

**NATIONAL
HOUSING
FEDERATION**

Financial Review 2013



Introduction

This Financial Review is designed to explain, in a straightforward way:

- how the Federation is performing in financial terms
- what our financial objectives are and whether they're being met, and;
- what our financial drivers are.

This review is intended to be read alongside the Federation's full audited financial statements, and both are available on our website at www.housing.org.uk. The website also provides a wide range of other information on how we provide value for money for our members.

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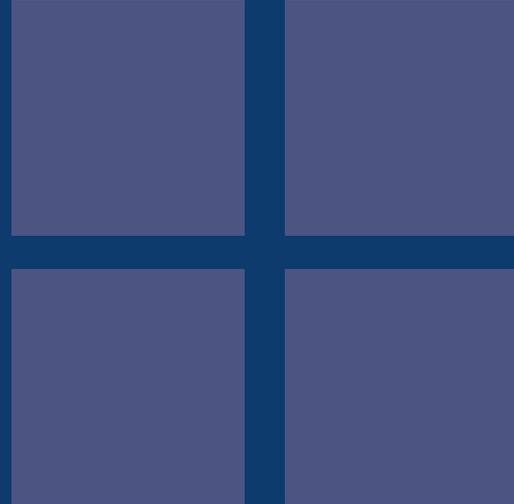
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We would like to answer any questions you have, hear your views on whether you find the review helpful and how you think it might be improved and developed. You can do this through your regular Federation contacts or by contacting:

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2012/13 highlights

- £525k surplus for the year
- 8.4% real reduction in affiliation fees over two years
- Commitment to further reduce fees in real terms over the next three years to deliver around 20% real reduction over five years
- Successful introduction of a simpler and more transparent way to calculate fees
- Increased contribution of £1.9m from commercial services
- Further exceptional recovery of VAT, total to date £430k
- Property strategy to generate over £600k p.a. future additional income
- Overhead costs down by 0.9%
- Strong cash position



Key figures – Five-year summary

	2008/9 £k	2009/10 £k	2010/11 £k	2011/12 £k	2012/13 £k
Turnover	14,375	14,195	14,246	14,563	14,382
Change %	1.9%	-1.3%	0.4%	2.2%	-1.2%
Operating profit	1,076	1,356	36	1,019	964
Surplus	507	810	-526	521	525
Surplus excluding exceptionals	507	810	20	231	325
Net cash at year end	2,200	3,606	2,646	2,324	4,412

The Federation had another successful year in 2012/13, making a surplus of £525k which was transferred to reserves. This included a further exceptional gain from VAT, recovered following negotiations with HMRC.

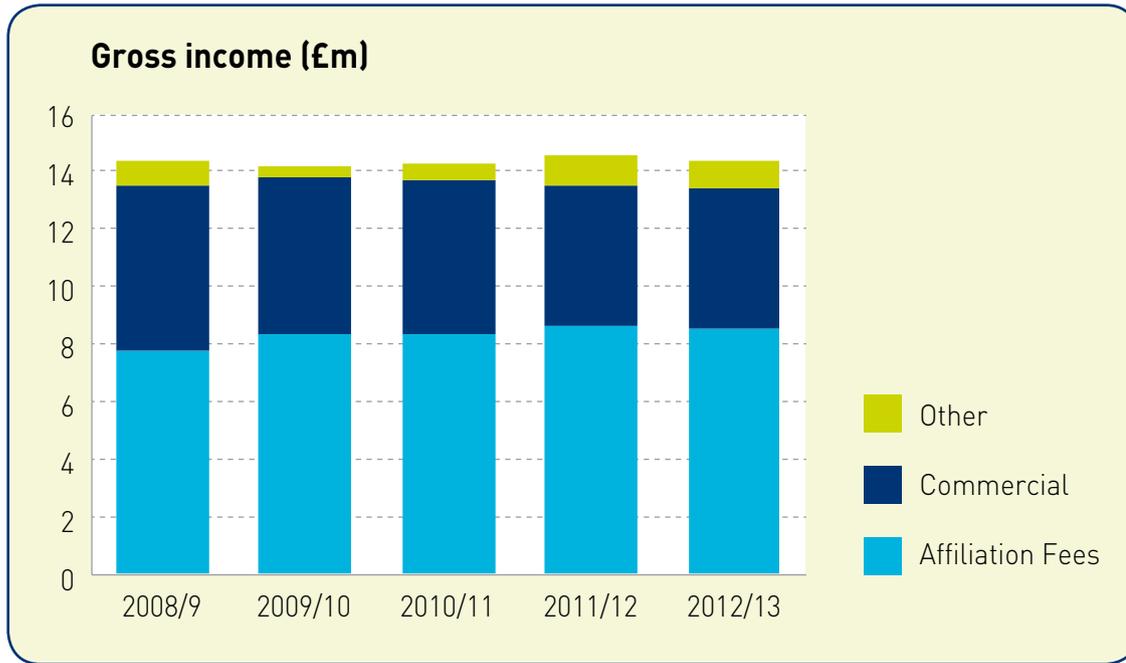
Excluding exceptional gains the surplus added to reserves would have been £325k in 2012/13, equivalent to 2% of turnover, compared to £231k in the previous year.

