

# Financial Review 2020

## Summary

The NHF Financial Review is designed to explain in a straightforward way how we are performing in financial terms, what our financial drivers and objectives are, and whether they're being met.

This review is intended to be read alongside our full audited Financial Statements, and both are available on our website via [www.housing.org.uk/about-us/transparency/financial-statements/](http://www.housing.org.uk/about-us/transparency/financial-statements/)

Our website also provides a wide range of information on how we provide added value for our members: [www.housing.org.uk/about-us/what-do-we-do/](http://www.housing.org.uk/about-us/what-do-we-do/)

The Financial Statements include a Chair's Statement, Chief Executive's Review and comprehensive Strategic Review. The latter includes an assessment of the risks and uncertainties faced by the NHF and its members.

This Financial Review includes sections on:

1. A message from our Chair ([skip to](#))
2. Highlights ([skip to](#))
3. Key figures ([skip to](#))
4. Income ([skip to](#))
5. Expenditure ([skip to](#))
6. Balance sheet and reserves ([skip to](#))

We would like to answer any questions you have, hear your views on whether you find our Financial Review helpful, and how you think it might be improved and developed. You can do this through your regular NHF contacts or by contacting Jackie Cunningham, Executive Director Finance & Business Services, via [jackie.cunningham@housing.org.uk](mailto:jackie.cunningham@housing.org.uk) or 020 7067 1106.

## 1. Message from our Chair

In my introduction to this year's Financial Review I would like to give you an overview of the environment in which the NHF operates and highlight some key issues for us and our housing association members.

Since the coronavirus crisis took hold earlier this year, we've been living through truly unprecedented times. This has affected all of us in so many ways, with changes to our home and working lives, our communities and our economy. Many of us grieve for those who have lost their lives and we are all uncertain about what the future holds.

In the midst of the crisis, the housing sector has faced its own unique challenges – and has shone through as an example of the care, courage and kindness that has characterised Britain's response to the pandemic. Our key workers have worked tirelessly at the frontline in supported housing, homelessness services, essential repairs and other vital services. Together we have formed a central part of the nation's recovery from the crisis, and I am immensely proud to be associated with this wonderful sector.

Before the coronavirus crisis hit, we were entering what we expected to be a period of relative political stability following a year of rapid change. The sector had worked hard over the course of last year to build a strong consensus around the need to invest in housing and communities, and we built on this positive approach during the short general election campaign. When the government was elected with a strong majority, we quickly began work to build relationships with ministers and establish the sector as a vital partner for the years ahead.

That work has not stopped – and indeed has become even more vital. We've worked closely with the government, officials and partners to ensure the sector has the information and support it needs to continue its essential work with residents and partners around the country. We now begin a vital piece of work to position social housing as central to the nation's recovery and ensure that our members' residents and communities can come back even stronger than they were before.

The challenging circumstances in February and March also had an impact on our finances in 2019/20. We ended the year with an underlying loss of £53,000 compared to a surplus of £288,000 in the previous year, following the postponement of our Housing Finance Conference in March due to the coronavirus crisis.

Once again, the accounting treatment of pensions and the volatility in the markets and other measures that affect the valuation has changed our net assets under FRS102. This year they have increased from £2.3m to £10.4m, virtually wiping out the previous year's reduction. We are continuing to seek ways to improve the reserves position, to provide a buffer against these changes.

