

NIFHA 2019

SECTOR GLOBAL ACCOUNTS

Global Accounts for
Northern Ireland
Housing Associations

December 2019

Great Homes,
Thriving Communities


pwc


NIFHA



NIFHA would like to thank Martin Cowie for his work in preparing the 2019 Sector Global Accounts. We appreciate the valuable contribution PwC is making to the sector in providing these consolidated accounts and analysis.

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Wendy Austin with: Jon Lord, Chair of Greater Manchester Housing Providers, Dr John McPeake, Chair of NIFHA, Ben Collins, Chief Executive of NIFHA, and Tracy Meharg, Permanent Secretary at the Dept. for Communities, launching the Benefits to Society NI initiative at NIFHA's Annual Conference in October.

Introduction

While there are many headwinds facing our sector, we continue to show resilience to deliver for those who need homes, support and who want to live in thriving communities.

This is the eighth year of NIFHA's partnership with PwC in producing these accounts. NIFHA is grateful to Martin Cowie and Helena Kelly of PwC for their extensive work in preparing the 2019 Sector Global Accounts. We believe that this is an informative source of financial information on a vibrant and important sector. The analysis in this report is based upon the audited accounts of housing associations. Where there is a group structure with a subsidiary association, the group accounts have been used.

Northern Ireland has now been without a functioning government for more than 1,000 days and, as a result, many of the challenges which were highlighted last year remain in place. Along with our colleagues in the wider housing and construction sectors, we continue to focus on delivering for those who need our help. In addition to this social purpose, we continue to provide a significant economic return for Northern Ireland. At a time when the construction industry has struggled due to the political impasse at Stormont and a negative outlook in the private sector, due in large part to the uncertainties caused by Brexit, housing associations have continued to build homes.

These accounts show the extent of this positive impact and how we continue to grow as a sector despite these multiple challenges. One clear way in which this progress is evidenced is the £4bn of assets which the sector now holds.

It is important to recognise the constructive role which continues to be played by the civil servants in the Department for Communities and elsewhere in the NI Executive. In addition to the NI Housing Executive, they are working in partnership with our sector, to deliver as best as possible in constrained circumstances without government ministers.

There are several deadlines looming which could have a significant impact on our sector's ability to deliver the homes and services which our tenants need. The reclassification of housing associations as public sector bodies still needs to be reversed in Northern Ireland. There are arrangements in place with HM Treasury which enable our sector to continue to use private finance. This will end in March 2020 unless the necessary legislation is passed or the current arrangements are extended. In addition to the uncertainty, this situation is already having negative repercussions, as housing associations are no longer able to access Financial Transactions Capital until the reclassification issue is resolved.

The current welfare mitigations are also due to end in March 2020. Unless these are extended, housing association tenants will see a significant increase in housing costs. The legislation to extend these mitigations and reverse reclassification has been drafted and, while we want to see the return of a fully functioning Northern Ireland Assembly, these issues cannot be left unaddressed. We therefore continue to press for Westminster to pass these two pieces of legislation as soon as possible.

2019

SECTOR
GLOBAL
ACCOUNTS



2,697

new homes completed
(including Co-Ownership)

£359^m

annual
turnover

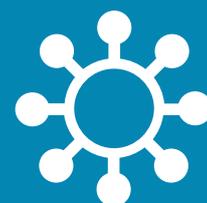


1,682

new social
homes completed

53,167

homes managed



1,015

new homes provided
through Co-ownership

8.39%

increase in
turnover



While there are many headwinds facing our sector, we continue to show resilience to deliver for those who need homes and support, and who want to live in thriving communities.

