

Business Continuity Survey - September 2020 Summary

This is our third summary publication of findings from the monthly survey. Thanks again for your co-operation in meeting the deadlines.

As well as providing a level of regulatory assurance, the survey continues to provide valuable insight into how the sector is dealing with the significant challenges posed by Covid-19 and feeds into policy considerations.

This time around, six months into the pandemic, we've also provided a short summary and reflection of conversations we've been having with RSLs in addition to the survey return.

Data Returns

As with previous returns 37 RSLs were requested to return the survey and 100% did so.

There were a very small number of RSLs which couldn't provide all of the data requested. In addition, some of the questions do not apply to all RSLs (e.g. care questions) so where the data set is less than 37 this is noted.

It should be noted the data used in this report is based on management information provided by RSLs and has been subject to limited quality assurance.

Unless otherwise indicated, all comparisons are to the July survey.

As always, if you want to discuss any issues or have any questions, please get in touch.

Ian Walters
Head of Regulation Strategy and Policy

Findings

Whilst RSLs have inevitably faced pressures due to the pandemic they are continuing to report that these are being managed. Generally, the survey returns evidence an improving picture across the sector. The Regulation team will discuss any performance outliers with the RSL concerned and agree any appropriate actions.

Income continues to hold up reasonably well, although there is an expectation that arrears may increase significantly as financial support mechanisms change and more tenants move to Universal Credit. Rent loss from void properties has improved from a low point in the summer. RSLs are actively stressing their business plans and monitoring financial performance very closely. A number of RSLs have recently completed refinancing, ensuring they have sufficient funding in place over the medium term. 4 of the 5 tenant health and safety indicators have improved since the last return, although the difference between those with the lowest and highest levels of compliance is becoming more marked.

Health and Safety Compliance

Statutory health and safety responsibilities remain in place. The health and safety of residents as well as service users is the absolute priority. We will continue to take a proportionate and pragmatic approach to compliance during the pandemic.

Gas Safety

- The level of compliance reported across the sector has improved and is currently 99.74%, up from the 99.52% in of July.
- 11 RSLs report compliance levels of 100%, a decrease of 2.
- The number reporting less than 99% compliance has reduced to 3 from 4.



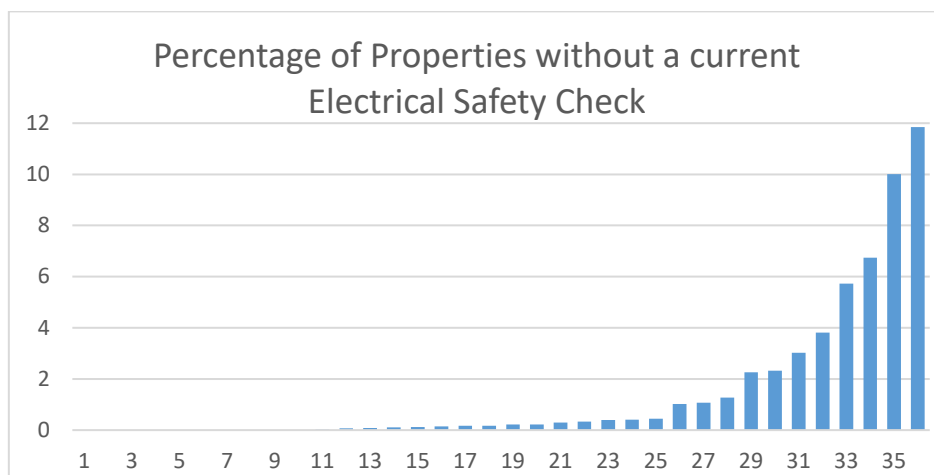
Gas safety compliance as at 30 September 2020 - data set 37.

Fire Risk Assessments

- 97.6% of fire risk assessments are reported as being up to date, compared to 94.5% reported previously.
- 23 RSLs report up to date assessment levels of 100%, which is unchanged.
- 3 RSLs report less than 90% compliance, down from 4.

Electrical Safety Checks

- 98.2% of properties across the sector are reported as having a current electrical safety certificate, the same as reported previously.
- 10 RSLs are reporting 100% of electrical safety checks being up to date, again unchanged.
- The number of RSLs reporting less than 99% of up to date checks has risen again to 11, up 2.



Electrical safety checks as at 30 September 2020 - data set 36.