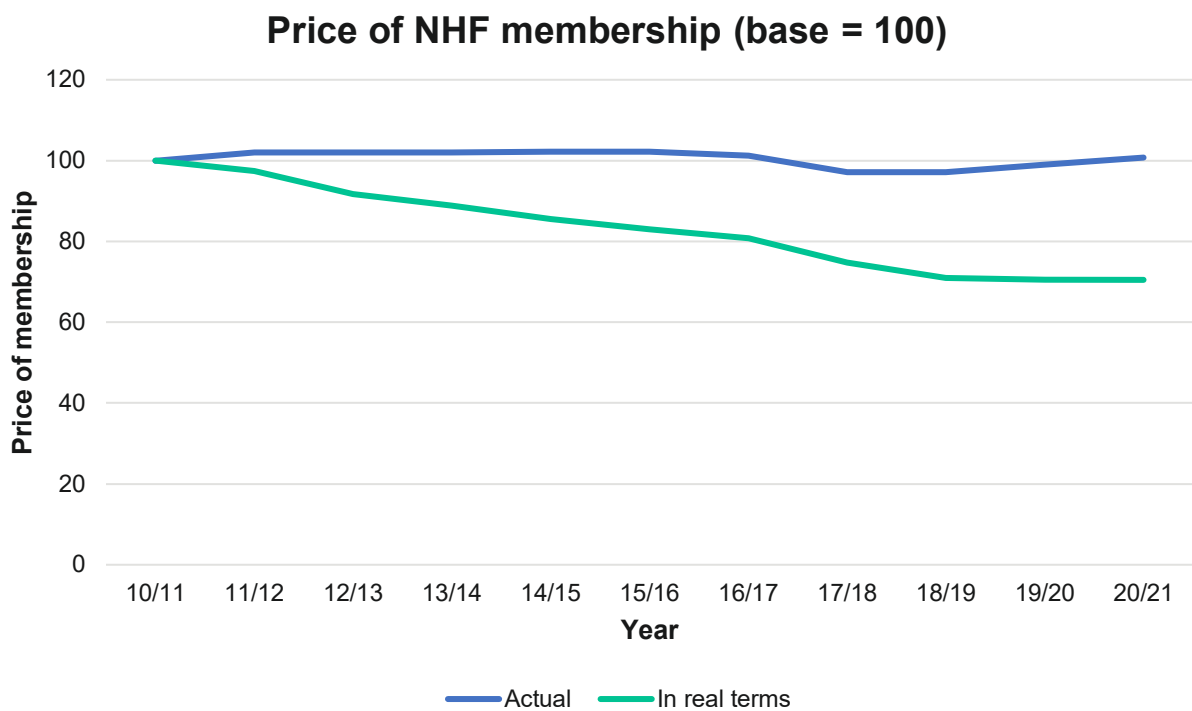
We believe our work to support the sector to deliver its social purpose has never been so important, and we continue to work hard to deliver the impact and value that our members need. Due to the impact of coronavirus on our commercial income, we do not expect to be hold in-person events until later in the year which will reduce our income significantly, and we are putting in place robust measures to address this.

Looking forward, it's clear that the impact of the coronavirus crisis will mean that as businesses and as a sector we will be moving through a period of sustained change. Housing associations have already shown that they are playing a crucial role in helping the country to recover and will continue to be central in that process. We will face the future together as a strong and resourceful sector.

Finally, I'd like to thank the Board for their continuing commitment to the sector and their consistent support during the year. I'd also like to thank the staff at the NHF who continue to do fantastic work in helping our members provide great service.

## 2. Highlights

- Underlying loss in 2019/20 of £53,000 as a direct result of the postponement of our Housing Finance Conference due to the coronavirus pandemic.
- 1.7% increase in the price of membership for 2020/21 in line with CPI.
- Cumulative 29% real terms price reduction in affiliation fees over ten years, equivalent to a total saving for members of £20.4m.
- Affiliation fee for a typical member still 1% below 2011/12.



### 3. Key figures

	2019/20	2018/19	2017/18	2016/17	2015/16
	£k	£k	£k	£k	£k
<b>Underlying turnover</b>	13,318	13,448	13,285	13,976	13,893
<b>Change %</b>	-1.0%	1.2%	-4.9%	n/c	-4.4%
<b>Underlying surplus</b>	(53)	288	444	456	382
<b>Net assets</b>	10,376	2,255	11,808	8,753	6,651
<b>Net Cash at Year end</b>	1,996	1,629	1,070	3,015	2,712

In accordance with our financial objectives and reserves policy, we set affiliation fees with the aim that our members pay each year for the level of services they receive, and we budget for an underlying break-even position. We aim, by operating efficiently, to make a small underlying surplus (profit after tax). Unless specifically decided otherwise by the Board, annual surpluses are taken to reserves.

