

# Financial Review 2012



### Introduction and contents

This is the first year the Federation has produced this Financial Review. It is designed to explain in a straightforward way how the Federation is performing in financial terms, what are its financial objectives, whether they're being met and what are its financial drivers.

This review can be read alongside the Federation's full audited financial statements, and both are available on the Federation's website at [www.housing.org.uk](http://www.housing.org.uk).

The website also provides a wide range of other information on how the Federation provides value for money for its members.

The review contains the following sections:

- Overview and key figures**
- Affiliation fees and membership services**
- Commercial services**
- Other income**
- Expenditure**
- The future**

We would like to answer any questions you have, hear your views on whether you find the review helpful and how you think it might be improved and developed. You can do this through your regular Federation contacts or by contacting:

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## Overview and key figures

The Federation had a successful year in 2011/12, making a profit of £521k which was transferred to reserves. This included an exceptional gain of £290k from VAT, recovered following negotiations with HMRC. This profit compared to a loss of £526k in the previous year, but the latter had included an exceptional cost for organisational restructuring.

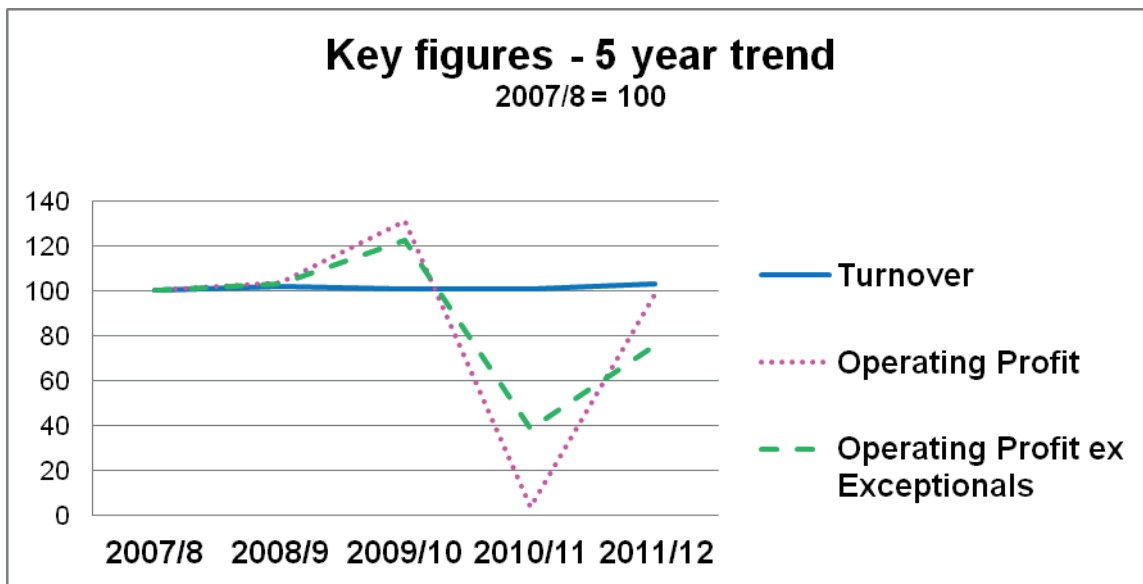
Excluding exceptional items the surplus added to reserves would have been £231k in 2011/12 compared to a £20k surplus the previous year.

Under its reserves policy, the Federation aims to break even so that members pay each year for the level of services they receive. As shown in the following five-year summary, usually we do better than budget and make a profit – which unless specifically decided otherwise by the board, is added to reserves.

At the end of the year the Federation had £2.3m in cash primarily from members paying their 2012/13 affiliation fees prior to 1 April. Cash balances peak during the first quarter of the financial year as the remainder of affiliation fees are paid. Looking at outstanding membership fees and other debtors on a monthly basis, the Federation's cash collection performance has improved significantly in recent years.

