

THE SCOTTISH HOUSING REGULATOR

## The Financial Digest

A financial overview of the registered social landlord sector in Scotland 2006/07

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## 1. Executive Summary

### General Overview

- 1.1 The RSL sector in Scotland continued to grow during 2006/07. Turnover across the sector is approaching £1 billion per annum and we expect it to exceed this level next year; the sector's assets increased by nearly 10% to £7.6 billion; and debt rose by 7% to £1.6 billion.
- 1.2 RSLs reported a healthy gross surplus of £113 million (12% of turnover), up from £30 million last year. The aggregate net surplus is £68m, reversing the first ever net deficit that we reported last year. We view this turnaround with some caution. Firstly, the impact of finance costs in future years is still uncertain in the light of unpredictable financial market conditions. Secondly, RSLs are investing in their stock to meet the Scottish Housing Quality Standard deadline of 2015. These issues will affect future spending patterns and surpluses.
- 1.3 Operating costs have fallen in 2006/07, but this is largely due to an amendment in the way Glasgow Housing Association (GHA), accounts for maintenance expenditure. This reduced its operating costs by around £100 million and the sector's consolidated costs to £776 million.
- 1.4 The median management cost per unit has increased by 5% since last year, to stand at £909. We are concerned about this trend. We find a direct correlation between the size of an RSL and its management costs. If we exclude the costs of managing high-rise flats, and the RSLs with high care and support costs, RSLs with fewer than 500 houses have a median management cost per unit of £936. RSLs with over 5,000 houses have equivalent costs of £790. The median unit cost for RSLs owning more than 1,000 units is 12% less than the median cost for smaller landlords. This analysis relates to scale and cost – it does not comment on the relationship between size and overall value for money or effectiveness in service delivery.

- 1.5 Planned maintenance per unit in 2006/07 was at the highest recorded level of £445 and has increased by 12% in real terms over the past five years. Although RSLs are investing in their stock, cost growth on this scale is likely to be unsustainable, particularly given that, in most cases, RSLs link their rental increases to inflation. RSLs' expenditure on reactive maintenance has remained steady and RSLs appear to be controlling these costs.
- 1.6 Salary costs are increasing in real terms and they now account for over £1 in every £3 spent by RSLs on revenue costs. They have increased at a faster rate than the average earnings index in each of the last five years. This cost pressure will be challenging for the sector to manage going forward.
- 1.7 Some RSLs are subsidising the costs of factoring, development and wider role activities. In total, the sector recouped £18 million less than its outlay on these activities. Where possible, RSLs should be recovering costs on their activities.
- 1.8 RSLs have £2.9 billion of private finance facilities, of which £1.7 billion has been drawn. RSLs, therefore, have existing arranged lending facilities to support their future plans. However, around £815 million of this undrawn facility was held by local authority stock transfer RSLs and, in particular, GHA (which has £718 million available).
- 1.9 The sector has strong interest cover ratios of 142%. This ratio, which measures RSLs' lending cover, is comfortably above our benchmark of 110%. Debt per unit is rising, reflecting the additional private finance that the sector has taken on as it invests in its stock. Excluding GHA, this results in a 6% reduction in the sector's gross profit, to 4.3% of turnover. RSLs' interest costs as a percentage of turnover remains low and actually reduced during 2006/07. The average cost of borrowing was 5.6%. We believe RSLs should be able to service more interest from their improving turnover position.

- 1.10 RSLs have sizeable amounts of readily realisable cash deposits, with around £300 million in cash across the sector. We expect RSLs to use these resources to best effect and strike an appropriate balance between maintaining their liquidity and ensuring that they are receiving best return from their cash balances. Decisions about the use of cash should be taken as part of a wider treasury management strategy.
- 1.11 The sector is forecasting continued growth in turnover and operating costs over the next five years. In overall terms, RSLs present a healthy financial picture, although net surplus per unit is falling as the sector takes on additional private finance. The financial assumptions underpinning the projections for some RSLs look unrealistic and could result in cost overruns and unexpected financial problems.
- 1.12 Around 37% of RSLs expect to incur significant expenditure to meet the Scottish Housing Quality Standard in the final three years leading up to the 2015 deadline. We will monitor this closely.
- 1.13 Overall, the RSL sector continues to be financially healthy. We believe it is well placed to meet the challenges, risks and opportunities we outline below. And we believe it has sufficient financial capacity to take on further debt or to use cash balances to contribute to the development of new supply.

### Future financial challenges

- 1.14 While we are clear that, overall, the RSL sector continues to be financially sound, there are a number of challenges for the sector going forward. The extent to which challenges will affect individual RSLs (and whether they represent risks or opportunities) will vary according to, amongst other things, their financial structure, plans, performance, and activities. We believe these are the key challenges the sector will face:
- Changes in financial market conditions, which may affect the availability and price of private finance, and will require RSLs to have robust treasury management strategies.

- Changes in the way funding for new development is administered and the Scottish Government's plans to reduce the level of capital grants.
- Decisions about Supporting People funding.
- The continued reliance on property sales, which may prove challenging if there is any downturn in the housing market.
- Keeping rising management and maintenance costs in check.
- Meeting the Scottish Housing Quality Standard and ensuring the sustainability of the stock while responding to customers' expectations about service and neighbourhood quality.
- Responding effectively to the Scottish Government's policy direction in Firm Foundations and making choices about how future business strategies and how resources should be deployed.

### Headline figures

#### 1.15 In the year 2006/07:

- turnover increased by 9%, to £931 million;
- operating costs were £776 million or 83% of turnover;
- salary costs were £283 million and remain the single largest item of operating expenditure;
- the sector reported a gross surplus of £113 million or £437 per unit;
- operating surplus was around 12% of turnover, with the net surplus at 7%;
- reported profits on the sale of assets were at their highest ever level, at £29 million;
- cash balances are healthy across the sector at nearly £300 million;
- interest cover ratio on a sector-wide basis had fallen slightly to 142% as private borrowings increased, but it is still comfortably above 110%; and
- debt per unit was £6,400, and £8,400 if we exclude GHA.

#### 1.16 At the end of 2006/07:

- available private finance facilities amount to £2.9 billion, with £1.7 billion of this having been drawn;
- approved undrawn facilities, that could support proposed developments or maintenance, amount to £1.2 billion; and

- £1.6 billion of the balance drawn down remained outstanding, reflecting the long term nature of loans in place.

1.17 During 2006/07:

- RSLs arranged new borrowing facilities of £324 million;
- additional debt of £119 million from arranged facilities was drawn by the sector;
- the average cost of borrowing for 2006/07 was 5.6%;
- 55% of outstanding borrowings were on a fixed rate basis; and
- interest costs fell across the sector.

1.18 In the next five years:

- the sector is projecting cumulative net surpluses in each of the next five years and a total cumulative surplus of £141 million; and
- the sector forecasts that it will draw down £1.1 billion of private finance over the next five years.

## 2. INTRODUCTION

### About the Scottish Housing Regulator

2.1 The Scottish Housing Regulator (SHR) was established on 1 April 2008 to perform the regulatory functions previously carried out by the Scottish Government's housing and regeneration agency, Communities Scotland. The SHR regulates registered social landlords (RSLs) and the landlord and homelessness functions of local authorities. Our purpose is to:

- protect the interests of current and future tenants, and other service users;
- ensure the continuing provision of good quality social housing in terms of decent homes, good services, value for money and financial viability; and
- maintain the confidence of funders.

### About this publication

2.2 This is our annual review of the consolidated financial accounts, private finance arrangements and forward financial projections of Scottish Registered Social Landlords (RSLs). It provides a financial overview of the RSL sector and enables us to fulfil our purpose by focusing on the medium term financial viability of RSLs and aspects of value for money. The publication should be read alongside our [Review of Scottish RSLs](#), which presents further information about the sector's profile and stock management performance.

2.3 We use key financial ratio and trend information in applying our risk based and proportionate approach to regulation and, in particular, to focus our attention on the areas that we believe merit more in-depth investigation and engagement with individual RSLs. You may read more about this in our *Guide to How we Regulate*.

### About the RSL sector

2.4 In order to set the context for this report, it is important to understand the nature of the RSL sector. The sector is diverse in terms of the size of organisation and the range of activities individual organisations undertake.

We have 259 RSLs on our register. This report focuses on the 176 stock owning organisations that must complete relevant returns for us. Collectively, these RSLs own 266,000 homes. Around 83% of RSLs own fewer than 2,000 houses, while the 14 largest RSLs (8% of RSLs) own nearly half of all the stock in the sector. Many of the larger RSLs operate within group structures and have grown through a mixture of new development and mergers.

## Our classifications

- 2.5 Given the diversity in the sector, the aggregate financial position may mask significant variation in performance in particular types of organisations. So, we examine the information by the following classification groups:
- Local Authority Whole Stock Transfers (LAWST),
  - Large Scale Voluntary Transfers (LSVT),
  - Care and Supported; and
  - General.
- 2.6 We have chosen these groups because they represent particular financial characteristics that affect the national analysis. Stock transfer organisations (LAWSTs and LSVTs) typically complete major improvement work in the first five years of transfer and, in their early years, tend to record deficits. They are also mainly funded by external private finance and have business plans that are “highly geared” in that they forecast high debt to asset value ratios in the early years. We expect to see a more balanced financial position around ten years following transfer. This is quite a different financial profile to the RSLs that have benefited from significant capital grant financing, primarily through Housing Association Grant (HAG).
- 2.7 We have differentiated between local authority and other public stock transfers because the size and scale of transfer is different and because LAWSTs are generally younger. There are five LAWST RSLs and they account for almost 92,000 houses (35% of the total stock). For the purposes of our analysis, this group includes the three original transfers but also the part-year results for Hebridean Housing Partnership (from September 2007) and Argyll Community Housing Association (from

November 2007), as both RSLs were successfully registered with us during 2006/07. Next year's analysis will incorporate the first full year's results for these two RLSs. Within the LAWST category, Glasgow Housing Association (GHA) alone accounts for 68,000 houses and has a significant impact on the results of the sector, to the extent that it can skew our analysis. In some of our analysis we have, therefore, excluded GHA so that we can better identify underlying trends. There are a further 34 LSVT RSLs, owning around 44,000 (16%).

- 2.8 In the smallest classification group are the 18 Care and Supported RSLs with 18,000 units (7% of the stock). They typically have higher staff costs than other classification groups as a result of the more labour intensive nature of their businesses.
- 2.9 There are 119 General RSLs owning 112,000 units (42% of the stock) at the year end. This classification group has had access to greater levels of HAG from the Scottish Government and tend to grow through development and mergers.

### Financial reporting standards

- 2.10 On a more technical note, International Financial Reporting Standards will apply to all UK RSLs from 2012. As a result, some of the entries on the balance sheet are scheduled to change. The sector is also aware that the new 2008 Statement of Recommended Practice (SORP) for RSLs comes into effect for accounting periods commencing on or after 1 April 2008. Therefore, RSLs will need to make adequate preparations for the 2008/09 financial year and consider comparative entries when preparing the 2007/08 accounts.

### 3. Income and Expenditure

3.1 Last year, for the first time, the consolidated income and expenditure account for the sector reported a net deficit. This was due to a large, but expected, deficit in the accounts of Glasgow Housing Association (GHA). This year the sector returned to positive ground, reporting a net surplus of over £68m.

3.2 LAWSTs accounted for a significant proportion of the overall net surplus. A similar contribution comes from the General RSLs. They account for the highest percentage of overall turnover. However, in terms of the number of units owned, they make less income per unit than LAWSTs and Care and Supported RSLs.