“

3,214

total staff



5.3%

increase in number
of homes provided



The Year in Numbers



£1.153^{bn}
total borrowing
invested

1,786
new homes
started



29.5%
gearing

£76.6^m
operating
surplus



£78.15
average weekly
rent

11.8%
increase
operating surplus



7.5%
increase
operating costs

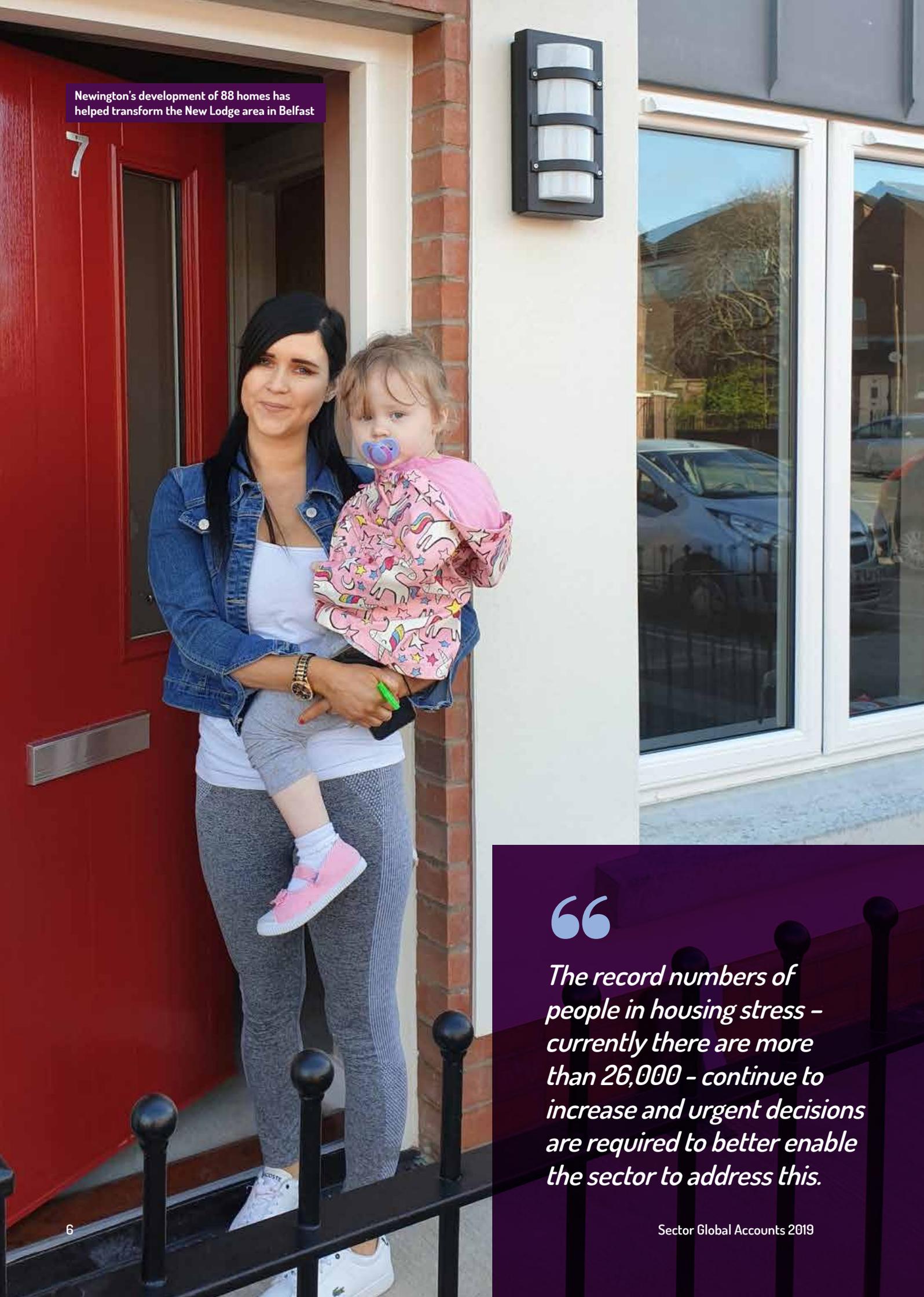
There are several deadlines looming which could have a significant impact on our sector's ability to deliver the homes and services which our tenants need.



£25,436
average remuneration



Newington's development of 88 homes has helped transform the New Lodge area in Belfast



“

The record numbers of people in housing stress – currently there are more than 26,000 – continue to increase and urgent decisions are required to better enable the sector to address this.



53,167

homes provided



£4+bn

total assets



8.39%

increase in turnover

Sector overview and key developments

Housing associations completed 1,682 new homes during the year and Co-Ownership brought 1,015 homes into use through their products. Despite the challenging market conditions and continued absence of regional government, the sector remains resilient. This is evidenced by the more than £4bn of assets which our housing associations now hold.

We have operated for another year without a functioning Northern Ireland Assembly and NI Executive. As a result, the problems which already existed have continued to create headwinds. The urgent need for substantial investment in water infrastructure is creating additional problems for development, as existing infrastructure reaches maximum capacity in parts of the region, limiting new housing in certain areas.