<b>Key figures - 5 year summary</b>					
	<b>2007/8</b>	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	£k	£k	£k	£k	£k
<b>Turnover</b>	14,113	14,375	14,195	14,246	14,563
<b>Change %</b>	5.9%	1.9%	-1.3%	0.4%	2.2%
<b>Operating profit</b>	1,036	1,076	1,356	36	1,019
<b>Profit after tax</b>	318	507	810	-526	521
<b>Net cash at year end</b>	450	2,200	3,606	2,646	2,324

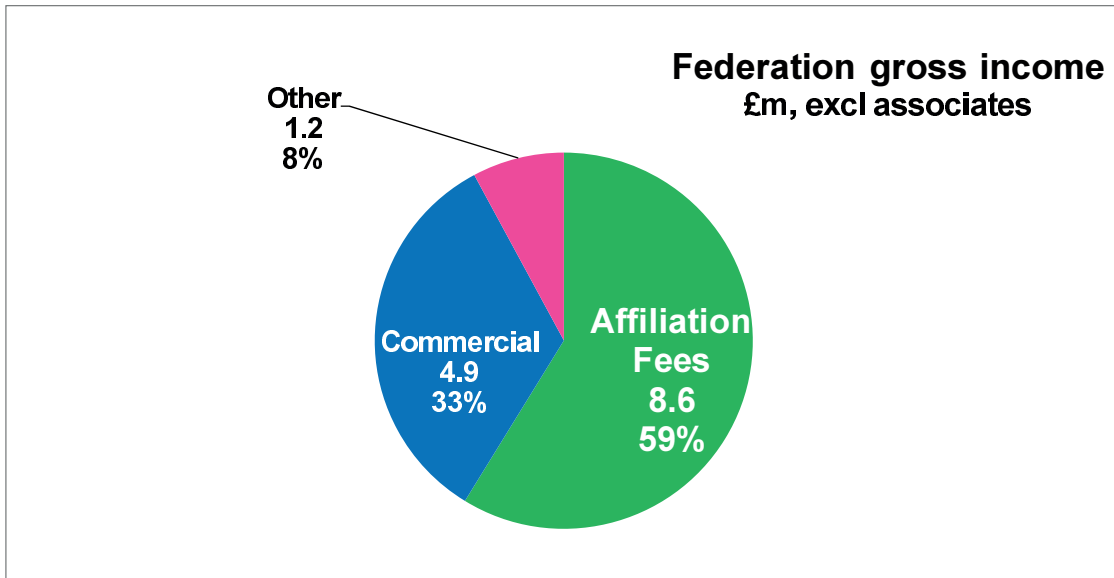
Over the past five years the Federation's turnover has risen gradually, whilst profit has been more variable as a result of the exceptional items mentioned above.



More explanation of the key drivers for income and costs are given in the rest of this review.

## Affiliation fees and membership services

About 60% of the Federation’s income is derived from the annual affiliation fees paid by our members. This totalled £8.6m in 2011/12.



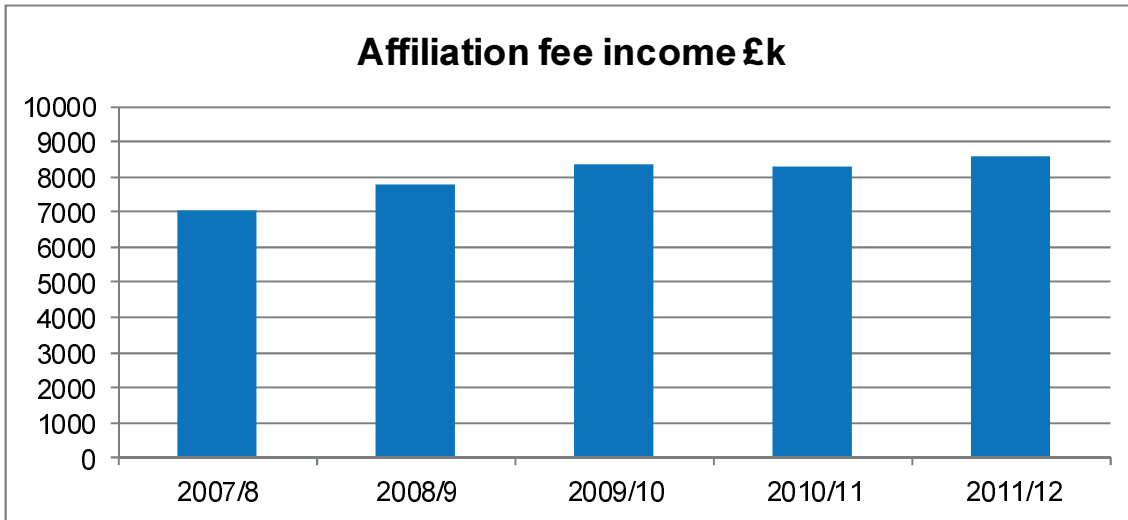
The figures over the past five years are as follows.