INCOME & EXPENDITURE	2006/07	2005/06	2004/05	2003/04	2002/03
	£,000's	£,000's	£,000's	£,000's	£,000's
Turnover	930,714	856,068	808,178	779,885	488,113
Housing depreciation & impairment	30,194	25,678	26,795	24,903	21,940
Other operating costs	776,320	797,815	723,428	591,370	378,040
Operating surplus before exceptionals	124,201	32,574	57,955	163,612	88,133
Exceptional items	-11,528	-2,489	445	-5,691	-215
<b>Operating surplus</b>	<b>112,673</b>	<b>30,085</b>	<b>58,400</b>	<b>157,921</b>	<b>87,918</b>
Profit on sale of assets	29,126	19,704	18,243	23,806	9,278
Interest receivable & other income	15,117	16,462	17,600	12,263	8,534
Interest payable	-89,360	-85,180	-84,291	-77,285	-70,645
Surplus before tax & exceptionals	67,556	-18,929	9,952	116,705	35,085
Exceptional items	722	8,582	-818	0	146
Surplus before tax	68,279	-10,347	9,134	116,705	35,231
Tax payable	-1,633	-1,857	-2,218	-2,408	-3,109
Tax grant	1,657	1,210	1,766	1,964	2,821
<b>Surplus for year</b>	<b>68,303</b>	<b>-10,994</b>	<b>8,682</b>	<b>116,261</b>	<b>34,943</b>

INCOME & EXPENDITURE – EXTRACTS	2006/07	LAWST	LSVT	Care & Supported	General
	£,000's	£,000's	£,000's	£,000's	£,000's
Turnover	930,714	283,682	123,502	170,847	352,684
Housing depreciation & impairment	30,194	306	6,718	2,643	20,527
Other operating costs	776,320	250,693	96,595	161,367	267,665
Operating surplus	112,673	21,095	20,266	6,831	64,481
Profit on sale of assets	29,126	9,964	7,451	560	11,152
Interest receivable & other income	15,117	2,861	2,000	2,276	7,981
Interest payable	-89,360	-4,018	-23,499	-4,384	-57,458
<b>Surplus for year</b>	<b>68,303</b>	<b>30,035</b>	<b>6,019</b>	<b>5,776</b>	<b>26,474</b>

- 3.3 Turnover in the year to March 2007 reached £930m. Rental income accounts for more than 70% of the total income due to RSLs. The next greatest source of revenue comes from Supporting People grants paid by Local Authorities, which increased by £12m in the year, to £70 million. Supporting People grant covered almost 97% of the costs of services associated with this activity, with the balance self-funded by RSLs.

INCOME	2006/07 £,000's	2005/06 £,000's
Gross rental income	701,252	668,706
Rent loss from voids	(14,939)	(16,243)
Rent receivable net of void loss	686,313	652,463
Services	48,098	47,560
Revenue Grants	16,748	43,216
Income from other sources	179,555	112,830
<b>Total Income/Turnover</b>	<b>930,714</b>	<b>856,069</b>

- 3.4 In 2006/07, the sector charged operating costs of £776m to the income and expenditure account. These costs include all costs associated with an RSL's business that are not able to be capitalised. The largest single cost in RSLs is salaries and in 2006/07 this amounted to £283m, around 34% of all revenue costs.
- 3.5 The majority of expenditure incurred by RSLs is on providing houses for let. Almost £610m of the £749m of gross rents and service charges was spent on managing and maintaining their housing stock. Overall, maintenance is not a high consumption cost with around £251m charged against properties in the income and expenditure account.
- 3.6 Both planned and reactive maintenance costs have increased since last year, by 18% and 9% respectively, with most of this increase attributable to mainstream housing stock. We also saw a shift in the allocation of management costs by RSLs towards capitalising and to non-housing management tasks.
- 3.7 The consolidated accounts show that expenditure in the areas of factoring, managing development programmes and wider role activity failed to match

the income available to provide each of these services. Cumulative figures in the accounts suggest that a combined loss of more than £18m was incurred. We expect RSLs to monitor and consider these costs.

EXPENDITURE	2006/07 £,000's	2005/06 £,000's
Management costs	202,030	196,600
Service costs	70,957	65,100
Planned maintenance	138,287	117,200
Reactive & voids maintenance	113,130	104,600
Maintenance overheads	52,675	46,200
Other letting costs	39,718	37,600
Supporting people	72,650	60,000
Other care activities	19,155	27,100
Other non-letting costs	97,913	169,100
<b>Total operating costs</b>	<b>806,514</b>	<b>823,500</b>

- 3.8 Overall, RSLs were in a healthy position, with a gross surplus of nearly £113m. This is equivalent to £437 per unit. If we exclude the LAWSTs (organisations that are expecting protracted periods of deficits), this figure increases to £532 per unit.
- 3.9 RSLs derive around 2% of their income from investments and cash balances. This year's figure was slightly down on the year before, at around £15 million. Interest payable by RSLs was marginally up in 2006/07 at £89 million. Some of this may be due to the keen interest rates in place for much of the year. But we have noticed that interest cost per unit reduced, down to £406 per unit. We have excluded GHA from this calculation as it had virtually no loans in place at the end of the year, and would, therefore, distort the per unit calculation and underlying trend across the sector. Interest payable as a percentage of turnover, at 9.6%, was also at its lowest in the last five years. The private finance section of the report provides more analysis of these factors.
- 3.10 Interest costs are highest for a number of LSVTs and this classification group has a much higher interest to turnover ratio than all others. LSVTs spend almost twice as much on interest costs compared to General RSLs. General

RSLs have had greater grant funding and a longer track record in refinancing loans, and this has served to reduce their interest costs.

### Income and Expenditure Ratios

- 3.11 Operating surplus remains reasonable at 12% of turnover, while net surplus is slightly down to just more than 7%, as a result of an increase in net interest costs that have moved up to £289 per unit.
- 3.12 Given that they are relatively new organisations, LSVT RSLs are performing well in comparison to most others, with operating surpluses of more than 16%. This compares favourably to the 18% operating surpluses of the most profitable classification group, the General RSLs. However, once finance costs are taken into account, LSVTs' net surplus drops to under 5%. This compares to a net surplus of 7.5% in General RSLs.
- 3.13 Operating surplus, including depreciation has been reducing year on year, to its lowest level of 12.1%. But this still represents a reasonable return for the sector. Net surplus as a percentage of turnover improved, following a net deficit in 2005/06. We expect net surpluses to be under pressure as some RSLs invest to meet the SHQS. Much of this investment will need to be funded by additional borrowing, or a reduction in cash balances. If we exclude the effects of depreciation all the gross and net surplus positions improve, on average, by around 3.5%.

<b>INCOME &amp; EXPENDITURE – CONSOLIDATED</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Turnover per unit	3,593	3,346	3,145	2,965	3,070
(Other) operating costs per unit	2,994	3,118	2,815	2,249	2,378
Operating surplus per unit	437	118	227	600	553
Net surplus per unit	264	-43	34	442	220
Operating surplus as a % of turnover	12.1%	3.5%	7.2%	20.2%	18.0%
- ex. GHA	12.2%	14.4%	14.6%	15.4%	as above
Surplus for year as a % of turnover	7.3%	-1.3%	1.1%	14.9%	7.2%
- ex. GHA	4.3%	7.0%	5.1%	6.4%	as above
Ex. housing dep'n & impairment					
Operating surplus as a % of turnover	15.4%	6.5%	10.5%	23.4%	22.5%
- ex. GHA	16.5%	18.5%	19.1%	19.8%	as above
Surplus for year as a % of turnover	10.6%	1.7%	4.4%	18.1%	11.7%
- ex. GHA	8.6%	11.0%	9.6%	10.8%	as above
Gross rental income - £'000's	701,144	686,432	645,946	624,855	374,671
Void loss - £'000's	14,939	16,243	18,300	21,217	10,144
Staff costs - £000's	283,446	266,788	246,340	229,186	156,940
Staff costs as a % of turnover	30.5%	31.2%	30.4%	29.2%	32.0%
Average total loans - £'000's	1,583,767	1,487,454	1,409,328	1,287,284	1,152,724
Net interest costs per unit	289	269	259	247	391
- ex. GHA	406	418	421	391	as above
Interest payable as a % of turnover	9.6%	10.0%	10.4%	9.9%	14.5%
Average cost of borrowing	5.6%	5.7%	6.0%	6.0%	6.1%

<b>INCOME &amp; EXPENDITURE- BY CLASSIFICATION</b>	<b>2006/07 £</b>	<b>LAWST £</b>	<b>LSVT £</b>	<b>Care &amp; Supported £</b>	<b>General £</b>
Turnover per unit	3,593	3,357	2,982	9,402	3,136
(Other) operating costs per unit	2,994	2,967	2,333	8,880	2,380
Operating surplus per unit	437	250	489	376	573
Net surplus per unit	264	355	145	318	235
Operating surplus as a % of turnover	12.1%	7.4%	16.4%	4.0%	18.3%
Surplus for year as a % of turnover	7.3%	10.6%	4.9%	3.4%	7.5%
Ex. housing dep'n & impairment:					
Operating surplus as a % of turnover	15.4%	7.5%	21.8%	5.5%	24.1%
Surplus for year as a % of turnover	10.6%	10.7%	10.3%	4.9%	13.3%
Gross rental income - £'000's	701,144	241,363	113,629	59,980	286,171
Void loss - £'000's	14,939	7,977	1,760	2,681	3,825
Staff costs - £000's	283,446	64,340	28,548	100,654	89,904

- 3.14 Profits on the sale of assets increased by £9 million to reach their highest ever reported level of £29 million. However, the changes made by GHA in its method of distributing excess right to buy (RTB) income contributed nearly £9m towards this total. Without this change in profit share it would have only been marginally ahead of the figure reported in 2005/06. This suggests a plateau effect from this activity.
- 3.15 General RSLs still deliver the greatest operating surplus per unit of £573, while the LAWSTs show the least operating surplus per unit at £250. This reflects the costs that LAWSTs are incurring as they invest in their stock. Proportionately, the LSVT sector relies on a greater share of its income from asset sales than other types of organisation. In overall terms, relying on profits from the sale of assets poses a potential risk to long term viability. In our view, these non-recurring sources of income should be matched to non-recurring expenditure. Where there is a significant and prolonged mismatch between the two, there is an increased danger that RSLs could get into financial difficulties if projected RTB income does not materialise.
- 3.16 The net surplus available to RSLs after the payment of interest is usually retained either specifically for future maintenance or held in reserve to defray

unexpected costs. Much of the sector's net surplus is provided by the LAWST classification group, which is in a better position than might have been expected at this stage in their maintenance programmes. Annual transfers to their reserves in 2006/07 were in excess of £30m. This was almost matched by General RSLs. LSVTs generated the lowest unit surpluses, which were less than half those produced by LAWST and Care and Supported RSLs and below two thirds of General RSLs.

- 3.17 Overall, RSLs have healthy surpluses. General RSLs had the highest gross unit surpluses, but all types of RSLs showed an all round good performance. The LAWST's heavy immediate outlays reduced their unit surplus to less than 50% of General RSLs. In terms of unit net surplus LAWSTs are best placed, due to the almost non-existent net interest paid in the year. LSVTs show the lowest net surplus in the year 2006/07. This is no different from last year's statistics and is the result of higher unit debt and interest payments.
- 3.18 Operating costs, including depreciation, reduced during 2006/07 to £806 million, from a high of £824 million in 2005/06. This movement is in a large part attributable to GHA's change in accounting treatment of maintenance works. Prior to 2006/07 these costs were treated as in-year revenue costs. However, a change in accounting treatment meant that similar costs were capitalised in 2006/07, reducing the corresponding charge by around £100 million. GHA consulted its auditors on this point and concluded that this was not a change in accounting policy and, therefore, did not require a prior year adjustment to its comparative figures. Had they not adopted this move, they would have recorded an in-year deficit of around £70 million, rather than a surplus of £30 million. The resulting impact on the sector would be cumulative deficit of £32 million.
- 3.19 These indicators confirm that the sector remains in good shape and capable of reacting positively to changes in grant policy promoted by the Scottish Government.

## 4. Balance Sheet

- 4.1 The acquisition and construction of housing stock by RSLs is primarily financed by capital grants received from the Scottish Government. Any funding gap has been covered from cash balances or reserves, or borrowed from banks and building societies. Construction costs have been increasing, but so has the amount of private lending to the sector. Now net housing property cost is equivalent to £8,050 per unit, representing an increase of 12% over the last year.
- 4.2 The housing assets of RSLs now have a balance sheet value of £7.6 billion, an increase of £668 million from the previous year. The figure represents either the cost or valuation depending on each RSL's accounting policy. The net book value, once HAG, other capital grants and accumulated depreciation are removed, was £2.1 billion.
- 4.3 General and LSVT RSLs have very similar net cost or value of housing assets. However, the funding that supports assets is very different between the two groups. While more than 70% of General RSLs' assets are grant funded, only just over 40% is financed this way in LSVTs. Debt per unit is very similar, despite the levels of HAG received by General RSLs.
- 4.4 General and LSVTs have higher debt than the other two classification groups. The debt profile of LAWSTs may change once the Glasgow Housing Association (GHA) starts to borrow against its loan facility. Care and Supported RSLs have less than 45% of the debt per unit of Generals and LSVTs. Organisations in this classification group have the lowest debt levels and the highest cash balances. This reduces their net debt to less than 25% of General and LSVTs' net debt per unit. Their low debt and high cash, with associated interest receivable, allows them to produce comfortable reserves despite relatively low operating surpluses.