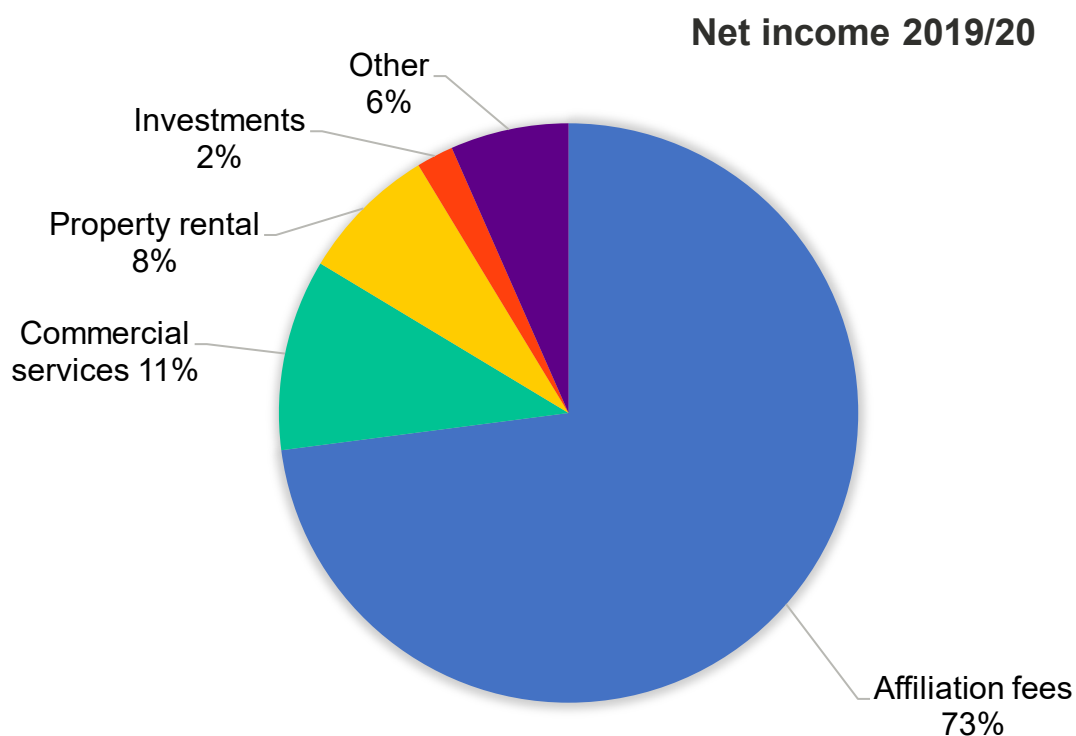
There was a small decrease in income this financial year, however this would have been a small increase had our Housing Finance Conference in March not been postponed due to the coronavirus crisis.

Accounting for the pension scheme as a defined benefit scheme for the first time last year resulted in a charge against comprehensive income of £8m and a corresponding reduction in net assets. The valuation of the deficit this year was a gain of £8m reversing the previous year's movement. On a day-to-day basis, this has little impact on our finances as the debt will not be realised in the foreseeable future. The only direct consequence is the agreed pension deficit payments, which are accounted for within normal trading of the business and reflected in the underlying results.

As a consequence of the volatility of the pension deficit movements on net assets we reviewed and amended our reserves policy to state that the NHF should aim to have at least three months operating expenditure covered by cash or cash equivalents.

Further details are provided in [our Financial Statements](#), which include a reconciliation of the surplus reported in the Financial Statements (headline surplus) and the underlying surplus, the measure used in relation to our financial objectives and reserves policy.