	2007/8	2008/9	2009/10	2010/11	2011/12
	£k	£k	£k	£k	£k
<b>Affiliation Fee Income</b>	7,077	7,806	8,358	8,321	8,607
<b>Change %</b>	6.5%	10.3%	7.1%	-0.4%	3.4%

The annual changes in affiliation fee income result from changes in Federation member numbers and the level of fees charged.

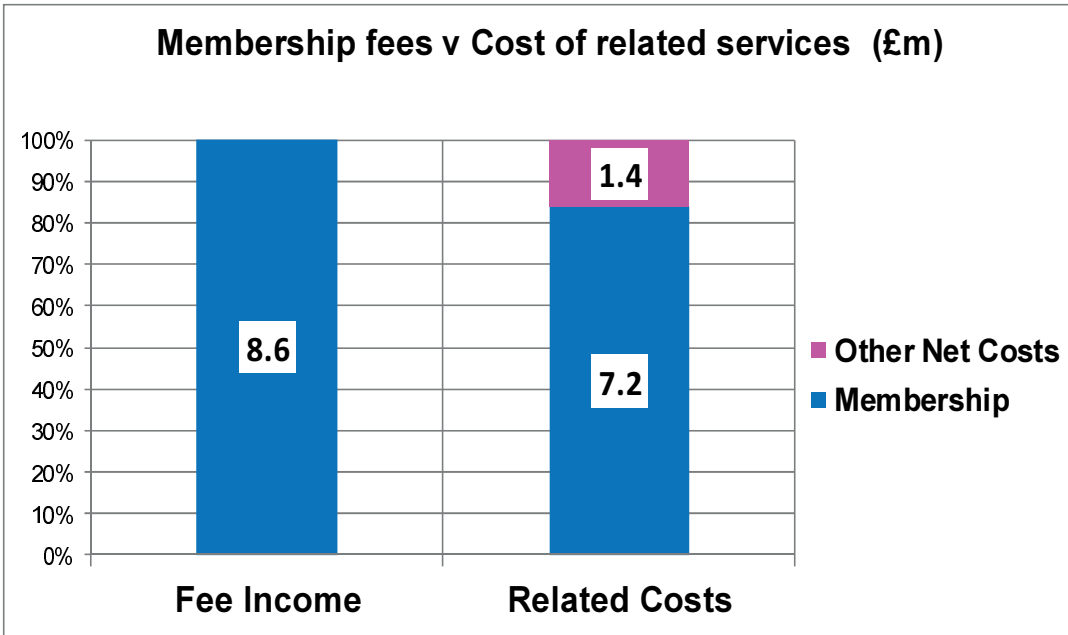
Currently virtually all English housing associations are Federation members including some that have joined after changing from ALMOs into housing associations.

Up until 2009/10 Federation affiliation fees were linked to the formula applied to the social rents charged by housing associations which is RPI plus 0.5%. Since then the Federation has restricted the overall increase in fee levy. In 2011/12 fees increased by 2% and for the current year 2012/13, they were frozen. This will mean a real reduction in the overall fee levy of 8.4% over two years.



In return for their affiliation fees members receive a range of core services which are free at the point of delivery. The key services are lobbying, campaigning and advice. Allied to this are member engagement and communication.

Around 83% of affiliation fee income was spent on these services in 2011/12, the balance being spent on support costs partly offset by contribution from our commercial activities.