Under our reserves policy, we budget to break even so that our members pay each year for the level of services they receive. We aim to do better than budget and make a small surplus, which unless specifically decided otherwise by the board, is added to reserves.

Over the past five years turnover has been static as we have restricted increases in fees.

At the end of the year the Federation had cash of £4.4m (£2.3m at the end of 2011/12), primarily from members paying their 2013/14 affiliation fees prior to 1 April. We have been very pleased at member reaction to our new, clearer basis for levying fees and are grateful to members for paying their fees so promptly. This meant we could avoid dipping into our overdraft facility at the seasonal low point in our cash flow in February.

Income



About 60% of the Federation's gross income is derived from the annual affiliation fees paid by our members. This totalled £8.6m in 2012/13.

Apart from member affiliation fees, the bulk of our income comes from our commercial services. This totalled £4.8m in 2012/13.

Over the past five years total income has remained around the same level as fees have reduced in real terms and the economic environment has been difficult for commercial services.

Affiliation fees

Fee income over the past five years is as follows:

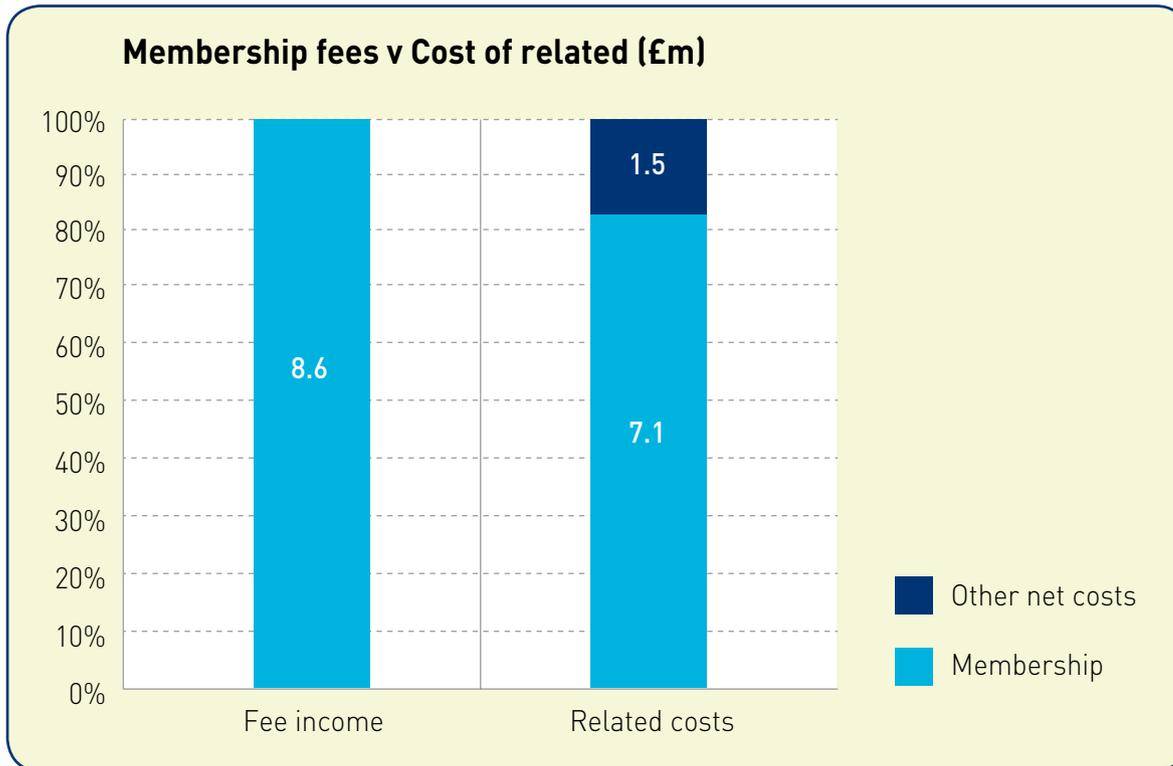
	2008/9 £k	2009/10 £k	2010/11 £k	2011/12 £k	2012/13 £k
Affiliation fee income	7,806	8,358	8,321	8,607	8,579
Change %	10.3%	7.1%	-0.4%	3.4%	-0.3%

