.4%[4] and the number of new homes completed grew by 10.8%[5]. There has been a significant increase in for-sale activity both in respect of shared ownership first tranche sales and properties developed for outright sale. Including non-registered entities, the contribution from current asset sales increased from £324m in 2014 to £501m in 2015.

The growth in the surplus on sales activity has increased the resources available for investment in existing stock and new supply. Equally, increased dependence on sales changes the sector's risk profile. There is a large amount of regional variation in the housing market and providers' business plans need to be sufficiently robust and have mitigation strategies in place to cope with a downturn.

The Housing SORP (Statement of Recommended Practice) 2014 is effective for financial years beginning on or after 1 January 2015. The new SORP reflects changes to the Financial Reporting Standards with FRS102[6] replacing UK GAAP (Generally Accepted Accounting Practice).

The adoption of FRS102 will fundamentally change the presentation of accounts for most providers who should have undertaken the necessary work to understand the full implication of all the changes brought in by the adoption of the new standards. This is particularly true in respect of financial covenants. Many providers will need to negotiate refreshed covenants or utilise 'frozen GAAP' clauses in loan agreements (whereby loan covenants continue to be calculated in accordance with previous accounting practices).

The improving financial performance of the sector in recent years has benefitted from favourable conditions. Since March 2015, policy announcements and forthcoming legislation have resulted in significant changes to the sector. The strong financial result in 2015 should be understood in context of the range and scale of the forthcoming changes faced by the sector. Providers should be prepared for less benign economic conditions and forthcoming changes to the operating environment.

[3] 3 month London Interbank Offered Rate (LIBOR), www.theice.com
[4] All new dwellings complete in England, ONS House Price Index, table 9, www.ons.gov.uk
[5] Permanent dwellings completed, Department for Communities and Local Government, live tables on house building, table 209, www.gov.uk
[6] FRS102 is itself a simplified implementation, for medium sized enterprises in the UK, of the International Financial Reporting Standards (IFRS), which seeks to ensure reporting is of an internationally recognised level of comparability.

2. Balance sheet and analysis of funding

Fixed asset housing properties[7]

In 2015, the GBV of the sector's assets (total housing properties at cost and valuation) has increased by £7.1bn to £138.1bn (2014: £6.8bn increase to £131.0bn).

The increase in GBV was partly attributable to capital investment in major repairs to existing properties of £1.9bn. A £0.7bn revaluation of properties also contributed to the increase. Housing properties with a book value of £1.2bn were sold, reducing the value of the properties on the balance sheet. Approximately £5.8bn of the growth in the GBV of housing properties is attributable to the development or acquisition of new properties.

Providers report properties in the balance sheet at either historic cost or valuation. At March 2015, 82% of the value of the sector's housing properties was shown in the balance sheet at historic cost (2014: 82%).

Between 2013 and 2015, the GBV of fixed assets held by the sector has increased by £13.9bn. The growth in the GBV of housing assets highlights the level of reinvestment by the sector. The majority of the increase is attributable to the following two factors:

- almost half of this increase has been funded by additional borrowing. Net debt[8] increased by £3.0bn in 2014 and £3.6bn in 2015
- approximately 30% of the increase is funded through the investment of internally generated reserves. In 2014 and 2015 imputed investment of internally generated reserves was £2.0bn and £2.3bn respectively, broadly consistent with the surplus reported in the preceding year (2013 £1.9bn and 2014 £2.4bn)

To a lesser extent, the growth in GBV has been funded by an increase in capital grants. Grant reported on the balance sheet increased by £535m (1.2%) to £44.9bn (2014: £549m to £44.4bn). The net book value of housing properties increased by £5.4bn (6.9%) to £83.6bn.

Reserves

Total reserves increased by £3.0bn (10.9%) to £30.4bn. The majority of the increase was attributable to the sector's accumulated surplus which increased by £2.8bn (17.1%) to £19.0bn. The revaluation reserve has increased by £705m to £10.7bn. Other reserves disclosed by the sector, including designated reserves, restricted reserves and pension reserves decreased by £497m to £664m.

Reserves are not 'cash backed' as the surpluses transferred to the balance sheet are reinvested in the providers' businesses, including major repairs of existing stock and the development of new homes.

At March 2015, the sector had reinvested 71.4% (£14.1bn) of its historic accumulated reserves (excluding revaluation reserve) in the acquisition and development of new supply and improvements to the stock base (2014: 72.6%). The balance of the sector's reserves of £5.6bn is retained within the balance sheet as working capital to be re-invested in the future. Providers must have sufficient cash to meet all financial liabilities as they fall due.

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[7] The GBV of fixed assets and grant has been restated or 2014 and 2013. Full details of the restatements are included in Annex B.

[8] Net debt = short term loans, long term loans, amounts owed to group undertakings, finance lease obligations and other long term creditor's less cash and short term investments.

Long term liabilities

During 2015, the external debt of the sector increased by £4.1bn (6.9%) to £63.4bn. In order to ensure comparability with previous years' Global Accounts, it is necessary to include other long term creditors in the calculation of debt[9].

Table 4

Financing

Figures in £m and % annual increase / (decrease	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Short term loans	816	694	823	17.6%	(15.7%)	34.5%
Long term loans	50,858	50,706	51,215	0.3%	(1.0%)	7.0%
Amounts owed to group undertakings	9,831	6,119	NA	60.7%	NA	NA
Finance lease obligations	167	130	NA	28.1%	NA	NA
Other long term creditors	1,682	1,635	3,659	2.9%	(55.3%)	2.7%
Total	**63,355**	**59,285**	**55,698**	**6.9%**	**6.4%**	**7.0%**

Across the sector providers have increasingly accessed the capital markets for financing. Overall 41 bond issues or private placements were completed during the year totalling £4.4bn (2014: £3.3bn and 2013: £3.2bn). Bonds of a combined value of £3.9bn were raised through the capital markets (2014: £2.9bn). Around £0.5bn was raised through private placements, where the provider strikes a bilateral deal with a single investor.

Amounts owed to group undertakings and finance lease obligations were additional disclosures, first included in the 2014 Global Accounts. In 2015, providers have reported an additional £3.7bn (60.7%) due to group undertakings. Analysis of the balances suggests that the results reported in 2015 more accurately represent the level of intra-group lending in the sector. Almost two thirds of the increase in amounts due to group undertakings is attributable to providers reclassifying balances previously included as long term loans, as amounts due to group undertakings. Similarly, approximately 10% of the increase is attributable to providers reclassifying balances previously reported as other long term creditors.

The largest balances included in other long term creditors relate to Recycled Capital Grant Fund (RCGF), Disposal Proceed Funds (DPF), derivatives and other financial instruments.

As at March 2015, the sector fixed the interest on approximately 69% of its debt on average (2014: 67%). Fixing debt gives providers a degree of certainty on forecasting the cost of borrowing. The remaining 31% of debt is subject to less certain rates. Providers have benefitted from low floating rates in recent years and the regulator continues to monitor the potential impact of interest rate movements.

Refinancing risk can be expressed in terms of the percentage of loans that are due to be repaid within one year. Short term loans have increased by 17.6% to £816m. This represents 1.3% of all outstanding debt (2014: 1.2%). Despite the increase, the refinancing risk for the sector as a whole remains low. Only 1 provider has over 50% of loans due to be repaid within one year (2014: 2 providers). In this individual case, the short term debt disclosed by the provider is actually the revolver element of a long term facility. The financial

[9] In 2014 two additional disclosures were added to the balance sheet requiring providers to report amounts due to group undertakings and finance lease obligations. The additional disclosures included balances of approximately £1.3bn that has previously been reported as other long term creditors. In order to ensure comparability with the 2013 Global Accounts, it remains necessary to include other long term creditors in the calculation of debt.

arrangements of all providers are monitored closely by the regulator through the quarterly survey of providers. It will continue to engage with the sector to gain the assurance that providers have access to the liquidity they require.

Current liabilities

Current liabilities have increased by £506m to £5.5bn. This includes £816m disclosed as short term loans. Of the remaining balance, approximately one third is attributable to other group undertakings in respect of monies borrowed from treasury vehicles. Some providers report the resulting balances in other current liabilities, rather than as amounts due to group undertakings. The remaining balances are attributable to accruals and deferred income, RCGF, DPF and rent and service charges received in advance.

Cash and short term investments

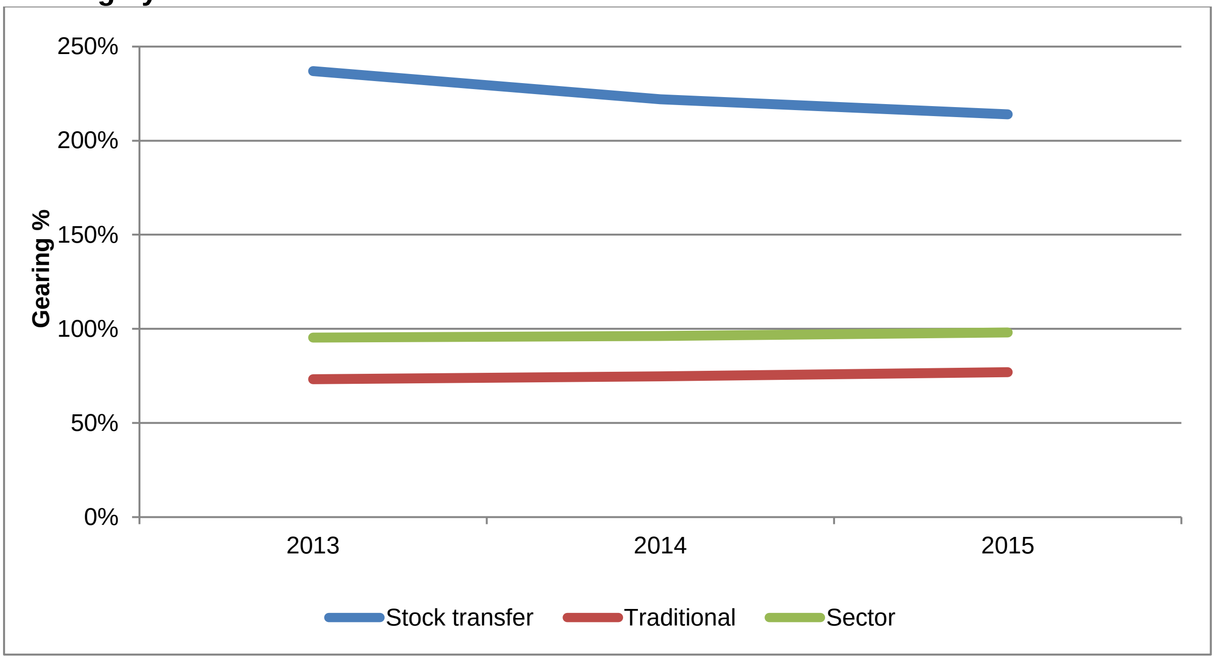
Cash and short term investments have increased by £457m (10.1%) to £5.0bn. Since 2013 cash and short term investments held by the sector have increased by £1.1bn from £3.9bn.