<b>BALANCE SHEET</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>
Housing properties – gross cost or valuation	7,589,970	6,921,720	6,437,424	6,148,478	5,649,211
Housing depreciation	-164,122	-140,192	-116,259	-93,200	-68,543
Housing association grant (HAG)	-5,159,738	-4,816,337	-4,479,774	-4,284,714	-4,024,539
Other government grants	-200,908	-129,423	-140,752	-129,270	-119,745
Fixed asset investments	19,463	15,717	9,782	9,727	8,626
Other fixed assets	132,737	124,699	103,898	93,190	61,768
<b>Total fixed assets</b>	<b>2,217,402</b>	<b>1,976,184</b>	<b>1,814,319</b>	<b>1,744,211</b>	<b>1,506,778</b>
Current assets - stock & work in progress	10,601	6,725	1,393	2,740	746
Net rental debtors	26,177	26,631	25,198	24,999	22,653
Other debtors	1,149,250	1,280,804	1,390,300	1,495,088	72,670
Investments, excluding cash	15,765	17,770	931	1,106	19,779
Cash at bank and in hand	292,017	319,107	377,290	389,600	235,012
<b>Total current assets</b>	<b>1,493,809</b>	<b>1,651,037</b>	<b>1,795,112</b>	<b>1,913,533</b>	<b>350,860</b>
Loans < 1 year	88,518	66,602	65,640	50,750	34,532
Business overdraft / Dev't bridging finance	22,499	16,466	16,382	26,415	26,442
Other creditors	301,259	292,943	253,236	229,125	157,476
<b>Total current liabilities</b>	<b>412,276</b>	<b>376,011</b>	<b>335,258</b>	<b>306,290</b>	<b>218,450</b>
<b>Net current assets</b>	<b>1,081,534</b>	<b>1,275,026</b>	<b>1,459,854</b>	<b>1,607,243</b>	<b>132,410</b>
Loans > 1 year	1,523,662	1,449,786	1,360,031	1,299,438	1,136,990
Other long-term creditors	41,319	11,822	16,001	15,939	7,466
<b>Total long-term liabilities</b>	<b>1,564,982</b>	<b>1,461,608</b>	<b>1,376,032</b>	<b>1,315,377</b>	<b>1,144,456</b>
Provisions for liabilities & charges	1,005,993	1,160,943	1,273,853	1,397,664	2,587
<b>Net assets</b>	<b>727,961</b>	<b>628,659</b>	<b>624,288</b>	<b>638,413</b>	<b>492,145</b>
Share capital	38	38	40	43	43
Negative goodwill	24,519	18,291	0	0	0
Revaluation reserve	97,956	74,552	48,619	59,174	45,523
Designated reserves	343,024	320,900	299,814	283,088	255,895
Restricted reserves	6,199	10,254	8,259	21,742	20,051
Revenue reserve	256,226	204,624	267,556	274,366	170,633
<b>Total capital &amp; reserves</b>	<b>727,961</b>	<b>628,659</b>	<b>624,288</b>	<b>638,413</b>	<b>492,145</b>

<b>BALANCE SHEET</b>	<b>2006-07</b>	<b>LAWST</b>	<b>LSVT</b>	<b>Care &amp; Supported</b>	<b>General</b>
	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>	<b>£,000's</b>
Total fixed assets	2,217,402	193,844	450,523	172,241	1,400,795
Net current assets	1,081,534	959,458	29,186	29,546	63,343
Total long-term liabilities	1,564,982	123,248	374,988	80,297	986,448
Provisions for liabilities & charges	1,005,993	985,169	14,595	3,528	2,701
<b>Net assets</b>	<b>727,961</b>	<b>44,885</b>	<b>90,126</b>	<b>117,962</b>	<b>474,989</b>
Designated / restricted reserve	471,735	21,186	76,548	67,163	306,837
Revenue reserve	256,226	23,699	13,578	50,798	168,151
<b>Total capital &amp; reserves</b>	<b>727,961</b>	<b>44,885</b>	<b>90,126</b>	<b>117,961</b>	<b>474,989</b>

- 4.5 Scottish RSLs are cash-rich, with nearly £300m held on deposit at the year end. Care and Supported RSLs show the greatest cash per unit, at more than £2,000. But all types of RSL hold relatively large sums in cash at the year end. This is shown in the calculations of net debt, which, in aggregate, displays comfortable balance sheet strength. If the Scottish Government's proposals to change grant rates take effect, RSLs may have to start looking at their balance sheet strength to secure increased amounts of borrowing.
- 4.6 Total assets less current liabilities stood at £3.3 billion, funded by long-term creditors and reserves. Loans repayable in less than one year have increased to over £88 million. This has increased total loans due for repayment to more than £1.5 billion, the highest outstanding balance reported to date.
- 4.7 The average value of balance sheet debt between 2006/07 and 2005/06 was £1.6 billion. General RSLs hold the highest levels of loans in comparison to all other RSLs and, collectively, they hold the highest unit debt. LSVTs still have the highest unit interest costs and this may make this classification group less able to respond to changes in policy that have a financial impact, or to absorb changes in financial market conditions. LSVTs also have the lowest amount of balance sheet reserves.
- 4.8 The sector had more than £720m in reserves at the end of 2006/07. Care and Supported RSLs have higher reserves than other RSL types. This group also has the highest cash held per unit. Some of the smaller RSLs have higher unit reserves. LSVTs do not have the level of reserves held by capital grant funded RSLs, but often the improvements carried out by LSVTs are more recent and, therefore, they do not need to build up significant repairs reserves in the short term.

## 5. Trends and Ratios

- 5.1 In this section we look at some of the financial themes that are emerging from the sector's accounts and comment on how RSLs have performed against selected ratios.
- 5.2 Interest cover is usually a lending covenant ratio that expresses the amount of surplus available to repay interest on debt. It is used by lenders to measure the release and repayment of funds by RSLs. We use 110% as an acceptable minimum for the interest cover ratio.
- 5.3 Over the past five years the interest cover ratio has exceeded 150%. In 2006/07 it has, for the first time, dipped below 150%, as a result of increases in private finance borrowings. This does not represent an immediate cause for concern, and reflects increasing levels of investments by RSLs.

INTEREST COVER	2006/07 %	2005/06 %	2004/05 %	2003/04 %	2002/03 %
<b>National median</b>	142.2	149.6	165.2	176.5	178.8
- LAWST median	-13.8	-83.8	-419.3	153.5	n/a
- LSVT median	115.3	122.0	117.3	112.8	118.4
- Care & Supported median	187.1	182.0	238.2	244.9	243.7
- General median	142.1	161.8	171.7	185.6	177.7

- 5.4 LSVTs have the lowest margin of interest cover of all the classification groups, primarily because of their higher debt costs. This is not a new development and is a reflection of their funding arrangements. The Care and Supported RSLs have the highest cover, which increased during 2006/07. General RSLs reduced their interest cover ratio during 2006/07 to 142%. This reflects increases in their private borrowings and a narrowing of this classification group's operating surplus over the past five years.
- 5.5 Debt per unit is now consistently rising in line with the increase in the number of houses in ownership and was £6,372 in 2006/07. If we exclude the Glasgow Housing Association (GHA) from the sector analysis, debt per unit increases to £8,412, reflecting the low levels of borrowing that GHA has

drawn down. Debt per unit is highest in General RSLs for the first time. Much of this rise has come from more units in management. More modest amounts of debt are carried by the Care and Supported RSLs, who only have the equivalent of around 40% of LSVT and General RSLs' unit debt at the balance sheet date.

<b>DEBT / NET DEBT PER UNIT</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Debt – National</b>	6,372	5,991	5,611	5,234	7,534
- LA whole stock transfer	1,427	1,136	856	640	n/a
- LSVT	9,224	9,891	8,934	8,835	8,325
- care and supported	4,102	4,736	4,317	4,514	4,749
- general	9,403	8,789	8,639	8,235	7,823
<b>Net debt – national</b>	5,172	4,674	4,139	3,749	5,932
- LA whole stock transfer	1,014	385	-322	-479	n/a
- LSVT	8,061	8,741	7,860	7,697	7,255
- care and supported	1,981	2,768	1,861	2,081	2,811
- general	7,748	7,103	6,923	6,415	6,072

5.6 If we exclude GHA's financial results, there has been a 6% reduction in the sector's gross profitability, due to operating costs increasing at a faster pace than turnover. General RSLs have lost around 4% of their profitability from their operating position during 2006/07. This implies that they are investing in their stock. Once this intensive programme of investment concludes we expect to see higher gross surpluses from this classification group.

5.7 Movements in net surplus have been less pronounced. A net surplus of 7% is reported in 2006/07, representing a satisfactory position. LSVTs and LAWSTs improved their net surpluses during the year. Care and Supported RSLs offset the high staff costs associated with their type of business, to a large extent, by their lower levels of private borrowing and associated interest costs, to produce net surpluses at similar levels to their gross surpluses.

<b>OPERATING / NET SURPLUS</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	%	%	%	%	%
<b>Operating surplus – national</b>	12.1	3.5	7.2	20.2	18.0
- LA whole stock transfer	7.4	-23.6	-14.2	29.0	n/a
- LSVT	16.4	19.4	17.4	15.1	17.2
- care and supported	4.0	5.0	6.4	5.9	11.2
- general	18.3	19.9	21.9	22.2	22.4
<b>Net surplus – national</b>	7.3	-1.3	1.1	14.9	7.2
- LA whole stock transfer	10.6	-22.1	-12.0	32.2	n/a
- LSVT	4.9	4.7	7.8	-0.6	1.5
- care and supported	3.4	4.4	5.1	6.3	8.4
- general	7.5	10.8	9.4	10.0	8.9

5.8 Nearly £1.8 billion of private borrowing has been drawn by RSLs to date and this figure will continue to increase over time. As a percentage of an RSL's turnover, interest costs remain comparatively low, reflecting the impact of HAG on the suppression of private borrowing. General RSLs, the classification group which received the largest amount of HAG, reports interest percentages of just over 8%.

<b>NET INTEREST PER UNIT</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	£	£	£	£	£
<b>National</b>	289	269	259	247	391
- LA whole stock transfer	14	-18	-35	-3	n/a
- LSVT	519	576	548	537	524
- care and supported	116	194	144	164	198
- general	440	410	420	384	375

<b>STAFF COSTS AS % OF TURNOVER</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
	%	%	%	%	%
<b>National</b>	30.5	31.2	30.4	29.2	32.0
- LA whole stock transfer	22.7	23.2	22.4	20.0	n/a
- LSVT	23.1	22.7	21.9	21.9	20.8
- care and supported	58.9	60.0	58.0	55.8	53.4
- general	25.5	26.1	25.7	25.9	32.0

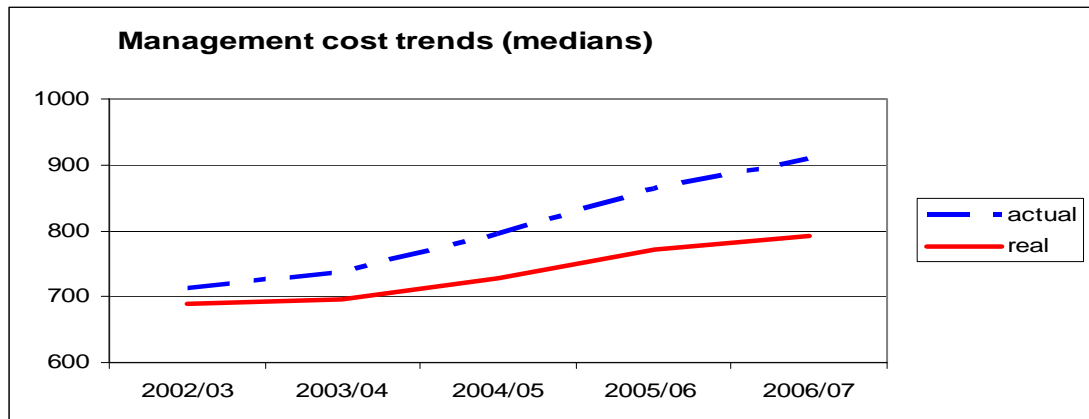
5.9 Staff costs represent the sector's single biggest outlay, at more than £283 million. In 2006/07, RSLs employed 10,975 Whole Time Equivalents. This equates to an average salary cost of more than £25,000 per employee. Care and Supported RSLs have the highest salary costs in total, as a result of the

labour intensive nature of the services they provide. RSLs in the LSVT classification group have the lowest staff costs.