Asbestos Surveys

- 85% of surveys are reported as being up to date, an improvement of 5%.
- 30 RSLs report up to date assessment levels of 100%, up 3.
- The number reporting less than 90% of up to date surveys has fallen from 4 to 3.

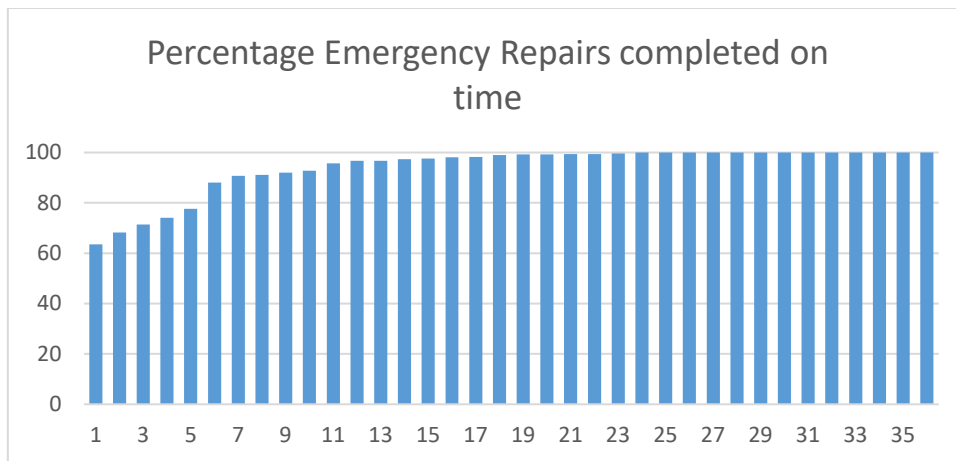
Water Hygiene

- 96% of testing is reported as being up to date, up from 93%.
- As in July, 30 RSLs report up to date assessment levels of 100%.
- 3 RSLs are reporting less than 90% of testing is up to date, compared to 5 previously.

Maintenance

Emergency Repairs

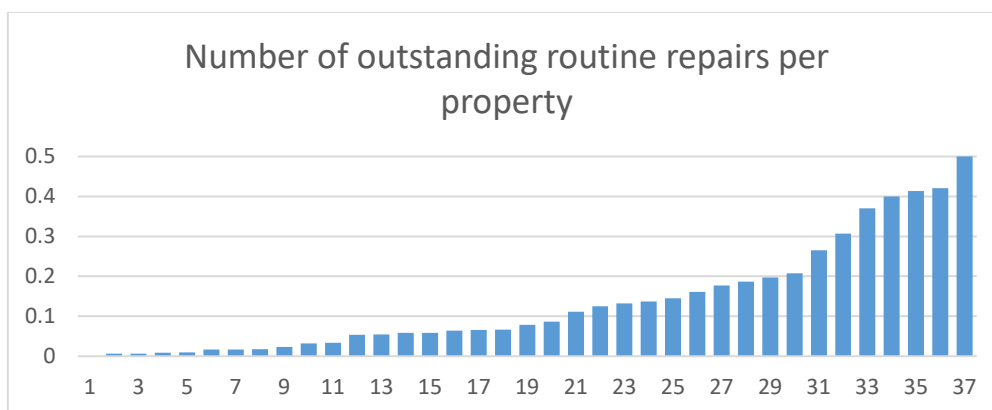
- As a whole the sector reports 95.0% of emergency repairs were completed to time in September, down from 97.2%.
- 13 RSLs report 100% completion rates to target for emergency repairs, down from 19 and is a return to the same level as reported in May.
- 5 RSLs report less than 85% completed on time, compared to 1 previously.



RSL Performance on completing emergency repairs on time during September 2020 - data set 36

