Financial Review 2021

Summary

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

This review is intended to be read alongside the NHF's full audited Financial Statements, and both are available on [the finances section of our website](#).

Our website also provides a wide range of information on how we provide added value for our members on [the about us section of our website](#).

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:

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 or 020 7067 1106.

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NATIONAL HOUSING FEDERATION

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 highlighting some key issues for us and our members.

This is a year like no other to look back on. Many of us have been personally impacted by the pandemic – across our sector we have lost residents, colleagues, friends and family. It has been particularly hard for staff and residents in supported and sheltered housing, and care homes, who have had to manage very challenging and stressful situations. My heart goes out to everyone impacted by this terrible year.

Though at times a painful year, there have been moments of hope, inspiration and determination. Our sector has responded to the coronavirus crisis with great care and kindness. From the thousands of phone calls that have been made to check on the wellbeing of older or vulnerable residents, to the extra support that's been given to people facing financial hardship, housing associations have had a huge impact on people's lives and communities across the country.

This has been recognised by politicians and partners, as we learnt through an exceptionally busy year of political engagement. We've met regularly with the ministerial team at the Ministry for Housing, Communities and Local Government, and the shadow housing team, alongside a wide range of individual politicians. A particular highlight of our political work was the Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP, addressing our National Housing Summit. He personally thanked our sector for its work during the pandemic, describing our "historic social mission as a force for public good".

Our mission – delivering positive change for our members by understanding and anticipating the critical issues affecting their businesses and the sector – has never been more critical than over the last year, and our impact webpages highlight some of our key achievements.

These achievements are particularly remarkable given the challenges we've faced this year. Our income was significantly impacted by the pandemic, and we took strategic action to ensure the stability of the organisation, not just for this financial year but for years to come. Our sustainability review, grounded in the feedback of our members, means we now have a smaller team but with a stronger focus on the issues that matter most to housing associations. These are outlined in our refreshed business strategy.

A huge amount of work went into securing income during this difficult year. In particular, our Events team adapted our award-winning national conferences into #NHFVirtual, which are performing brilliantly. In addition, we took the unprecedented step of asking our members to make a one-off financial contribution, which gave us the time and space to undertake our sustainability review in a managed and strategic way. Without this we would have needed to take even harder steps to remain financially viable, mainly by reducing the number of staff even more – we are extremely grateful to our members for their support. All staff agreed to a salary reduction of 5% from April 2021, which is a reflection of our ongoing very prudent management of the financial situation.

We finish the financial year with an operating surplus before taking into account the reduction in the valuation of Lion Court (our London office) and changes to the pension deficit valuation, after which we show a loss of £5.9m.

Due to the ongoing impact of the pandemic, hosting in-person events remains under constant review, but we have carefully budgeted to ensure this won't impact our overall finances. We continue to seek ways to improve our reserve position so that we are better able to adapt to future challenges and provide a buffer against the pension deficit valuation changes.

Thanks to the hard work of our members and our staff, we face a future together that is strong and sustainable, allowing us to support housing associations to deliver on a social purpose that is more vital than ever – providing good quality housing that people can afford. Not just now, in the middle of this crisis, but always.

Finally, I'd like to thank the Board for their continuing commitment to the sector and their consistent support during the year.