- 5.10 In a historical context there was a significant increase in the size of the sector between 2002/03 and 2003/04, reflecting local authority stock transfers and, in particular, the creation of GHA. Ratios at a national level are always affected by large impact organisations. Despite this influence there has been no rise in the percentage of interest paid by RSLs in comparison to the increases in turnover.
- 5.11 Over the course of the past five years, net interest per unit has fallen by 25%. In a similar vein, debt per unit has dropped by 16%. In 2003/04 there was a large fall in both net interest and debt per unit. Much of this is explained by the fact that since its registration, GHA has had very low levels of borrowing, which has distorted the picture for the sector overall.

## 6. Management Costs

- 6.1 We collect detailed information from RSLs about their operating costs through a submission that accompanies the annual accounts. For the 2007/08 accounts RSLs will not need to submit this analysis as a separate return. Instead it will become integrated into the disclosures in the annual accounts. It will, therefore, be subject to audit in the normal way.
- 6.2 We analyse these costs across categories of accommodation, by letting and other activities. A key element of our analysis of operating costs is management costs, which focuses on the costs that RSLs incur in providing a housing management service, including both concierge and caretaking services. For the purpose of defining and calculating management costs, we also include the cost that RSLs incur when administering maintenance services provided to tenants.
- 6.3 RSLs in Scotland held almost 266,000 housing units at the end of 2006/07, as reported to us in the annual accounts. This is generally consistent with the total at the end of the previous financial year, and stock numbers will reasonably fluctuate over time. We anticipate continued changes to the sector's total unit numbers and next year we will see the full year effects of Hebridean Housing Partnership and Argyll Community Housing Association in our total unit numbers. Weslo also registered with us part way through the year, in February 2007. The stock numbers of these three RSLs have been omitted this year in order to avoid skewing our unit costs analysis by using part year figures.
- 6.4 The median management cost per unit for the sector increased by 5%, from £863 to £909. Over the past five years we have reported that management costs per unit have exceeded inflation every year. Since 2002/03, the median cost has increased from £690 per unit to £909, an increase of 38% in cash terms and 12% in real terms over the five year period (or 2.4% on average annually).

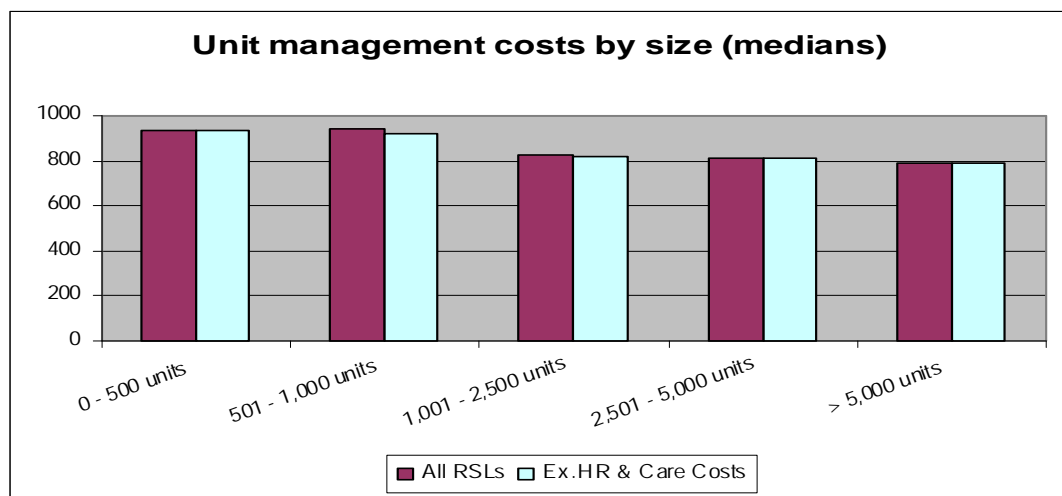


6.5 Management costs are increasing and the upper quartile cost, which captures the costs of the top 25% of RSLs, is now at its highest reported amount of £1,045 per unit. However, cost increase is not universal, with 52 RSLs reporting a reduction in their management cost per unit during 2006/07.

6.6 Management costs per unit are increasing across all our classification groups. LSVTs now have a median cost per unit of £884, an increase of almost 5% from 2005/06. Although this is not a significant movement, it illustrates that costs can creep up incrementally over time. General RSLs report a median of £967 per unit in 2006/07, up over 10% from last year. The costs per unit of Care and Supported RSLs increased by 43% to £1,232, up from £861 last year. This stems from large reported increases in a handful of very small RSLs which have had a disproportionate effect on the classification group's median. If we remove the two highest value outliers, Minerva Housing Association and Blue Triangle (Glasgow) Housing Association, from our analysis, the median for the classification group moves to a more reasonable £839 per unit.

2006/07	Lower quartile	Median	Upper quartile
Management costs per unit by: National and classification groups	£	£	£
National	785	909	1,045
LAWST	767	937	1,047
LSVT	796	884	957
General	785	967	1,053
Care and Supported	791	1,232	1,427

6.7 There is a direct correlation between the size of an RSL and its management costs. If we exclude the costs of managing high-rise flats, and the RSLs with high care and support costs, RSLs with fewer than 500 houses have a median management cost per unit of £936. RSLs with more than 5,000 houses have equivalent costs of £790. The median unit cost for RSLs owning more than 1,000 units is 12% less than the median cost for smaller landlords. This analysis relates to scale and cost – it does not comment on the relationship between size and overall value for money or effectiveness in service delivery.



### High rise properties

6.8 In 2005/06 we concluded that high rise properties had a significant impact on the management cost per unit of those RSLs with this type of property as part of their stock profile. However, if these RSLs were removed from the overall analysis, the median costs for the sector did not change significantly. This was attributed to a bunching effect, where a number of RSLs reported costs around these figures. This year we repeated this analysis and found that once these RSLs are removed, the sector median cost per unit drops to £899 per unit, a reduction of only 1%.

6.9 As with previous years, there are nine RSLs whose unit management costs are significantly influenced by the presence of high-rise properties in their total housing stock. Management costs increase in line with the proportion of high-rise properties in the overall stock portfolio. Of the nine significantly

affected by high-rise stock, West Whitlawburn Housing Co-op has the highest unit management cost of £2,076. But our analysis shows that £815 of this is attributable to high-rise properties costs and, in particular, to the cost of having concierge or caretaker staff. It also reflects that West Whitlawburn has the highest proportion of high-rise stock (79%) in its total stock. Queens Cross Housing Association has the lowest management cost per unit of the nine at £774, but over 20% of this figure relates to its high-rise stock.

2006/07	No. of high rise properties	% of total stock	Mgt cost per unit inc. high rise properties	Mgt cost per unit arising from high rise properties	Mgt cost per unit ex. high rise properties
Mgt cost per unit: RSLs with high rise properties			£	£	£
GHA	22,379	31%	1276	401	875
Cube	1,842	60%	974	584	390
Sanctuary (Scotland)	522	23%	938	373	565
Queens Cross	448	21%	774	162	612
West Whitlawburn	432	79%	2076	815	1261
New Gorbals	407	35%	1267	390	877
Clydebank	389	38%	784	196	588
North Glasgow	316	15%	839	85	754
Thistle	221	24%	923	424	499
Total	26,956				
Median cost per unit £			938	390	612

- 6.10 If we remove high-rise costs from these RSLs to calculate a revised management cost per unit, the median for the nine RSLs is £612, below the national median.
- 6.11 The main factor that determines the outturn of high-rise RSL costs, is the number of concierge or care taking staff each employs and the resultant ratio of concierge staff to multi-storey stock. As with last year, there is a wide range across the RSLs. GHA, with 679 Whole Time Equivalent (WTE)s, has the largest number of concierge staff and the highest staff to stock ratio of 1:33. West Whitlawburn has the same ratio. At the other end of the scale, Cube Housing Association has nine concierge staff and the lowest concierge to stock ratio of 1:205, across its 1,842 high-rise properties.

2006/07	No of concierge staff	Ratio staff to high rise unit
West Whitlawburn	13	1:33
GHA	679	1:33
Queens Cross	10.2	1:44
Sanctuary (Scotland)	12	1:44
New Gorbals	5	1:81
North Glasgow	3	1:105
Thistle	2	1:111
Clydebank	3	1:130
Cube	9	1:205

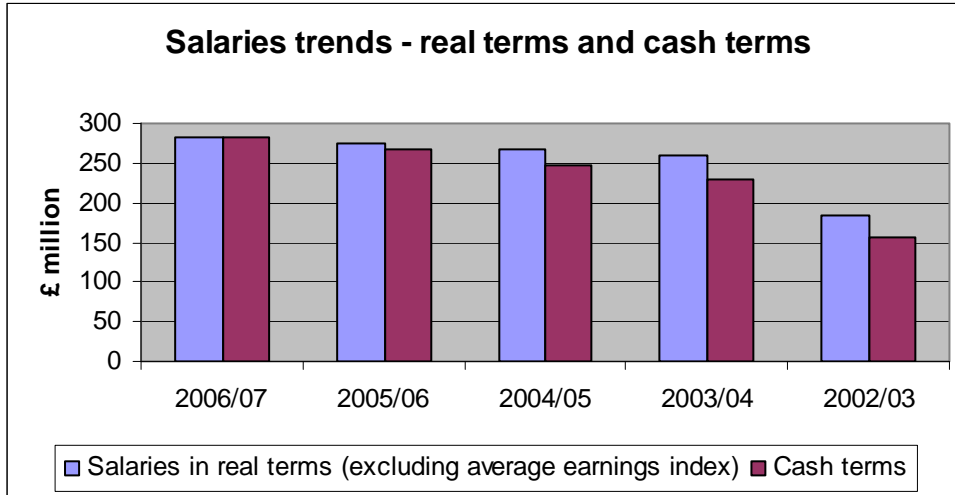
6.12 Across the nine RSLs, high-rise properties account for between £85 and £815 of their total management and maintenance administration cost. The median additional cost of high-rise properties is £390. Given that the median management cost per unit for this group of RSLs is £938, we can say that high-rise properties account for over 40% of their total management and maintenance administration cost.

### Salary costs

6.13 Salary costs are often considered to be the major part of management costs, but due to the range of other activities RSLs are involved with, this is not always the case. Many RSL staff are involved in non-housing management activities. Some are exclusively care, others manage development programmes and some are employed in direct labour operations. Salaries remain a significant outlay and controlling these costs is an essential part of keeping management costs down.

6.14 Salary costs for the sector are now £283 million. There has been an increase in real terms each year during the past five years. Although these increases are generally consistent with the market for salaries, which tends to increase above inflation, there is still a cause for concern if salary costs are starting to gather pace at a rate that outstrips increases in income. A good number of RSLs operate their salary schemes in line with employer principles, such as the Employers in Voluntary Housing (EVH) model. Given that these scales include annual increments for most staff, over and above annual cost of living

allowances, we can reasonably predict that salary costs will remain as a cost pressure for the sector going forward.



- 6.15 We know that associated employer pension on-costs and national insurance contributions are also rising. Indeed, employers' pension contributions are increasing, and further increases for defined benefit schemes are likely. National Insurance charges have remained static since they were last increased in 2004/05, but do increase with staff salary awards.
- 6.16 On a per unit basis, in real terms, both management costs and salary costs are increasing. Total management costs for RSLs in 2006/07 were £252 million, but salary costs were 12% higher at £283 million. This, therefore, suggests that non-letting pay costs are consuming an ever larger proportion of total staff costs. RSLs should be concerned about this trend, particularly those organisations looking to reduce their cost base, or RSLs with no other source of revenue income alongside rent. We know that reducing staff costs is a challenging task for all organisations. External pressures such as taxation, national insurance and employers' pension costs could all increase this cost pressure.

## 7. Maintenance Costs

7.1 RSLs provide us with details of their expenditure on maintenance costs, (across planned, voids and reactive maintenance). Our analysis of maintenance costs excludes maintenance overhead costs, which we include under management costs on the basis that these are costs incurred in managing the maintenance service, rather than maintenance itself. Similarly, maintenance costs, that RSLs capitalised during the year, are not captured in this analysis. Instead, they are added to the total value of RSLs' stock and shown in the balance sheet. In future years we will separately capture the extent of capitalised maintenance as a result of required disclosure changes for RSLs' accounts.