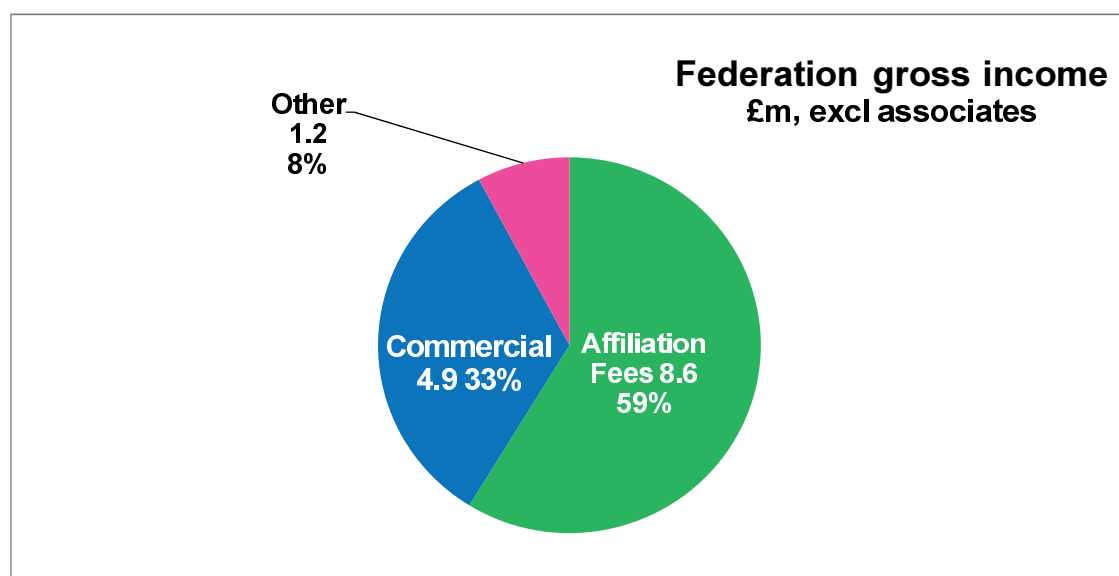


## Commercial services

The bulk of the Federation's income, other than from member affiliation fees, comes from our commercial services. They provide valuable support to members and play an important role in the Federation's lobbying and campaigning, but are paid for at the point of delivery by both members and non-members. Members pay a reduced rate.

Commercial activities include running conferences/exhibitions, our conference centre at Lion Court in London and training courses. We also sell publications, generate commission from business partners and receive income from HouseMark (which is 49% owned by the Federation) and provide a variety of business support services primarily to organisations working in the housing sector.

Around one third of the Federation's income comes from commercial services.

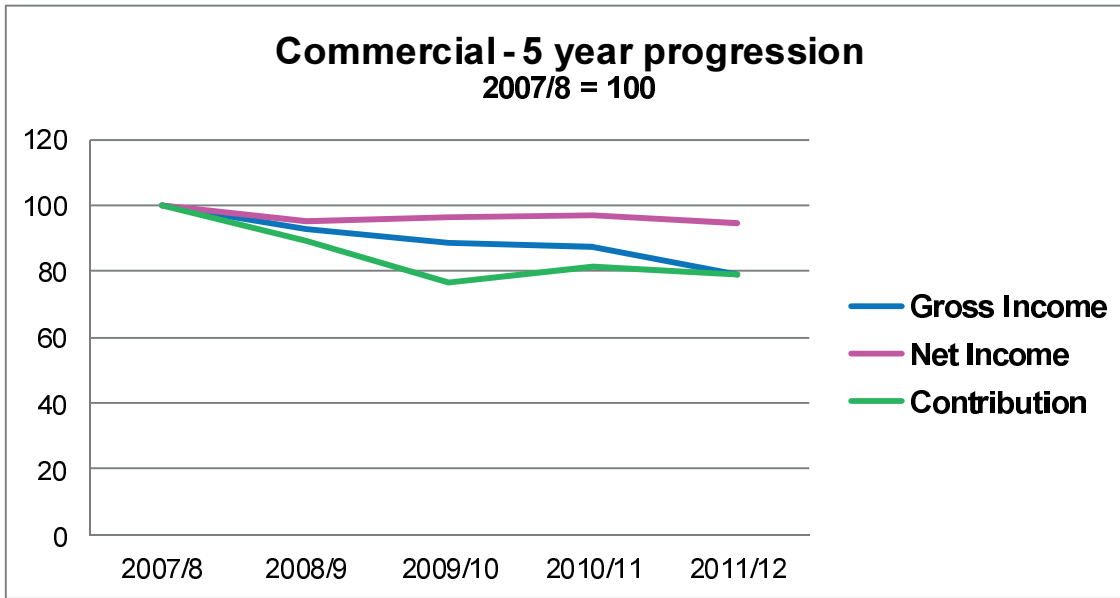


In 2011/12 commercial services contributed £1.8m and made a profit after being charged with its share of overhead costs. These activities generated sufficient cash to cover all the Federation's running costs other than the costs of our staff and related membership services.

Economic conditions have been difficult over recent years for commercial services, but income and contribution have held up well.

A summary of key figures for our commercial activities is as follows.

Commercial activities	2007/8	2008/9	2009/10	2010/11	2011/12
	£k	£k	£k	£k	£k
<b>Gross income</b>	6,188	5,739	5,465	5,395	4,889
<b>Net income</b>	3,081	2,930	2,967	2,997	2,914
<b>Contribution</b>	2,279	2,036	1,747	1,857	1,805





## Other income

The Federation received other income amounting to £1.2m in 2011/12.