The increase is partly attributable to the increasing use of capital markets to raise finance. Bonds and private placements typically involve a single large drawdown on issue. In 2015, there were 41 bond or private placement issues. Analysis of the largest balances in 2015 suggests there is a strong correlation between cash and short term investments and recent bond issues. Other contributory factors include timing differences between loan drawdowns and spend on new development, stock improvement programmes and increased cash flow from sales activity.

Gearing

Gearing, measured as loans as a proportion of grants and reserves (excluding revaluation reserves), is widely used as a measure of indebtedness. At an aggregate sector level, gearing increased from 96.2% to 98.1%. The external debt of the sector increased by £4.1bn (6.9%) to £63.4bn. In comparison grant and reserves (excluding revaluation reserves) increased by £2.8bn.

Figure 2
Gearing by sub-sector

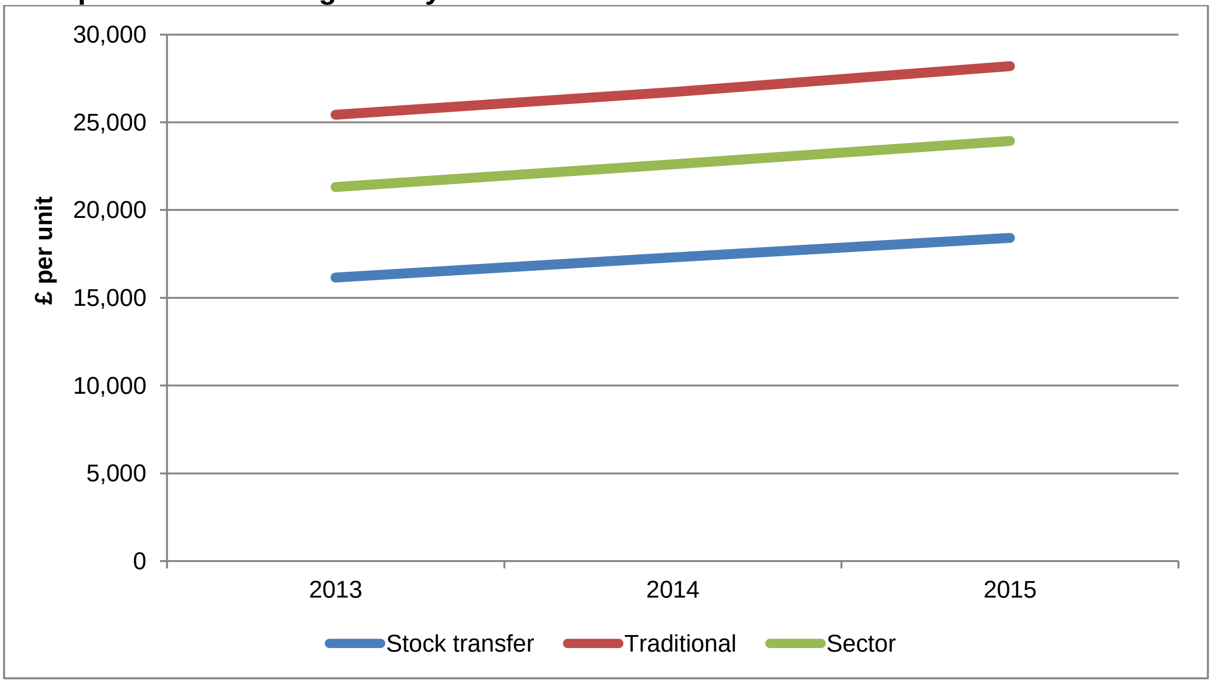


The year on year movements in gearing are broadly consistent with the longer term trend. Stock transfer providers typically undertake stock improvement programmes fully funded by debt. In the early years stock transfer providers are more likely to run a deficit and report negative balances on reserves. These factors result in higher gearing ratios than the traditional sub-sector. The growing maturity of the sub-sector has seen gearing continue to fall from 236.8% in 2013. In 2015, gearing for the stock transfer sub-sector decreased by 3.5% to 214.0% (2014: 221.9%).

The traditional sub-sector reports lower levels of gearing. Many traditional providers have delivered grant funded development programmes. Equally, traditional providers have built up reserves over time. The use of grant and generation of reserves results in the sub-sector having a lower level of gearing than stock transfer providers. For the traditional sub-sector, gearing has increased marginally year-on-year from 73.3% in 2013 and in 2015 gearing increased by 2.9% to 77.0% (2014: 74.8%).

The level of debt held per social housing unit is another commonly used measure of indebtedness. In 2015 the average debt per social housing unit increased by 5.9% to £23,931.

Figure 3
Debt per social housing unit by sub-sector



Calculated on this basis, the level of indebtedness is greater for the traditional sub-sector than for stock transfer providers. In 2015 average debt per unit for the traditional sub-sector was £28,205, more than 50% greater than the £18,413 reported by the stock transfer sub-sector.

3. Operating and financial performance

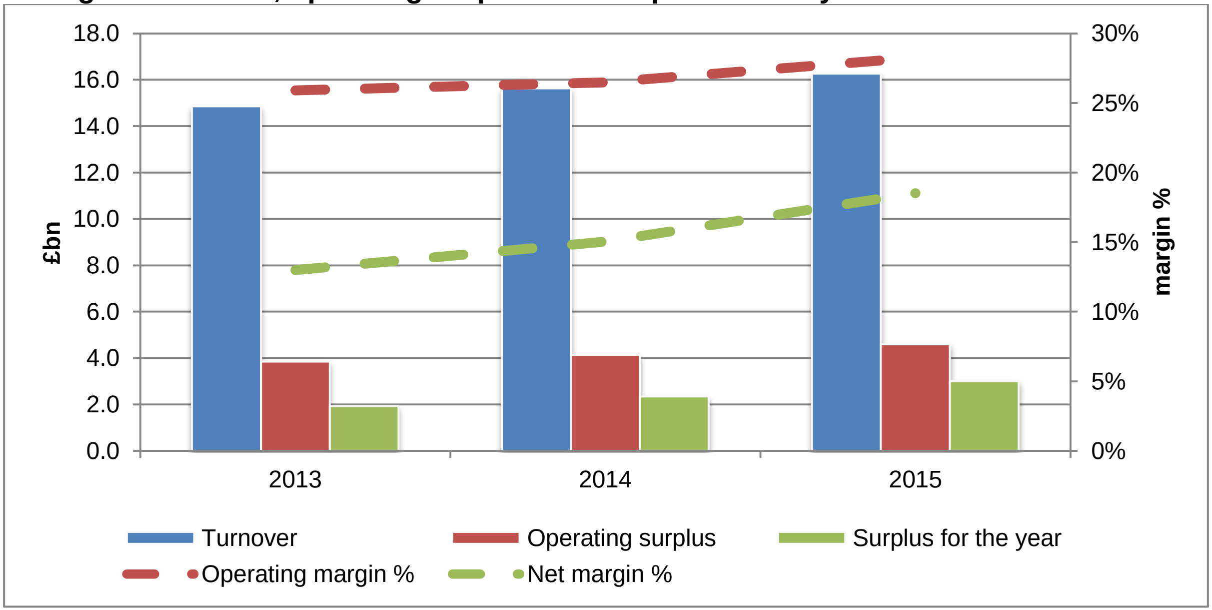
Financial highlights

Table 5
Financial highlights and key financial ratios

	2015	2014	2013
Figures in £m			
Turnover	16,268	15,634	14,860
Total operating costs	11,672	11,495	11,010
Operating surplus	4,596	4,139	3,849
Surplus on social housing lettings	4,238	3,906	3,629
Net interest payable	2,581	2,421	2,339
Surplus on the sale of fixed assets	638	630	466
Surplus for the year	3,011	2,350	1,930
Figures as %			
Operating margin	28.3%	26.5%	25.9%
Net margin	18.5%	15.0%	13.0%
EBITDA MRI margin	28.7%	27.3%	24.6%
Effective Interest Rate (EIR)	4.7%	4.7%	4.8%
Debt to turnover	389.4%	379.2%	374.8%
EBITDA MRI interest cover[10]	155.6%	153.7%	138.0%

The sector recorded a strong financial result for the year to March 2015. Turnover increased by 4.1% to £16.3bn. Operating costs (including cost of sales and exceptional items) increased by 1.5% to £11.7bn. The operating surplus of the sector increased by 11.0% (£457m) to £4.6bn and the operating margin increased from 26.5% to 28.3%.

