2022 Financial Review

Introduction

The National Housing Federation's (NHF) Financial Review is designed to clearly explain how the NHF is performing financially, what its financial drivers and objectives are, and whether they're being met.

It is intended to be read alongside the NHF's full audited Financial Statements, which include a Chair's Statement, Chief Executive's Review and comprehensive Strategic Review. The latter assesses the risks and uncertainties that the NHF and its members face. All these documents are available on the NHF's website at: www.housing.org.uk/about-us/transparency/financial-statements.

If you have any questions or views on how this review might be improved or developed, let us know through your regular NHF contacts or by contacting:

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NATIONAL HOUSING FEDERATION

Message from our Chair

I write the introduction to this year's Financial Review as my very last for the National Housing Federation as my tenure draws to a close later this year. Before I review the year just gone, I want to briefly reflect on the privilege of being part of this wonderful sector since 2015.

So much has changed since I joined the NHF. With the tragic events at Grenfell Tower, the political upheaval of Brexit, and of course the coronavirus pandemic, the housing landscape looks very different to when I became Chair seven years ago. What I see is an ever more compassionate, dedicated and resilient housing association sector with a deeper commitment to its social purpose.

It is this social purpose that has been recognised as we have forged new political relationships over the last year. With a change in focus and leadership at the sector's "home" government department, there was understandably concern about the influence and leverage we might have lost with key decision-makers.

But it was clear early on in the NHF's engagement with the new Secretary of State, Michael Gove, and his wider team, that the absolute need for good social housing is understood by the Department of Levelling Up, Housing and Communities. So much so, that by the end of this year ministers were committing to retarget the Affordable Homes Programme to deliver more homes for social rent, and were speaking publicly to acknowledge the challenges faced by housing associations and espouse the value of the sector.

All of which puts us on a firm footing as we look towards the NHF's next three year business strategy, the contents of which was developed from a six month strategic review and planning exercise. From extensive engagement with members, stakeholders and experts we were able to form a solid understanding of what the sector exists to do and what NHF members need from their trade body from 2022 to 2025.

In particular, you want us to drive and lead change so that housing associations provide safe, good quality homes and services. Acknowledging the increased scrutiny and criticism the sector has received in the last twelve months, NHF members are clear that their trade body needs to support them to always do the very best by their residents and build the conditions and culture for housing associations to deliver.

And the NHF is in a strong position to support you to do that. Having experienced significant challenges to the business caused by coronavirus last year, with the financial support of our members, we implemented changes to the NHF's structure ad finances to put us back on a stable footing. This year we were able to build on that foundation, increasing our financial security and enabling us to be more resilient to future challenges.

Aided by the return of in-person events, expertly delivered to manage concerns about coronavirus, coupled with an excellent suite of virtual conferences, I am pleased to say that NHF made an operating surplus from which we were able to restore staff salaries, which were reduced during the pandemic, and provide back-pay for reduced earnings in the first half of the year.