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 we have restricted the overall increase in fee levy. In 2011/12, fees increased by 2%, and for 2012/13 they were frozen. This represents a real terms reduction in the overall fee levy of 8.4% over two years.

Membership



In return for their affiliation fees, members receive a range of core services. The key services are our policy work, lobbying, and media and campaigns work.

Around 82% of affiliation fee income was spent on these services in 2012/13.

Other net costs consist of property, finance and support costs partly offset by contribution from our commercial activities.

Commercial services

Commercial services provide valuable support to members and play an important role in the Federation's lobbying and campaigning. These are paid for at the point of delivery by both members and non-members, with members paying a reduced rate.

Commercial activities include running conferences/exhibitions and our conference centre at Lion Court in London. We also sell publications, generate commission from business partners and receive income from HouseMark (49% owned by

the Federation) which provides a variety of business support services primarily to organisations working in the housing sector.

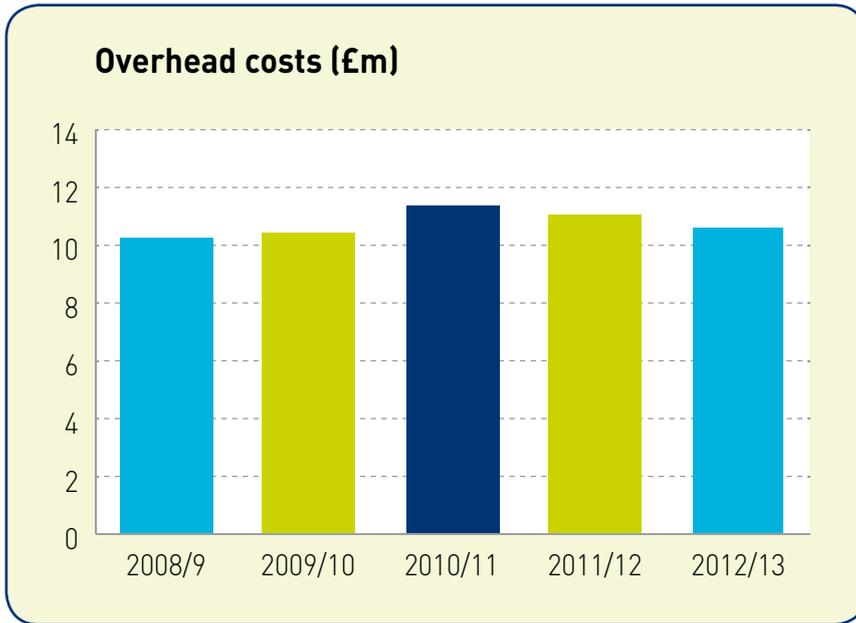
A summary of key figures for our commercial activities is as follows:

	2008/9 £k	2009/10 £k	2010/11 £k	2011/12 £k	2012/13 £k
Gross income	5,739	5,465	5,395	4,889	4,806
Net income (after direct costs)	2,930	2,967	2,997	2,914	2,920
Contribution	2,036	1,747	1,857	1,805	1,930

Around one third of the Federation's income comes from commercial services. In 2012/13 these made a contribution to general overheads of £1.9m after covering related costs.