Figure 4
Change in turnover, operating surplus and surplus for the year



In aggregate the surplus increased by £661m (28.1%) to £3.0bn. This represents a net margin of 18.5% of turnover (2014: 15.0%). The table and narrative overleaf identifies the main drivers behind the increase in surplus in 2015.

[10] EBITDA MRI interest cover is based on earnings before interest, taxation, depreciation and amortisation with all major repairs spending included.

Table 6
Factors driving increase in surplus in 2015

All figures £m	**Total**
Increase in revenues from social housing lettings	163
Increase in the margin on social housing lettings	169
Increase in net interest cost	(160)
Increase in Gift Aid	157
Fair value adjustment	191
Other[11]	142
Increase in surplus	**661**

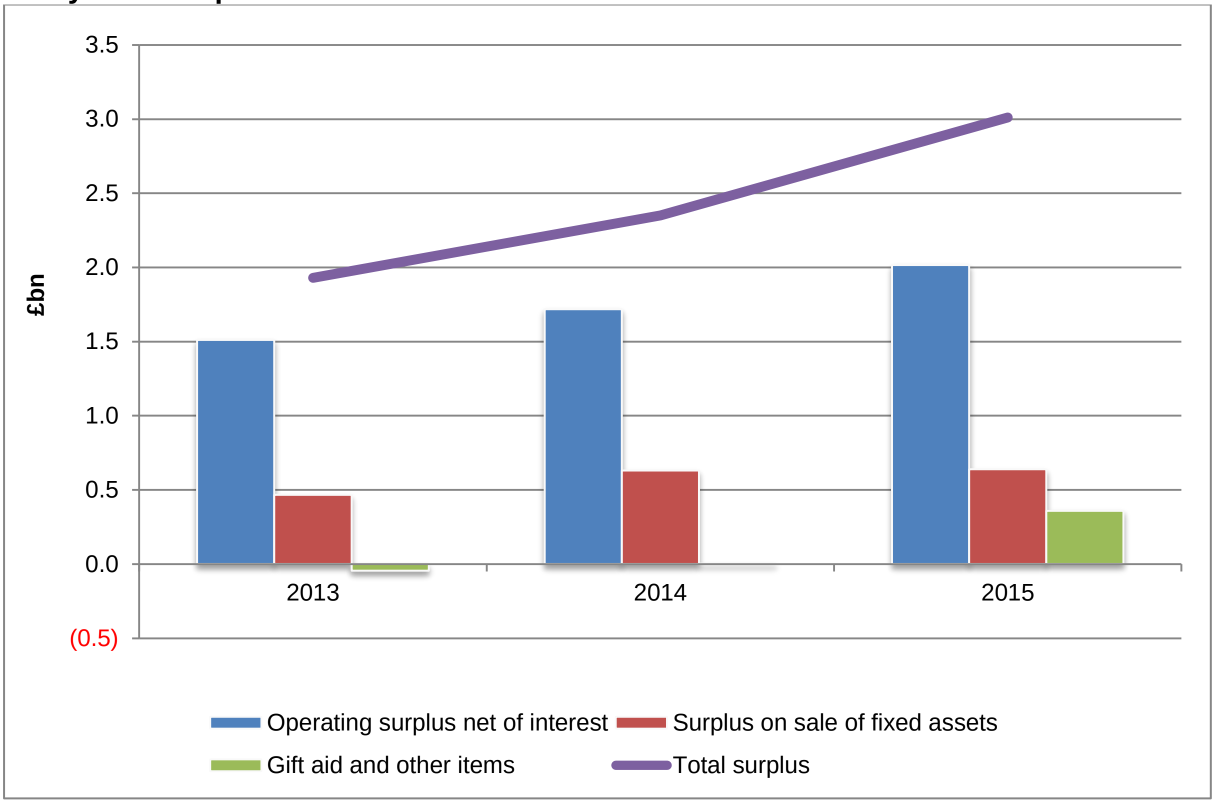
- The **operating surplus from social housing lettings** increased by £331m (8.5%) to £4.2bn. The increase in the operating surplus on social housing lettings represents more than half of the total increase in surplus.
- Of the £331m increase, just less than half (£163m) was attributable to an increase in **revenues from social housing lettings[12]**. In 2015 net rental income increased by £553m (4.3%) to £13.3bn. Growth in rental income was largely attributable to the inflation linked rent increase with an average increase of 3.7% per unit[13]. The increase in rent per unit is in line with the guideline limit for rent increase in 2014/15 which was 3.7% (RPI at September 2013 of 3.2% + 0.5%).
- The improvements in the **margin on social housing lettings** further increased the operating surplus by £169m. In aggregate, the operating margin on social housing lettings increased from 29.8% in 2014 to 31.0% in 2015. The operating margin for the traditional sub-sector was 31.4% (2014: 30.7%) and equivalent figure for the stock transfer sub-sector was 30.4% (2014: 28.4%).
- **Net interest costs** increased by £160m (6.6%). This is a result of a higher debt balance with total debt increasing 6.9% to £63.4bn. The effective interest rate for the sector has remained stable at 4.7%.
- In 2015 **Gift Aid** receipts totalled £228m, an increase of £157m (218.6%) on 2014. A small percentage of the sector's outright sale activity is carried out by the registered entities that are covered by the aggregated financial statements of the Global Accounts. This means that the majority of the £1.1bn sales achieved by organisations under the sector's control are not reported in turnover. There is a strong correlation between **Gift Aid** received and surplus on properties developed for sale in non-registered entities.
- Approximately £191m of the increase in surplus is attributable to internal restructures in two large providers. The **fair value adjustments** reflect the uplift in the value of housing properties from depreciated historic cost to Existing Use Value – Social Housing. This is recognised in surplus (and reported in other items in table 1) under merger accounting rules.
- The surplus from the sale of first tranche shared ownership properties increased by £95m (61.0%) to £250m. The deficit on other social housing activities (including charges for support services) increased by £24m to £64m.
- The surplus on non-social housing activities, including properties developed for sale increased by £54m (46.4%) to £172m.
- The total surplus on the sale of fixed assets increased marginally (1.2%) to £638m (2014: £630m).

[11] Other includes the surplus on other social activities, the surplus on non-social activities, surplus/(loss) on the sale of fixed assets, exceptional items relating to early redemption of loans, corporation tax and other sundry items.
[12] The figure attributable to the increase in revenues is derived by applying the operating margin from 2014 to the increase in social housing revenues.
[13] The number of social homes in management in 2014 has been restated. See Annex B for full details.

Disaggregation of surplus

The strong financial results reported in 2015 reflect the continuation of a period of growth in surplus for the sector. There are a number of factors underpinning this growth which can be illustrated by disaggregating the reported surplus by its constituent elements. In the figure below, operating surplus has been shown net of interest costs.

Figure 5
Analysis of surplus



Operating activity has been the most significant contributor to the surpluses reported in recent years. Operating surpluses net of interest account for 71.9% of the total surplus generated by the sector between 2013 and 2015. The total surplus reported by the sector has increased by £1.1bn since 2013 and operating surpluses (net of interest costs) account for 46.7% of that growth.

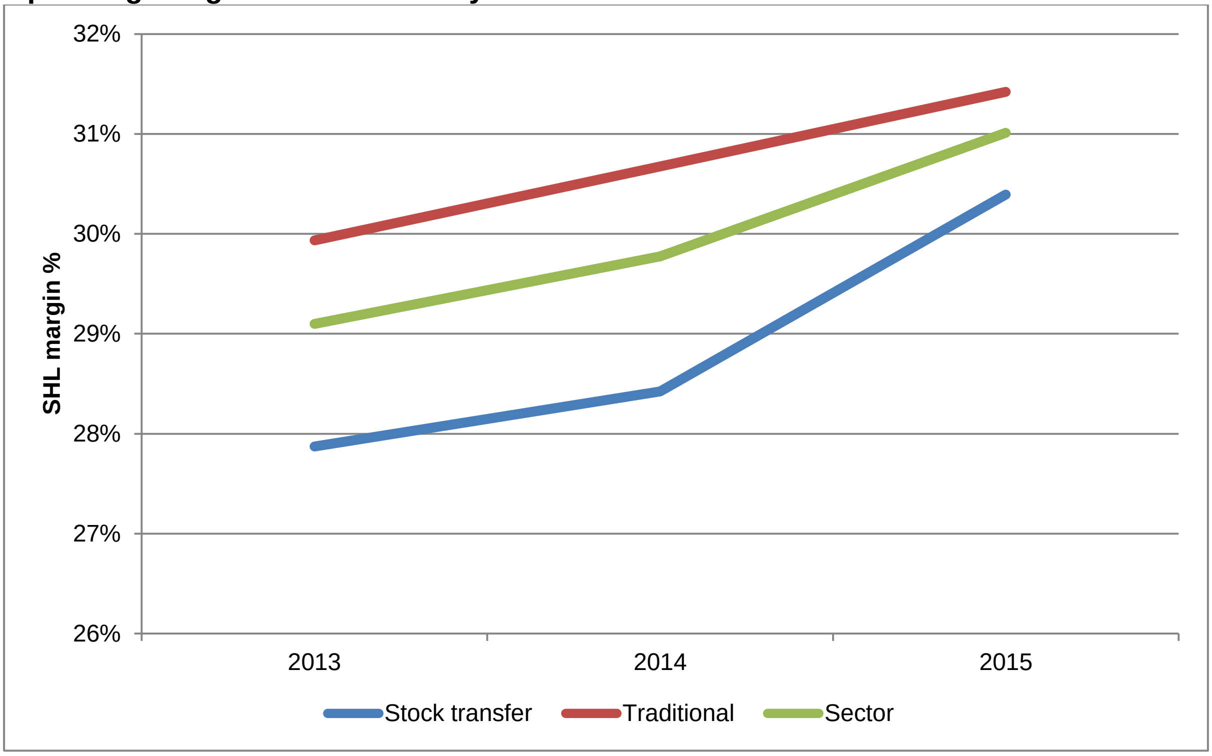
To a large extent, the increase in operating surplus has been driven by the surplus on social housing lettings activity, which has increased by £608m from £3.6bn in 2013 to £4.2bn in 2015. All other operating activities contribute less than 6.5% of the total operating surplus generated by the sector between 2013 and 2015.

