THE NATIONAL AFFORDABLE HOMES AGENCY

Annual review of housing association private finance

March 2008

HOUSING CORPORATION

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Executive Summary

The housing association sector had arranged total private finance facilities of £43.5 billion at 31 March 2007. £30.9 billion of those facilities had been drawn down at that date.

£7.9 billion of new facilities were arranged in 2006/07 with drawn debt increasing by £2.5 billion in the same period.

82% of the change in debt during the year took place in the accounts of traditional associations, with 18% relating to stock transfers.

36% of total loans drawn at 31 March 2007 were arranged on an unhedged variable rate basis, with 50% being either fixed rate debt or variable rate debt hedged with a term fix and the remaining 14% being variable rate debt hedged by derivatives.

The sector's weighted average interest rate on its fixed rate portfolio at 31 March 2007 was 6.51%, down slightly from 6.73% a year earlier.

Interest rate margins on new variable rate facilities averaged 30 basis points, significantly down from 40 basis points in the previous year.

In financial returns submitted to the Housing Corporation in 2007, associations were forecasting drawdowns of £17.2 billion of debt over the five year period to 31 March 2012.

Associations disclosed treasury management efficiencies totalling £35 million in annual efficiency statements submitted in 2007.

We are grateful to Andrew Heywood, Deputy Head of Policy of the Council of Mortgage Lenders and Richard Donnell, Director of Research of Hometrack who have each contributed an article for this review.

Introduction

This is the third *Annual review of housing association private finance* to be published by the Housing Corporation. The data used for this review has been compiled from Electronic Annual Accounts (Form FVA) submitted by housing associations[1] registered with the Housing Corporation and with more than 1,000 homes owned or in management[2].

As in previous years, the analysis of data is dependent upon the accuracy of the actual data provided by housing associations. We do not believe that there are any inaccuracies in the data that are material enough to distort the view provided in this review. Readers should note that as significant amounts of existing facilities are re-financed each year, and because arrangements on existing facilities may be revised, it is not always possible to reconcile movements in balances year on year with the activity that has taken place during the year.

Total Private Finance

At 31 March 2007 the sector had total private finance facilities of £43.5 billion in place, an increase of 11.7% on the previous year, as shown in Table 1. £30.9 billion of those facilities had been drawn down at that point, representing 71% of arranged facilities.

Table 1: Total private finance at 31 March (£ billion)

	2005	2006	2007
Facilities	33.506	37.120	43.498
Drawn	25.098	28.325	30.887
Drawn as % of facilities	75%	76%	71%

Of the £30.9 billion of debt outstanding at the year end, just £512 million (1.7%) was classified in associations' financial statements as repayable within one year of the balance sheet date.

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[1] For the sake of readability, the term 'housing association' is used throughout the *Annual review of housing association private finance* as a generic term for all registered social landlords, including housing trusts, co-operatives and housing companies.

[2] In previous years the cut off point was 250 homes, with the change reflecting the Corporation's reduction in the regulatory burden for smaller associations. Data is not therefore directly comparable between this publication and those of previous years.

Change in Debt

Table 2 shows that £7.9 billion of new facilities were raised in the year to 31 March 2007, the rate of increase being higher than the previous year.

Table 2: New private finance facilities (£ billion)

	In 2004/05	In 2005/06	In 2006/07
Facilities	5.913	6.658	7.944

The total net increase in the sector's balance sheet debt in the year to 31 March 2007 was £2.6 billion. The reasons for the change in debt will vary by the type of association, the stage of development of the organisation and the activities which the association is involved in.

Stock transfers make deficits in the early years as they complete the post-transfer stock reinvestment programme. Once they have completed their stock reinvestment programmes, stock transfers and traditional associations borrow mainly to finance additions to housing properties. In the short term however some traditional associations may be borrowing to fund major repair programmes, particularly as they continue to work towards achievement of the Decent Homes Standard. In addition, some traditional associations are undertaking partial stock transfers and again they will at times be drawing down debt to fund reinvestment programmes.

Stock transfer associations took on additional debt of £449 million of debt in 2006/07 (Table 3), and saw their negative revenue reserves increase by £6 million. This was a considerable reduction compared with the £1.2 billion of new debt in the previous year. Around 25% of stock transfer associations were making operating losses (totalling £228 million) suggesting that a large portion of new debt is being taken on to fund early years deficits, with the remainder in the main financing capitalised works and a certain amount of new development.