## 4. Income



Over two thirds of our income is derived from the annual affiliation fees paid by our members. These totalled £8.2m in 2019/20, 0.5% above the previous year. Fees increased in line with CPI, however, the total increase is lower because of net changes in membership and merger activity among members.

The annual changes in affiliation fee income result from changes in the makeup of our membership and the level of fees charged. Virtually all English housing associations of any size are NHF members and there has been no significant change in this. Fees are based on the number of housing units owned and managed by each member. The charge per housing unit is banded and reduces as the number of housing units per member increases.

Under our fee charging structure, mergers normally result in a reduction in combined fees. In 2020/21 we have amended the way our fees are calculated for the highest band to reduce the impact of mergers. This affected a small number of our largest members who were all contacted in advance.

In return for their affiliation fees, we influence, campaign and engage on behalf of our members across the country. More information on our services is [available on our website](#).

Income from our commercial services is used to support the services we provide for members in return for their affiliation fees. Most commercial services are paid for at the point of delivery, by both members and non-members, with members receiving a discounted rate.

In 2019/20 net income from commercial services fell due to the postponement of our Housing Finance Conference, but overall still contributed £2.29m (2019 £3.01m).

Commercial services continue to be of major importance, both financially and in furthering the NHF's overall objectives, however our ability to hold in-person events has been severely impacted by the coronavirus crisis. In response, we have revised the way we deliver our events by launching [a programme of virtual conferences](#) and meetings with the hope of delivering in-person events in early 2021.

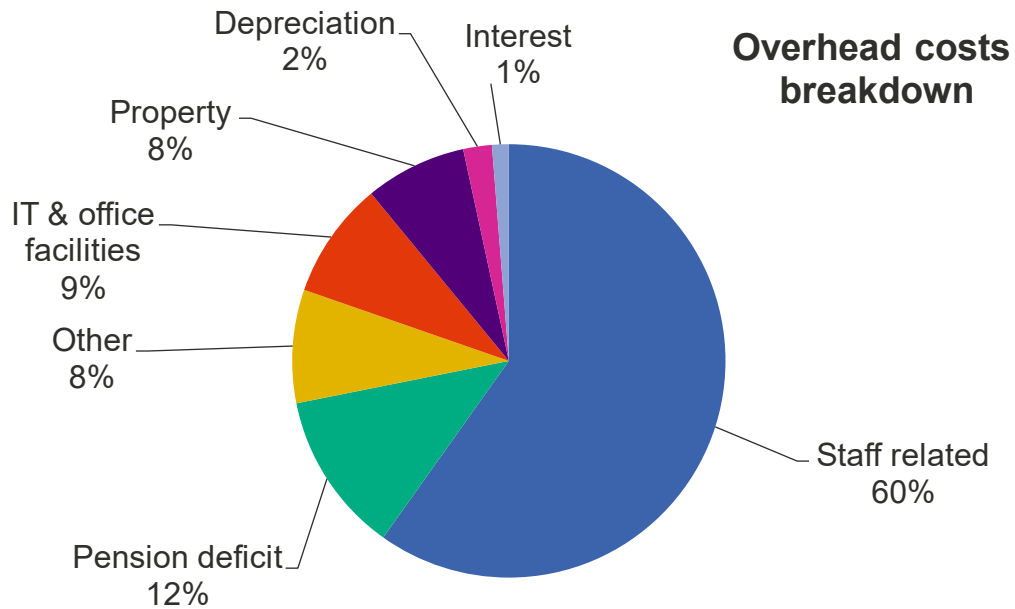
In 2019/20 our property rental income was £0.86m, derived from letting out the floors in Lion Court not used for our own operational purposes.

£0.2m was received in income from our 50% joint venture investment in HouseMark, which provides benchmarking, procurement and consultancy services to the sector.

We also received sundry income amounting to £1.4 m in 2019/20. Sundry income includes VAT recovery, service charge and grant income. Service charge income relates to the management of the floors let out in Lion Court.