Apart from the exceptional VAT recovery highlighted in the first section, Overview and key figures, the key elements of this were grant income and cost recoveries. Typically this income covers services which members receive free, such as support around the Government's worklessness agenda, or other specified activities ancillary to the Federation's core activities, such as hosting a support structure for Community Land Trusts. These services are only provided if the income covers the costs of provision.

The Federation also has to account for its 49% share of HouseMark's retained profits, in addition to the annual payment which it receives from HouseMark (see Commercial Services section).

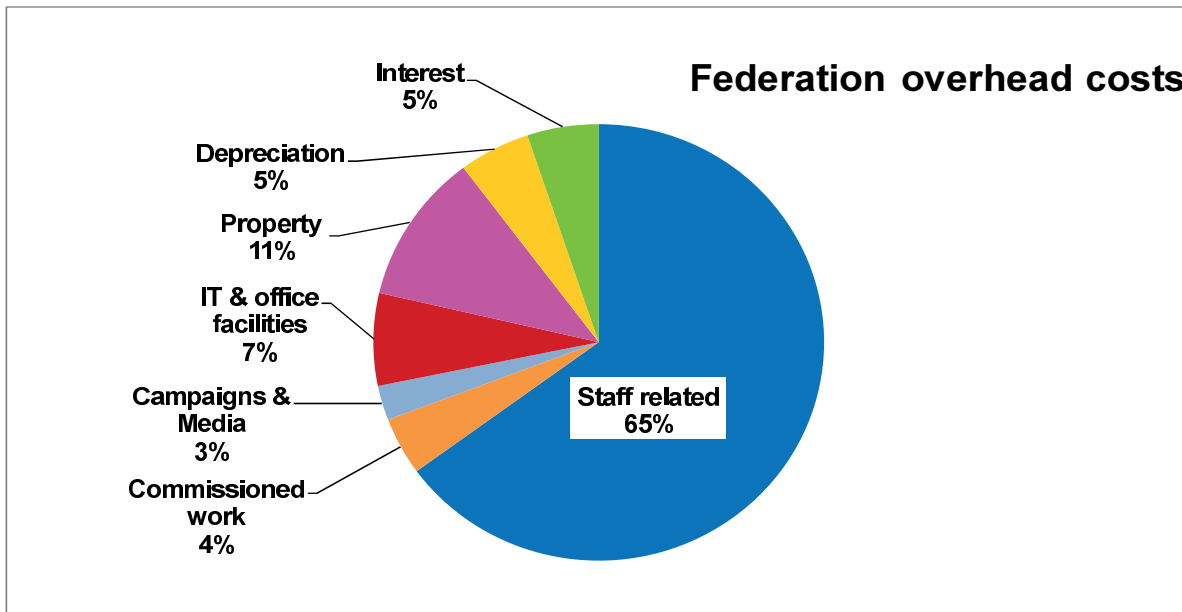
In 2011/12 our share of HouseMark's retained profits was £2k compared to £131k in the previous year. This results from HouseMark investing in business development to support its own future profitability.

## Expenditure

In 2011/12 the Federation's costs totalled £14.7m.

Of these, £3m were direct costs associated mainly with generating commercial income. These included such items as hiring space for our own conferences, publications materials and contractor costs for running our own conference centre at Lion Court in Holborn, London, which occupies the same building as our own staff.

The balance of £11.7m related to indirect or overhead costs which were split as follows.



## The future

The Federation will continue to balance its books by budgeting for a break even result and aim to outperform by making a profit and exceeding budget.

We recognise the need to demonstrate that the Federation is providing value for money and will continue to improve the financial information available.

Following our recent Business Strategy Review we are introducing, from 1 April 2013, a new, fairer, simpler and transparent method for calculating member fees, together with a mechanism to deliver to members further real reductions in average fee levels over the next three years. More details are being provided at our AGM on 17 September 2012 and prior to the issue early in 2013 of affiliation fee invoices for 2013/14.

Like our members we recognise the need for further cost control and efficiencies as a key element in providing value for money. As an important element in this, and again arising from our Business Strategy Review, we are currently agreeing a property strategy recognising that this is our biggest cost category other than staff.

**The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford.**

That's why we represent the work of housing associations and campaign for better housing. Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

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