Diana Warwick, Baroness Warwick of Undercliffe, and Chair of the NHF

2. Highlights

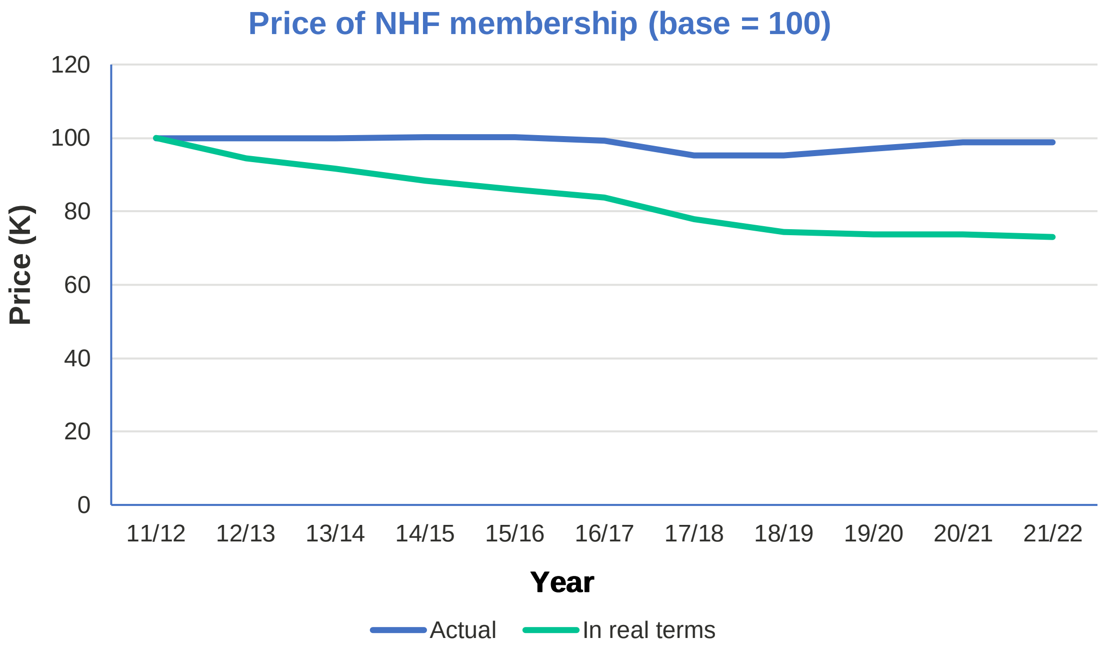
- Underlying surplus in 2020/21 of £893k before taking into account the reduction in the valuation of Lion Court (our London office) and changes to the pension deficit valuation. This was only possible with additional support from our members, staff furlough and salary sacrifices.

- Additional £905k income from one-off voluntary member contributions. At the start of the pandemic we were forecasting a £3m trading deficit due to the effect on commercial income especially events. This one-off financial contribution from our members gave us the time and space to undertake our sustainability review in a managed and strategic way.

- No increase in the price of membership for 2021/22.

- Cumulative 27% real terms price reduction in affiliation fees over ten years, equivalent to a total saving for members of £19.7m

- Affiliation fee for a typical member still 1% below 2011/12.



3. Key figures

	2020/21 £k	2019/20 £k	2018/19 £k	2017/18 £k	2016/17 £k
Turnover	**12,668**	13,318	13,448	13,285	13,976
Change %	**-4.9%**	-1.0%	1.2%	-4.9%	-0.0%
Underlying surplus	**893**	(53)	288	444	456
Net assets	**4,407**	10,376	2,255	11,808	8,753
Net Cash at Year end	**2,768**	1,996	1,629	1,070	3,015

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

The decrease in income this year is due to the effect of the coronavirus crisis on our commercial income. Our Events team adapted our national conferences programme into virtual events, which meant we had to write off some venue deposits and we took the unprecedented step of asking our members to make a one-off financial contribution, without which our income would have been much lower.

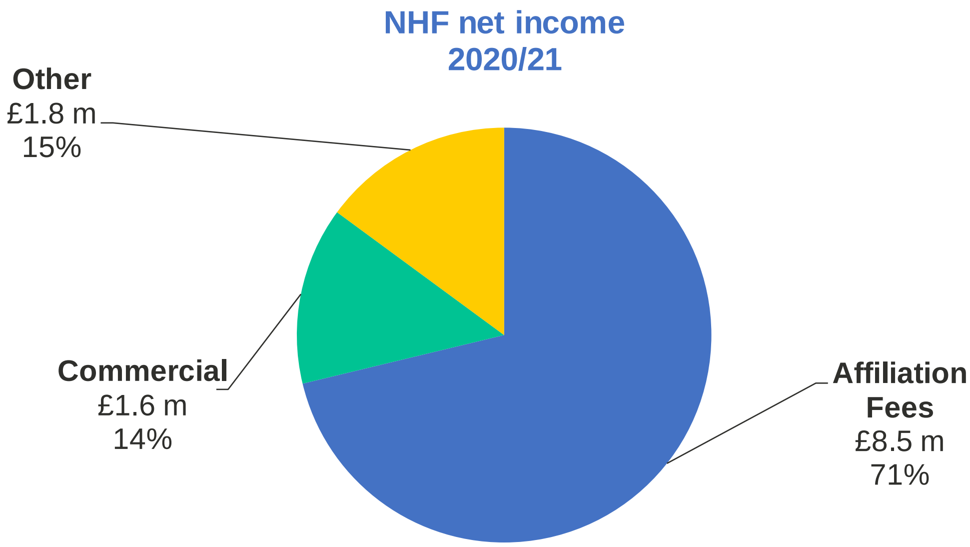
We also took strategic action to ensure the stability of the organisation, not just for this financial year but for years to come. Our sustainability review, grounded in the feedback of our members, means we now have a smaller team and a lower cost base with a stronger focus on the issues that matter most to housing associations.