Table 3: Change in debt in 2006/07 (£ billion)

	Change in debt
For traditional associations	2.113
For stock transfers	0.449
Total	**2.562**

Of course, referring to the net movement in debt does not take into account the significant level of refinancing activity that takes place in the sector as associations seek more favourable borrowing rates, and which is driving many of the efficiency gains disclosed in annual efficiency statements which are discussed below.

For example, in the financial statements for the year to 31 March 2007, the Guinness Partnership discloses "... an exceptional item of £15.1m for refinancing a fixed-rate term loan. The refinancing will reduce interest payments by around £1m per year in future years."

And Circle Anglia said that "[the association] has been restructuring the finances of the group and has negotiated more favourable borrowing terms ... The new structure creates a greater depth in the funding market for Circle Anglia and allows each of the group partners to leverage off the strength of the group in order to maximise the delivery of social housing and support of the service delivery and future growth ambitions of the group."

Lenders

The 10 lenders most active in the sector during the year to 31 March 2007, in terms of total facilities, were, in alphabetical order, Abbey, Barclays, Bradford & Bingley, Britannia, Dexia, HBOS, Lloyds TSB, Nationwide, RBS and THFC.

There have been slight changes from the top 10 in 2006, with the Royal Bank of Canada and the Cheshire Building Society dropping out of the list, being replaced by THFC and Dexia. This indicates that the lending community is fairly stable, although the purchase by Dexia of the Bradford & Bingley social housing loan book in November 2007 indicates a shift in sentiment by these lenders. There are no overt signs that the overall appetite for lenders to work with the sector is declining although the effect of the "credit crunch" of 2007/08 may have caused some lenders to review the extent of their individual exposure and there are concerns that some may be looking to improve margins. Overall, lenders do not appear to be viewing this market segment less favourably than before though it is possible, as groups and associations become very large, that they may come up against individual lenders' borrowing limits.

It is likely that the larger groups and associations, particularly ones with significant development programmes, will seek alternative forms of financing such as the capital markets. Various associations have been reported as pursuing such options, though few are yet to work their way through to published accounts. Market conditions has caused some delay in individual plans to access the capital markets with concerns about investor appetite and pricing of deals.

The Whirligig of time…

"And thus the whirligig of time brings in his revenges" (Twelfth Night)

Andrew Heywood, Deputy Head of Policy, The Council of Mortgage Lenders

This latest excellent edition of the *Annual review of housing association private finance* presents a snapshot of the social housing finance market for the year ending 31 March 2007. Looking back to early 2006 with Shakespeare's quotation in mind is a salutary lesson if one were needed that the assumptions and projections that were widely made with such brave confidence by politicians and pundits less than two years ago will almost certainly be the subject of an ironic smile at the unpredictability of events and the limited ability of humankind to plan for the future.

The landscape has certainly changed:

- In early 2006 the future of the Housing Corporation still seemed relatively secure in the wake of its recent end-to-end review. In 2008 we face the uncertainty of a new regulator and question marks over the extent to which its focus on governance and finance issues will be fully effective.
- In 2006 the private housing market began to surge forward again after a minor blip. In 2008 there are doubts not only about the future trajectory of the housing market but about the underlying economic outlook also. This in turn raises issues about some HA development plans, particularly development for sale, and questions about disposal policies.
- In 2006 lenders were making increasing use of the capital markets to fund themselves to meet the needs of expanding retail and commercial mortgage markets. Temporarily that option has been closed off by loss of investor confidence placing a question mark over total funding capacity.
- In 2006 Bradford & Bingley was a long-established player in the housing finance market. In November 2007 it sold its social housing loan book and exited that market.
- Two years ago Basel 2 was confidently predicted to bring major benefits in pricing for the HA sector as lenders reduced their regulatory capital. Following recent rule changes by the Financial Services Authority coupled with other factors, not all of those benefits may be forthcoming though some have undoubtedly been delivered.
- The *Annual review of housing association private finance* was able to report that during 2006 interest rates and margins on new lending were falling. With sober reappraisals of risk and return currently being undertaken by the lending community such an observation is unlikely to be repeated in the short term at least.
- In the distant days of 2006 the housing association sector was still classed as "no default". In 2008 the shadow of Ujima has changed that perception and hard lessons have still to be learnt.