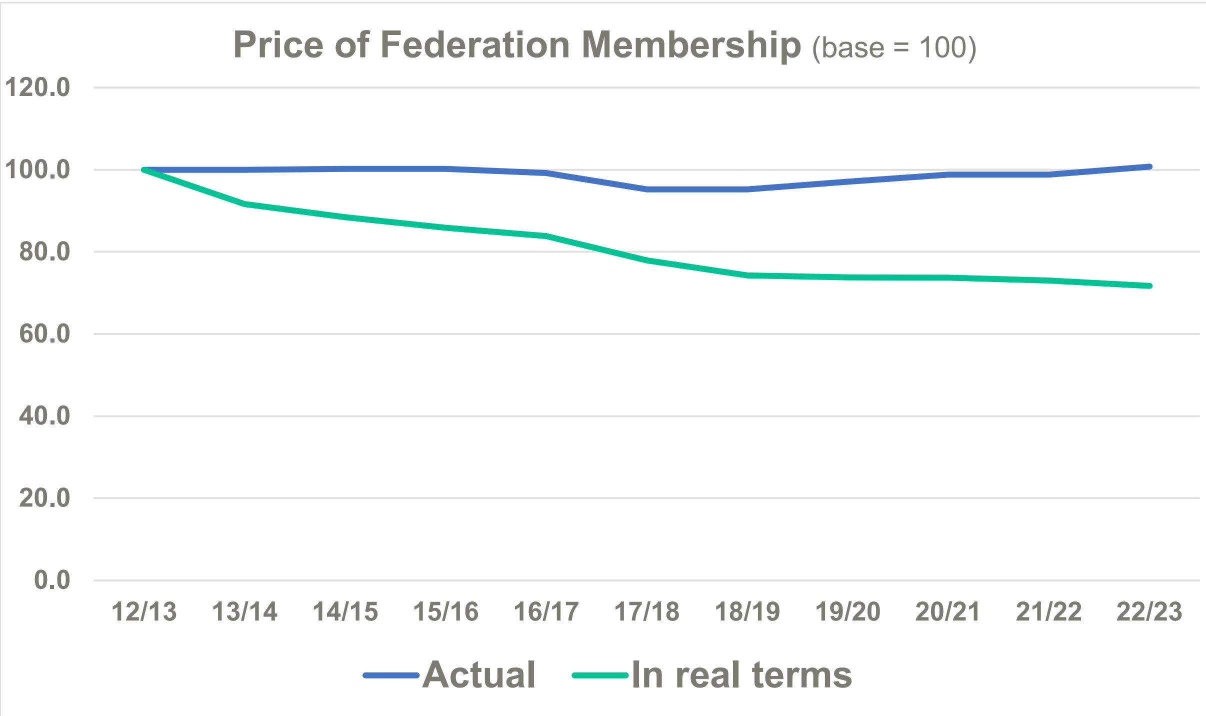
While we continue to consider our long-term financial stability and plan prudently for the future, the NHF is in a much healthier and more robust position than it was at the start of the pandemic. I want to thank NHF staff and members for all they have done to help us achieve this.

As the country faces a stark cost-of-living crisis and intensifying housing shortage, housing associations are more and more important with every passing day. I have witnessed first-hand what housing associations are capable of doing to improve lives and strengthen communities. While the sector is not without its own challenges and areas for improvement, I am confident that housing associations have a vital role to play in helping people towards a much brighter future.

Baroness Diana Warwick

Highlights

- Underlying surplus in 2021/22 of £1,414k excluding joint venture results, one off venue credits and changes to the pension deficit valuation.
- Following the pandemic, income budgets were set very prudently because of the uncertainty in being able to hold in-person events. Costs are contained within this reduced income envelope to avoid a deficit, should the effects of the pandemic continue.
- Staff salaries were reinstated and staff received back-pay for the period where salaries were reduced and a one-off discretionary payment, as we had not been able to make a pay award during the pandemic.
- The price of membership for 2022/23 increased by only 2% which was a sub inflationary increase.
- Cumulative 28% real-terms price reduction in affiliation fees over ten years, equivalent to a total saving for members of £22.6m.



Key figures

	2021/22 £k	2020/21 £k	2019/20 £k	2018/19 £k	2017/18 £k
Turnover	**11,648**	**12,668**	**13,318**	13,448	13,285
Change %	**-6.5%**	**-4.9%**	**-1.0%**	1.2%	-4.9%
Underlying surplus	**1,991**	**893**	**(53)**	288	444
Underlying surplus (excluding joint venture results)	**1,414**	**857**	**(61)**	274	358
Comprehensive income/(loss)	**7,026**	**(5.969)**	**8,121**	(9,509)	3,011
Net assets	**11,433**	**4,407**	**10,376**	2,255	11,764
Net cash at year end	**4,221**	**2,768**	**1,996**	1,629	1,070

In accordance with its financial objectives and reserves policy, the NHF sets affiliation fees with the aim that members pay each year for the level of services they receive. We budget for an underlying break-even position. By operating efficiently, we aim to make an underlying surplus (profit after tax). Unless specifically decided otherwise by the Board, annual surpluses are taken to reserves. Following the pandemic, income budgets are set very prudently because of the uncertainty in being able to hold in-person events. Costs are contained within this reduced income envelope to ensure that a deficit will not arise.