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

Expenditure



In 2012/13 the Federation's costs totalled £13.9m. Of these, £2.5m 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.

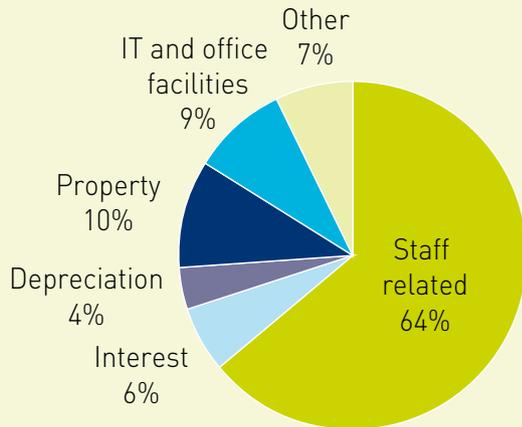
The balance of £11.4m relates to indirect or overhead costs. These were 0.9% lower than the previous year.

Over the past five years overhead costs have been controlled so that the Federation has made small surpluses as outlined above in line with its financial objectives.

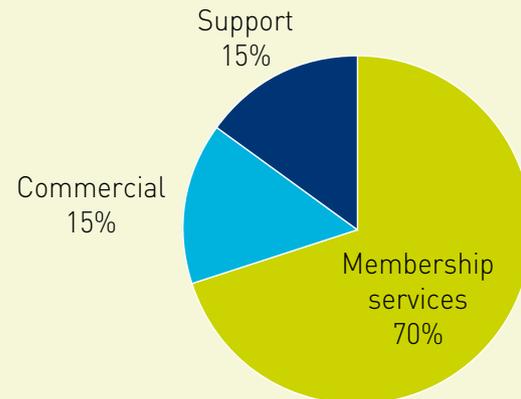
The largest proportion of our overhead costs relate to staff.

We employ around 130 staff. Around 70% of staff deliver member services, a further 15% generate commercial income and the remainder provide support services.

Overhead costs breakdown



Staff breakdown



Other income

The Federation received other income amounting to £1.0m in 2012/13.

Apart from the exceptional VAT recovery highlighted previously, 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 future

The Federation will continue to aim to balance its books by budgeting for a break even result and outperform by making a small but not excessive surplus.

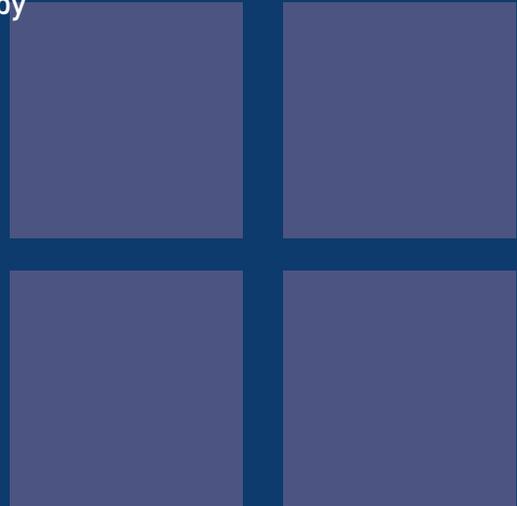
We have committed to increase overall member fee levels by no more than RPI minus 3%, with a zero increase floor, which should deliver a real saving in fees of approaching 20% over a five-year period.

We recognise further cost control and efficiencies as a key element in providing value for money.

Following our Business Strategy Review, we carried out a comprehensive review of our own property requirements. As a result we will be reducing the space we occupy in Lion Court to increase the return we can make from the remainder by over £600k. This will help

offset the increase in SHPS pension deficit contributions which we have borne since 1 April 2013 and enable us to deliver the real terms reduction in fees which we have promised.

We will continue to improve the financial information available to members.



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.

National Housing Federation

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