Railway Housing Association

Business Strategy

2017 » 2022

RHA 1919

Welcome

to Railway Housing Association's Business Strategy for 2017 - 2022

It has been developed by our residents, staff and Board with the agreement of a new mission, values and strategic goals.

Our Mission

Providing homes for today and tomorrow

Our Values

Honest

Approachable

Flexible

Forward thinking

Transparent

Accountable

Diverse

Who we are

The North Eastern Railway Cottage Homes and Benefit Fund, now Railway Housing Association and Benefit Fund, was originally formed in 1919 to provide homes for railway workers returning from the First World War and their families. It was started with a donation of £10,000 and the first homes were built in 1921 in South Gosforth, York and Darlington.

The Association now owns and manages 1,504 homes in 24 local authority areas. These are mainly in the North East of England as well as a scheme in Hereford.

We are proud of our heritage and retain our charitable values whilst being committed to the future provision of accessible homes and services to meet housing need.

Our Operating Environment

We continue to face an extremely challenging operating environment and the pace of external changes is unprecedented.

The current government is focused on providing homes for sale rather than rent. The grant available towards building new homes for rent has been substantially reduced in recent years. Annual rent reductions will be required from 2016 for at least four years. Right to Buy is being introduced for housing associations. Further changes to welfare benefits are being proposed such as the reduction of the benefits cap, the limiting of housing benefit to a shared room rate for under 35 year-olds, and the limiting of housing benefit for social housing to the local housing allowance.

Supporting People funding for support services continues to be reduced and many local authorities are reducing the support services available to our more vulnerable residents. Housing associations have been reclassified as public sector bodies and regulatory changes are being proposed. Against this backdrop, significant increases in the older population requiring suitable accommodation is projected over the next decade.

We are well placed to respond to these challenges. We are a financially strong and well governed organisation with talented staff working together to make a real difference to peoples' lives. We demonstrate excellent performance across a range of services and our homes are maintained to a high standard. Our Board of Trustees are committed to responding effectively to the challenges and opportunities by combining our charitable ethos with a commercial approach to developing more homes and maintaining our excellent services to meet housing needs.

For the next five years we will focus on our core activities of:

- Providing housing management and maintenance services to older persons and general needs accommodation, leasehold schemes for older people and shared ownership homes
- The development of new homes to meet housing need.

"We are a financially strong and well governed organisation with talented staff working together to make a real difference to peoples' lives"

Our Strategic Goals

Our Customers

We will work with customers to develop excellent services that meet their aspirations.

We will:

- Maintain high quality customer services
- Maintain high levels of customer satisfaction
- Involve residents in decision making
- Let homes in a fair and transparent way
- Keep rents at an affordable level.

Our Homes

We will provide well maintained homes in safe and attractive neighbourhoods.

We will:

- Continue to invest in homes that are affordable to our customers
- Work with stakeholders to establish future demand for homes
- Build new homes in accordance with our development policy
- Maintain our homes to a high standard
- Maintain high levels of customer satisfaction with the repairs service.

Value for Money

We will improve value for money throughout the organisation.

We will:

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Achieve year on year efficiency savings
- Continue to agree with customers how value for money gains are used
- Optimise the future returns on assets
- Target resources towards front line services
- Maintain a high level of customer satisfaction with value for money
- Achieve top quartile performance in recognised value for money indices.

Our Organisation

We will be a well-managed and appropriately governed organisation.

We will comply with the regulatory requirements to:

- Have effective governance arrangements that deliver our aims, objectives and intended outcomes for residents and potential residents in an effective, transparent and accountable manner
- Adhere to all relevant legislation
- Comply with our governing documents and all regulatory requirements
- Be accountable to residents, our regulatory body and relevant stakeholders
- Safeguard taxpayers' interests and the reputation of the sector
- Have effective risk management and internal controls frameworks
- Protect social housing assets
- Manage our resources effectively to ensure our viability is maintained.

Our People

We will employ people with the relevant skills, qualifications and attitude.

We will:

- Maintain high levels of staff satisfaction
- Support learning and development
- Have a clear and appropriate approach to recognition and reward
- Maintain Investors in People accreditation.