There are a number of factors underpinning the improvement in social housing lettings activity. Rent increases up to 2015 have been linked to RPI (the permitted rent increase switched to CPI+1% in 2015/16). The average guideline rent increase (RPI inflation + 0.5%) over the period between 2013 and 2015 has been 3.8%. Over the same 3 years the growth in average earnings was 1.1% per annum affecting providers' cost bases.

Social housing letting revenues (primarily rents) have increased by £1.2bn since 2013. Income per unit increased by an average of 4.1% per year between 2013 and 2015. Social housing lettings costs per unit increased by an average of 2.6% per year over the same period.

Strong social housing lettings performance is also partly attributable to the increasing maturity of the stock transfer sub-sector. The majority of stock transfers occurred more than 10 years ago and an increasing number of stock transfer providers have completed their initial stock improvement programmes.

Figure 6
Operating margins on SHL activity



Interest

The sector continues to raise significant levels of debt for reinvestment into its fixed asset base and new supply. In 2015 the total debt held by the sector has increased by £4.1bn (6.9%) to £63.4bn. Debt as a multiple of turnover has increased by 2.7% to 3.9 (2014: 3.8). The sector continues to benefit from historically low interest rates, with the Bank of England Base Rate remaining at 0.5% since 2009. As a result the effective interest rate has remained relatively stable, increasing marginally from 4.68% in 2014 to 4.73% in 2015.

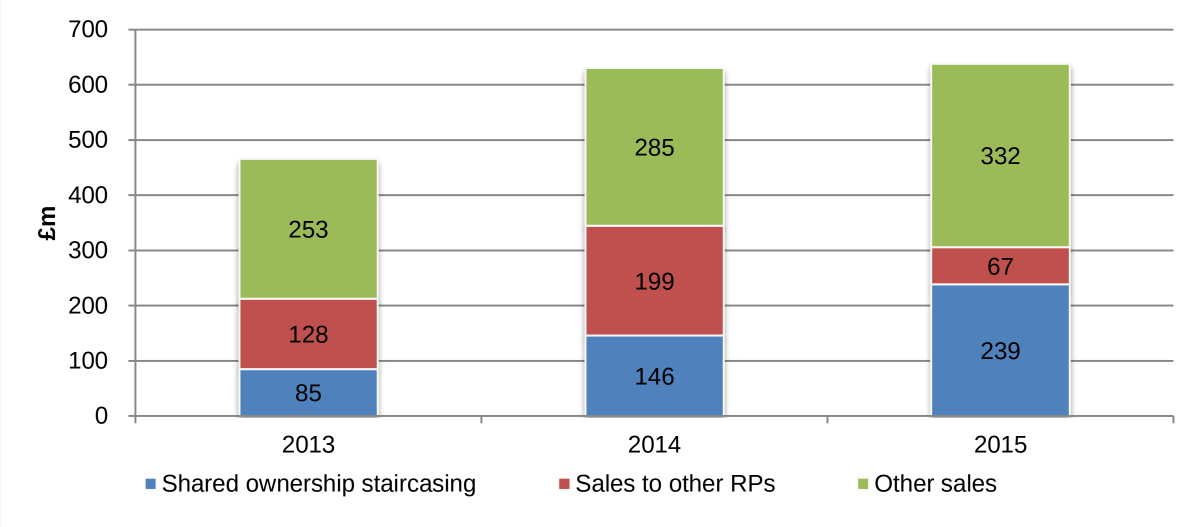
Overall interest payable has risen by £174m (6.6%) to £2.8bn and 67.5% was attributable to traditional providers (2014: 67.3%). Interest cost (interest payable plus capitalised interest) increased by £219m (7.9%) to £3.0bn. The movement in interest cost can be disaggregated by movement in the sector's effective interest rate and increase in total debt. The slight increase in effective interest rate caused the total interest cost to increase by £29m. The 6.9% increase in debt caused the interest costs to increase by £191m. Total interest costs as a percentage of turnover have increased from 17.8% in 2014 to 18.4% in 2015.

Fixed asset sales

Between 2013 and 2015, surplus on the sale of fixed assets accounted for 23.8% of the total surplus generated by the sector. The operating surplus is based on recurring revenues and costs of the business whereas the sale of fixed assets represents one-off transactions. Of the £638m surplus on fixed asset sales, 76.3% is attributable to traditional providers.

Figure 7

Surplus from fixed asset sales



The surplus generated through shared ownership staircasing sales increased by 63.8% to £239m. In 2015, 37.4% of the surplus from fixed assets sales was attributable to shared ownership staircasing sales (2014: 23.1%).

The surplus attributable to other sales increased by £47m (16.3%) to £332m. Approximately one third of this surplus is attributable to Right to Buy and Right to Acquire sales. The remaining two thirds of the surplus on other sales principally relates to providers rationalising their stock. In the figure above, 'other sales' also include the disposal of non-housing assets.

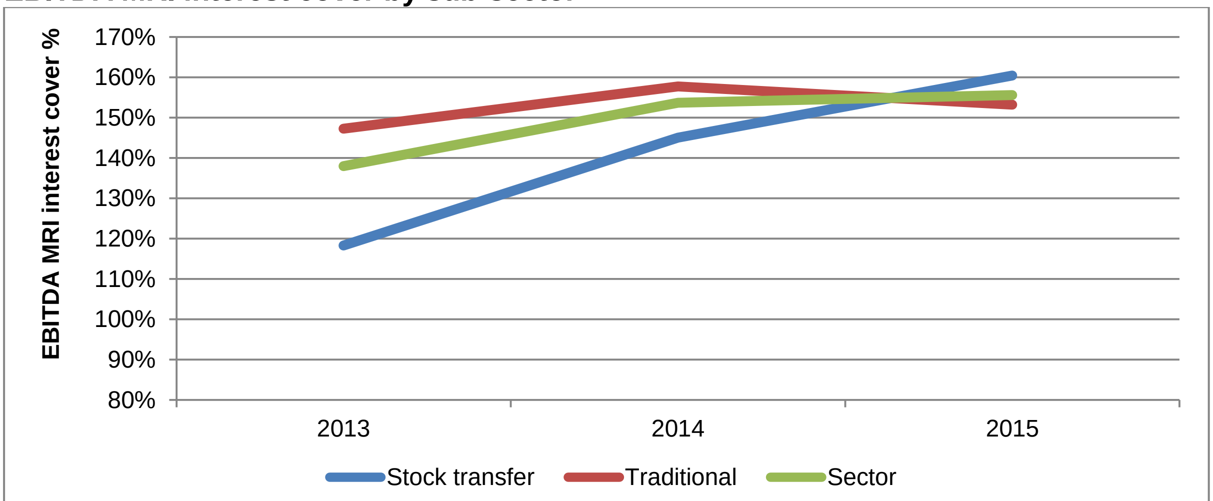
EBITDA MRI interest cover

The regulator uses EBITDA MRI interest cover as a key indicator of financial performance. Interest cover greater than 100% indicates that the sector as a whole has generated enough surplus to meet its interest payments with no reliance on the sale of fixed assets. Since 2013 interest cover within the sector has increased from 138.0% to 155.6%.

In 2015 EBITDA MRI interest cover for the stock transfer sub-sector was higher (160.5%) than for traditional providers (153.3%) for the first time. For the traditional sub-sector the aggregate level of interest cover decreased by 2.9% from 157.8% in 2014.