The challenges which the sector faced in the previous year remain, with the addition of the impending end of the welfare mitigations. Unless the necessary legislation is passed, these mitigations will end in March 2020. As a result, our tenants will see a significant increase in housing costs, at a time when we are already seeing arrears rise rapidly due to the roll-out of Universal Credit. Housing associations are continuing to invest in resources to provide welfare advice for their tenants.

Our sector continues to operate as the only part of the UK where the reclassification of housing associations has not been reversed by legislation. There is cross-party support for this to be passed and the UK Government has given assurances that this would be done. In the interim housing associations are not able to access FTC (Financial Transactions Capital) unlike the rest of the UK.

The record numbers of people in housing stress – currently there are more than 26,000 – continue to increase and urgent decisions are required to better enable the sector to address this. We continue to call for the introduction of a multiyear development programme, rather than the current annualised one. Market conditions are challenging as the wider construction sector is having to deal with ongoing uncertainty provided by Brexit, lack of new public sector projects and private sector sentiment falling. This has only increased the importance of the housing association sector and its development work to the Northern Ireland economy.

The Supporting People programme continued to operate with a 5% cut to accommodation-based services, (equivalent to £3m out of an overall budget of £72.8m) despite increasing need. At the end of the financial year we welcomed the call by the

NI Housing Executive for an increase in funding for Supporting People for the 19-20 year. However, this request was turned down by the Department for Communities. There is still a lack of HAG (Housing Association Grant) for both supported and sheltered housing, despite growing need. While we understand that finances are constrained, investment in Supporting People and appropriate housing for those with complex needs saves the public purse elsewhere.

Local councils have continued to bring forward their draft Local Development Plans. It has been pleasing to see the widespread recognition of the importance of housing to their ambitious growth plans. This is particularly important, as the sector has progressed with its focus on mixed tenure and mixed use developments.

Our €1.1m Housing Associations Integration Project, funded through Peace IV by the Special EU Programmes Body, is ongoing. NIFHA, as lead partner, is working with four housing associations (Apex, Choice, Clanmil and Radius), the Irish Council for Social Housing and TIDES Training, to deliver this across 40 neighbourhoods. We are hopeful about this being a template which can be used to secure a Peace+ project in the future which could be open to a greater number of associations.



While we understand that finances are constrained, investment in Supporting People and appropriate housing for those with complex needs saves the public purse elsewhere.

Update from the Regulator

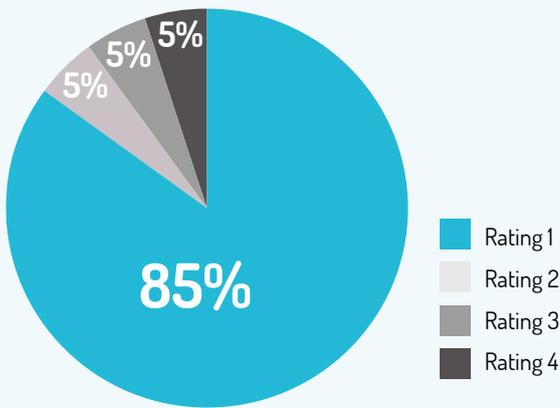
The Department for Communities (DFC), as the Regulatory Authority for Registered Housing Associations in Northern Ireland, has completed the first formal year of Regulatory Judgements covering 2017/2018. The revised Regulatory Framework was introduced in April 2017 and brought significant change for Registered Housing Associations and their Boards.

Housing Regulation Branch reviewed and assessed all Regulatory Standard Annual Returns and published Regulatory Judgements and Key Performance Reports.

The Regulator will be looking for evidence that four key areas are being addressed in the assessments for 2018/19:

- Voice of the tenant being heard by the Board
- Sector efforts to respond to Anti-Social Behaviour
- Sector efforts to provide everybody with 'a place to call home', and
- Meaningful value for money (VFM) information from VFM statements.

Regulatory Judgements



Registered Housing Associations are required to articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting organisational objectives. This includes having appropriate targets in place for measuring performance in achieving value for money and for regularly monitoring and reporting their performance against these targets.

The Regulator welcomes the development of a sector scorecard covering a range of performance measures, which at the same time enables associations to develop other targets when it is appropriate to do so. These measures should be incorporated into a VFM statement and form one part of the broader assessment of performance.

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Despite the challenging market conditions and continued absence of regional government, the sector remains resilient. This is evidenced by the more than £4bn of assets which our housing associations now hold.

Apex Housing's Mountain View scheme is the first new build social housing development in Castlewellan in 30 years.





