

Railway Housing Association

Business Strategy

2018 » 2023





Welcome

to Railway Housing Association's
Business Strategy for 2018 - 2023

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 2018 - to 31 March 2023

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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 currently has three loan facilities in place. Two are fully fixed and are therefore not sensitive to movements in interest rates, the third is fixed until November 2019. Over the term of the forecast, this debt is 69-100% fixed in total. A significant movement in interest rates from the levels assumed in the forecast would not therefore have a significant impact on these facilities. New borrowing is assumed to be on variable rates to reduce inflation risk, but if the majority of long-term funding options continue to be on fixed rates of interest it is likely that this borrowing will also be fixed.

1.3 Development/remodelling

The assumed development expenditure is in respect of 73 new homes in Darlington completing in 2018/19 followed by a further 16 bungalows also in Darlington completing in 2019/20 and 22 units in Barnard Castle completing in 2020/21. From 2021/22 the forecast assumes approximately 25 new homes per annum. 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 2 further years, 2018/19 and 2019/20, in accordance with the Welfare Reform and Work Act 2016. Rents from 2020/21 have been increased by CPI plus 1%.

Affordable housing units developed will be let on affordable rents on completion, which represent 80% of market rent, based on market rent valuations 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 July 2019 with take up of 2 units per annum from 2019/20 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.

Net capital expenditure

Scheme	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Developments:					
Haughton Rd, Darlington	694				
Affordable housing/ other developments	1,396	2,305	1,644	3,194	3,264
Capitalised major repairs	1,410	1,381	1,408	1,311	1,300
Other capital expenditure	236	238	242	244	250
TOTAL	3,736	3,924	3,294	4,749	4,814

Assumptions

- 1. Rents**
For both social and affordable rents a decrease of 1.0% per annum until 2019/20, and increases of CPI plus 1% from 2020/21 (CPI is assumed at 2.25% 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 £0.5m 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 – 0.5% in 2018/19, 1.0% in 2019/20, 2.5% in 2020/21, 3.5% in 2021/22 and 4.0% thereafter.
- 7. Inflation**
The average rate of inflation applied to revenue items not noted elsewhere is 3.75% in 2018/19, 3.25% in 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 has been assumed of £7.5m from 2019/20 for a term of 10 years and at a margin of 1.75%

“We will provide well maintained homes in safe and attractive neighbourhoods”

Housing revenue budget 2018/19 and forecast to 31 March 2023

	Budget 2018/19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23
	£000's	£000's	£000's	£000's	£000's
INCOME					
Rents receivable	5,933	5,961	6,092	6,386	6,713
Service charges	891	920	945	971	998
	6,824	6,881	7,037	7,357	7,711
Less - voids	-77	-103	-106	-110	-116
Net rents due	6,747	6,778	6,931	7,247	7,595
Interest receivable	5	13	202	241	199
Amortised government grant	322	324	333	337	341
Other income - rates allowances	28	29	30	31	32
- LSF service charges	87	90	92	95	98
TOTAL INCOME	7,189	7,234	7,588	7,951	8,265

EXPENDITURE					
Administration - staff costs	1,635	1,162	1,187	1,718	1,236
- office overheads	534	551	558	565	585
- other expenses	37	38	39	40	41
Bank charges & interest payable	2	3	3	3	3
Bad debts	51	68	69	72	76
Abortive development costs	4	4	4	4	4
Property insurance	79	83	87	91	96
Water rates - payable	318	328	337	346	356
- less receivable	-318	-328	-337	-346	-356
Maintenance - day to day	460	475	488	501	515
- voids	276	285	293	301	309
- cyclical	-	77	77	78	77
- planned maintenance	125	136	137	141	121
Aids & adaptations	20	21	22	23	24
Service & support costs	771	780	785	820	829
LSE service costs	71	73	75	87	83
Mortgage interest payments	662	902	1,030	1,049	1,080
Property depreciation	1,876	2,050	1,951	1,931	1,974
Other expenditure	39	43	64	60	61
TOTAL EXPENDITURE	6,642	6,751	6,869	7,484	7,114
SURPLUS FOR THE YEAR	547	483	719	467	1,151

Cashflow forecast from 1 April 2018 to 31 March 2023

	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23
	£000's	£000's	£000's	£000's	£000's
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,985	2,755	2,847	3,058	3,236
Interest received	5	13	202	241	199
Interest paid	-689	-843	-1,055	-1,105	-1,104
NET CASH IN/OUT (-) FLOW	2,301	1,925	1,994	2,194	2,331
Net cash in/out (-) flow from investing activities	-2,962	-2,495	-2,879	-3,768	-4,040
Net cash in/out (-) flow from financing	-39	7,322	-317	-323	-328
INCREASE/DECREASE (-) IN CASH & CASH EQUIVALENTS	-700	6,752	-1,202	-1,897	-2,037
Cash balance b/f	2,524	1,824	8,576	7,374	5,477
CASH BALANCE C/F	1,824	8,576	7,374	5,477	3,440

Reserves forecast to 31 March 2023

	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23
	£000's	£000's	£000's	£000's	£000's
Surplus for the year	547	483	719	467	1,151
TRANSFER TO (-)/FROM RESERVES					
Reserve Financing Capital Expenditure To (-) - loan principal repaid	-39	-178	-317	-323	-328
Other reserves	-99	-73	-65	-36	-97
TRANSFER TO / (FROM) ACCUMULATED SURPLUS	409	232	337	108	726

Estimated reserves at end of year

	Expected 2017/18	Year ended 31-Mar 19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23
	£000's	£000's	£000's	£000's	£000's	£000's
Accumulated Surplus	5,555	5,964	6,196	6,533	6,641	7,366
Reserve Financing Capital Expenditure	15,623	15,662	15,840	16,157	16,480	16,808
TOTAL	21,178	21,626	22,036	22,690	23,121	24,174



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



www.railwayha.co.uk

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