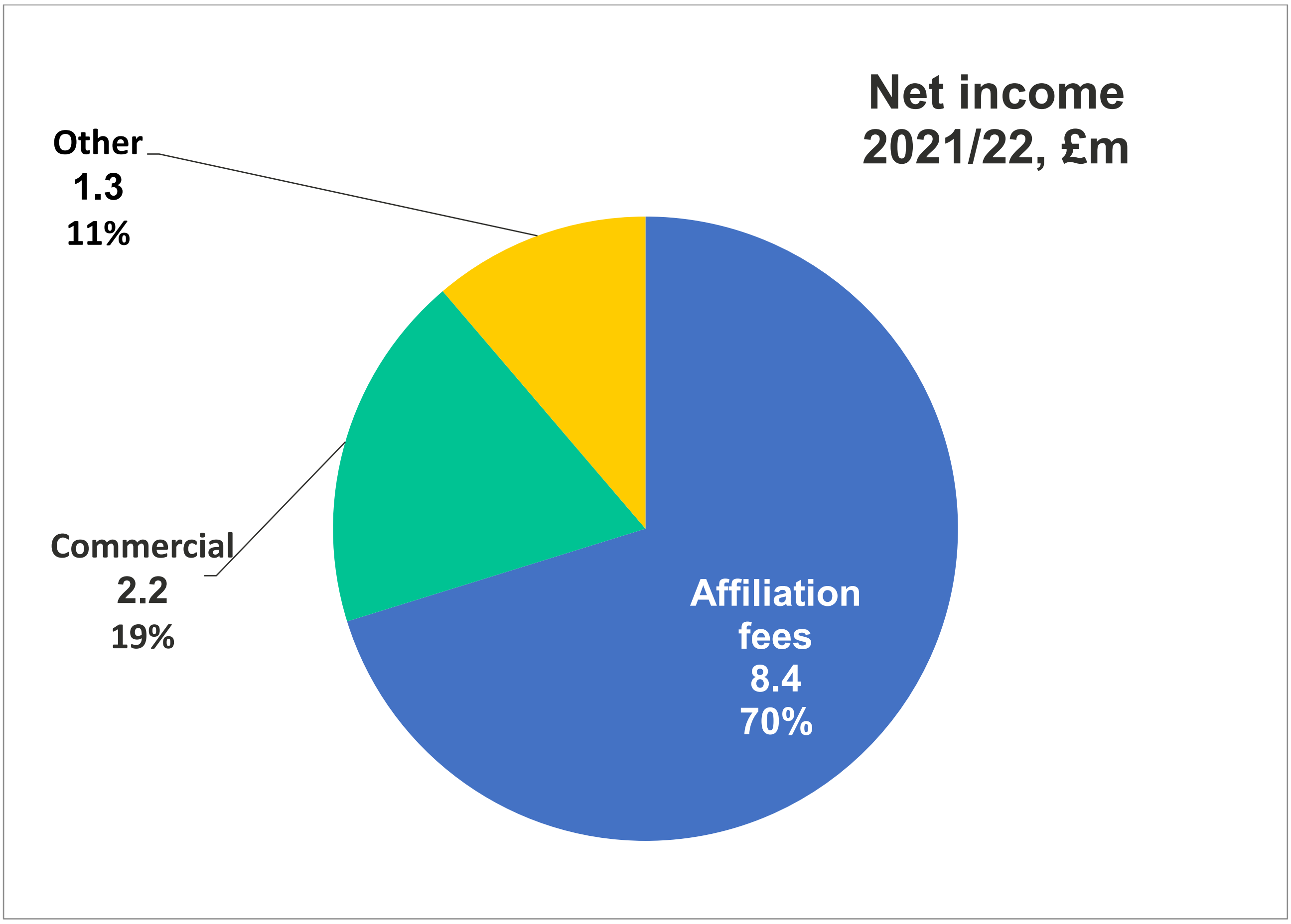
The decrease in income this year was due to the ongoing effect of the pandemic on our commercial income. We were still unable to hold some conferences in person. In addition, one of the rental tenants at Lion Court (our head office building) went into liquidation during the year although this was partly mitigated by taking on that tenant's serviced office leases.