Carleen, a member of Choice's Financial Inclusion team, pictured helping a tenant

Operating & Financial Review

Do the public realise how important the housing association sector is to the economy of Northern Ireland? Despite the political uncertainty around Stormont and Brexit and the rising costs of land and labour, the sector has continued to perform strongly over the last 12 months. The construction sector in Northern Ireland has slowed down in 2019, however ongoing construction of housing association stock has been a key driver in limiting the impact of the slowdown.

Housing associations own and manage 53,167 homes, representing an increase of 5.3% on 2018. The sector directly employs 3,214 full time equivalent (FTE) staff. It is estimated that for each person employed, up to 1.5 FTE jobs are supported in the Northern Ireland economy (based upon a similar analysis for Wales)

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The sector continues to generate a strong operating surplus, with £76.6m generated in 2019 compared to £68.5m in 2018, which is a fantastic achievement.



Consolidated Income & Expenditure Account

| | 2019 / £000 | 2018 / £000 | 2017 / £000 | Variance 18-19 / % |
|-----------------------------|----------------|----------------|----------------|--------------------|
| Turnover | 358,924 | 331,147 | 311,586 | 8.39% |
| Operating Costs | (282,302) | (262,611) | (247,231) | 7.50% |
| Operating Surplus | 76,622 | 68,536 | 64,355 | 11.80% |
| Profit on Sales of Assets | 1,094 | 1,294 | 1,670 | (15.45%) |
| Interest Receivable | 583 | 605 | 531 | (3.51%) |
| Interest Payable | (32,543) | (32,150) | (31,715) | 1.22% |
| Other Costs | (6,228) | (4,196) | (3,295) | 48.43% |
| Surplus for the Year | 39,528 | 34,089 | 31,546 | 15.96% |

The aggregate operating surplus for the year ended 31 March 2019 is £76.6m, representing an increase of 11.8% on the previous year. Turnover stands at £359m compared to £331m in 2018. This extra turnover is the direct result of there being an extra 2,697 more homes available for rent or shared ownership in the year.

The growth in new homes has helped drive the increase in revenue but has also impacted on operating costs which have risen by 7.5% on the previous year. The sector continues to keep a tight handle on the majority of operating costs, however wages and salaries costs continue to increase at a faster pace than inflation.

The ratio of operating costs to turnover has remained fairly steady, at 78.65% in 2019 (2018: 79.35%), resulting in a small increase in the operating margin for the sector of 21.35% (2018 – 20.70%).

Total staff remuneration, including employers NIC and pension contributions is one of the main drivers of cost and they have increased 7.6% from the previous year to £81.8m.

There is a small increase in staff numbers of just under 1%, however average staff remuneration has increased by 9.2% following the 7.61% increase in 2017 and this should be an area of focus for the sector going forward. Pension costs have stabilised in the year at £9m following the 75% increase in costs experienced in 2018.

The sector continues to be a major employer in Northern Ireland, contributing over £82m (2018: £76m) in wages and salaries directly into the local economy, excluding pension contributions. This represents a total contribution of £228m over the last three years. As previously mentioned, the sector is seeing a rising trend in average salaries as the associations grapple with challenges in recruiting and retaining staff in Northern Ireland which is experiencing record employment levels.

The sector again delivered a positive return, with the ratio of operating surplus to total assets less current liabilities of 0.98% in 2019, albeit this has decreased from the returns of 1.80% experienced in the previous two years.



2,697
new homes

£82m
wages & salaries



£4,023k
decrease in pension liability



The ongoing ability of the sector to maintain a positive rate of return is admirable in a year that witnessed increased operating costs, particularly wages and salaries costs, while at the same time continuing to significantly invest in additional properties. The main driver is the ongoing success the sector has of developing additional properties generating increased revenues at a rate faster than the increase in operating costs. There were 2,697 additional homes in 2019 compared to 1,419 in 2018. These have thereby generated income whilst relieving the pressures of the increased operational costs.

As development in housing continues, with demand rising annually, the associations have met government targets for new housing by utilising their asset base to support increased private borrowing. The sector witnessed a net £274m of new homes brought into use during the year which is an investment of more than £0.5bn over the last two years.

What is particularly pleasing is that, although the sector has again invested significantly in housing stock in the year, there is only a slight increase of £0.4m in net interest payable costs in the current year, at £32.5m compared to £32.1m last year. This highlights that housing associations continue to procure new sources of finance efficiently and are actively monitoring their debt portfolios.