An unseasoned observer might be forgiven for reading the above and asking who was going to turn the lights out before they left. In fact however, the outlook, though clearly more challenging, does provide grounds for optimism.

Lenders remain committed to the fundamentals of the sector as one where risks are mitigated by sound regulation and where the consequent risk/return ratio (with some upward adjustment) makes sense. At a recent forward-looking sector forum it was clear that lenders believe that, temporary difficulties aside, the long terms needs of a developing sector can be met through private finance. Dexia, who have taken over the Bradford & Bingley loan book have shown themselves a committed player in the housing finance market.

On the regulatory front there is reason to believe that Government will fully recognise the importance of strong regulation focussed on financial viability and governance and that the structures for this will eventually emerge from the murk of the Housing and Regeneration Bill. In the meantime the Housing Corporation is stress testing development proposals and financial projections of individual HAs. Renewed moves towards differential pricing and risk appraisal by lenders can only strengthen the HA sector in the longer term by encouraging the market disciplines that have in some cases been sorely lacking. The sector is preparing for the new world.

So will the future for the housing finance market resemble the past? Almost certainly not; unpredicted changes are already unfolding. Will there be a viable future? Almost certainly yes. But it will be one where risk assessment and attention to fundamentals rather than crystal ball gazing driven by political imperatives are the name of the game.

Interest Rate Management

54% of debt drawn down in 2006/07 is on an unhedged variable rate basis, with a further 22% being variable rate debt which is hedged by way of a derivative instrument. The balance of debt drawn down is either fixed rate or variable rate debt where the rate has been fixed over the short to medium term.

For almost 83% of the debt drawn down in the year which is hedged with a derivative, the instrument being used is a swap, with the remainder mainly being hedged by swap options. This is slightly lower than previous years, with an increase in the value of swap options and a minor use of collars.

The figures for debt drawn in the year compared with the cumulative position at 31 March 2007 continue the trend noted last year such that new debt is tending to be variable rate debt or debt hedged by derivatives. This contrasts with the picture seen in previous years whereby associations had much higher levels of fixed rate debt. At the end of the year 36% of total debt outstanding was unhedged variable rate debt, with variable rate debt hedged by derivatives at 14%, and with the remaining 50% being either fixed rate debt or variable rate debt where the rate has been fixed over the short to medium term. The comparative figures at 31 March 2006 were 30% variable, 8% hedged by derivatives and 62% fixed.

Within the board reports published alongside the financial statements, many associations acknowledge the exposure to rises in interest rates, and often refer to their policies for managing interest rate risk:

" It is estimated that each quarter point increase in interest rates would increase interest costs by £447,500 per annum based on the variable rate debt held at 31 March 2007." (Home)

"At the current fixed: variable split, every 0.5% change in interest rates would result in a change of £0.8m to interest payable over a full year" (The Guinness Partnership)

"The Group's cash flow interest rate risk relates to variable rate financial instruments. A 10% increase in interest rates would result in an additional charge to the Income and Expenditure account of £0.4 million." (Sanctuary)

"The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum 1 year's cashflow including contingency for a maximum 3 months sales slippage and a further £30m to resource opportunistic investment. Cash projections cover a 3 year period to continuously monitor future borrowing requirements. The Board exercises strict control over derivative transactions (currently 59.7% of debt is at fixed rates of interest, whilst a further 8.8% is hedged against adverse movements). Refinancing risk (defined as loans which do not include some form of amortisation or sinking fund provision) is constrained to more than 50% of the loan book beyond 5 years." (Places for People)

"We make prudent use of approved hedging instruments to provide appropriate protection against adverse movements in interest rates and to provide stability and certainty of costs" (The Guinness Partnership)

A number of associations state that they have the power to enter into stand-alone derivative contracts and a small number are now starting to do so.