The valuation of the pension deficit this year was a gain of £3m partly reversing the previous year loss (£7m). On a day-to-day basis, this has little impact on the NHF's finances as the debt will not be realised in the near future. The only direct consequences are the agreed pension deficit payments, which are accounted for within normal trading of the business and reflected in the underlying results.

The reserves policy states that at least three months operating expenditure is covered by cash or cash equivalents. A £3m revolving credit facility is held with Lloyds Bank Plc to ensure compliance with the policy.

Further details are provided in the Financial Statements, which include a reconciliation of the Comprehensive Income in the Financial Statements and the Underlying surplus: the measure used in relation to our financial objectives and reserves policy.

Income



Net income consists of all income less direct costs of commercial income.

Over two thirds of the NHF's income is derived from the annual affiliation fees paid by our members which were not increased in 2021/22. This totals £8.4m, 0.75% lower than the previous year.

The annual changes in affiliation fee income result from changes in the makeup of NHF 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. Fees for 2022/23 are increased by a lower than inflation amount of 2%.

In return for their affiliation fees, members receive support from NHF staff across the country and a range of core services. The key services are policy work, lobbying and communication.

Income from 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.

Net income from commercial services contributed £2.34m, which although higher than 2021 (£1.64m) is still lower than pre-pandemic levels.

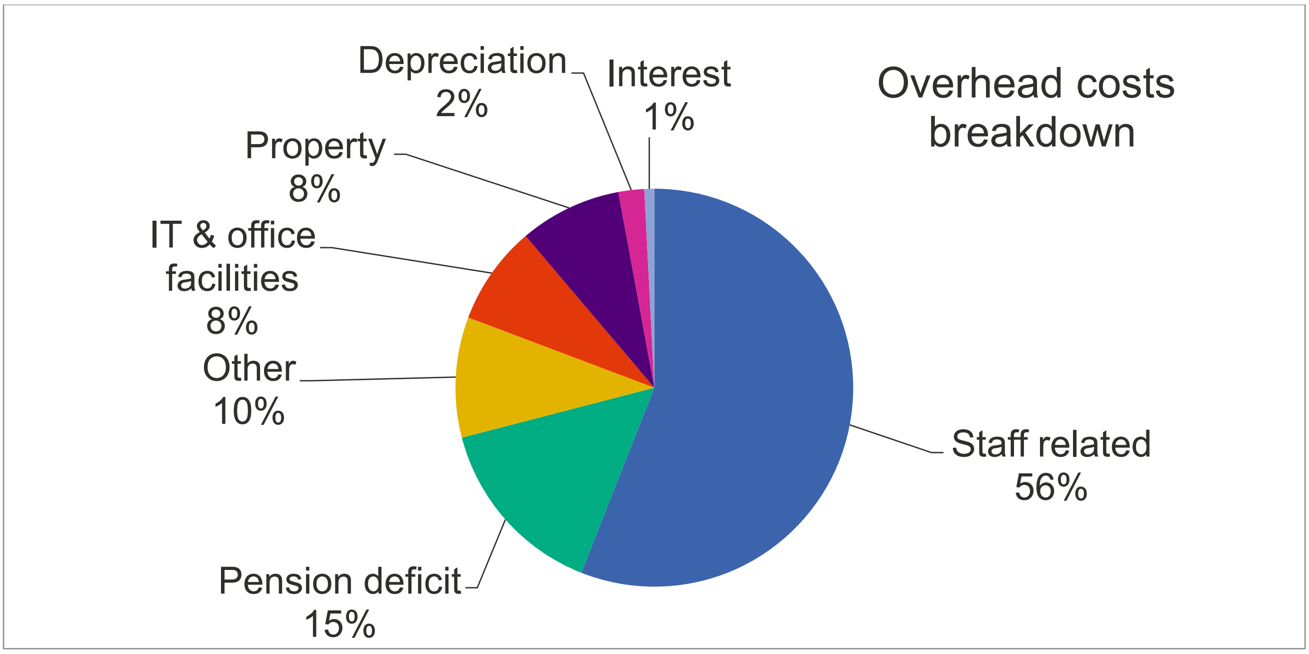
Property rental income was £0.54m (£0.37m in 2021), derived from letting out the floors in Lion Court not used by NHF staff for operational purposes. In 2021 both tenants were granted rent forbearances because of the pandemic. Despite this, one tenant went into liquidation in the current year. The serviced office contracts were transferred to the NHF and included in rental income. As part of our three-year business strategy we will be undertaking a property review of our owned and leased buildings.