Average borrowing from the private sector is currently obtained at an interest rate of around 3.5%, and the ever present challenge for the sector is matching the need for long term funding with the ability of funders to offer long term money at competitive rates.

Gearing (borrowing / total assets less current liabilities) is at 29.5% which continues the trend of increasing over the last four years and compares to gearing of 22.8% in 2016. This is due to a continued drive across the sector and the majority of the individual housing associations to partly fund the expansion in housing stock through external borrowings. As we highlighted in the 2018 report, there is still further capacity for the sector to borrow for future developments, however we have noted that more individual housing associations are expanding their housing stock compared to 2018, which is a positive development for the sector.

The proportion of turnover required to meet interest payments has consistently decreased over recent years from 11.1% in 2016 to 9.1% in 2019.

The sector continues to generate a strong operating surplus with £76.6m generated in 2019 compared to £68.5m in 2018 which is a fantastic achievement. In 2019, only one housing association reported a deficit compared to two in 2018. However, it is important that the sector continues to focus on generating and maintaining an operating surplus which is critical to fund the ongoing sustainability and continued growth within the sector.

It is clear that the sector is in a rude state of health and that strength relative to size and activity now resides across nearly all of the associations that comprise the sector in Northern Ireland. One point of caution however is that, while the sector continues to generate strong operating cash flows with more than £239m generated over the last 3 years and £79.2m in 2019, the ongoing significant investment in housing has led to a significant reduction in cash levels, with a net cash outflow of £39.2m in the year and £117m over the last three years.

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The construction sector in Northern Ireland has slowed down in 2019, however ongoing construction of housing association stock has been a key driver in limiting the impact of the slowdown.

Cashflow Analysis

| | 2019 / £'000 | 2018 / £'000 | 2017 / £'000 | Variance 18-19 / % |
|---|------------------|------------------|------------------|--------------------|
| Reconciliation of Operating Profit to Cashflow | | | | |
| Operating Surplus | 68,897 | 66,898 | 64,355 | 2.99% |
| Depreciation | 62,476 | 60,253 | 67,512 | 3.69% |
| Grant Amortisation | (44,625) | (43,952) | (46,059) | 1.53% |
| Movement in Debtors | (14,794) | (1,328) | (4,686) | 1014.14% |
| Movement in Creditors | 10,091 | (2,306) | 6 | (537.59%) |
| Other Adjustments | (2,669) | (1,430) | 456 | 86.65% |
| Movement in Inventories | (209) | (13) | (16) | 1448.89% |
| Net Cash Inflow/Outflow from Operations | 79,167 | 78,122 | 81,568 | 1.34% |
| Returns in Investments | | | | |
| Investment Income Received | 595 | 591 | 1,070 | 0.52% |
| Interest Paid | (35,170) | (31,671) | (31,532) | 11.05% |
| Net Cash on Investments | (34,575) | (31,080) | (30,462) | 11.25% |
| Investing Activities | | | | |
| Housing Capital Expenditure | (404,281) | (296,395) | (288,659) | 36.40% |
| Capital Grants Received | 144,148 | 116,516 | 126,247 | 23.72% |
| Purchase of Other Fixed Assets | (322) | (4,961) | (2,672) | (93.52%) |
| Disposal of Housing | 43,324 | 15,802 | 8,482 | 174.16% |
| Net Cash from Investing Activities | (217,131) | (169,038) | (156,602) | 28.45% |
| Financing | | | | |
| Loan Repaid | (59,928) | (46,388) | (46,780) | 29.19% |
| Loan Issued | 193,257 | 163,843 | 78,815 | 17.95% |
| Net Cash on Financing | 133,329 | 117,455 | 32,036 | 13.52% |
| Movement on Cash and Cash Equivalents | (39,210) | (4,541) | (73,461) | 763.41% |

