

Railway Housing Association

Business Strategy

2019 » 2024





Welcome

to Railway Housing Association's
Business Strategy for 2019-2024

It has been developed by our residents,
staff and Board.

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 1,577 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 have also been implemented such as the reduction of the benefits cap, freezing of welfare benefits and the limiting of housing benefit to a shared room rate for under 35 year-olds.

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. Regulatory changes have been made and further ones are proposed. The UK is due to leave the European Union in 2019, with conflicting forecasts of the potential impact. 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
- Keep the immediate neighbourhood and communal areas of our homes clean and safe
- Work with other agencies to tackle anti-social behaviour and any other neighbourhood issues
- Prioritise resources to improve energy efficiency and reduce fuel poverty.

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
- Meet statutory requirements to protect the health and safety of our residents, employees and anyone else affected by our work
- Promote and demonstrate fairness and equality of opportunity in the provision of services, employment of staff and governance.

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 2019 - to 31 March 2024

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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 four loan facilities in place. Two are fully fixed and are therefore not sensitive to movements in interest rates, one is fixed until November 2019, and one is a revolving credit facility that can be fixed after 4 years in 2022. Over the term of the forecast, current debt is 39-100% fixed in total without further fixed rates being arranged. A significant movement in interest rates from the levels assumed in the forecast would therefore have a significant impact on some of 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 16 bungalows in Darlington completing in 2019/20, and 18 apartments in Barnard Castle completing in 2020/21 along with a further 10 homes that have not yet been identified. For 2021/22 25 new homes have been assumed, including 13 at one of the association's existing schemes in Hereford. From 2022/23 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% for 2019/20 in accordance with the Welfare Reform and Work Act 2016. Rents from 2020/21 have been increased by CPI plus 1% in accordance with the Regulator of Social Housing's rent standard.
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% for 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 2020 with take up of 2 units per annum from 2020/21 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 is maintained at an acceptable level 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	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Developments:					
Barton Street Darlington	1,671				
Bede Kirk, Barnard Castle	1,177	1,012			
Affordable housing/ other developments		1,250	3,194	3,264	3,337
Capitalised major repairs	1,102	1,554	1,226	1,295	1,270
Other capital expenditure	213	220	219	225	229
TOTAL	4,163	4,036	4,639	4,784	4,836

Assumptions

1. **Rents** For both social and affordable rents a decrease of 1.0% for 2019/20, and increases of CPI plus 1% from 2020/21 (CPI is assumed at 2.0% per annum)
2. **Voids** 1.5% of turnover from social housing lettings
3. **Pension costs** It has been assumed that the employees that are currently members of the 60ths final salary structure will move to 60ths CARE structure with effect from 1 July 2019, and employees that are currently members of the 120ths CARE structure will remain in that structure. Employer contributions for all employees have been included based on the future service contribution rates determined following the September 2017 revaluation; it has been assumed that a comparable increase in future service contribution rates to that for 2017 will be required at each future revaluation
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 below
6. **Interest receivable** Cash balances are available for investment except for the minimum liquidity requirement of £0.5m
Interest receivable – 1.0% in 2019/20, 2.0% in 2020/21, 3.0% in 2021/22 and 3.75% thereafter
7. **Inflation** The average rate of inflation applied to revenue items not noted elsewhere is 3.15% 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 opposite.
- 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, in 2023/24, of £10.0m for a term of 10 years and at a margin of 1.75%

The facility will be partly used to refinance the Barclays facility that mature in September 2024

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

Housing revenue budget 2019/20 and forecast to 31 March 2024

	Budget 2019/20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24
	£000's	£000's	£000's	£000's	£000's
INCOME					
Rents receivable	5,949	6,147	6,413	6,725	7,052
Service charges	1,032	1,060	1,089	1,119	1,150
	6,981	7,207	7,502	7,844	8,202
Less - voids	-80	-108	-113	-118	-123
Net rents due	6,901	7,099	7,389	7,726	8,079
Interest receivable	10	49	72	60	107
Amortised government grant	325	336	343	349	306
Other income - rates allowances	29	30	31	32	33
- LSE service charges	87	89	91	94	97
TOTAL INCOME	7,352	7,603	7,926	8,261	8,622

EXPENDITURE					
Administration - staff costs	1,236	1,260	1,291	1,321	1,348
- office overheads	548	555	562	571	580
- other expenses	51	52	53	54	55
Bank charges & interest payable	2	2	2	2	2
Bad debts	52	71	74	77	81
Abortive development costs	4	4	4	4	4
Property insurance	89	93	98	103	108
Water rates - payable	324	333	342	351	361
- less receivable	-324	-333	-342	-351	-361
Maintenance - day to day	475	488	501	515	529
- voids	285	293	301	309	317
- cyclical	127	118	120	121	117
- planned maintenance	130	138	141	132	126
Aids & adaptations	20	21	22	23	24
Service & support costs	906	902	940	978	1,018
LSE service costs	70	72	84	80	79
Mortgage interest payments	705	760	786	983	1,550
Property depreciation	2,012	1,954	1,957	2,020	2,052
Other expenditure	54	63	63	54	70
TOTAL EXPENDITURE	6,766	6,846	6,999	7,347	8,059
SURPLUS FOR THE YEAR	586	757	927	914	563

Cashflow forecast from 1 April 2019 to 31 March 2024

	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24
	£000's	£000's	£000's	£000's	£000's
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,678	2,787	2,948	3,081	3,325
Interest received	10	49	72	60	107
Interest paid	-741	-770	-816	-1,157	-1,575
NET CASH IN/OUT(-) FLOW	1,948	2,066	2,203	1,984	1,857
Cash in/out(-) flows from investing activities:					
Development activity	-2,783	-2,614	-3,200	-3,264	-3,337
Capitalised major repairs	-1,102	-1,554	-1,226	-1,295	-1,270
Other investing activities	-37	115	114	-193	-41
Grants received	518	756	625	625	625
Net cash in/out (-) flow from investing activities	-3,404	-3,297	-3,687	-4,128	-4,023
Net cash in/out (-) flow from financing	922	1,183	677	3,393	9,308
INCREASE/DECREASE (-) IN CASH & CASH EQUIVALENTS	-534	-48	-806	1,249	7,142
Cash balance b/f	3,493	2,959	2,911	2,105	3,354
CASH BALANCE C/F	2,959	2,911	2,105	3,354	10,496

Reserves forecast to 31 March 2024

	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24
	£000's	£000's	£000's	£000's	£000's
Surplus for the year	586	757	927	914	563
TRANSFER (TO)/FROM					
Reserve Financing Capital Expenditure To (-) - loan principal repaid	-178	-317	-323	-507	-692
Other reserves	-93	-102	-89	-107	-109
TRANSFER TO / (FROM) ACCUMULATED SURPLUS	315	338	515	300	-238

Estimated reserves at end of year

	Expected 2018/19	Year ended 31-Mar 20	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24
	£000's	£000's	£000's	£000's	£000's	£000's
Accumulated Surplus	6,079	6,394	6,732	7,247	7,548	7,309
Reserve - Financing Capital Expenditure	15,662	15,840	16,157	16,480	16,987	17,679
TOTAL	21,741	22,234	22,889	23,727	24,534	24,988



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

 www.twitter.com/railwayha

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