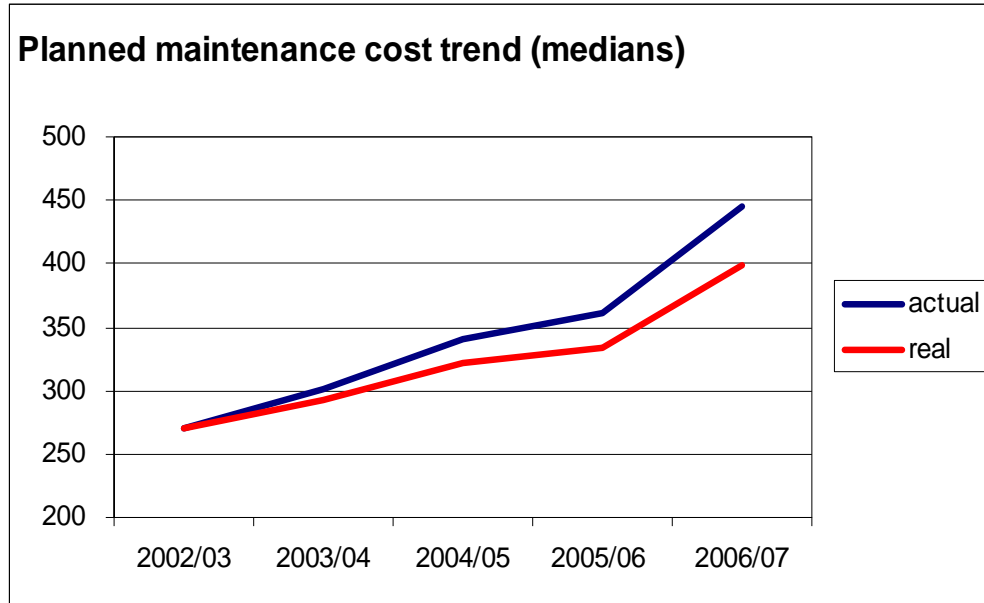
### Planned maintenance

7.2 Planned maintenance, by its nature, will fluctuate over time as RSLs invest in their housing stock. RSLs must comply with the Scottish Housing Quality Standard by 2015. This means that a minimum standard is expected across a variety of elements including energy efficiency, security and safety.

2006/07	Lower quartile	Median	Upper quartile
Planned maintenance per unit expenditure, inc. cyclical & major repairs	£	£	£
National	233	445	695
LASWT	646	980	1,320
LSVT	383	734	935
General	207	381	597
Care and Supported	292	619	792

7.3 The median cost of planned maintenance per unit this year was £445. This represents a fairly large increase of 23% in cash terms from 2005/06. Planned maintenance costs have risen annually by an average of 12% above RPI over the last five years. Cost divergence from inflation for a prolonged period of time is unsustainable for any type of organisation. In the case of RSLs, this trend represents a significant risk to the sector, particularly where

much of their income (in the form of rents) is pegged to small increases over RPI.



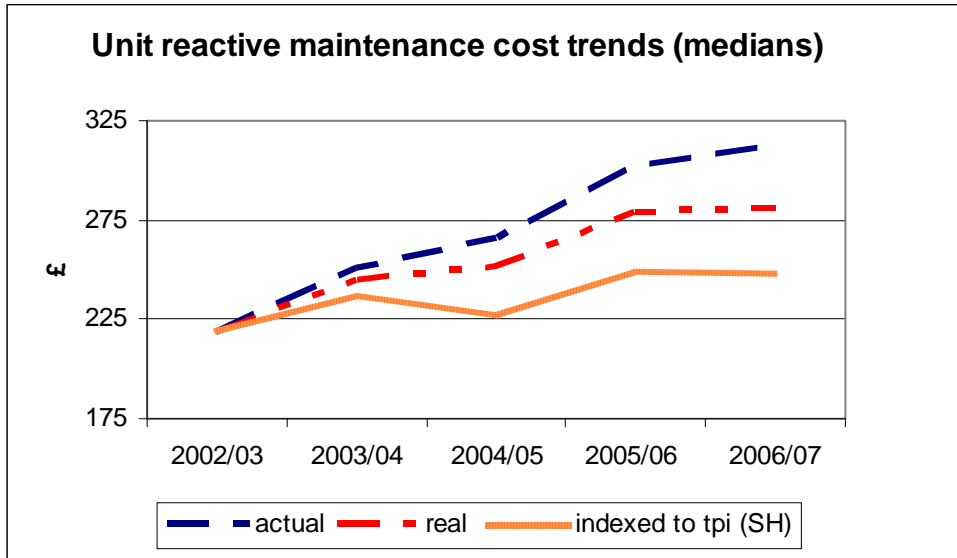
7.4 We noted last year that the number of units that an RSL holds did not have a significant bearing on their unit maintenance cost. Instead, of more significance was whether the RSL was formed as a result of a stock transfer. These RSLs tend to have larger, more concentrated, planned maintenance programmes and also spend more on reactive maintenance, reflecting the quality of their housing stock.

7.5 There are some noticeable changes this year. LSVTs, General RSLs and Care and Supported RSLs all increased their median spend per unit on planned maintenance by a considerable margin. This relates to the significant levels of SHQS-led investment. Only the LAWST classification group had a marginal reduction in their median, which reduced from £1,031 in 2005/06 to £980 this year.

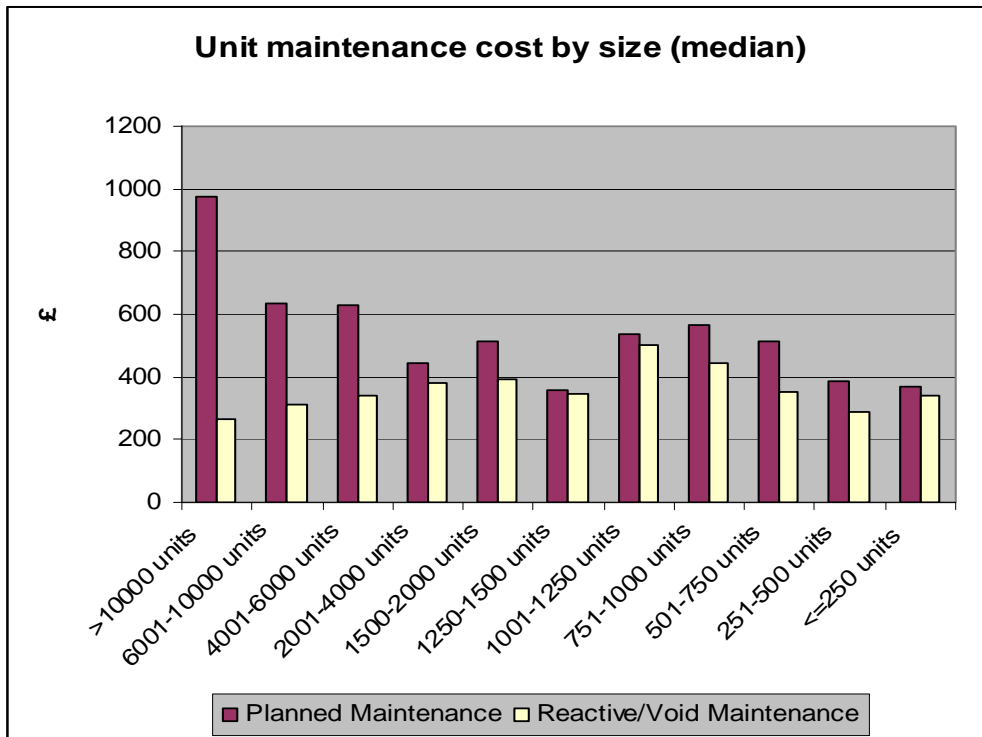
	Planned maintenance, inc. cyclical & major repairs				Total reactive and voids maintenance			
2006/07	Lower quartile	Median	Upper quartile		2006/07	Lower quartile	Median	Upper quartile
	£	£	£			£	£	£
National	233	445	695		National	227	340	498
>10000 units	637	973	1,310		>10000 units	134	267	401
6001-10000 units	496	634	813		6001-10000 units	278	310	417
4001-6000 units	537	626	692		4001-6000 units	319	341	395
2001-4000 units	295	445	554		2001-4000 units	310	380	487
1500-2000 units	269	514	896		1500-2000 units	302	391	448
1250-1500 units	147	357	463		1250-1500 units	328	345	457
1001-1250 units	253	534	642		1001-1250 units	354	501	569
751-1000 units	374	564	906		751-1000 units	317	445	515
501-750 units	231	516	744		501-750 units	296	353	413
251-500 units	199	386	579		251-500 units	250	288	382
<=250 units	104	372	732		<=250 units	0	342	492

## Reactive and Voids Maintenance

7.6 Last year we combined reactive and voids maintenance expenditure under the same heading for the purpose of analysing trends. This was prompted by our concern that there were inconsistencies in the way RSLs were allocating costs between each category. The median cost in 2006/07 is £340, which is almost identical to last year's figure. This indicates that the level of reactive maintenance expenditure reduced in real terms, as the median cost per unit (at £312) has increased by 3% in cash terms since last year. In real terms (excluding RPI), this is an increase of less than 1%.



7.7 Measured against the social housing tender price index (HTPI), increases in reactive maintenance have also levelled off during 2006/07. We can, therefore, conclude that increases in RSLs' reactive maintenance expenditure are mirroring market conditions. These are encouraging signs for the sector as a whole. But we will continue to track the performance of individual RSLs and promote the sharing of good practice.



7.8 As with planned maintenance, reactive maintenance expenditure by classification groups shows that the LAWSTs have the highest median expenditure. The medians for the three other classification groups have remained generally consistent with 2005/06.

2006/07	Lower quartile	Median	Upper quartile
Total reactive and voids maintenance	£	£	£
National	226	340	498
LASWT	478	534	577
LSVT	299	462	567
General	208	311	439
Care and Supported	267	331	539

7.9 Reactive maintenance by size presents a fairly random pattern between expenditure per unit and the number of units. The exception to this relationship is RSLs with over 10,000 units, where the extent of planned maintenance is such that reactive maintenance expenditure is lower.

2006/07 Maintenance Costs Costs trends	Planned Maintenance			Reactive Maintenance only		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
	£	£	£	£	£	£
2002/03	122	270	545	138	218	299
2003/04	138	301	530	177	251	332
2004/05	175	340	604	195	266	356
2005/06	194	362	681	203	302	382
2006/07	233	445	695	227	312	419

### New regulatory arrangements

7.10 Communities Scotland's Investment Division monitored RSLs' progress towards the SHQS through periodic returns. From April 2008 part of this function is transferring to the Scottish Housing Regulator and will link up with

existing regulatory monitoring, such as tracking future maintenance spend through five year financial projections data.

## 8. Private Finance

8.1 RSLs in Scotland drew down an additional £119 million from private lenders during 2006/07, resulting in a cumulative drawn balance of £1.7 billion. Of this balance, around £1.6 billion remained outstanding at the year end and the other £100 million (or 6% of the balance drawn) has been repaid to lenders.

RSL Classification Group	Total Debt at March 2007 £m	Total Debt at March 2006 £m	Change during the year %
General	1,019.2	924.6	10
LAWST	80.6	67.4	20
LSVT	405.4	380.8	6
Care and Supported	72.9	71.1	3
Total	1,578	1,444	9

8.2 All classification groups of RSLs increased their private borrowings. The largest increase was in the LAWSTs, who increased their debt by 20% from the previous year. Inter group loans are a further aspect of RSLs' funding arrangements. At the year end, inter group debt was around £81 million, supported by a total lending facility of £121 million.

### Funding Facilities

8.3 Scottish RSLs' total private finance facilities increased by 12%, from £2.6 billion in 2005/06, to £2.9 billion last year. Over the course of the last four financial years, there has been a year on year increase in the total facilities available to RSLs, but the extent to which they have been used has varied.

8.4 At the end of 2006/07, 41% of the total facility available to the sector remained undrawn. Although the LAWST RSLs increased their borrowings during 2006/07, they continue to operate with undrawn facilities of £815 million, almost half the total undrawn balance. GHA accounts for the majority of this balance and had an undrawn facility of £718 million. The extent of the

undrawn facilities may change as this classification group works through its maintenance programmes.