"70% of the group's debt had been swapped with embedded fixes marking 39% of the hedged component and 31% with freestanding financial instruments." (Circle Anglia)

Treasury Management Policy

In 2006 the Housing Corporation consulted on proposals to replace Circular 04/99 'Treasury management - regulatory policy' and Circular 05/99 'Financial derivative instruments - regulatory policy'. Responses to the consultation were generally positive and in April 2007 Circular 01/07 'Treasury management by housing associations' was issued. This is available on the Housing Corporation website - www.housingcorp.gov.uk

The policy re-states our basic expectations:

- that housing associations must have the skills, knowledge and experience, at both board and officer levels, as well as the systems and access to independent advice, necessary to identifying and managing the treasury risks to which they are exposed; and
- that they must use derivative instruments solely for the purpose of managing treasury risk.

The policy takes a less prescriptive approach in line with our risk based approach to regulation. Instead of the old three-tier classification in terms of the use of derivative instruments we have moved to a two-tier system. The first tier allows associations to use derivatives incorporated within loan documentation to manage their treasury risks. Associations in the second tier, with the appropriate wider rule, are permitted to use free-standing instruments to manage the risks to which they are exposed and whichever derivative instruments they consider to be appropriate to their circumstances.

The new Circular leaves it to groups to decide whether they compare the nominal amount of derivatives with the underlying exposure at the group or individual association, though there is a general expectation that the group level will be the default option. Associations with the new wider rule change may borrow in euros or dollars and simultaneously enter into a hedge into sterling.

Interest Costs

Associations provided information on interest costs in the FVA, both in terms of fixed rates and margins on variable rate borrowings.

The weighted average interest rate on the fixed rate portfolio (fixed rate debt together with variable rate debt hedged by short term fixes) at 31 March 2007 was 6.51%, a slight reduction from 6.73% at 31 March 2006. The weighted average interest rate of total fixed rate debt raised in the year to 31 March 2007 was 5.07%, compared with 5.26% for the previous year.

Stock transfers continue to have the lowest weighted average interest rate (5.59% compared with 7.19% for traditional associations) for all such debt raised. This represents a marginal improvement (down from 5.97%) for stock transfers but the same rate as before for traditional associations. Once again, traditional associations raised the cheapest fixed rate debt in the year to 31 March 2007 (5.03% compared with 5.12% for stock transfers), less of a contrast compared with the previous year when the relevant figures were 4.88% and 5.59%. After a significant drop in the previous year, the average rate achieved by traditionals remained relatively unchanged, with a number of large individual loans priced at between 4.0% and 5.0%.

Table 4 shows the margins associations are paying on variable rate loans. The average margin on new facilities is ten basis points lower than in the previous year. This is a significant reduction from that seen in the previous year but is biased by new stock transfers where a number of deals in the range of 10 to 20 basis points have been seen. On top of this lenders will also be receiving fees which will increase their overall return. Such margins are not, however, to be found in the current market climate with widespread reporting of increases being experienced. Empirical data will be available when 2008 returns are submitted to the Corporation.

Table 4: Interest margins (basis points) on variable rate loan facilities

	Margin
New in 2004/05	45
New in 2005/06	40
New in 2006/07	30

Figure 1 plots the effective interest rate for the sector[3] together with the base rate at 31 March of each year. The graph shows associations' rates changing with base rates, but by less than the base rate due to the presence of significant amounts of fixed debt in the sector, and naturally with a time lag before the full impact of trends in base rates is reflected in the sector's financial performance. Figure 2 shows the Bank of England's base rate for the year under review and up to the present date. This rose steadily during 2006-07 from 4.5% to 5.25%. Subsequently it rose again, peaking at 5.75% on 5 July 2007 before dropping in December 2007 to 5.5%, and on 7 February 2008 to 5.25%.

[3] Effective interest rates are from the Global Accounts of Housing Associations which are produced annually by the Housing Corporation (until 2004 jointly with the National Housing Federation).