"We will work with customers to develop excellent services that meet their aspirations"

Financial forecast

1 April 2017 - to 31 March 2022

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Commentary

1. The impact of sensitivity in identified areas of high risk and uncertain forecasts is as follows:

1.1 **Planned maintenance expenditure**
The estimated expenditure is based on the results of stock condition surveys and significant adverse variations are not anticipated.

1.2 **Mortgage interest rates**
The association has three loan facilities in place. Two are fully fixed and are therefore not sensitive to movements in interest rates, the third is 100% fixed until November 2019. Over the term of the forecast, the debt is 87-100% fixed in total. A significant movement in interest rates from the levels assumed in the forecast would not therefore have a significant impact on the forecast.

1.3 **Development/remodelling**
The assumed development expenditure is in respect of 73 new homes in Darlington completing in 2018/19 followed by approximately 15 new homes per annum from 2018/19. All new build developments are assumed to be partly funded by Social Housing Grant, the level being dependent on the development's size and type.

1.4 **Rents receivable**
The association's rents are assumed to decrease by 1% per annum for 3 further years, from 2017/18 to 2019/20, in accordance with the Welfare Reform and Work Act 2016. Rents from 2020/21 have been increased by CPI.

Affordable housing units developed will be let on affordable rents on completion, which represent 80% of market rent, based on market rent valuations that will be provided by an independent valuer. The reduction in rent of 1% per annum until 2019/20 also applies to affordable rents.

1.5 **Disposals**
It has been assumed that the Voluntary Right to Buy (VRTB) scheme will become available to the association's tenants from April 2018 with take up of 2 units per annum from 2018/19 onwards, that the market value of each disposal will be received from a combination of sale proceeds and reimbursement of discount, and that each unit lost will be replaced 2 years later.

2. **Reserves**
The accumulated surplus increases over the term of the forecast.

3. **Conclusion**
The main conclusion to be drawn from the financial forecast is that the association remains financially viable.

"We will provide well maintained homes in safe and attractive neighbourhoods"

Net capital expenditure

Scheme	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Developments:					
Haughton Rd, Darlington	5,528	177			
Affordable housing/ other developments		1,500	1,500	1,541	1,584
Capitalised major repairs	959	1,519	1,437	1,418	1,326
Other capital expenditure	212	238	241	244	246
TOTAL	**6,699**	**3,434**	**3,178**	**3,203**	**3,156**

Assumptions

1. **Rents**
For both social and affordable rents a decrease of 1.0% per annum until 2019/20, and increases of CPI from 2020/21 (CPI is assumed at 2.0% per annum).

2. **Voids**
1.5% of turnover from social housing lettings.

3. **Pension costs**
Employer contributions for all employees have been included based on their existing structures and the future service contribution rates determined following the September 2014 revaluation; it has been assumed that two further past service deficits will be identified of £0.4m each at the 2017 and 2020 revaluations.

4. **Bad debts**
1.0% of net rents due.

5. **Planned maintenance expenditure**
Based on stock condition surveys and options appraisals; planned maintenance expenditure that is required to be capitalised is shown at paragraph 8.

6. **Interest receivable**
Cash balances are available for investment except for the minimum liquidity requirement of £0.5m.

Interest receivable – 0.45% in 2017/18, 1.5% in 2018/19, 2.25% in 2019/20, 3.0% in 2020/21 and 3.5% in 2021/22.

7. **Inflation**
The average rate of inflation applied to revenue items not noted elsewhere is 2.75% in 2017/18, 3.00% in 2018/19 and 2019/20, and 2.75% thereafter.

8. **Capital expenditure**

8.1 Affordable housing developments will be funded by affordable rent income arising from the units developed, social housing grant, borrowing and cash balances.

8.2 Affordable housing units developed will generate affordable rents i.e. 80% of market rents (including service charges where applicable).

8.3 The forecast assumes that net capital expenditure in respect of development, remodelling and major repairs is as shown in the table to the left.

8.4 The viability and impact of other developments within the period of the plan and into the future, which may be partly funded by Social Housing Grant, will be considered on an individual scheme basis.

9. **Borrowing**
A new bank facility of £6.0m have been assumed from 2020/21 for a term of 10 years at a margin of 1.75%.