- 8.5 Facilities which remain undrawn can result in the imposition of non-utilisation fees by the lender on the RSL. These can amount to as much as half the cost of the lending margin. Therefore, RSLs need to consider these potential costs as part of their wider treasury management strategy

	2006/07	2005/06	2004/05	2003/04
Total Facilities £ billion	2.9	2.6	2.5	2.3
Amount Drawn £ billion	1.7	1.6	1.5	1.3
Undrawn as a % of total facility	41%	38%	40%	45%

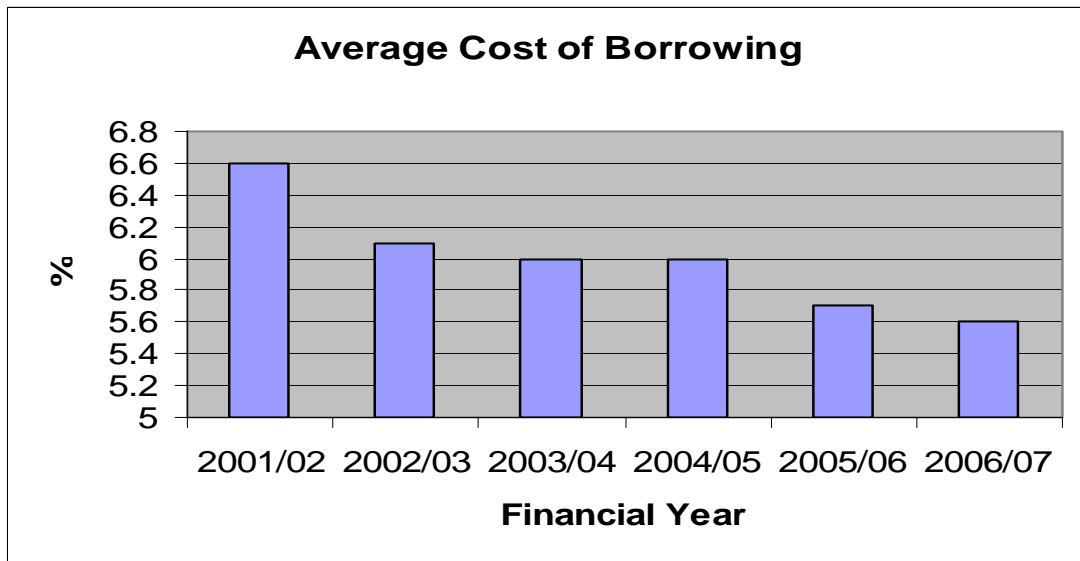
- 8.6 Undrawn facilities, new private lending, and RSLs' cash balances of £300 million, are potential sources of finance to meet the demand for increases in the supply of affordable housing.

- 8.7 RSLs have told us in their financial projections that they expect to put £1.1 billion of their £1.2 billion undrawn facility of private finance towards the cost of new build over the next five years. However, there is a mismatch between the location of undrawn facilities and the plans of some classes of RSLs. For example, General RSLs are forecasting that they will draw down £800 million over the next five years, but their current undrawn facilities are £275 million. In contrast, LAWST RSLs expect to draw down £133 million of their £816 million facility. Indeed, all of the other types of RSLs are forecasting that they will draw down more private finance than they currently have arranged.

### Cost of borrowing

- 8.8 Interest of £88 million was paid by RSLs during the year, resulting in an average cost of borrowing for 2006/07 of 5.6%. This is a reduction of 0.1% from 2005/06 and mirrors the general reducing trend in recent years. It

suggests that RSLs have been securing favourable borrowing terms from their lenders. Over the course of the last five years, the average cost of borrowing has dropped from 6.6% in 2001/02 to 5.6% in 2006/07. However, this trend does not take account of current financial market conditions



### Financial Market Conditions

- 8.9 The sector is currently securing lower lending rates than those available to commercial organisations. Typically, lending rates follow either the Bank of England (BoE) base rate or the inter-bank LIBOR rate. RSLs are able to achieve margins of 0.225% – 0.4% (22.5 – 40 basis points) above base. However, these low margins could be under threat if the liquidity crisis in financial markets continues.
- 8.10 RSLs are clearly not immune to challenging financial market conditions, particularly those with variable loans or those expecting to refinance existing debt in the short term. Of the debt outstanding at the year end, 55% was held on fixed interest rate basis, with the remaining balance on a variable rate basis.
- 8.11 RSLs have told us that they are generally forecasting longer term lending rates of around 5.8% in each of the five years covered by the projections.

This looks optimistic and we expect to see an upward movement in this assumption as RSLs respond to the tightening of credit rates. This is particularly relevant for those RSLs who were forecasting lending rates below this average, who could face future exposure if they fail to adjust their assumptions.

- 8.12 We have seen some significant changes to the composition of lenders operating in the sector. In particular, in October 2007 Bradford and Bingley announced its withdrawal from UK social housing lending and sold its entire £2.2 billion loan book to Dexia Bank. Their only Scottish RSL client was Dumfries and Galloway Housing Partnership.
- 8.13 Northern Rock experienced well documented liquidity problems during the year which culminated in a run on the bank, before it was recently nationalised by the UK Government. Waverley Housing remain their only RSL client in Scotland.
- 8.14 Perhaps the most significant development in the sector in terms of private lenders is the introduction of Basel II regulations. Banks are now required to assess the financial strength of borrowers on an individual basis, rather than adopting a sector-wide approach. This means that RSLs assessed by their lender as higher risk may no longer be able to take advantage of keen sector-wide margins.

## Lenders

- 8.15 The number of lenders active in the Scottish social housing sector is currently relatively healthy and new loans of £324 million were approved during 2006/07. Royal Bank of Scotland, Dunfermline Building Society, Halifax Bank of Scotland, Clydesdale Bank and Lloyds TSB are the top five main lenders to the sector. Collectively they account for over 70% of the total outstanding loan debt at March 2007. Clearly, going forward, lenders' appetite for new business and the cost of finance will be affected by broader financial market conditions, and this may well present challenges for the RSL sector.

Lender	Ranking	Bal. o/s at March 2007 £m
Royal Bank of Scotland Group	1 (1)	405.7
Dunfermline Building Society	2 (2)	356.6
HBOS	3 (3)	151.0
Clydesdale Bank	4 (4)	112.2
Lloyds TSB	5 (6)	105.4
Nationwide Building Society	6 (8)	85.9
Abbey	7 (5)	85.8
Inter Group Loans	8 (7)	80.6
Britannia Building Society	9 (9)	62.1
Bradford & Bingley Building Soc	10 (10)	50.0
Northern Rock	11 (11)	21.6
Barclays	12 (14)	13.5
Scottish Building Society	13 (12)	13.2
Bank of Ireland	14 (13)	12.2
Dexia Bank	15 (15)	7.1
THFC	16 (17)	5.1
Co-operative Bank	17(16)	3.1
Depfa Bank	18 (18)	2.9
European Investment Bank	19 (19)	2.4
Leeds Building Society	20 (20)	1.6
Allied Irish Bank	21 (21)	0.1
Total Loans Outstanding £m	Figures in brackets are 2005/06 ranking	1,578.2

## 9. Five Year Financial Projections

- 9.1 In 2006/07 we received our second full set of five year financial projections from the 148 RSLs that either owned more than 250 units or were developing. The projections cover the financial period 2007/08 to 2011/12. We reviewed the projected financial information and balance sheets of the sector and the financial assumptions, as well as the projected surpluses or deficits that RSLs are using in their plans.
- 9.2 We do not audit each RSL's return. Instead, we use a range of ratio analyses to arrive at a view of future viability and measure the relative performance of each RSL against both the national projected median ratios and their classification group median.
- 9.3 We ask the sector to tell us whether all of the costs required to meet the Scottish Housing Quality Standard (SHQS) are included in the next five year period. Many RSLs have told us that they will achieve the 2015 deadline, but plan to incur significant expenditure in the years beyond 2011/12, the last year in our review period.
- 9.4 Collectively, RSLs' five year financial projections show that the sector's cumulative turnover is expected to increase to £1.2 billion in cash terms years over the next five years. On a sector-wide basis, a cumulative surplus of around £141 million is forecast. However, this is significantly less than the figure forecast by the sector for the corresponding period to 2010/11 and in our previous year's report.

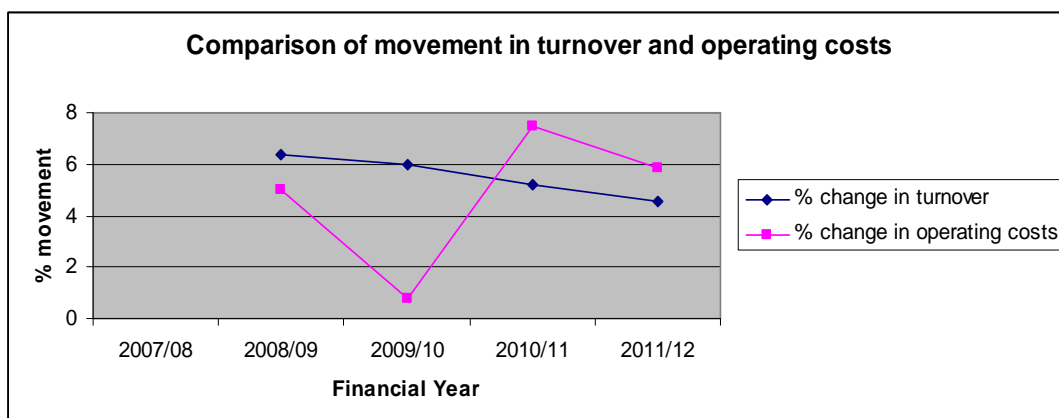
	2007/08	2008/09	2009/10	2010/11	2011/12	5 yr change
	£ million	£ million	£ million	£ million	£ million	%
Turnover	960,516	1,021,599	1,082,465	1,138,743	1,190,302	24
Operating Cost	869,747	913,452	920,766	989,800	1,047,996	20
Sale of Assets	24,764	24,161	24,096	21,821	21,733	(9)
Net Interest	90,948	109,207	126,742	142,374	155,525	71
Net Surplus	23,920	22,600	58,574	27,895	7,810	(67)
Cash	242,424	217,283	222,492	229,987	248,335	2
Debt (loans > 1 year)	1,893,705	2,230,301	2,506,520	2,758,308	2,954,876	56
Reserves )	699,658	718,148	777,732	804,972	811,834	16

## Projected Turnover

- 9.5 Turnover is forecast to increase from £961 million in 2007/08 to £1,190 million in 2011/12, an increase of 24%. RSLs intend to generate the majority of their turnover from rents and service charges. Other aspects of turnover are relatively stable, although the projections record that other income is not increasing at the same rate as rents and service charges.
- 9.6 On a sector-wide basis, RSLs are forecasting that rents will increase, on average, by 1% above the expected rate of inflation. This means that turnover will generally increase in real terms by the same percentage. However, there are some risks with the inflation projections used by RSLs. They anticipate inflation of around 3% for each of the five years. In fact the RPI rate has hovered around 4% for the previous 12 months. Future construction and staff costs will be a financial pressure on the sector if they increase beyond the rate of inflation. If it later transpires that the expected rate of inflation is higher than that forecast this could result in a reduction in real terms turnover.
- 9.7 Turnover is also influenced by the number of units held by RSLs and this varies in line with new build developments, demolitions and other losses of stock through right to buy. Total unit numbers across the sector are projected to increase by 5%, from 268,827 to 280,951.

## Projected Operating Costs

- 9.8 Operating costs are forecast to increase by 20% in cash terms over the next five years, from £870 million to £1,048 million. Operating costs per unit are also forecast to increase from £3,235 to £3,730. However, net surplus per unit is expected to fall from £89 per unit to £28 per unit. This divergence should concern the sector as it stems from costs growing faster than turnover towards the end of the five year period.



### Projected Private Finance and HAG

9.9 Debt levels in cash terms are projected to increase from £1.9 billion to £3.0 billion, which represents an increase of 56% in private lending to the sector. The debt per unit in 2011/12 is forecast to be £10,517, increasing from £7,044.

9.10 Although debt levels are forecast to increase across the sector, the interest cover medians on a sector-wide basis continue to be above the 110% threshold. This means that RSLs should be able to service this additional private finance from cash generated through operations.

### Projected Staff Costs

9.11 The projections received from the sector record a decreasing trend from 28% to 25% of turnover. Staff costs as a percentage of operating costs are also projected to decrease at a relatively marginal rate over the course of the five year projections, from 33% to 31%. Both of these ratios are affected by the type of business the RSL is involved in. For example, Care and Supported RSLs are more labour intensive and, therefore, have higher staff cost ratios.

9.12 Although it is essential that RSLs have the right people in the right place at the right time, RSLs need to maintain a relatively constant link between staff costs and unit numbers to ensure that costs are properly constrained. Management only RSLs are more exposed to risks from high staff cost ratios than developing or expanding RSLs, who are better placed to manage this risk through growth in unit numbers.