Figure 8

EBITDA MRI interest cover by sub-sector



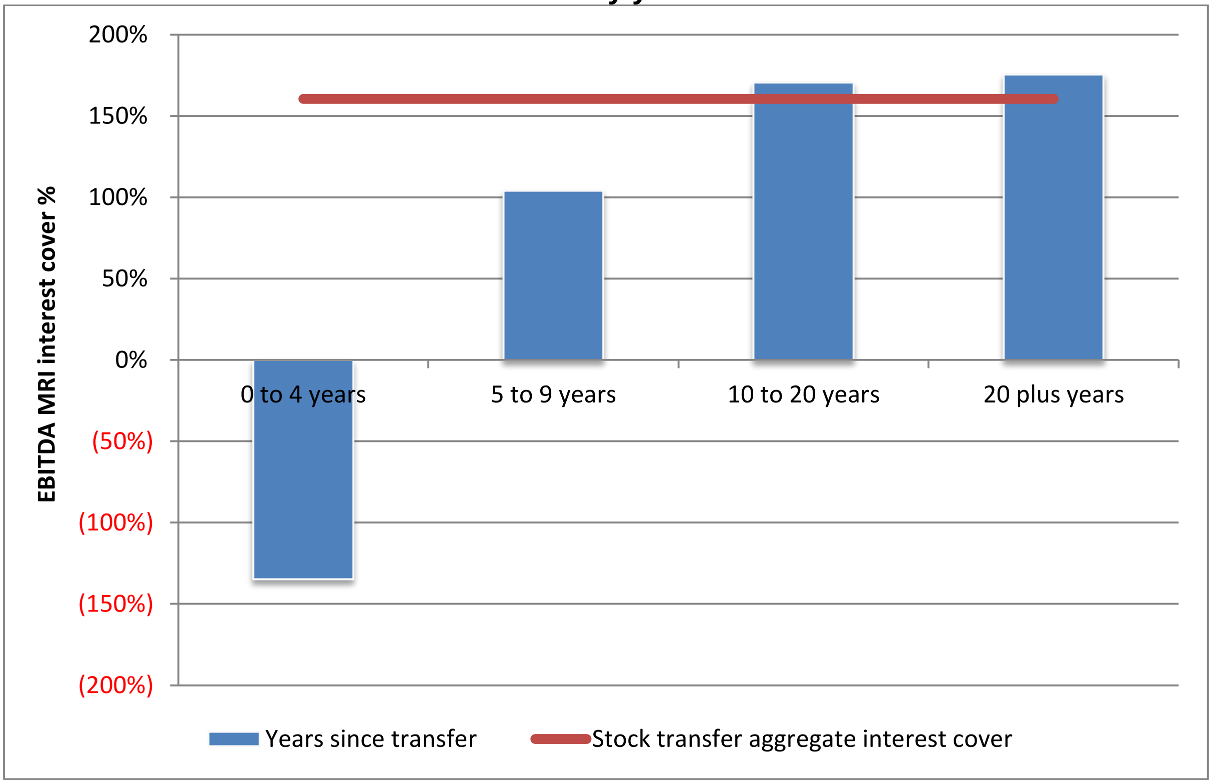
Given the relative stability of EIR and debt to turnover, the key driver for the aggregate increase in EBITDA MRI interest cover is improved margin. Since 2013, EBITDA MRI margin has increased from 24.6% to 28.7% in 2015.

In 2015 the EBITDA MRI margin for traditional providers was 30.3% compared to 25.8% for stock transfer providers. However, the higher margin for the traditional sub-sector is more than offset by the following two factors:

- traditional providers have a higher debt burden, relative to turnover, than the stock transfer sub-sector. In 2015 the traditional sub-sector debt is 4.1 times greater than turnover compared to a multiple of 3.5 for stock transfer providers
- the effective interest rate for the traditional sub-sector (4.8%) is greater than the equivalent figure (4.5%) for stock transfer providers

The impact of the increasing maturity of stock transfer providers on reported levels of interest cover is shown in the figure below. The figure shows EBITDA MRI interest cover for the stock transfer sub-sector by number of years from the transfer date.

Figure 9
Stock transfer EBITDA MRI interest cover by years since transfer



In comparison to the traditional sub-sector, stock transfer providers are more likely to have interest cover lower than 100%. Of the 46 providers reporting EBITDA MRI interest cover of below 100% in 2015, 32 were stock transfers. In their early years, typically over a 5 to 12 year period, stock transfer providers undertake high levels of improvement works. This is reflected in high deficits and low levels of headline interest cover.

Operating performance

Table 7
Indicators of operational performance

% of gross rent	2015	2014	2013
Rent loss from void properties			
Sector	1.7%	1.8%	1.7%
Traditional providers	1.8%	2.0%	1.9%
Stock transfers	1.6%	1.7%	1.5%
Bad debts for the year			
Sector	0.8%	1.0%	0.9%
Traditional providers	0.8%	1.0%	0.9%
Stock transfers	0.8%	1.0%	0.8%
Current tenant arrears at the end of the year			
Sector	4.6%	4.7%	4.8%
Traditional providers	4.9%	5.1%	5.3%
Stock transfers	4.2%	4.1%	4.0%

Bad debts, voids and current tenant arrears are key performance indicators in assessing the efficiency of rent collection. In 2015 bad debts decreased by 19.4% from 2014. This represents a reversal of the increase in bad debts of 16.4% between 2013 and 2014. Voids and current tenant arrears have remained relatively stable, decreasing marginally in comparison to 2014 levels.

A number of welfare reforms were implemented during the 2013/14 financial year, notably the removal of the spare-room subsidy and the overall benefit cap. Comparatively 2014/15 saw little in the way of new policy implementations. The gradual roll out of Universal Credit continued with the reforms not due to be fully implemented until 2020.

It is likely that welfare reforms have affected rent collection practices in the sector. However, it is not possible to directly correlate performance on voids, bad debts and arrears with the introduction of individual reforms.

4. Analysis of social housing activity

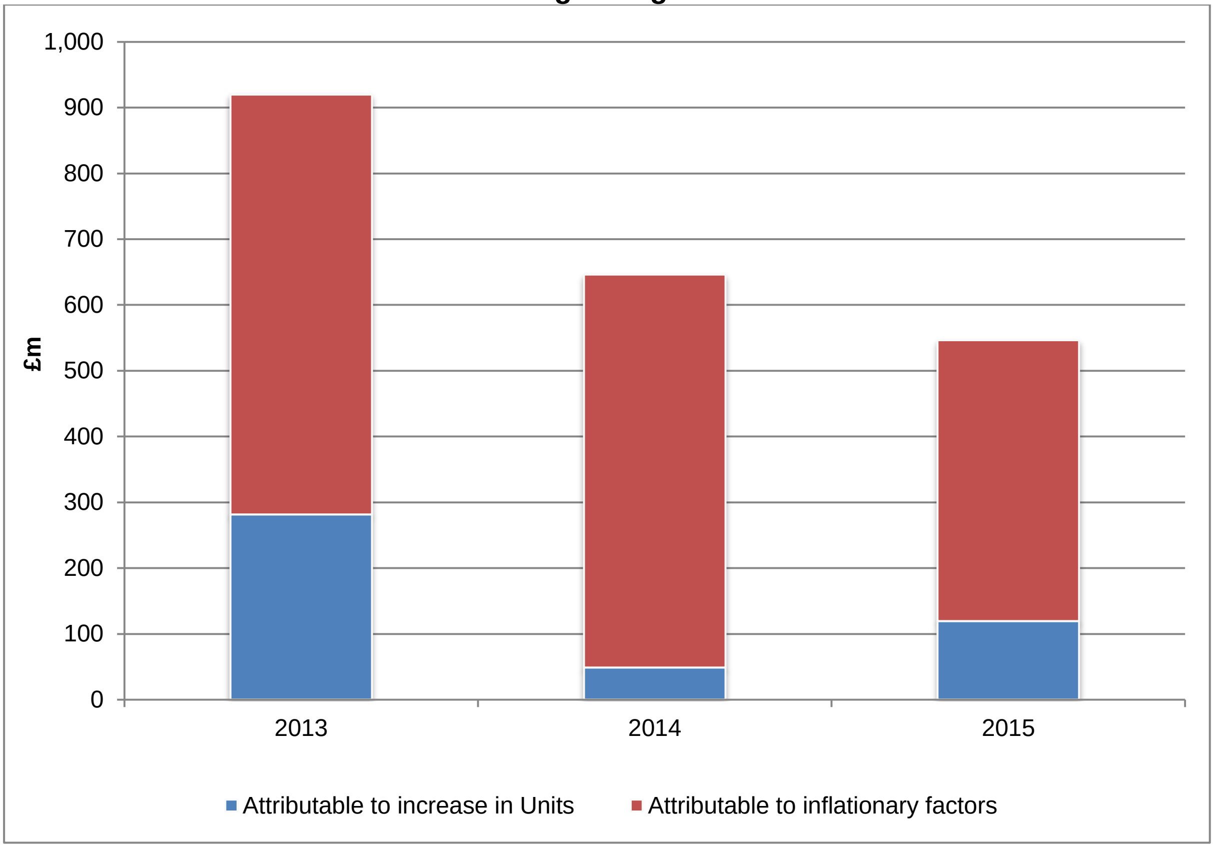
Social housing lettings turnover

Turnover from social housing lettings increased by £546m (4.2%) to £13.7bn. Growth in rental income of £536m to £12.2bn was largely attributable to the inflation linked rent increase. Average rent per social housing unit increased by 3.7% to £88 per week (2014: £85 per week)[14]. The increase in rent per unit is in line with the guideline limit for rent increase in 2014/15 which was 3.7% (RPI at September 2013 of 3.2% + 0.5%).

The change in average rents will not necessarily correspond with the guideline rent limit. Some rents will have increased by £2 a week above the guideline limit in order to achieve convergence. Further, new units developed and re-lets are likely to be at higher rents, including Affordable Rent, than units that are sold.