Housing revenue budget 2017/18 and forecast to 31 March 2022

	Budget 2017/18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22
	£000's	£000's	£000's	£000's	£000's
INCOME					
Rents receivable	5,700	5,916	5,973	6,097	6,288
Service charges	859	885	912	937	963
	6,559	6,801	6,885	7,034	7,251
Less - voids	-72	-102	-103	-106	-109
Net rents due	**6,487**	**6,699**	**6,782**	**6,928**	**7,142**
Interest receivable	14	31	34	11	172
Amortised government grant	304	324	325	328	332
Other income - rates allowances	28	29	30	31	32
- LSF service charges	85	88	91	94	97
TOTAL INCOME	**6,918**	**7,171**	**7,262**	**7,392**	**7,775**

	Budget 2017/18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22
EXPENDITURE					
Administration - staff costs	1,112	1,512	1,140	1,168	1,593
- office overheads	556	561	577	585	588
- other expenses	35	36	37	38	39
Bank charges & interest payable	3	3	3	3	3
Bad debts	65	67	68	69	71
Abortive development costs	3	3	3	3	3
Property insurance	74	78	82	86	90
Water rates - payable	309	318	328	337	346
- less receivable	-309	-318	-328	-337	-346
Maintenance - day to day	444	457	471	484	497
- voids	245	252	260	267	274
- cyclical	63	67	68	71	71
- planned maintenance	216	100	103	106	109
Aids & adaptations	30	31	32	33	34
Service & support costs	742	777	803	789	823
LSE service costs	80	69	71	73	85
Mortgage interest payments	672	662	658	1,034	978
Property depreciation	1,696	1,904	2,077	1,958	1,976
Other expenditure	15	17	15	36	32
TOTAL EXPENDITURE	**6,051**	**6,596**	**6,468**	**6,802**	**7,266**
SURPLUS FOR THE YEAR	**867**	**575**	**794**	**590**	**509**

Cashflow forecast from 1 April 2017 to 31 March 2022

	Year ended 31-Mar 18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22
	£000's	£000's	£000's	£000's	£000's
NET CASH INFLOW FROM OPERATING ACTIVITIES	**2,653**	**2,880**	**2,802**	**2,899**	**3,014**
Interest received	14	31	34	11	172
Interest paid	-693	-689	-843	-1,059	-1,033
NET CASH IN/OUT (-) FLOW	**1,974**	**2,222**	**1,993**	**1,851**	**2,152**
Net cash in/out (-) flow from investing activities	-6,655	-2,736	-2,963	-2,986	-2,937
Net cash in/out (-) flow from financing	-35	-39	-178	5,683	-323
Increase/decrease (-) in cash & cash equivalents	-4,717	-553	-1,148	4,548	-1,108
Cash balance b/f	7,281	2,564	2,011	864	5,412
CASH BALANCE C/F	**2,564**	**2,011**	**864**	**5,412**	**4,304**

Reserves forecast to 31 March 2022

	Budget 2017/18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22
	£000's	£000's	£000's	£000's	£000's
Surplus for the year	867	575	794	590	509
TRANSFER TO (-)/FROM RESERVES					
Reserve Financing Capital Expenditure To (-) - loan principal repaid	-35	-39	-178	-317	-323
Other reserves	-110	-70	-81	-108	-101
TRANSFER TO / (FROM) ACCUMULATED SURPLUS	**722**	**466**	**535**	**165**	**86**

Estimated reserves at end of year

	Expected 2016/17	Budget 2017/18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22
	£000's	£000's	£000's	£000's	£000's	£000's
Accumulated Surplus	5,494	6,216	6,682	7,217	7,381	7,467
Reserve Financing Capital Expenditure	15,587	15,622	15,661	15,839	16,156	16,479
TOTAL	**21,081**	**21,838**	**22,343**	**23,056**	**23,538**	**23,946**

Contact us

Our office in Darlington (Bank Top House, Garbutt Square, Neasham Road DL1 4DR) is open between 8.30 am and 4.30pm Monday to Friday.

Free phone: **0800 0287428**

Text (to report non urgent repairs): **07508 526708**

Email: **info@railwayha.co.uk**

Out of office hours, residents can report emergency repairs by using their emergency pull cord or alarm if they have one; or by telephoning 0300 3034917

Registered Social Landlord: A1855 | Registered Charity: 216825
Member of the Housing Ombudsman Service