## Projected Operating Surplus

9.13 Most RSLs are forecasting a cumulative operating surplus over the next five years. However, 43 RSLs have reported that they will make cumulative losses. This does not necessarily mean these organisations will become unviable, as it could merely reflect that the RSL has embarked on a planned maintenance programme. Provided that cumulative losses are supported by cash and reserves, there is no immediate concern. Nevertheless, we are monitoring the performance of these RSLs.

## Projected Capitalised Maintenance Expenditure

9.14 Maintenance expenditure should only be capitalised if it enhances the economic benefits that are derived from the assets. For RSLs this means that expenditure which increases the rental capacity of the property should be taken to the balance sheet, whereas all other non-value adding expenditure should be expensed in-year.

9.15 RSLs forecast that £774 million of maintenance expenditure will be capitalised over the course of the next five years. Capitalised maintenance as a percentage of total maintenance expenditure is generally consistent over the course of the five year period, at around 46%. However, the percentage drops to 30% in 2011/12, perhaps due to the majority of RSLs completing the SHQS.

## Projected Profits from the sale of fixed assets

9.16 RSLs forecast in their five year projections that they will generate profits of £116 million from the sale of fixed assets. This type of increase in revenue should be regarded as non-recurring and not derived from transactions in the normal course of business.

9.17 If these amounts were removed, the overall profitability of the sector would be reduced to a cumulative £24 million over the next five years and would result in net deficits in three of the five years. We are concerned that some RSLs may be over-reliant on this source of finance, or that their profitability on an ongoing basis is dependent on profits from the sale of fixed assets.

## Key Ratios

9.18 Interest cover ratios are forecast to remain strong. Gearing is increasing but remains manageable. Surpluses are being maintained and liquidity is also forecast to remain at acceptable levels. We continue to see relatively low levels of debt per unit,

although it has been increasing in recent years and is forecast to increase further as higher levels of borrowing are predicted for the sector. We are monitoring the impact of refinancing in the sector and debt per unit through our loan portfolio system.

<b>Median</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Interest Cover	122%	129%	134%	137%	144%
Gearing	18%	20%	21%	22%	21%
Liquidity (quick ratio)	1.9	1.9	2.0	2.0	2.1
Net Surplus	7%	8%	10%	10%	11%
Debt per unit	£9,845	£11,053	£11,152	£11,370	£11,250

## Financial Ratios

9.19 As part of our financial viability reviews we calculate ratios for each RSL, which we use to form the basis for the assessment of financial viability. The key ratios deal with financial capacity, financing, efficiency and profitability. This section summaries the median ratio results for the RSLs that submitted their five year financial projections.

<b>Projected Ratio Analysis</b>					
<b>Financial Capacity - medians</b>					
<b>Year</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Interest cover	122%	129%	134%	137%	144%
Interest cover adjusted	131%	135%	139%	143%	149%
Net debt repayment	13.6 yrs	18.3 yrs	19.5 yrs	20.2 yrs	17.3 yrs

<b>Financing - medians</b>					
<b>Year</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
HAG & other grants	75.5%	75.1%	74.5%	73.9%	73.0%
Net debt per unit	£8,469	£8,970	£9,221	£9,339	£9,244
Debt per unit	£9,845	£11,053	£11,152	£11,370	£11,250
Net interest per unit	£489	£543	£583	£607	£627
Net debt: net rent (x)	3.1	3.2	3.1	3.1	2.9
Effective interest rate	5.9%	6.0%	6.1%	6.2%	6.3%

<b>Efficiency - medians</b>					
<b>Year</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Voids (%)	1.1	1.1	1.1	1.1	1
Arrears (%)	3.6	3.4	3.2	3.0	3.0
Bad debts (%)	0.9	0.9	0.9	0.9	0.9
Staff costs: turnover(%)	28.1	27.6	26.3	25.8	25.0

<b>Profitability - medians</b>					
<b>Year</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Gross surplus	22.3	24.0	27.0	26.8	28.1
Net surplus	6.5	8.3	9.7	10.3	11.4

**Financial Capacity:** Interest cover remains high and comfortably above the 110% threshold that we regard as the acceptable minimum, albeit, below actual levels from the previous five years. Net debt to be repaid from available resource is forecast to fluctuate over time, increasing to over 20 years before falling back. This reflects forecast increases in the level of private borrowing taken on by the sector.

**Financing:** As with last year, RSLs have factored anticipated reductions in capital grants into their projections. Over the next five years, RSLs assume the percentage of fixed assets funded by grant will reduce to 73%. But this is still a higher level of grant than the Scottish Government expects in its recent consultation on grant rates. Net debt per unit is forecast to increase significantly over the next five years, from an actual of £6,500 in 2006/07 to £9,244 in 2011/12. Similarly, debt per unit is forecast to increase over the next five years, which is consistent with the trend over the past five years.

**Efficiency:** Voids and bad debts are forecast to remain stable over the five year period, but the sector is predicting higher bad debts than recent trends. Arrears are forecast to reduce over time. Our arrears KPI analysis shows only modest improvement trends over time, so the sector will need to work harder to realise these projected arrears reductions. Similarly, staff costs as a percentage of turnover are projected to fall, despite an increasing trend in actual staff costs over the past five years. RSLs will need to pay close attention to this area as staff costs remain the single largest item of expenditure and we have concerns about the realism of these assumptions.

**Profitability:** Gross surplus as a percentage of turnover will remain below the 25% threshold for the first two years of the period. Care and Supported RSLs project low gross surpluses, but this is a reflection of their business model. Gross surpluses have been falling over the past five years and it remains to be seen whether the sector will manage to turnaround its performance to this extent. The net surplus in this group is forecast to increase as a result of its low debt profile. Net surpluses for the sector as a whole are forecast to increase, but this is not necessarily supported by past performance and is questionable in light of projected increases in private borrowings and may not be realised if the anticipated levels of profits on the sale of assets do not materialise.

## Projected Financial Surpluses

- 9.20 Most RSLs anticipate being involved in delivering a development programme. If the Scottish Government changes the current policy and pattern of funding that has historically supported a large number of developing RSLs, this may materially change some of the RSLs' projections and start to put a strain on an individual RSL's current operating position. It could, alternatively, raise a greater volume of private lending, as generally RSLs with a larger asset base and cash flow income should be able to raise and service more than could be expected from the sum of individual RSLs.
- 9.21 RSLs are expected to raise private finance to support the cost of the non grant aided projects. However, many have not needed do so to any great extent because they have had sufficient income coming into their business to partially fund capital projects, without recourse to borrowing. This is often an effective treasury strategy, but RSLs ought to take decisions about how to use their resources with a full understanding of the cost, and projected costs, of finance, coupled to an accurate estimate of an RSL's cash flow position.

- 9.22 We use a gearing ratio to see the proportion of debt relative to an RSL's reserves. Normally more highly geared RSLs have less capacity to raise additional finance, whereas lower geared RSLs ought to have reasonable room to manoeuvre. This test is not conclusive, as some highly geared RSLs can still access funding. Most RSLs in Scotland are under-geared. Therefore, we believe, many RSLs should be able to take on more debt.
- 9.23 In addition, many RSLs have high cash balances and have no net debt. Some of these RSLs have sometimes been able to finance grant projects without recourse to borrowing in the short term.

### Contributing to new supply

- 9.24 The capital grant regime in Scotland is changing. Firm Foundations suggests tightening the assumptions used in calculating the actual subsidy levels offered to RSLs. The likely impact of the proposals is to increase RSLs' unit contribution. This change in contributions will have an impact on RSLs' additional capacity as reported to us in the five year financial projections.
- 9.25 When we consider the impact of the proposed changes to the grant subsidy system put forward by the SG, the value of future financial capacity, based on five year financial forecasts, reduces. If RSLs borrow the extra non-grant aided costs of development in full through private finance, we estimate that nearly 90 RSLs will not be able to deliver a surplus (which, in global terms, will support the extra capacity). Of course, some RSLs may decide not to borrow, but to run down cash balances, particularly as many Scottish RSLs have readily realisable deposits. In this scenario, the sector could use its cash reserves to displace some of the anticipated increased borrowing that will arise from reduced grant rates.
- 9.26 Any move to shift the balance between capital subsidy and private finance, and to encourage RSLs to contribute more to new supply, needs to recognise the following issues:
- RSLs will face competing demands - particularly, the drive to increase investment in the existing stock and meet minimum standards within a prescribed timescale, and the general encouragement being given to RSLs to get more involved in wider community regeneration activities or other affordable housing options.

- The RSL sector in Scotland has many smaller players. This constrains the ability of RSLs to contribute to new supply. In Scotland only six RSLs own more than 5,000 units. Size matters in terms of financial strength, ability to absorb risk, cost efficiencies, and increased income.
- Any assessment needs to include an examination of asset equity. This means the amount by which recorded asset value exceeds outstanding loan debt. RSLs' recorded asset value will, in most cases, reflect historical cost less depreciation and grants, while an RSL's actual debt capacity would need to be based on some form of up to date asset valuation. Only 22 RSLs have revaluations on their balance sheets.

- 9.27 The appetite of lenders to supply more debt will be based on their assessment of an RSL's ability to sustain additional borrowing –examining whether there is sufficient asset cover and whether the RSL can support interest payment and redeem debt over an acceptable term.
- 9.28 Rent restrictions may deter RSLs from taking on additional interest costs that will take up more rental income. Some RSLs will need spare cash after meeting operating costs and current interest charges for running their businesses rather than additional loan finance serviced from revenue surpluses.
- 9.29 Overall, we believe that there may be spare financial capacity in Scotland that could be tapped by realising additional borrowings and by accessing revenue surpluses to service borrowing rather than investing in properties. The main constraint is an ability to service loans, rather than levels of gearing.

## Appendix 1:

Financial Costs and Ratios for 2006/07. Classification group analysis of each RSL.

RSL Name	Interest cover (%)	Gearing (%)	Gross Surplus / (Deficit) (%)	Net Surplus / (Deficit) (%)	Staff costs / Turnover (%)	Net debt per unit (%)	Debt per unit (£)	Net Interest per unit (Owned) (%)	Mgt costs per unit (£)	Maint costs per unit (£)
<b>LAWST</b>										
Dumfries and Galloway HP	-263	-234	-26	-32	20	4,639	4,701	234	818	2,163
Glasgow HA	15,671	13	12	16	23	227	692	-34	1276	834
Scottish Borders HA	-14	-6,393	-3	-4	32	3,780	3,784	179	715	1,517
<b>LSVT &gt; 1000</b>										
Abertay HA	153	78	20	14	18	4,924	6,429	387	591	1,542
Almond HA	210	63	31	23	16	6,317	7,708	408	665	992
Berwickshire HA	91	72	16	4	26	10,213	10,612	548	923	1,166
Clyde Valley HA	127	60	29	19	23	12,411	13,415	706	720	1,185
Cube HA	247	29	24	15	29	3,827	4,517	259	974	889
Cumbernauld HP	-86	-233	-11	-13	23	4,869	5,508	296	915	1,933
Fife HA	75	245	19	1	21	11,007	11,242	719	821	1,246
Glen Oaks HA	144	34	24	12	27	7,334	8,453	461	1,025	608
Irvine HA	151	113	41	13	24	11,137	11,935	709	1,139	390
Knowes HA	120	104	14	9	24	6,458	6,785	342	778	1,460
Linstone HA	140	231	31	17	26	8,237	9,727	625	957	756
Melville HA	122	106	26	14	19	9,145	9,995	658	889	1,304
New Gorbals HA	107	14	9	4	27	5,714	6,991	268	1,267	1,029
Paragon HA	85	1,003	20	3	22	9,362	10,934	620	796	1,204
Tenants First HC	111	71	25	8	27	10,925	11,976	718	827	1,006
Thenew HA	194	29	29	21	27	6,546	7,391	362	885	770
Waverley Housing	152	276	43	18	23	12,511	13,948	761	817	632
<b>LSVT &lt; 1000</b>										
ANCHO	72	243	16	5	22	11,258	11,867	666	929	1,401
Antonine HA	44	1,471	10	5	24	11,328	13,354	866	953	1,330
Atrium Homes	-34	109	-3	-26	23	12,516	12,807	688	653	2,356
Bellsmyre HA	100	29	15	1	25	4,967	5,807	379	855	1,103
Bridgewater HA	60	100	6	-4	25	5,988	11,076	612	1,003	1,958
Cadder HA	251	46	38	28	26	4,501	7,640	362	953	569
East Lothian HA	143	25	31	40	25	8,243	11,598	626	942	929
Hillhead HA 2000	0	-54	32	42	21	-3,147	809	-157	887	942
Kincardine HC	361	15	47	55	0	2,477	7,549	244	899	679
Larkfield HA	44	539	12	-13	18	13,745	14,335	933	1,158	1,636
Manor Estates HA	122	103	21	7	19	10,325	11,398	603	1,045	1,357
Molendinar Park HA	155	26	20	8	24	4,089	5,017	290	500	1,083
Ore Valley HA	109	52	23	2	16	12,376	12,933	617	600	1,189