Routine Repairs

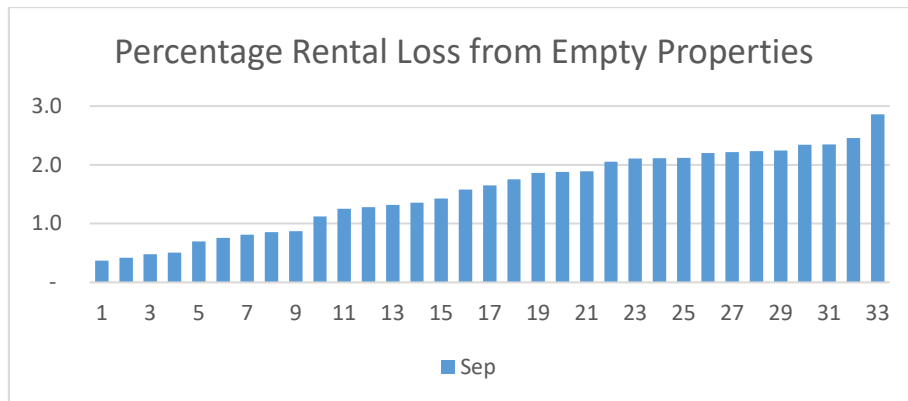
- There is a large variation in the reported outstanding routine repairs, ranging from none to 0.5 repairs per property. This has reduced from the range of 0 to 1.5 reported in July.
- The average across the sector is 0.15 outstanding repairs per property, a reduction from 0.17.



Outstanding routine repairs per property as at 30 September - data set 37

Voids

- The average level of rent loss from empty properties in the sector was 1.84% in September. Rent loss rose steadily from 1.67% in April to 2.08% over the summer before recovering in the last 2 months.



RSL rent losses from unlet properties during the month - data set 33, 4 small RSLs which provide specialist accommodation have been removed from the graphical analysis.

- Whilst the overall monthly sector rent loss has almost recovered to its April level there is a large difference in performance of individual RSLs. 11 are showing an increase of 0.5% or more in their void loss with 6 showing a fall of 0.5% or more.

Staffing

Staff sickness and Shielding

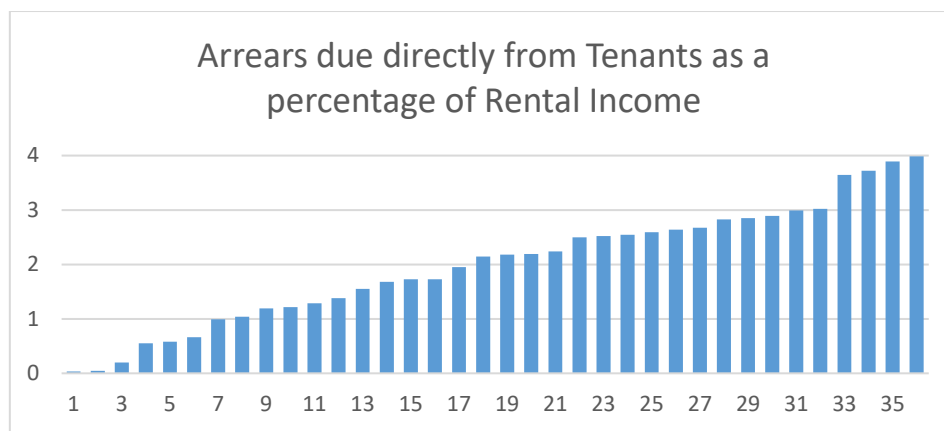
- There has been no change in the sector average for the number of staff on sick leave. The September average was 3.5% with a further 1.1% reported as self isolating.

Furloughed staff

- The sector average for the number of staff furloughed in September was 0.6%, down from 4.8%. Furlough was used by 13 RSLs in September with the highest rate at 5.3%.
- RSLs took very different approaches to furlough. Evidence from the survey does not indicate any correlation between furlough levels and delivery of key services.

Arrears

- The total rent outstanding from current tenants has remained steady since July and stands at £31.9 million. At the end of September total arrears were 3.95% of the rent roll for the year, a slight reduction of 0.06%.
- The total rent outstanding due directly from tenants, i.e. excluding amounts due directly from housing benefit and alternative payment arrangements (APAs), has also remained steady at £17.7 million. This is 2.25% of the annual rent roll, down from 2.31%. (based on returns from 36 RSLs, with 1 unable to split out rents owed directly from tenants).
- Within this overall stable position there are 2 RSLs who have seen a rise of more than 0.5% and 3 with a reduction of more than 0.5% in the amount due directly from tenants.