Figure 1: Comparison of the sector's effective interest rate and the Bank of England's base rate

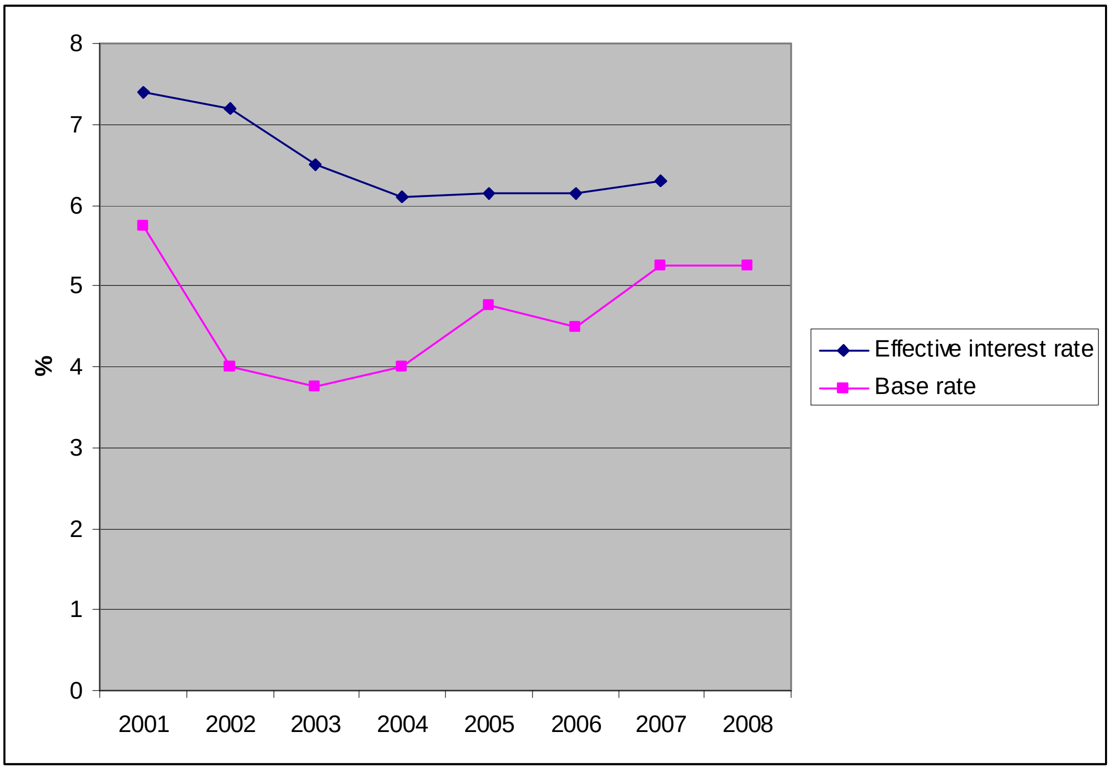
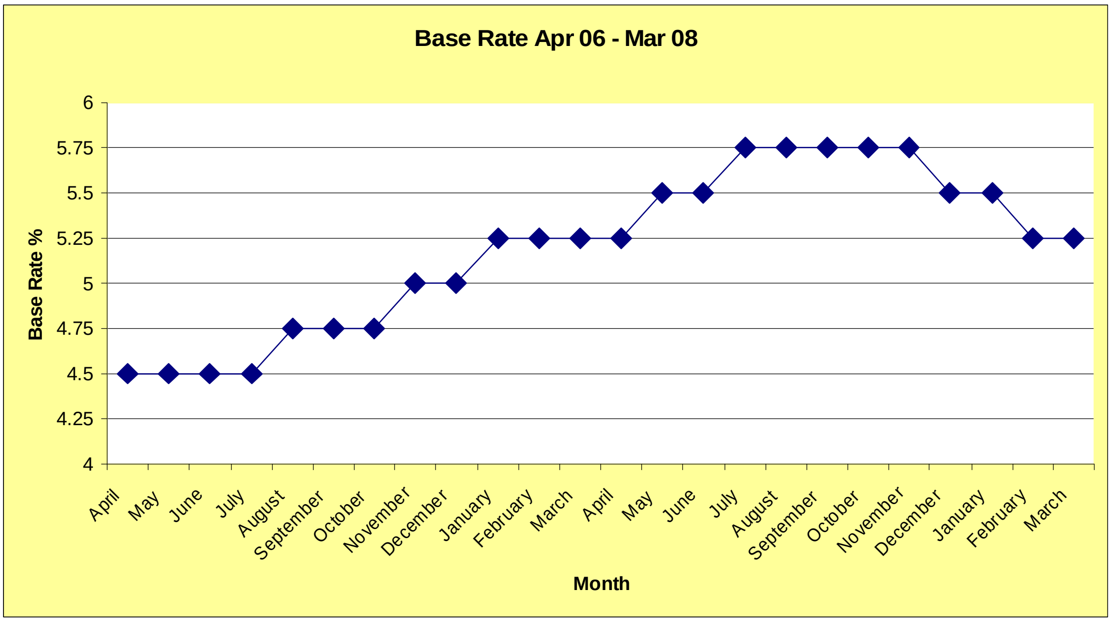