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Port Glasgow HA	150	427	23	14	16	5,670	9,629	457	1,272	872
Shire HA	82	142	24	-1	19	11,563	12,446	894	610	1,489
Thistle HA	-185	-301	-27	-34	21	6,337	6,521	355	922	2,431
<b>General &gt; 1000</b>										
Albyn HS	124	26	13	23	17	10,749	11,290	570	909	842
Angus HA	96	49	25	4	27	13,099	13,631	746	922	857
Ayrshire Housing	163	78	51	30	19	12,955	15,792	822	607	816
Cairn HA	110	29	17	8	42	9,742	10,778	550	1,287	600
Castlehill HA	98	16	13	1	36	6,784	8,659	493	780	1,029
Castle Rock Edinvar HA	142	27	23	9	19	9,926	9,986	607	816	1,095
Cloch HA	67	17	15	0	32	8,775	10,075	569	1,088	1,241
Clydebank HA	234	-5	14	19	20	-1,054	4,074	31	784	1,302
Cunninghame HA	122	33	28	6	30	13,070	14,200	838	1,106	732
Dunedin Canmore HA	92	30	20	3	0	12,375	12,764	708	934	884
Eildon HA	159	13	17	14	48	5,758	7,298	378	891	585
Elderpark HA	442	-3	9	10	33	-982	1,405	-31	1,054	673
Fyne Homes	87	16	15	7	39	8,669	9,226	480	1,154	742
Govanhill HA	250	-1	16	15	27	-192	1,602	52	900	1,085
Govan HA	221	5	10	9	35	1,718	1,751	115	689	1,117
Grampian HA	78	36	15	9	25	11,871	12,445	639	674	1,219
Hillcrest HA	175	18	26	14	26	6,399	7,170	400	732	668
Home in Scotland	210	49	21	15	29	11,582	11,652	226	408	747
Kingdom HA	239	16	30	22	46	7,601	10,475	498	684	642
Langstane HA	137	23	24	9	27	9,420	9,845	469	834	665
Link Group	165	22	24	14	8	6,602	6,833	356	763	879
Linthouse HA	458	-3	15	16	33	-971	1,899	0	525	1,325
Loreburn HA	215	19	35	28	25	8,254	10,775	480	672	717
North Glasgow HA	140	21	13	9	28	7,356	8,494	233	839	1,032
Oak Tree HA	253	14	37	23	21	8,000	8,597	398	810	703
Ochil View HA	167	43	48	26	24	13,463	14,007	748	747	508
Paisley South HA	174	15	27	14	20	5,756	7,386	396	922	887
Parkhead HA	172	11	20	13	29	4,699	7,127	309	804	845
Partick HA	245	7	12	13	18	3,199	4,198	34	912	1,148
Perthshire HA	161	28	20	11	14	12,488	13,108	655	800	410
Port of Leith HA	308	7	33	32	20	3,343	5,857	252	598	882
Queens Cross HA	134	10	10	6	40	3,792	5,781	259	774	1,263
Sanctuary (Scotland) HA	114	104	44	6	0	29,111	29,646	1,176	938	459
Shettleston HA	196	19	32	25	32	5,414	6,184	337	701	747
West of Scotland HA	168	19	29	19	25	8,618	10,488	426	814	782
Williamsburgh HA	366	4	45	37	27	2,405	4,986	187	756	427

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<b>General 250 - 1000</b>										
Aberdeenshire HP	126	66	37	8	23	20,856	22,191	925	1,284	398
Ardenglen HA	146	10	21	9	27	6,039	9,199	360	1,005	1,059
Arklet HA	101	17	15	7	29	13,172	14,355	666	1,078	475
Barrhead HA	155	30	36	13	22	11,513	12,143	709	1,040	625
Blairtummock HA	137	16	27	10	35	9,810	12,377	607	673	787
BT Lochalsh & Skye	112	13	20	4	37	10,614	11,899	569	835	691
Calvay HA	100	4	7	2	36	1,941	4,509	191	998	951
Cassiltoun HA	198	7	26	15	27	4,400	7,057	328	1,011	864
Cathcart & District HA	97	29	13	4	43	3,178	5,888	254	1,184	684
Cernach HA	170	13	29	15	25	7,466	10,813	419	1,320	447
Charing Cross HA	77	-1	1	3	33	-427	3,617	97	1,146	1,070
Clydesdale HA	273	12	36	29	24	4,798	6,998	315	970	567
Copperworks HC	116	16	12	1	29	2,743	5,124	177	1,102	940
Cordale HA	169	11	39	34	27	9,770	12,225	538	1,056	455
Craigdale HA	227	15	48	31	17	8,560	13,977	461	941	486
Dalmuir Park HA	171	-1	5	4	31	-256	2,334	40	1,019	1,014
Drumchapel HC	127	15	22	6	30	6,851	8,927	409	1,087	884
Dunbritton HA	134	23	42	18	25	12,116	14,668	687	897	560
Easthall Park HC	137	17	30	9	23	9,667	12,222	560	785	843
East Kilbride & District HA	242	50	42	27	21	7,460	10,183	448	832	751
Faifley HA	116	11	21	4	23	8,244	11,619	527	988	997
Fairfield HC	82	-2	6	0	24	-633	5,195	93	487	1,341
Ferguslie Pk HA	135	12	15	2	26	5,616	6,472	361	1,223	1,052
Forth HA	116	32	37	9	28	14,970	17,328	943	1,176	399
Gardeen HA	229	9	37	21	25	5,671	9,378	378	1,055	325
Glasgow West HA	528	-2	29	29	30	-1,413	3,452	19	988	626
Glen HA	129	10	17	7	24	5,125	7,850	316	765	1,267
Hawthorn HC	132	1	5	1	32	174	5,048	71	745	1,273
Hjaltland HA	194	17	33	21	36	10,509	11,812	490	936	754
Homes for Life HP	240	27	57	36	22	11,973	16,135	699	918	303
Horizon HA	139	19	32	13	33	11,128	12,684	669	895	697
Kendoon HA	142	22	44	16	21	14,445	17,169	758	932	395
Kingsridge Cleddans HA	179	16	46	22	23	9,211	11,788	448	745	426
Lanarkshire HA	190	21	43	16	29	9,449	11,140	599	838	407
Lochaber HA	114	26	30	12	33	13,033	13,807	643	703	398
Lochfield Pk HA	116	17	52	7	19	10,367	13,669	1,181	841	415
Maryhill HA	210	6	21	14	34	2,339	4,139	193	846	849
Milnbank HA	155	12	24	8	43	6,309	8,424	391	920	514

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Moray HP	137	31	47	23	27	16,405	18,576	678	930	510
Muirhouse HA	194	21	48	21	16	9,761	13,059	685	891	631
North View HA	96	52	35	-1	26	11,276	12,614	1,081	1,139	567
Orkney HA	150	7	30	18	32	4,617	11,281	394	920	661
Pentland HA	86	36	23	6	35	10,575	11,054	523	894	1,199
Pineview HA	177	15	38	16	26	8,911	11,419	523	863	436
Prospect CH	101	19	18	0	30	9,485	10,446	573	1,075	1,142
Provanhall HA	237	9	33	18	29	5,334	7,876	333	930	387
Reidvale HA	177	-2	3	2	26	-662	689	17	886	1,407
Rosehill HC	438	0	49	44	19	159	6,883	68	535	696
Rural Stirling HA	236	17	52	26	22	10,541	11,567	590	862	255
Rutherglen & Cambuslang HA	131	23	31	10	24	9,618	12,449	653	1,052	965
Southside HA	147	8	18	7	30	6,158	9,577	490	1,020	1,040
Spire View HA	100	11	17	0	18	7,065	9,461	399	751	1,063
Tollcross HA	177	-4	1	3	28	-1,200	1,011	-14	952	1,096
Trafalgar HA	163	7	27	12	27	5,145	9,699	329	1,020	646
Wellhouse HA	146	20	38	13	23	11,533	13,136	678	1,204	370
West Granton HC	182	40	48	22	21	14,568	15,543	784	897	574
West Highland HA	164	12	42	22	26	9,949	13,561	649	673	743
West Whitlawburn HC	0	-3	-4	-1	52	-2,008	0	-103	2,076	800
Whiteinch & Scotstoun HA	-99	2	-6	-7	32	874	3,207	61	1,176	1,412
Wishaw & District HA	136	20	30	9	31	9,107	11,899	535	983	546
Yoker HA	0	-6	27	32	19	-4,295	1	-136	665	1,240
Yorkhill HA	218	0	12	6	39	-5	1,985	75	800	610
<b>General &lt; 250</b>										
Abronhill HA	48	111	9	9	23	8,410	10,737	601	1,084	1,370
Barra and Vatersay HA	107	21	37	2	0	14,973	15,764	721	864	333
Beechwood HC	221	12	50	30	0	5,101	10,265	501	803	578
Berneray HA	376	-20	30	23	0	-	5,450	50	1,000	375
Blochairn HC	68	7	6	-5	30	4,131	6,356	283	1,317	963
Blythswood HA	0	-34	24	40	0	-8,912	0	-371	264	1,458
Broomhouse HA	254	-14	17	16	24	-4,279	1,747	9	816	630
BTnM (South Uist )	-14	1	-8	-26	0	372	7,589	488	930	1,561
Capital City Homes	19	40	14	-75	0	50,624	51,045	2,629	1,074	1,245
Forgewood HC	133	13	22	7	32	6,446	7,369	369	1,175	601
Four Walls HA	52	0	2	-4	0	64	4,973	182	2,127	727
Garrion Peoples HC	159	10	20	7	34	4,680	19,352	341	795	833
Hunters Hall HC	-15	2	-9	-16	28	839	5,447	153	1,996	711

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Lister HC	0	-6	4	8	23	-3,277	0	-160	1,039	1,800
Muirneag HA	139	13	37	11	0	14,322	15,892	839	746	723
New Lanark HA	0	-28	-33	-27	0	-4,371	0	-189	1,216	1,682
Next Step Homes	-207	-37	-101	93	0	-	7,806	-700	565	0
Ruchazie HA	126	19	34	5	32	12,251	13,279	732	1,130	380
Strathclyde (Camphill) HS	31	-17	-14	-13	7	-4,987	7,187	-115	3,442	0
TCTnHearadh (North Harris)	141	14	41	11	0	9,768	13,632	689	961	500
West Lothian HP	201	50	64	33	8	18,704	20,395	970	666	384
<b>Older Clients</b>										
Bield HA	461	0	8	8	48	-117	2,233	-16	711	1,016
Bowerswell Memorial Homes	0	-14	15	20	0	-6,327	0	-163	561	1,122
Hanover (Scotland) HA	176	11	10	6	39	4,036	5,113	275	803	1,125
Isaac S Mackie HA	-2,827	0	-58	-57	29	30	1,130	-45	500	1,850
Servite HA	112	20	16	6	34	8,973	9,582	386	717	648
Trust HA	277	5	7	6	46	2,018	2,874	111	1,527	393
Viewpoint HA	207	6	6	5	45	1,825	4,787	120	806	938
<b>Supported Accommodation</b>										
Aberdeen Soroptimist HS	249	-16	37	28	0	-6,753	4,707	193	807	573
Ark HA	-200	-2	-2	3	83	-945	2,742	37	788	1,160
Barony HA	199	28	8	5	67	11,357	12,928	459	1,330	444
Blue Triangle (Glasgow) HA	1,219	-25	3	3	73	-	2,998	-182	3,387	680
Key HA	284	-9	0	1	86	-6,176	4,250	-289	872	1,232
Loretto HA	296	7	7	6	58	4,269	6,242	162	1,040	589
Margaret Blackwood HA	298	-3	3	4	49	-1,789	405	-45	967	1,685
Minerva HA	-29,400	-12	-8	-8	86	-5,456	0	-250	3,125	3,963
Scottish Vets HA	0	0	16	16	43	-25	0	-81	1,459	696
Soroptimist Housing (Dundee)	0	-31	-102	-89	42	-	0	-347	1,694	912
St John (Glasgow) HA	0	-38	-4	-3	34	-2,412	0	-68	1,080	1,040



Further information about the registered social landlord sector and the Scottish Housing Regulator is available on our website: [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

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