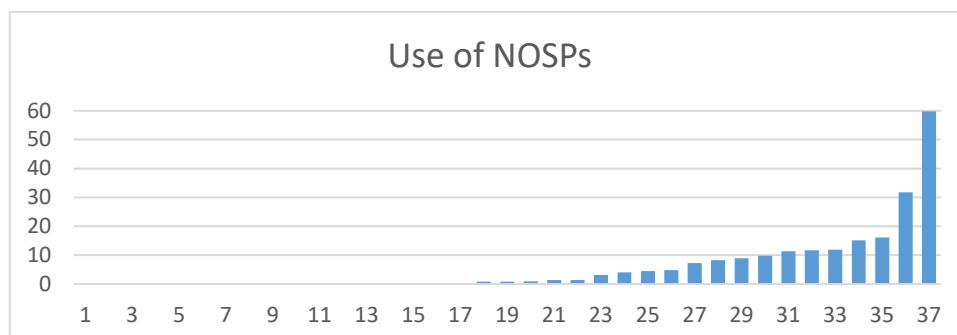


Rent arrears at the end of September 2020 - data set 36

The 4 RSLs with the lowest net arrears are all small specialist providers with limited rental income due directly from tenants.

Notices of Seeking Possession (NOSPs)

- There is a wide range in the use of NOSPs over the past 5 months. 15 RSLs (40%) have not issued any notices but 7 have issued them at a rate of more than 10 per 1,000 tenancies.



Use of NOSPs from May to September – Number issued per 1,000 tenancies. Data set 37

Care & Support

- No RSLs report being at a material risk of staffing falling below safe levels in accommodation for vulnerable groups.
- Average staff absence amongst care staff was 7.7%.
- Staff absence in the care sector has increased in September and is reported at 9.0%, as opposed to 7.6% in July.

Staff sickness levels working in a care capacity	Upper Quartile	Median	Lower Quartile
September	0.3%	5.0%	10.1%
July	0.0%	3.5%	7.0%
May	2.0%	5.4%	26.4%

Average sickness levels in the month amongst staff working in a care capacity - data set 23.

Financial Resilience

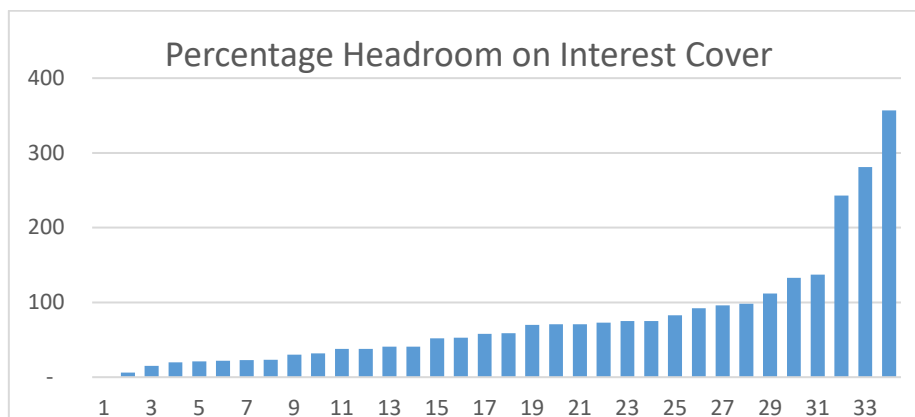
Availability of funding

- As in July, no RSLs are currently reporting any issues accessing existing or new funding.
- There is over £1 billion of funding available to the sector in Wales, the same level as in July. There are £651 million of undrawn facilities supplemented by cash reserves of £426 million. (Undrawn facilities includes revolving credit facilities (RCF) as well as long term agreements in place but yet to be drawn down, but excludes overdraft facilities).
- Of the 26 RSLs requiring new funding to complete development programmes, 3 report that new funding needs to be in place within a year. This is down 2 from the 5 reported in July.
- Where RSLs have reported needing new funding within a year, the Regulator is satisfied that progress to secure new facilities is sufficiently advanced.
- 20 RSLs report having at least 18 months funding in place, up from 16 in July.

Note - In determining when new funding is required all expenditure, whether committed or not, is included.

Covenant Compliance

- No RSLs are reporting potential non-compliance issues with covenants for either 2020/21 or 2021/22.



Expected headroom against the RSLs tightest interest cover covenant for 2020/21 - data set 34, (excluding LSVTs yet to reach peak debt)

Other Information

- To date, RSLs in Wales report spending an additional £7.2 million on Covid-19 related activities, up from £5.3 million in May.