Figure 10

Increase in turnover from social housing lettings



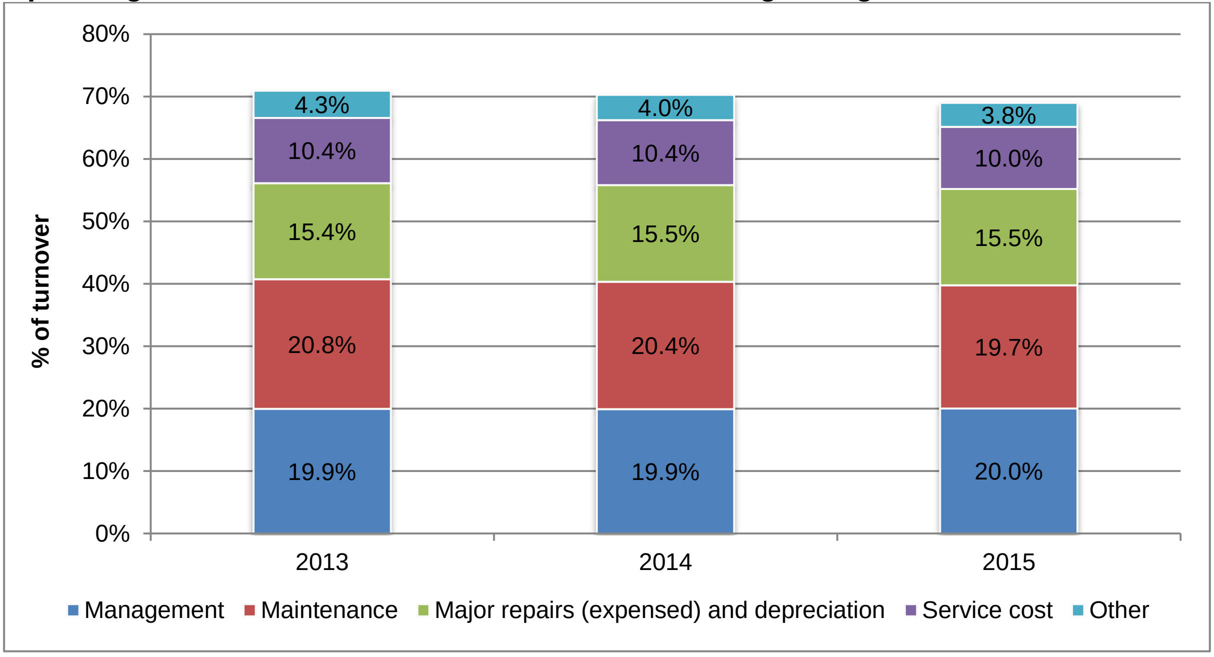
The combined rent and service charge per unit increased to £97 per week. Service charge recovery rates are broadly comparable to the previous year at 83.3% (2014 81.8%).

Social housing lettings cost

Total expenditure on social housing lettings increased by £215m (2.3%) to £9.4bn. This resulted in an improved margin on social housing lettings, as the costs as a percentage of turnover fell from 70.2% in 2014 to 69.0% in 2015. A key driver in the increased margin was a reduction in maintenance costs as a percentage of turnover.

[14] The number of social homes in management in 2014 has been restated. See Annex B – Restatements for full details.

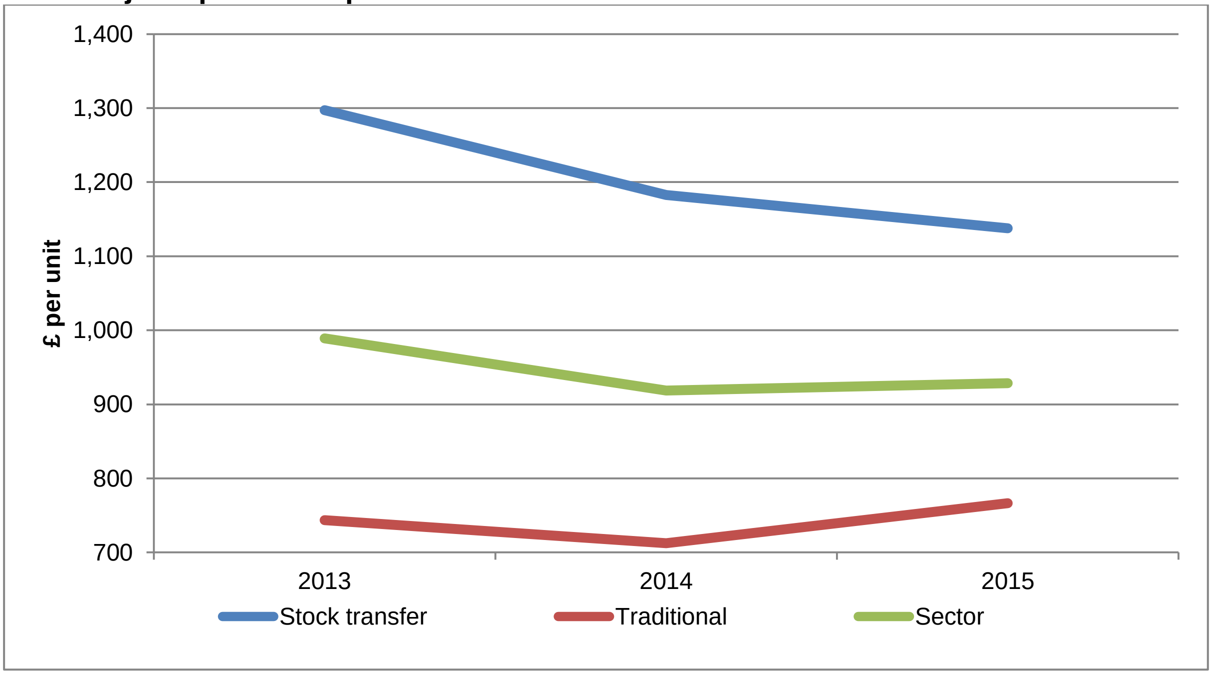
Figure 11
Operating costs as a % of turnover from social housing lettings



Overall the total major repair costs (including capitalised major repairs) increased by £49m (2.0%) to £2.5bn. In 2015 capitalisation rates remained stable at 76.0% for the sector in aggregate (2014 76.1%), 70.8% for stock transfers (2014 71.0%) and 81.9% for traditional providers (2014 82.7%).

Total repair costs per unit (routine maintenance, planned maintenance, expensed major repairs and capitalised major repairs) increased by 0.3% to £1,945 (2014: £1,939). Full details of all costs per unit are included in Annex A - Ratios.

Figure 12
Total major repair costs per unit[15]



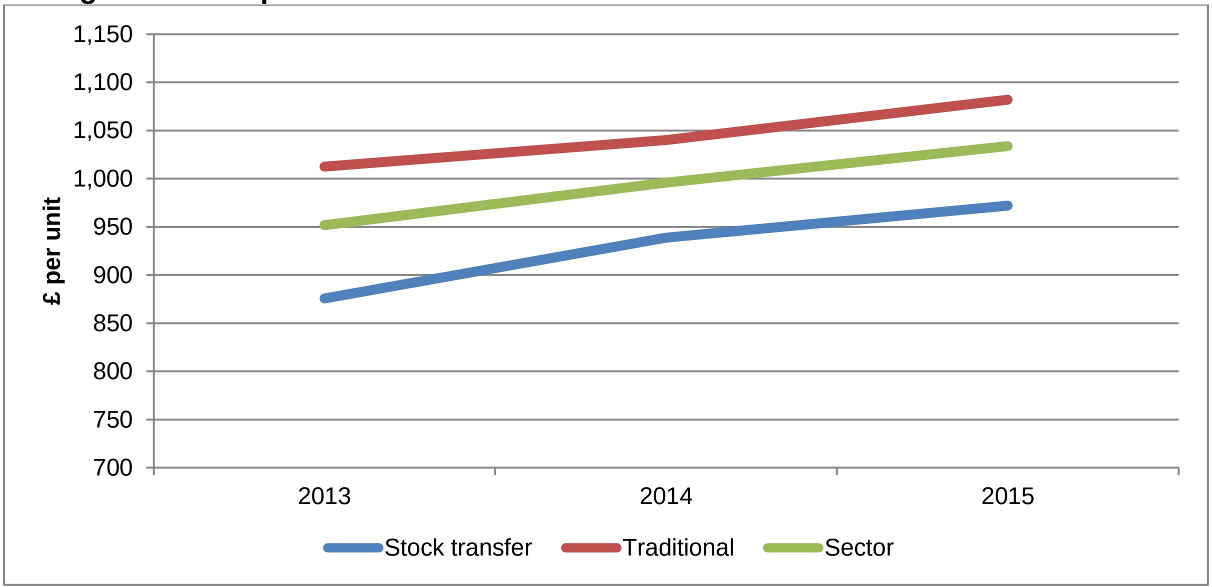
[15] Total major repair costs includes both expensed and capitalised major repair costs.

The differential between the two sub-sectors is significant in respect of major repairs spend per unit. Stock transfer providers typically have high major repairs costs linked to initial stock improvement programmes. Major repair costs decrease with the maturity of the stock transfer sector. Since 2013 spend per unit in the stock transfer sub-sector has decreased 12.3% to £1,138.

Routine and planned maintenance costs per unit have remained relatively stable since 2013. In 2015, the average total maintenance cost per unit decreased less than 1% to £1,017 (2014: £1,021). There is little differentiation between the two sub-sectors.

Figure 13

Management cost per unit



Management cost per social housing unit increased by 3.8% to £1,034. The increase in the stock transfer sub-sector is 3.5% and the comparable increase in the traditional sub-sector is 4.0%. Since 2013 the average management cost per unit has increased by 8.6% from £952.

Other social housing activity

Table 8

Other social housing income

All figures in £m	**Traditional 2015**	**Stock transfer 2015**	**Total 2015**	**Total 2014**	**Total 2013**
First tranche shared ownership sales					
Income	692	232	924	775	795
Expenditure	484	190	674	619	669
Surplus	**208**	**42**	**250**	**155**	**126**
Other					
Income	680	120	799	757	722
Expenditure	726	137	863	797	808
Deficit	**(47)**	**(17)**	**(64)**	**(40)**	**(87)**
Total other social activity					
Income	1,372	352	1,724	1,532	1,517
Expenditure	1,210	327	1,537	1,417	1,477
Surplus	**161**	**25**	**186**	**115**	**39**

Turnover from first tranche sales increased by £150m (19.3%) to £924m. This is the highest level of turnover reported from shared ownership sales since its inclusion in operating income. The surplus on first tranche shared ownership sales increased by £95m (61.0%) to £250m. This represents an increase in the margin from 20.1% to 27.1%.

In aggregate, the sector reported a loss of £64m on other social housing activities. This included a deficit on charges for support services of £49m, an increase of £9m (22.0%) from 2014. Other activity reported in other social housing includes expenditure on regeneration, community based activities and development overheads.