The valuation of the pension deficit this year was a loss of £7m reversing the previous year gain (£8m). 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 consequence 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. During the year a £3m revolving credit facility was agreed with Lloyds to ensure compliance with the policy.

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



Note, 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 increased in line with CPI in 2020/21 totalling £8.5m, 0.4% above 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. There is no increase in fees for 2021/22.

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.

Additionally this year our members made a one off contribution of £0.9m to help us mitigate the effect of the coronavirus crisis.

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

Net income from commercial services fell due to the coronavirus crisis but contributed £1.64m (compared to £2.29m in 2020).

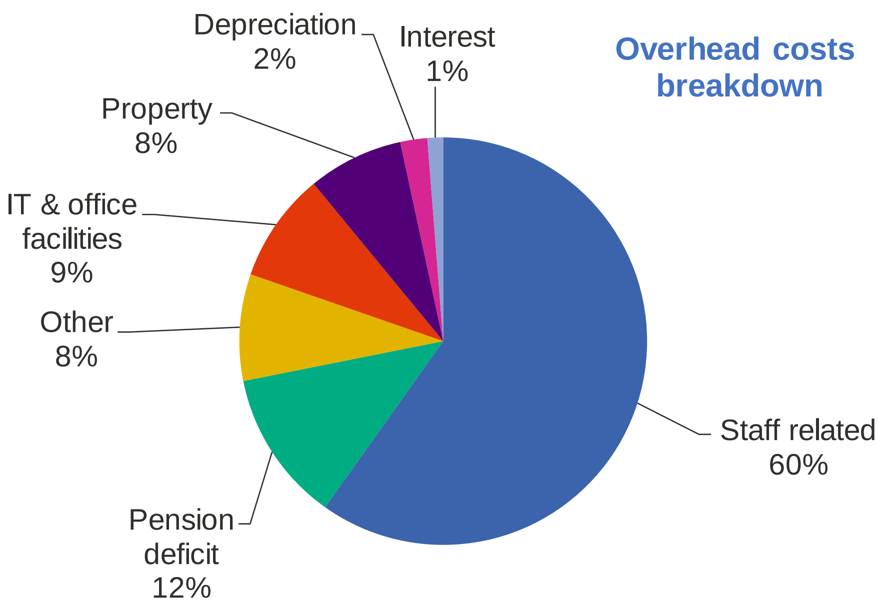
Property rental income was £0.37m (compared to £0.86m in 2020), derived from letting out the floors in Lion Court not used by NHF staff for operational purposes. Both tenants were granted rent forbearances because of the pandemic, which has reduced this income.

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

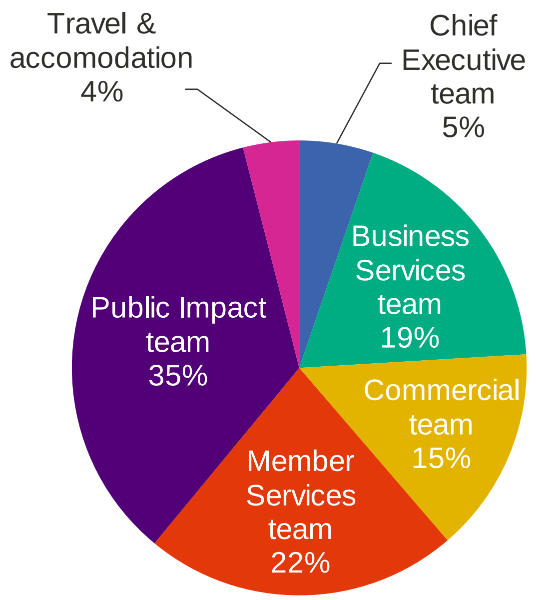
The NHF received sundry income amounting to £1.2m in 2020/21, including £0.4m from the government's Job Retention Scheme. Sundry income also includes VAT recovery, service charge and grant income. Service charge income relates to the management of the floors let out in Lion Court.