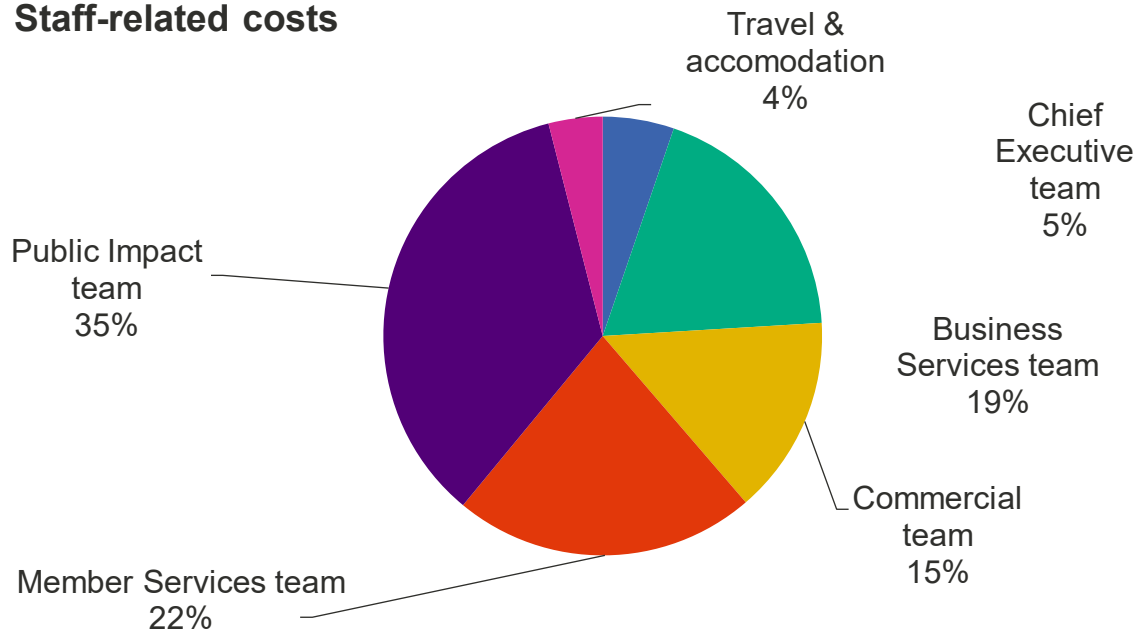
## 5. Expenditure

Administrative expenses were the same as the previous year on an underlying basis, despite pension deficit payments increasing by 24.6%. All other areas were lower, reflecting cost saving efficiencies and the impact of increased flexible working.



Staff-related costs are further split as follows:

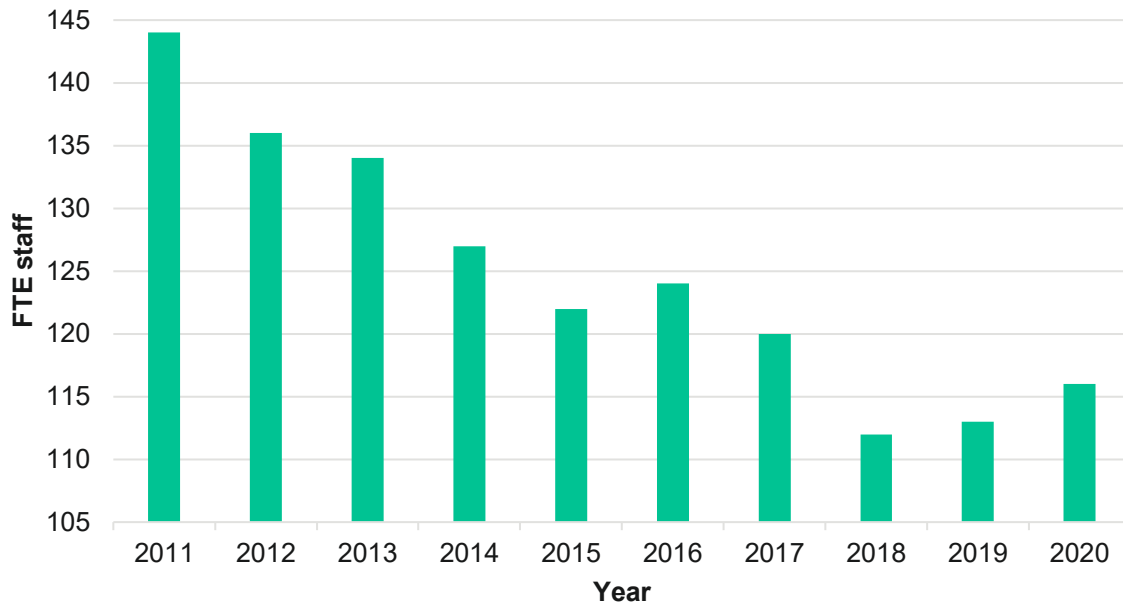
### Staff-related costs



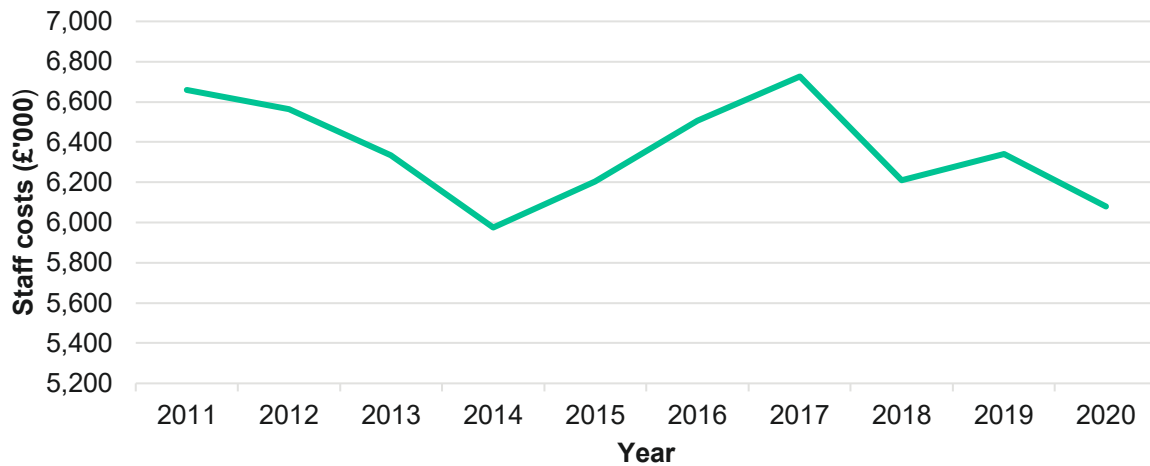


The largest proportion of our overhead costs relate to staff, which averaged 116 during 2019/20. Over the last 10 years the number of full-time equivalent (FTE) staff has reduced by 20%.

### Average number of staff



### Annual staff costs



After staff costs, the largest cost element outside the NHF's direct control is its pension deficit recovery costs. These costs relate to our membership of the Social Housing Pension Schemes (SHPS) and pension liabilities built up in the past.

## 6. Balance sheet and reserves

At 31 March 2020 our main office, Lion Court in London, was independently valued at £22.6m (a reduction of £860,000).

Given the effect of the volatility of the pension deficit movements on reserves, the Board reviewed and amended our reserves policy. This now states that the NHF should have at least three months operating expenditure covered by cash or cash equivalents, which would support continued operations in the event reserves have to be realised, both in the short or longer term.

In addition, the Board has concluded that given their size and nature, our reserves are adequate but are adversely affected by the pension deficit movements. Therefore, the addition to reserves of small annual surpluses is appropriate. Reserves for this purpose comprise net assets shown in the consolidated balance sheet plus unrecognised unrealised property revaluation gain on property held for the NHF's own use.

### Reserves and net assets