We've been talking to RSLs about:

Planned Maintenance / WHQS

- A common theme is that external works are being prioritised with a much more cautious approach being taken to internal work. This is particularly true with regard to kitchens and bathrooms which many tenants feel to be too disruptive and unnecessary at the present time. Guidance on working in other people's homes can be found [here](#).
- Some RSLs are planning to bring forward external works to create more capacity to catch up with internal works next year.
- A common theme running through the different approaches is placing tenant welfare at the centre of the decision process.
- Where reported, it seems there is little impact to date on maintaining WHQS.
- There is a varying approach being taken to stock condition surveys with some RSLs delaying resumption of the program until next year and others now back up and running.
- Some RSLs have reported issues with obtaining materials as well as contractor availability.

Arrears Management

- As illustrated in the graph on page 6, rent arrears are not currently showing a significant increase for the sector as a whole, but there is an expectation this may change as job support schemes transit to new arrangements and more tenants move to Universal Credit.
- RSLs are, in general, taking a more proactive, preventative strategy to arrears management, focussing on providing individualised support to tenants in line with the agreement to not evict as a result of financial hardship due to the pandemic and the support principles agreed by all social landlords.
- Notwithstanding the above and the changes to notice periods introduced, there is a notable divergence in the use of NOSP. 1 RSL has issued 25% of the total NOSP and 7 RSLs have issued 75% of the total.
- This contrasts with 40% of RSLs that haven't issued NOSP for rent arrears since the pandemic began and a number report they have reviewed their rent arrears procedures.
- RSLs that are issuing NOSP at a significant rate explain they are used as a way of engaging tenants, usually as a last resort. However, the survey evidence suggests that there are other approaches these RSLs should consider.

Tenant Issues

- RSLs are seeing increases in reported Anti-Social Behaviour cases with some reduction following a peak in the early summer. However, there is variation across the sector with a few RSLs reporting no change or a decrease in the number of cases. A few RSLs report a significant rise in Domestic Abuse cases and some concerns have been expressed over an increase in fly tipping. We will continue to monitor these areas and liaise with the relevant policy teams.
- The ability of tenants to access services by attending an office is limited and, due to the firebreak, plans to improve this are largely under review again. The ability of tenants to access services, support and advice is a material consideration and RSLs need to tell the Regulator about any plans to change to their arrangements.

Financial Planning and Performance

- Most RSLs have responded to the uncertainty caused by the pandemic by undertaken a full reforecast in Q1. A few have chosen to restate their budget for the year. Those that did not carry out a full reforecast in Q1 are intending to do so for Q2 and/or are monitoring the situation closely.
- The main issues identified are: delays in development, reductions in planned works and an increase in voids and bad debts. In the latter case, RSLs are reporting better than expected performance on rent collection, although a number are concerned this may worsen over the coming months. Those with a significant amount of care and/or nursing provision are typically reporting this as their major concern.

- As reported above, no RSLs are reporting difficulty with covenant compliance.
- Where RSLs have reported talking to funders to discuss the impact of the pandemic on future years, the response has been very supportive.
- There is evidence that more RSLs are using their business planning tools more proactively than in previous years as a means of modelling the impact that the pandemic is having, and could have, on their plans.
- Typically RSLs are assessing the impact delays in planned maintenance will have on future years and are considering rephrasing the next 5 years of expenditure. As a consequence some RSLs are planning to resubmit their updated plans to Welsh Government. If plans materially change you should discuss this with your financial analyst.

Governance issues

- RSLs are now holding virtual Board meetings with most reporting it works well. Some are seeing positives including less travel but more importantly, more effective meetings with a wider range of Board members contributing.
- Some Board members are missing face to face contact and there is recognition that integrating new members is challenging.
- Looking forward, a number of RSLs are considering if a blended approach with virtual meetings being mixed with occasional face to face contact, particularly for Board away days, maybe the most effective way to work.

Office Space

- Unsurprisingly, most RSLs are limiting the use of office accommodation for essential business and staff welfare issues only and a small number of offices remain closed. A few RSLs have introduced, or are planning to introduce, a rotation system to limit numbers, although the Firebreak has resulted in a rethink of these plans.
- Again, not unexpectedly, a majority of RSLs tell us they are reviewing their future requirement for office space. Those that were already considering moving their main offices are reappraising their requirements and where the office is owned by the RSL, other options such as leasing out spare capacity are being considered.