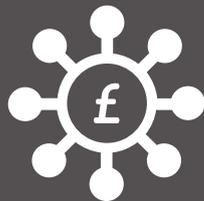
Consolidated Balance Sheet

| | 2019 / £000 | 2018 / £000 | 2017 / £000 | Variance 18-19 / % |
|--|------------------|------------------|------------------|--------------------|
| Tangible Fixed Assets | | | | |
| NBV of Housing Properties | 3,990,501 | 3,716,063 | 3,511,204 | 7.39% |
| Investments | 15,883 | 8,520 | - | 86.43% |
| Other Tangible Fixed Assets | 31,944 | 32,904 | 33,755 | (2.92%) |
| Total Fixed Assets | 4,038,328 | 3,757,487 | 3,544,959 | 7.47% |
| Current Assets | | | | |
| Stock | 5,965 | 6,555 | 3,152 | (9.00%) |
| Debtors | 93,216 | 96,792 | 82,259 | (3.69%) |
| Short Term Investments | 25,605 | 32,406 | 62,280 | (20.99%) |
| Cash | 85,095 | 115,971 | 95,387 | (26.62%) |
| Total | 209,881 | 251,724 | 243,078 | (16.62%) |
| Creditors - < 1 year | (251,002) | (210,464) | (196,693) | 19.26% |
| Net Current (Liabilities) / Assets | (41,121) | 41,260 | 46,385 | (199.66%) |
| Total Assets Less Current Liabilities | 3,997,207 | 3,798,747 | 3,591,344 | 5.22% |
| Creditors - > 1 year | 3,426,302 | 3,259,581 | 3,084,612 | 5.11% |
| Personal Liability | 26,330 | 30,353 | 37,106 | (13.25%) |
| Capital and Reserves | | | | |
| Capital Reserve | 2 | 2 | 2 | 0.00% |
| Other Reserve | 79,262 | 74,187 | 89,032 | 6.84% |
| Revenue Reserve | 465,051 | 434,278 | 380,592 | 7.09% |
| Foreign Exchange Reserve | 260 | 346 | - | (24.86%) |
| Total | 544,575 | 508,813 | 469,626 | 7.03% |
| Total Financing and Leasing Reserves | 3,997,207 | 3,798,747 | 3,591,344 | 5.22% |



Radius has secured an unprecedented £105m private investment placement to help fund the construction of new social homes.

£4.038
BILLION
fixed assets



£21,679
average borrowing
per social
housing unit



£15.9m
investments



For the first time, total fixed assets have broken through the £4bn barrier, representing an increase of 7.47% on 2018.

The increase is driven by the continued investment in housing stocks with an additional 2,697 properties which is funded through a combination of additional borrowings and existing cash balances. Investments have increased due to an increase in the number of investment properties.

Borrowing is the main source of finance, rising by £85m to a total of £1,153m in the current year. Housing Association Grant (HAG) remains a crucial part of the funding equation for social housing and has increased by 2.35% to £2.38bn since 2018.

At the end of 2018/19, the proportion of housing associations' housing properties (net book value) that was funded by HAG has decreased to below 60%, at 59.56%, which is in keeping with the trend witnessed over the last four years when this proportion was above 70%. However, while this trend can be expected due to pressures on public funding, the NI sector is still well ahead of the English sector where this ratio is around 20%. Social housing in Scotland and Wales is funded at lower levels than Northern Ireland, at around 45%.

At the end of 2019, 27.1% of property assets of £3,990m are supported through borrowings which is a decrease of 1.6% from 2018. This follows an increasing percentage in prior years and reflects the increased investment in 2019 in housing properties in the sector through the use of existing cash balances.



Hazel Bell, chair of Choice Housing, enjoys a visit with tenants following the £700,000 refurbishment at Whitehouse Court, Newtownabbey.

However, the security required to support new borrowing may increase with the continued uncertainty surrounding Brexit and what it might mean for the financial markets. As we highlighted in 2018, the ability to secure and maximise borrowing facilities represents a key challenge for the sector and the sector needs new funders to enter the NI market who could deliver new opportunities for associations individually and to the wider sector as a whole.

The use of bond/capital market products has again been limited in Northern Ireland compared to Great Britain and the ongoing uncertainty over Brexit has impacted on the ability and appetite of the European Investment Bank to invest into the United Kingdom in the short-term future. While outside the reporting period of this report, it has been pleasing to note the recent private placement of £105m achieved by Radius in late 2019. This is a positive development for the sector and hopefully something which can be built on further.

The level of debt per social housing unit is a commonly used measure of indebtedness. Gearing levels have already been examined above, but in Northern Ireland, average debt per social housing unit of £21,679 represents a small increase on the prior year figure of approximately £600. Traditionally, average debt per unit for stock transfers is significantly lower than on new developments and, given the low level of transfers in Northern Ireland compared to Great Britain, would reinforce the potential for future borrowing.

The level of stocks has reduced by more than 9% due to a reduction in the number of houses available for sale.