£0.3m income was received from our 50% joint venture investment in HouseMark, which provides benchmarking, procurement and consultancy services to the sector.

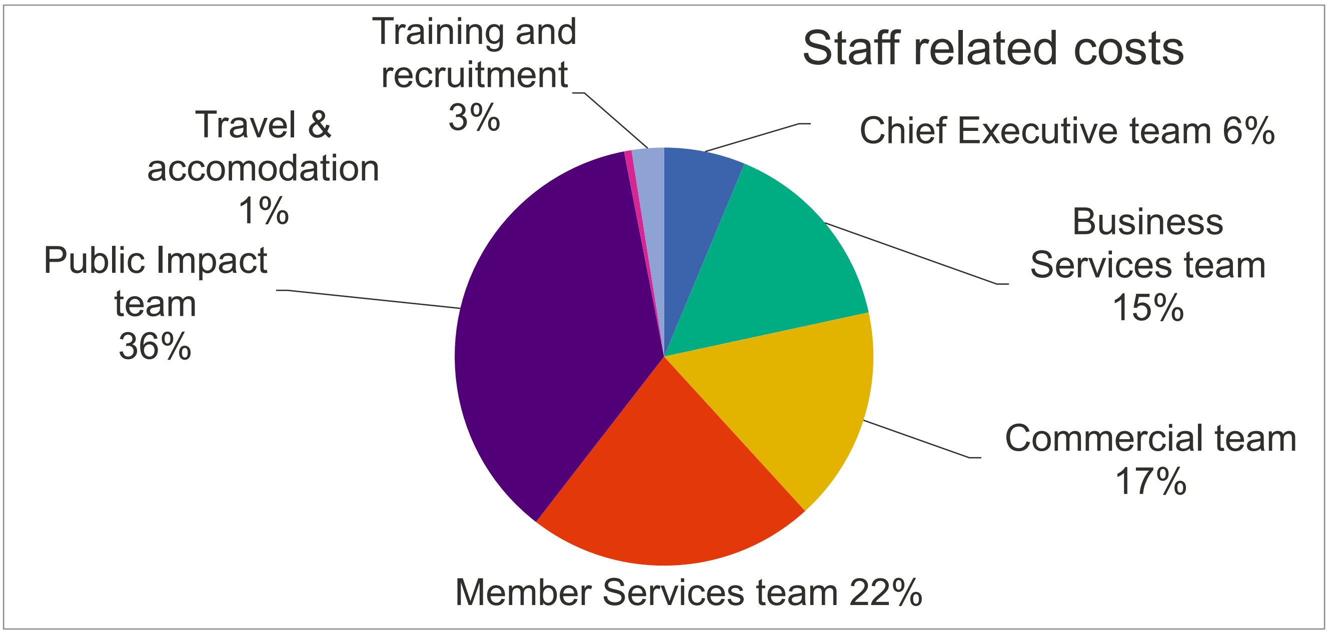
The NHF received sundry income amounting to £0.5m in 2021/22. Sundry income also includes VAT recovery, service charge and grant income. Service charge income relates to the management of the floors let out in Lion Court.