Figure 2: Bank of England's base rate 2006-2008



The following paragraphs are extracts from the *2007 Global Accounts of Housing Associations* :

"The growth in interest costs has remained largely in line with the growth in debt. Overall interest has risen by 7.3% compared to a 9.2% increase in debt. However, the increase in total interest (including capitalised interest) is 9.3%, taking total interest paid to £1,912m. This relatively restrained growth is despite the fact that during the twelve months under review the base rate increased from 4.50% to 5.25%. This suggests that associations have managed to mitigate their interest rate risk to a reasonable degree."

"Interest costs have been constrained however during this period of growth as associations seek to mitigate their interest rate risk. Interest rate rises appear to have abated recently, however, key treasury issues remain for associations as a consequence of the so called credit crunch and effect of the sub prime market in the US."

"Overall, associations are seeing growth in debt levels running ahead of the growth in interest costs (debt up 11.9% and interest up 10.7%), which suggests that most organisations managed to mitigate their interest rate exposure in a year when base rates rose from 4.50% to 5.25% (up 17%). However, the median quartile which saw debt grow by 6.5% and interest costs rise by 8.5%, shows that not all associations are in this happy position and rising interest rate costs can still represent a threat to some businesses."

"The most striking thing about the effective interest rate is that the sector largely managed to mitigate the risks from the rising interest rates during the year. Although the lower and median quartiles saw their effective interest rate static at 7.1% and 6.3% respectively, both the aggregate average and the upper quartile saw small drops on their effective interest rate. It is interesting that stock transfer associations have a lower effective interest rate compared to traditional associations (5.9% as against 6.3%). A significant explanation for this is that stock transfers do not have any of the relatively high interest, fixed rate debt that associations entered into during the early 1990s."

Housing Market Review 2007-08
Richard Donnell, Director of Research, Hometrack

The owners of UK residential assets have seen an unprecedented increase in underlying values over the last decade. Between 1997 and 2007 real house price growth averaged 8.9% per annum - a level more than three times higher than the long run average. Robust economic growth, rising incomes, falling interest rates and a shortfall in new housing supply have been the drivers of this growth. However, in the wake of the credit crunch there has been increasing concern over the outlook for capital values, especially in the short to medium term. While the probability of a late 1980s style re-correction in house prices remains small, falls in real house prices are far more likely over the next 12 to 18 months. However, this will not be enough to have any material impact on the affordability pressures facing those priced out of the market. The main challenge for the housing association sector will be to increase the supply of affordable homes against the background of much lower growth in the value of their underlying assets.

The latest housing slowdown has been bought about by a mix of affordability and confidence factors. Higher interest rates over 2007 resulted in affordability levels reaching a 15 year high while the credit crunch rapidly stifled the availability of credit, especially for those with poor credit histories. The uncertainty over the second half of 2007 had a major adverse impact on market sentiment and levels of activity were down right across the market. In contrast measures of capital values have been pointing to a deceleration in the rate of growth rather than widespread house price falls.

The interaction of supply and demand in the housing market and the impact on prices is different to other markets comprising more liquid assets. Housing is different to say equities as it is both a commodity and an asset. Furthermore, the majority of buyers at any one time are also sellers. When levels of housing demand fall it is levels of market activity that feel the impact in the short term rather than prices. Hometrack expect transaction volumes to be down 17% over 2008, close to an all time low. With just 5.5% of the market expected to turn over in the year this lack of liquidity is expected to provide a support to prices although it is also likely to increase price volatility between areas and across market segments.

In terms of pricing levels most commentators agree that housing is over-valued to one degree or another. The main area of disagreement is by how much and against what benchmark of affordability. The more pessimistic forecasts tend to be based on the ratio of house prices to earnings where the ratio is well above the long run average. The problem is that this measure takes no account of the move to lower interest rates over the last decade. Measures of affordability based around the proportion of income allocated to housing paint a less dramatic picture although they show that housing still looks fully valued.