As previously discussed, cash and cash equivalents (short term investments) have decreased by 25% to £110.7m at the end of the 2019 financial year. The decrease is due in the main to an increase in year on investment in new developments, which have also been partly funded through borrowing.

For the first time, the sector has moved in to net current liabilities position which is a swing of £82.4m on the prior year. We are aware that a large portion of the current liabilities represents non-cash balances. Nonetheless, this is an area the sector needs to focus on more closely going forward.

The profile of borrowing in the sector is set out below.

| Profile of Borrowing | | | |
|-------------------------|------------------|------------------|--------------|
| | 2019 / £'000 | 2018 / £'000 | % |
| Less than 1 year | 69,580 | 61,459 | 13.21% |
| 1 to 2 years | 139,372 | 94,265 | 47.85% |
| 2 to 5 years | 133,955 | 117,058 | 14.44% |
| 5 or more years | 809,690 | 794,702 | 1.89% |
| Total | 1,152,597 | 1,067,484 | 7.97% |



Housing associations bring generations together with initiatives like Alpha's Wee Ones Meeting Wise Ones

Borrowings due for repayment in the next 12 months have increased by £8.2m on 2018 but are consistent with 2018 at 6% of the total balance.

Where there is a significant movement, it is the amount due between 1-2 years which has increased by £45.1m to £139.4m which could be a challenge based on recent cash flow generation, therefore a number of housing associations may need to consider refinancing some of their debt.

Total borrowings have increased by £85.1m to £1,153m.

Borrowing sources are a range of providers including Bank of Ireland, Barclays, Danske, First Trust, Santander, Ulster Bank, the Housing Finance Corporation, the European Investment Bank and the Department for Communities. Interest rates are variable and range from 0% to 12.75% but the effective rate is 4.9%.

Rental debtors in total before provisions for bad and doubtful debts amounted to £15.3m which is an increase of £2.0m from 2018 total of £13.3m. There is a significant increase in bad debt provisions which is a continuation of a worrying trend where bad debt provisioning has increased by 33% in two years. However, housing associations are adopting more prudent provisioning policies in recognition of uncertainties arising, such as the potential end of welfare mitigations.

Consistent with prior years, the level of bad debt is significantly below that in Great Britain where arrears have been impacted by welfare reform legislation, however it is continuing to rise

year on year in the local sector. The Northern Ireland Executive has introduced a series of mitigations across the welfare changes, including 'bedroom tax': these have been confirmed to March 2020.

The total capital and reserves of Northern Ireland housing associations have risen by 7.10% to £545m. Revenue reserves of £465m are now held within the sector, compared to £434m in 2018, although it should be recognised that only circa 24% are backed by cash or short-term investments, versus 35% in prior year and 40% in 2017.

Again, the housing association sector in Northern Ireland has proved resilient and adaptable to the economic and financial challenges it faces and the housing associations have been successful in expanding the housing stocks.

Access by the public to secure and affordable housing is the sector's mission and the 2019 Sector Global Accounts demonstrate that the housing associations contribution is significant to meeting housing needs by stock improvement, new housing development and the creation of sustainable communities.

The global accounts continue to demonstrate a strong performance in the sector's core functions, meeting departmental objectives.

Rental Debtors

| | 2019 / £000 | 2018 / £000 | 2017 / £000 | Variance 18-19 / % |
|--|---------------|--------------|--------------|--------------------|
| Rental Debtors Gross - Technical | 7,990 | 5,958 | 5,962 | 34.10% |
| % Rental Debtors Gross - Non-Technical | 7,368 | 7,301 | 6,143 | 0.93% |
| Provision for Bad and Doubtful Debt | (4,728) | (4,057) | (3,558) | 16.55% |
| | 10,630 | 9,202 | 8,547 | 15.52 |



A training session for NIFHA members in our boardroom

Consolidated Accounts 2018-2019

Financial Ratios – Growth (%)

| | 2019 | 2018 | 2017 |
|--------------------------------|-------|-------|--------|
| Growth in Turnover | 8.39 | 6.28 | 9.17 |
| Growth in Operating Costs | 7.50 | 6.22 | 13.51 |
| Growth in Operating Surplus | 11.80 | 6.50 | (4.80) |
| Growth in Interest Paid | 1.22 | 1.37 | (0.27) |
| Growth in Total Assets | 5.96 | 5.61 | 3.53 |
| Growth in Debt | 7.97 | 12.59 | 24.75 |
| Growth in Capital and Reserves | 5.22 | 8.27 | 3.20 |