Expenditure

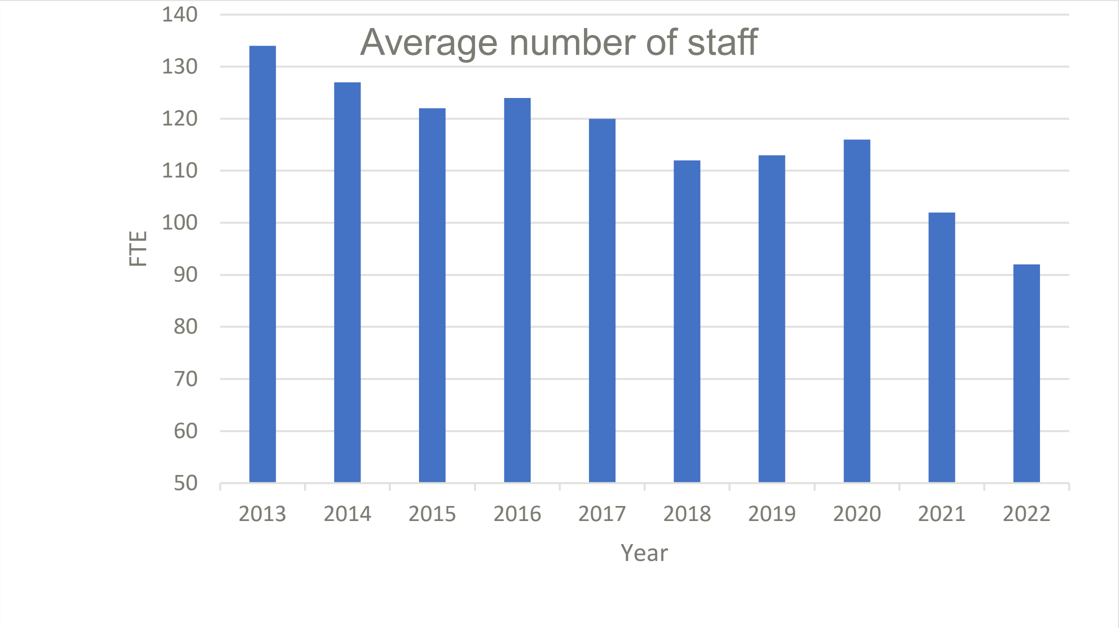
Administrative expenses were £1.8m (17%) lower than the previous year, reflecting cost savings implemented as part of the sustainability review in 2021 and ongoing prudent budgeting.

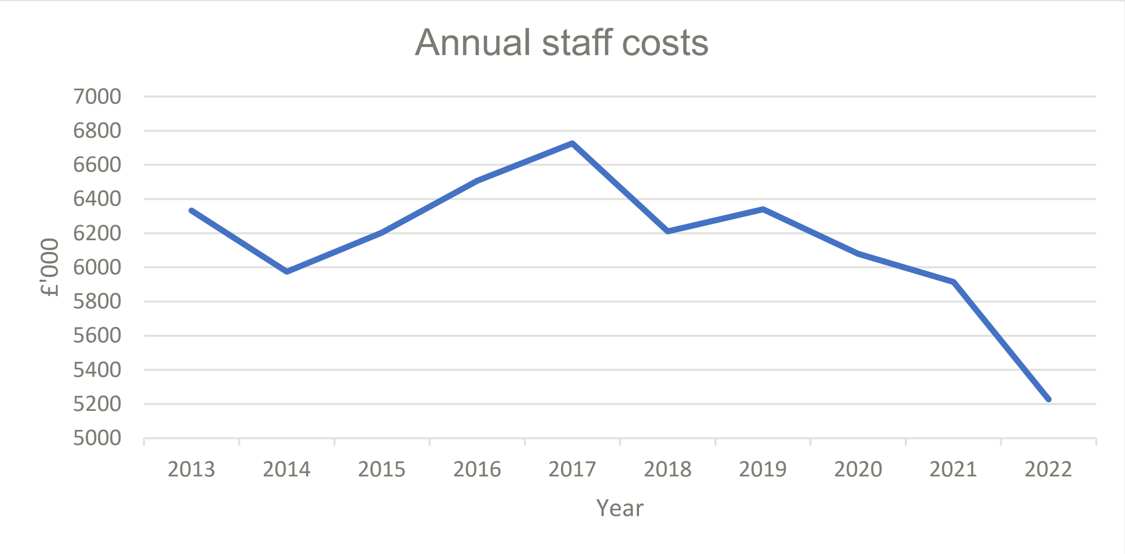


Staff related costs are further split as follows:



The largest proportion of our overhead costs relate to staff, which averaged 92 people FTE during 2021/22. Over the last 10 years the number of FTE staff has reduced by 31%





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

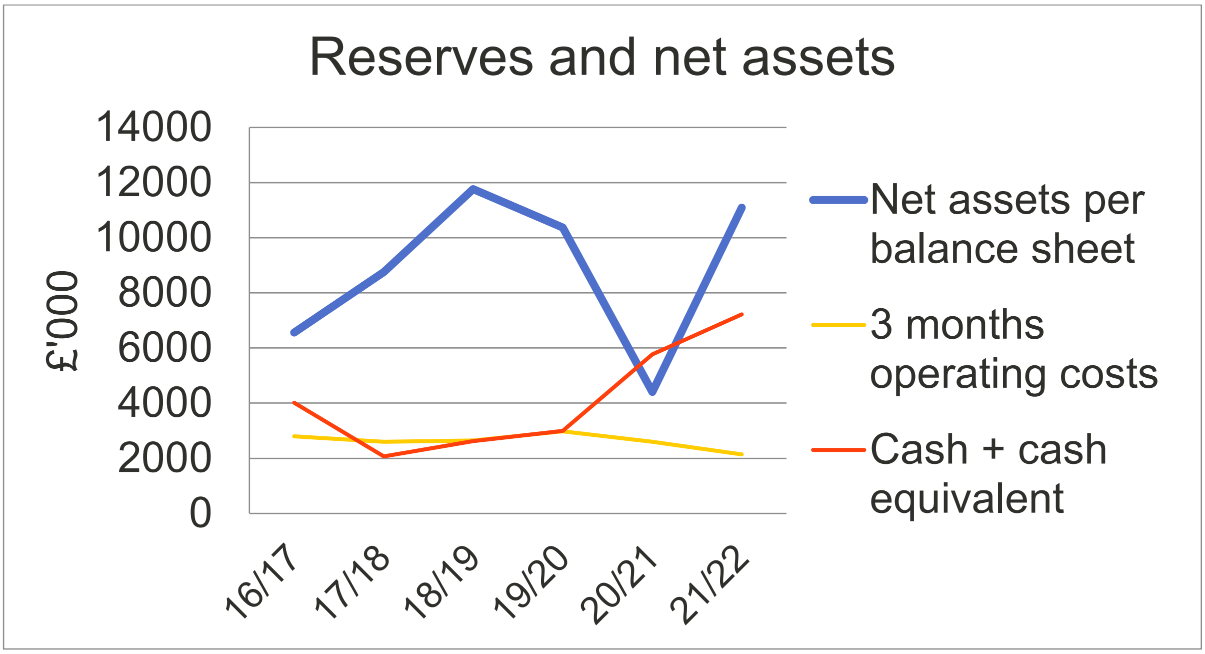
Balance sheet reserves

As of 31 March 2022, reserves were at £11.4m – an increase of £7m. This is partly due to the effect of the volatility of the pension deficit valuation, which decreased by £3.1m, and partly due to the one-off items mentioned above.

At 31 March 2022 our main office, Lion Court in Holborn, London was independently valued at £21m (no change from 2021).

The reserves policy states that we should have at least three months operating expenditure covered by cash or cash equivalents, which would support continued operations in the event that reserves have to be realised, both in the short or longer term. Fees are paid in advance so this is the case for most of the year, however during the low point in the working capital cycle, between November and February, this is not always the case. Therefore a £3m revolving credit facility is held to support the reserves policy.

The Board has concluded that given their size and nature, reserves are adequate but are adversely affected by the pension deficit movements. Therefore, the addition to reserves of small annual surpluses is appropriate.



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