Social homes in management

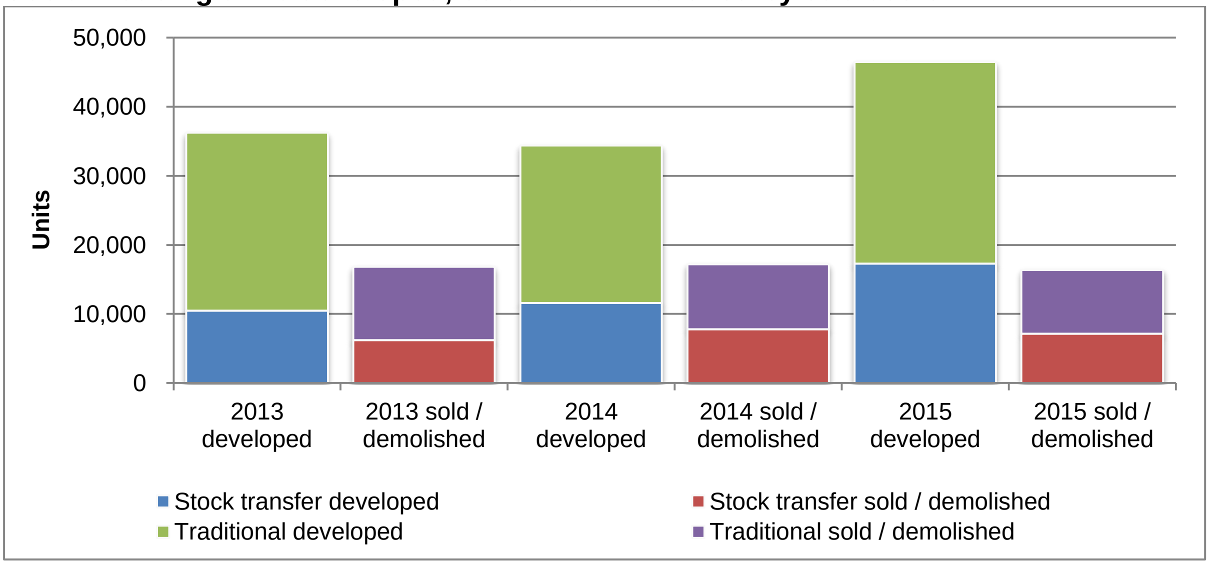
In 2015 a number of providers have made adjustments to the presentation of social housing units in management in their financial statements. This includes the reclassification of leaseholder units as non-social and the exclusion of units owned but not managed and other non-social housing units. Following the changes made by providers in completing the FVA the number of social homes in management in 2014 has been restated (see Annex B-Restatements for full details).

Table 9
Number of social homes managed at year end

	2015	2014	2013
Social housing (number)			
Traditional	1,491,857	1,474,171	1,454,424
Stock transfer	1,155,538	1,149,345	1,158,851
Total	**2,647,395**	**2,623,516**	**2,613,275**
Social housing (% change)			
Traditional	1.1%	1.4%	1.7%
Stock transfer	0.5%	(0.8%)	3.3%
Total	0.9%	0.4%	2.4%

The number of social homes under management reported by providers increased by 23,879 (0.9%). There were no new stock transfers in the year. The number of homes managed in the stock transfer sector as a proportion of total homes remained at 44% as in 2014 and 2013.

Figure 14
Social housing units developed, sold and demolished by sub-sector



Approximately 46,500 social housing units were developed during 2014/15. This represents an increase of 35.1% on the approximately 34,500 homes developed during 2013/14. The growth achieved through this development was partially offset by sales and demolitions of homes during the period totalling 16,356 (2014: 17,183). Of the total number of units reported as sold or demolished over 80% were sold[16].

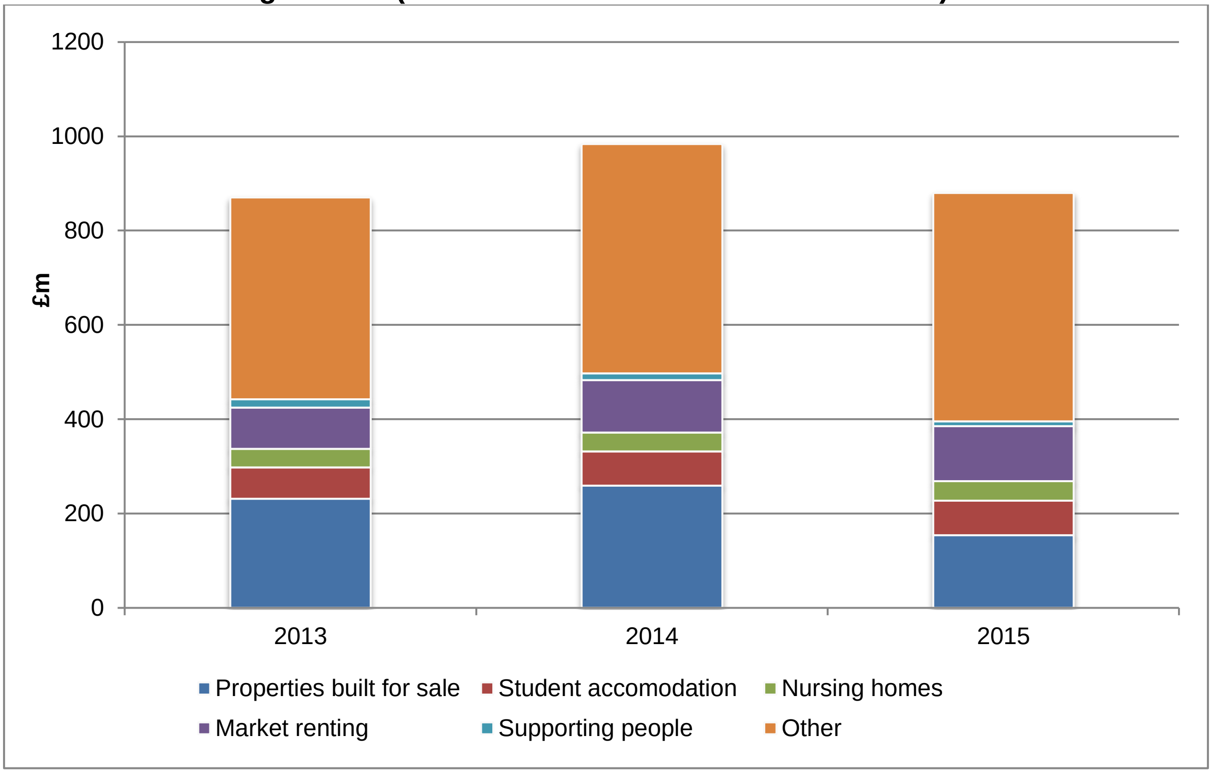
Transfers between providers and other movements accounted for a net decrease of 2,500 units. There are a small number of providers added or removed from the dataset each year. This is due to changes in the number of homes in management above or below the 1,000 home threshold requirement for submitting the FVA return.

[16] Sales and demolition figures from the Statistical Data Return (SDR) 2015.

5. Analysis of non-social housing activity

Turnover from non-social housing activities decreased by £104m (10.6%) to £879m. The surplus reported on non-social housing activities was £172m (2014: £117m) representing a margin of 19.5%. The figure below breaks down non-social housing income by source over the past 3 years. The figure excludes the majority of non-social income which occurs in non-registered entities and is not reported in turnover in the Global Accounts.

Figure 15
Non-social housing income (non-consolidated financial statements)

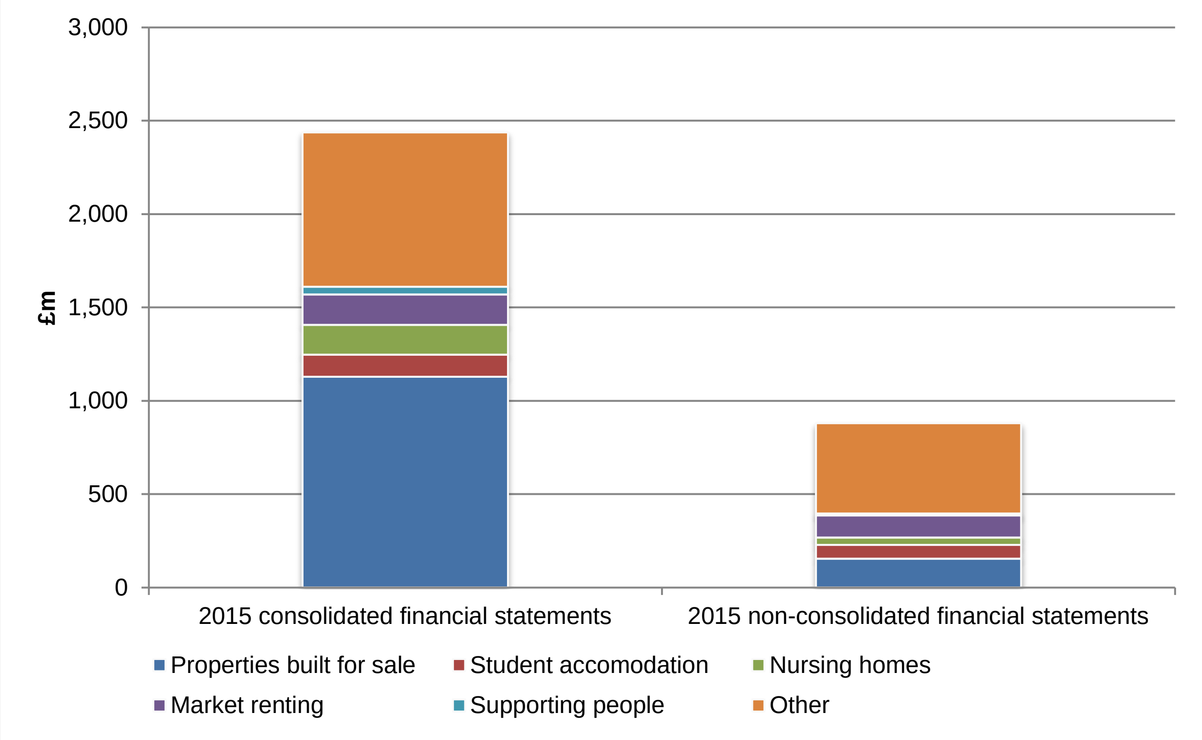


In 2015, 17.5% of non-social housing income (£154m) was generated through properties built for sale (2014: 26.4%). In total 27.5% (£242m) of non-social housing income is attributable to student accommodation, nursing homes, market renting and supporting people. Remaining activities represented under 'other' include, but are not limited to, management services, commercial property lettings, community services and training services.