The net result is the forecasts for the market over the next 2 years range between no real growth and falls of up to 10%. The Hometrack view is that nominal growth will be 1% in 2008 and 2% in 2009 which both equate to small real falls in prices. While there will be an increase in 'distressed' sellers over 2008 as well as pockets of the market that register modest price falls these will not be widespread enough to result in sizable price falls at a national level. Economic problems, in particular rising levels of interest rates and unemployment, are the real drivers of sizable price falls yet the consensus is that we are set to see continued economic growth, rising wages and falling interest rates.

Despite some of the more negative publicity around the housing market the reality is that there is still demand for housing it is just that buyers are more price sensitive than a year or two ago. This price sensitivity presents some major challenges for those embracing the development agenda, especially those housing associations looking to the outright sale market to generate surpluses. New build is one area of the wider housing market where there is a greater likelihood of price falls, especially for some of the large, capital intensive flatted schemes where 'exit' pricing levels in the local market have become distorted by the impact of investment and speculative demand over recent years. This investor orientated demand is set to largely disappear over 2008 and the challenge facing developers is to identify sufficient numbers of occupier driven purchasers. Whether these buyers will be willing or able to pay 'investor' prices remains to be seen. The reality is they are unlikely to do so and with lenders concerned about the potential losses from parts of the new build market so the availability and terms of mortgage finance for new build are likely to worsen over 2008 impacting further on levels of demand.

The reaction of private sector developers to these challenging market conditions has been to slow build rates to support prices and increase the use of incentives. They are also looking to move output away from the riskiest schemes with many trying to re-focus on housing orientated schemes. The combination of these factors has resulted in a 6% drop in housing starts across England over 2007. This is important as with over 60% of affordable completions built on section 106 sites this weaker market outlook presents a major challenge for the delivery of more affordable housing over the next 12 to 18 months. Housing associations expanding into outright sale also need to consider the increased risk in this part of the market.

The issues on the supply side will do little to ease affordability pressures and the likelihood is that residential values are set to remain relatively high. Thus demand for affordable housing is set to remain high and grow further with equal pressure on the general needs and intermediate housing markets. Research by Steve Wilcox commissioned by Hometrack in 2007 showed that, nationally, 28% of young working households were trapped in the so-called 'narrow' intermediate housing market. These are households with incomes levels that precluded them from housing benefit but, at the same time, were too low to access the very lowest level of the local housing market.

The challenge facing the affordable sector is how to meet this demand given the availability of resources. Many of those priced out of the market are in work and it is a question of calculating what these households can afford to spend on housing and then assessing the most suitable tenure. The answer will be in a mix of housing tenures from general needs to low cost home ownership and also privately rented housing. Research by Hometrack has found that 70% of private renters are unable to access the housing market at the lower quartile level which puts this tenure firmly in the affordable sector. Faced with the prospect of an illiquid market with persistently high property prices the challenges facing the housing association sector appear as large as ever. However there are opportunities if we take a more sophisticated approach to understanding demand and affordability levels across all tenures. A more fine grained approach is needed if we are to deliver the right type of housing in the right forms of tenure to ease the pressure on the wider housing market.