5. Expenditure

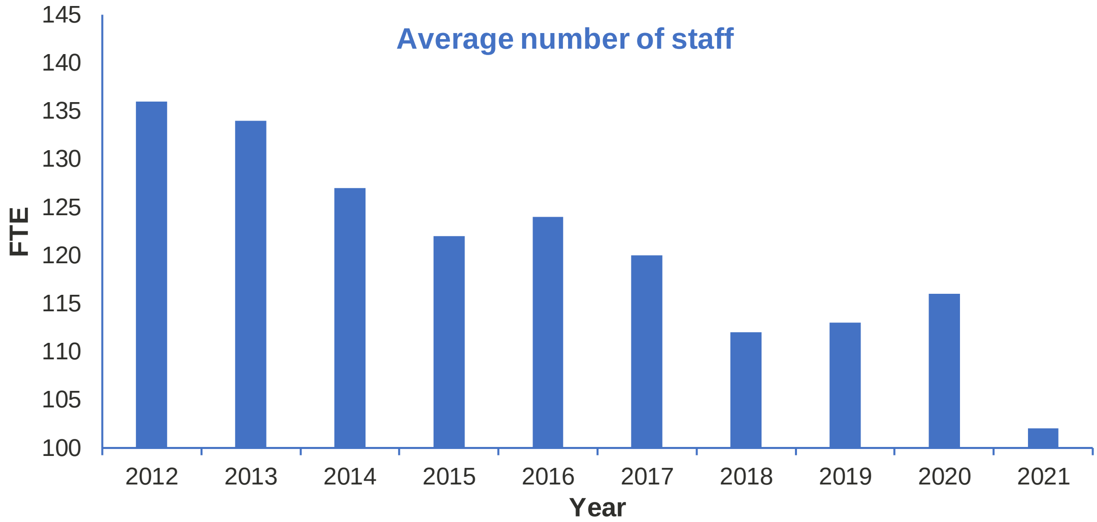
Administrative expenses were £1.8m lower (14%) than the previous year reflecting the cost savings implemented as part of the sustainability review.

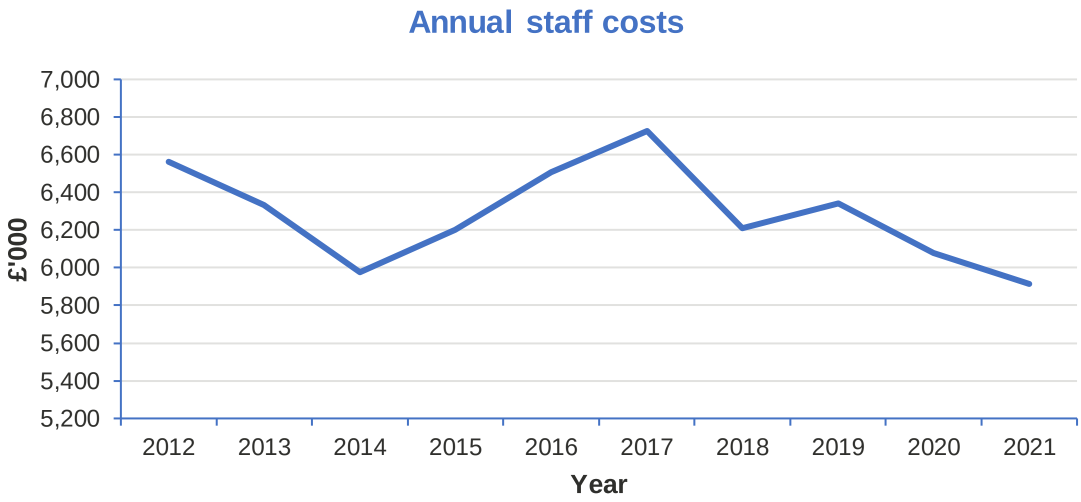


Staff related costs are further split as follows:



The largest proportion of our overhead costs relate to staff, which averaged 102 people during 2020/21. Over the last 10 years the number of full-time equivalent (FTE) staff has reduced by 25%.





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

6. Balance sheet reserves

Reserves at 31 March 2021 were £4.4m, a reduction of £6m, primarily due to the effect of the volatility of the pension deficit valuation which increased by £7.1m.

At 31 March 2021 our main office, Lion Court in Holborn, London was independently valued at £21m (a reduction of £1.2m).

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 reserves have to be realised, both in the short or longer term. During the year a £3m rolling credit facility was obtained to support the reserves policy.

In addition, 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.