The Global Accounts are based on the financial returns of registered providers managing more than 1,000 units. The figures presented thus far exclude the consolidated accounts of registered provider group structures, because they include financial information from unregistered bodies. A significant proportion of non-social housing activity occurs in unregistered bodies. To evaluate the true extent of non-social housing activity undertaken by the sector it is necessary to analyse consolidated group statements.

Non-social housing activity is undertaken in non-registered entities for a variety of reasons. These include spreading risk by utilising off-balance sheet structures, protecting social housing assets, and compliance with the charitable status of the registered entity. The FVA collects information on the number of non-registered entities included in the consolidated financial statements. In aggregate the sector reported approximately 800 unregistered entities, joint ventures or other entities in 2015. The figure overleaf shows the extent to which non-social housing activity occurs in non-registered entities.

Figure 16
Non-social housing income (consolidated and non-consolidated financial statements)



In 2015 providers reported turnover of £2.4bn from non-social housing activity in their consolidated financial statements, almost 3 times the level of turnover from non-social housing activity reported by registered providers in the Global Accounts. Based on consolidated financial statements, the sector reported a surplus on non-social housing activity of £402m.

In particular, only a small percentage of the sector's outright sale activity is carried out by the registered entities that are covered by the aggregated financial statements of the Global Accounts. This means that the majority of the £1.1bn sales achieved by organisations under the sector's control are not reported in turnover in these Global Accounts. Based on the consolidated financial statements, the sector reported a surplus of £251m from properties developed for outright sale.

In the non-consolidated financial statements the level of activity in non-registered entities is reflected in increasing Gift Aid receipts. Gift Aid receipts totalled £228m, an increase of £157m (218.6%) on 2014. There is a strong correlation between Gift Aid received in the non-consolidated financial statements and surplus on properties developed for sale in consolidated financial statements.

In additional to outright sale, the sector builds new shared ownership properties (see section 4 – analysis of social housing activity). The overall quantum of development for-sale has increased considerably in 2015. Including non-registered entities, the total turnover from current asset sales was £2.1bn in 2015. The combined surplus from shared ownership and properties built for sale increased from £324m in 2014 to £501m in 2015.

In 2015, increased investment, both on and off the balance sheet, in properties for sale has been underpinned by the strength of the housing market. The growth in the surplus on sales activity has increased the resources available for investment in existing stock and new supply. Equally, increased dependence on sales changes the sector's risk profile and increases providers' exposure to any potential downturn in the housing market.

Annex A – Ratios

Table 10
Growth ratios

	2015	2014	2013
Growth in turnover			
Sector	4.1%	5.2%	8.1%
Traditional providers	3.5%	5.7%	8.1%
Stock transfers	5.0%	4.3%	8.0%
Growth in total assets			
Sector	6.0%	5.4%	5.0%
Traditional providers	5.4%	4.5%	3.2%
Stock transfers	7.6%	7.7%	10.2%
Growth in total debt			
Sector	6.9%	6.4%	7.0%
Traditional providers	6.8%	6.6%	4.7%
Stock transfers	7.0%	6.2%	11.8%

Table 11
Profitability ratios

	2015	2014	2013
Operating margin			
Sector	28.3%	26.5%	25.9%
Traditional providers	27.9%	26.1%	25.5%
Stock transfers	28.8%	27.2%	26.7%
EBITDA MRI margin			
Sector	28.7%	27.3%	24.6%
Traditional providers	30.3%	30.0%	28.4%
Stock transfers	25.8%	22.6%	18.2%
Effective interest rate			
Sector	4.7%	4.7%	4.8%
Traditional providers	4.8%	4.8%	4.9%
Stock transfers	4.5%	4.5%	4.5%

Table 12
Debt servicing ability

	2015	2014	2013
EBITDA MRI interest cover			
Sector	155.6%	153.7%	138.0%
Traditional providers	153.3%	157.8%	147.3%
Stock transfers	160.5%	145.1%	118.3%
EBITDA MRI interest cover social housing lettings			
Sector	143.6%	145.3%	129.7%
Traditional providers	139.2%	148.9%	138.0%
Stock transfers	153.0%	137.7%	111.9%
Adjusted net leverage			
Sector	43.7%	43.3%	43.5%
Traditional providers	40.4%	39.7%	39.3%
Stock transfers	52.3%	52.9%	55.2%
Gearing			
Sector	98.1%	96.2%	95.4%
Traditional providers	77.0%	74.8%	73.3%
Stock transfers	214.0%	221.9%	236.8%
Debt per unit (£)			
Sector	23,931	22,598	21,313
Traditional providers	28,205	26,731	25,421
Stock transfers	18,413	17,296	16,159
Debt to turnover			
Sector	389.4%	379.2%	374.8%
Traditional providers	410.0%	397.5%	394.3%
Stock transfers	354.3%	347.6%	341.5%

Table 13
Costs per social housing unit managed

	Traditional	Stock transfer	Total
Management costs per unit £			
2015	1,082	972	1,034
2014	1,040	939	996
2013	1,012	876	952
% increase			
2014-15	4.0%	3.5%	3.8%
2013-14	2.7%	7.2%	4.6%
2012-13	7.0%	1.9%	4.8%
Routine and planned maintenance costs per unit £			
2015	1,016	1,018	1,017
2014	1,007	1,039	1,021
2013	954	1,041	992
% increase			
2014-15	0.9%	(2.0%)	(0.4%)
2013-14	5.6%	(0.2%)	2.9%
2012-13	0.7%	2.1%	1.4%
Total major repair costs per unit £			
2015	767	1,138	929
2014	712	1,183	918
2013	744	1,297	989
% increase			
2014-15	7.6%	(3.8%)	1.1%
2013-14	(4.2%)	(8.8%)	(7.2%)
2012-13	1.6%	(7.7%)	(3.8%)
Major repair costs per unit (expensed) £			
2015	138	333	223
2014	123	343	220
2013	124	338	219
% increase			
2014-15	12.3%	(3.1%)	1.6%
2013-14	(0.8%)	1.6%	0.3%
2012-13	(0.7%)	(8.5%)	(5.8%)
Major repair costs per unit (capitalised)			
2015	628	805	705
2014	589	840	699
2013	619	960	770
% increase			
2014-15	6.6%	(4.1%)	0.9%
2013-14	(4.9%)	(12.5%)	(9.3%)
2012-13	2.1%	(7.5%)	(3.2%)

Annex B – Restatements

The Global Accounts of 2015 include the restatement of fixed asset balances in respect of 2013 and 2014. The restatement was required as a number of providers had previously included grant on the face of the balance sheet where the carrying value of properties was on a valuation basis (and in a small number of cases classifying the properties at cost rather than valuation). Without restatement, these inconsistencies would affect both the GBV of fixed assets and the associated grant figure in 2013 and 2014. In the 2015 returns providers have corrected these presentational inconsistencies.

There is no net effect on the total fixed assets reported by the sector. However, properties at cost, grant and depreciation balances for 2013 and 2014 are affected.

Table 14
2014 Fixed asset restatements

All figures in £m	2014	2014 Restated	Difference
Fixed assets			
Housing properties at cost	108,995	106,851	(2,144)
Housing properties at valuation	23,747	24,105	359
GBV of housing properties	**132,741**	**130,956**	**(1,785)**
Social Housing Grant and Housing Association Grant	43,517	41,984	(1,533)
Other capital grants	2,409	2,367	(42)
Depreciation	8,660	8,427	(233)
Net book value of housing properties	**78,155**	**78,179**	**24**
Other fixed assets	3,803	3,780	(24)
Total fixed assets	**81,958**	**81,958**	**0**

Table 15
2013 Fixed asset restatements

All figures in £m	2013	2013 Restated	Difference
Fixed assets			
Housing properties at cost	105,090	102,966	(2,124)
Housing properties at valuation	20,886	21,175	289
GBV of housing properties	**125,976**	**124,141**	**(1,835)**
Social Housing Grant and Housing Association Grant	43,059	41,602	(1,457)
Other capital grants	2,348	2,200	(147)
Depreciation	7,781	7,551	(230)
Net book value of housing properties	**72,788**	**72,788**	**0**
Other fixed assets	3,569	3,569	0
Total fixed assets	**76,357**	**76,357**	**0**

In 2015 a number of providers have made adjustments to the presentation of social housing units in management in their financial statements. This includes the reclassification of leaseholder units as non-social and the exclusion of units owned but not managed and other non-social housing units. Following the changes made by providers in completing the FVA, the number of social homes in management in 2014 has been restated. The table below sets out the impact of the restatement for the sector in aggregate and the two sub-sectors.

Table 16
2014 Social homes in management restatement

Social homes (number)	**2014**	**2014 Restated**
Stock transfer	1,153,226	1,149,345
Traditional	1,484,779	1,474,171
Total	**2,638,005**	**2,623,516**

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