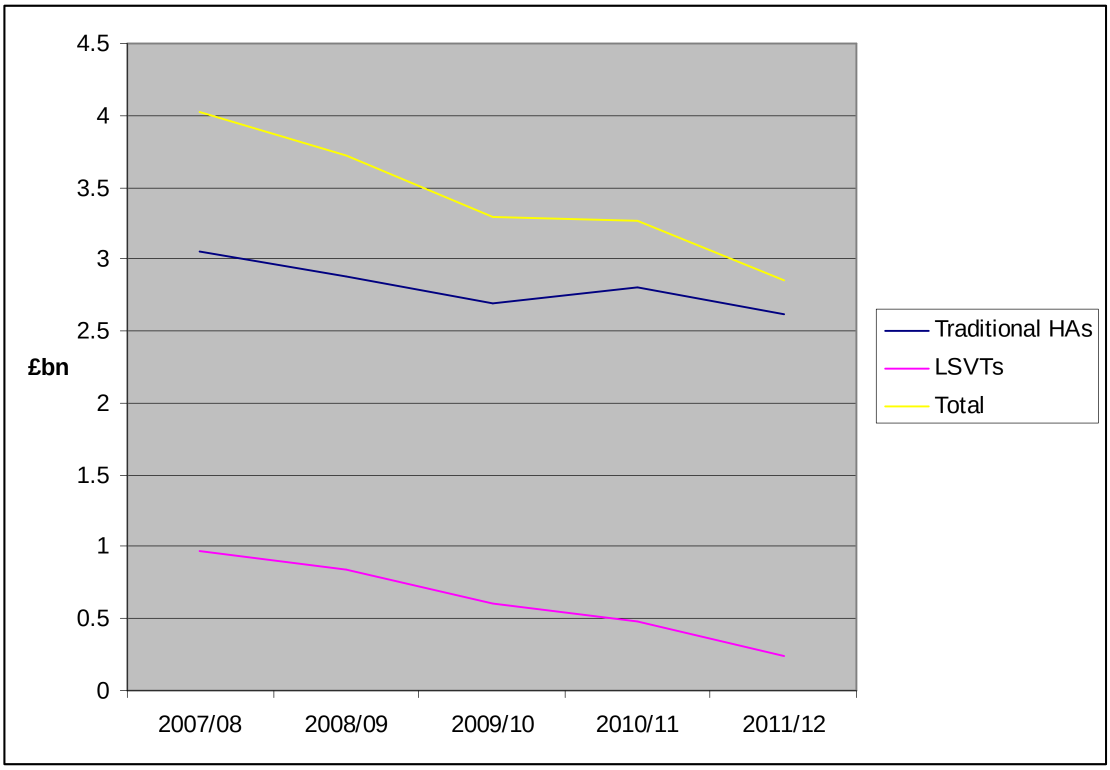
Forecast Private Finance Requirements

Figure 3 sets out the private finance draw downs forecast by associations in the capacity models they submitted to the Housing Corporation in 2007. Associations were forecasting to draw down £4.0 billion of debt in 2007/08 with drawdowns forecast to fall gradually from £3.7 billion in 2008/09 to £2.9 billion in 2011/12. Forecast drawdowns over the five year period totalled £17.2 billion.

Based on these forecasts, debt in the sector at 31 March 2012 would be in the region of £48 billion. In reality the figure could be higher as:

- new stock transfer associations are registered and undertake their improvement works;
- associations firm up their development plans; and
- these forecasts are based upon the capacity model forecasts from development partners and exclude the activities of smaller developing associations.

Figure 3: Private finance requirements from 2007/8 to 2011/12 (£ billion)



Treasury Management and Efficiency

The Gershon efficiency targets for associations are based around four workstreams. Although not specifically required for reporting purposes, the Corporation encourages associations to report on any further efficiencies through a 'whole organisation' workstream. Within this, associations report a range of different activities on which they have recorded efficiencies in the year. For 2006/07 actual efficiencies recorded in this workstream totalled £106 million (net of inefficiencies). The equivalent figure last year was £81 million.

Many associations refer to treasury management activity that has delivered efficiency gains and, of the Annual Efficiency Statements submitted in 2007, around 30% commented on efficiency savings realised from treasury management activity in 2006/07, and on potential efficiencies to be realised in 2007/08. It is difficult to quantify the total efficiencies realised from treasury management activity, as some associations did not analyse 'whole organisation' efficiency savings by each type of activity. However those that did identified around £35 million of savings on treasury management activity. This is an increase of £8 million on the amount reported in 2006.

In the main these savings resulted from refinancing or re-negotiation of facilities which reduced margins or fixed rates, or introduced the use of hedging instruments/agreements.

Examples of extracts from AESs include:

"This gain has been produced through the renegotiation of specific loans in the Group's portfolio to achieve improvements in the costs of borrowing"

"By securing funding options at interest rates below those assumed in the Business Plan we saved over £149,000."

"The main reason for the better than projected gain relates to our Treasury gains where we saw both the full year impact of reductions in lender margins plus the use of derivatives to mitigate the impact of increased LIBOR."

Housing Corporation
March 2008