Financial Ratios – Performance

| | 2019 | 2018 | 2017 |
|---|--------|--------|--------|
| Turnover Per Employee (£000s) | 111.7 | 101.5 | 96.60 |
| Operating Margin (%) | 21.35 | 20.70 | 20.70 |
| Turnover /Total Property Assets (NBV) (%) | 8.89 | 8.90 | 8.90 |
| Operating Surplus/Total Assets Less Current Liabilities (%) | 1.92 | 1.90 | 1.80 |
| Working Capital - Current Assets/Current Liabilities | 0.84 | 1.20 | 1.24 |
| Average Remuneration | 25,436 | 23,297 | 21,647 |
| Average Borrowing Per Unit | 21,679 | 21,034 | 15,990 |
| Turnover Per Unit (£) | 6,564 | 6,524 | 6,319 |
| Average Rent Per Week (£) | 78.15 | 77.65 | 75.64 |



NIFHA and the NI Fire & Rescue Service joined forces to help protect people living in sheltered accommodation.

Financial Risks & Challenges

We continue to operate in a political vacuum, with no functioning Northern Ireland Assembly or Northern Ireland Executive. Civil servants at the Department for Communities and elsewhere, as well as Northern Ireland Housing Executive officials, are trying to do their best without the necessary political decision-making to enable change.

As a sector, we had expected that reclassification - whereby the Office for National Statistics has re-designated housing associations in Northern Ireland as public sector bodies - would be reversed by now. The Northern Ireland Office as the relevant UK Government department had indicated that the required legislation would be passed via Westminster before the summer recess of 2019. However, this has not happened. As a result, housing associations in Northern Ireland, uniquely within the UK, are unable to access FTC (Financial Transactions Capital). This particularly impacts on Co-Ownership which is funded through FTC. The Department for Communities was able to find additional money through the Department of Finance to fill this gap for the remainder of the 2019-20 year. However, the fundamental problem needs to be fixed.

While arrangements have been put in place with HM Treasury that allow housing associations to continue to draw down private finance, these are due to expire in March 2020. Unless the legislation is passed by then, or HM Treasury agrees to extend the current arrangements, our sector will no longer be able to

access private finance. We call on whatever UK Government materialises after the December 2019 to rapidly pass the necessary legislation.

If reclassification is not reversed, the sector's current borrowings of circa £1bn will move onto the public accounts and have a significant impact on the block grant which is received by the NI Executive. It will also mean that housing associations, who currently effectively match pound for pound the investment they receive from government with private finance, will build half as many homes. The Westminster election has further slowed the momentum for resolving this and other issues.

As a sector, we are also facing a deadline of March 2020 for the end of the current welfare mitigations which were put in place in 2016. If these are not extended, the Department for Communities (DfC) may seek to introduce an extended package of Discretionary Housing Payments, which will be more cumbersome and will not cover the entirety of the additional costs which tenants will face with the ending of the mitigations package.

£404m

spend on acquisition and construction



£4.038bn

total assets



53,167

homes managed

In the past financial year, there was a proposal by DfC to change the timing of the tranche payments – the way housing associations receive their Housing Associations Grant (HAG). NIFHA convened a roundtable event with representatives from DfC, Department of Finance (DoF), housing associations and a number of banks. We were able to demonstrate, through some worked examples, that tranche payments are not made in advance of need. Two further reviews have been initiated looking at the Competitive Design & Build (CD&B) pilot and the use of HAG. At the time of writing, we do not know what the outcome of these further reviews will be. However, NIFHA continues to emphasise that both CD&B and HAG deliver excellent value for money in providing much needed new homes.

By our reckoning, these are the sixth and seventh reviews of some element of the Social Housing Development Programme (SHDP), in the last six years. We understand the civil servants need to be assured of the effectiveness of the SHDP, however these reviews produce increased uncertainty when the external market conditions are already causing turbulence.

As our population ages, and people live longer with more complex issues, we must increase funding for the Supporting People programme and HAG for new supported and sheltered housing. By not funding this now, we are failing to address both existing need and storing up problems for the future. Working with our colleagues in CRISPP (Committee Responsible for Independent Supporting People Providers) we believe that an additional £17.5m is required per year to provide necessary investment in current services, expanding services and build new accommodation.

It appears that we will not see a return of devolution in the short term. While we are waiting for this to happen, we continue to call on the UK government to address these immediate priorities.



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