



2020 - 2025  
**BUSINESS  
STRATEGY**  
Railway Housing Association







# Welcome

to Railway Housing Association's business strategy for 2020-2025.

Residents, our team of staff and our Board have all been involved in agreeing our plans for the next five years.

## Our Values

Caring  
Fair  
Efficient  
Open  
Trustworthy

## Our Mission

To make best use of our resources to provide good quality, desirable and affordable homes for residents in need of housing.

## 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 weekly contributions from 7,000 members who worked for the railway. The NER match funded members' contributions and provided free accountancy, architect and surveying services. The first homes were built in 1921 in South Gosforth, York and Darlington.

The Association has been registered as a charity with the Charity Commission since 1962; and as a registered housing association since 1976.

The Association now owns and manages 1,577 rented, leased and shared ownership homes in 24 local authority areas in Northumberland, Tyne & Wear, Cumbria, Durham, Tees Valley, North Yorkshire, Leeds, York, East Riding, Hull, Doncaster and Hereford. Our homes are now let, leased or sold to anyone in need of housing, applicants do not need to be railway workers.

General needs	559
Housing for Older People	943
Leasehold schemes for Older People	73
Shared ownership	2
<b>Total</b>	<b>1577</b>

Our values of being caring, fair, efficient, open and trustworthy define what we stand for, guide our decision making and show our residents and other stakeholders what is important to us. We expect to be held accountable to these values.

We are proud of our heritage, which was celebrated during our centenary year in 2019, and retain our charitable values whilst being committed to the future provision of accessible homes and services to meet housing need.





## Our Operating Environment

Recent years have seen us face an extremely challenging operating environment and there is every indication that this will continue for the life of this five-year business strategy.

Since the referendum in 2016, the decision to leave the European Union has created uncertainty with conflicting forecasts of the potential impact. Although the recent general election has provided some political certainty, it will take a while before the impact of Brexit becomes clear.

The newly elected government has a significant majority and therefore the ability to pursue their housing policies. This is still focused on providing homes for sale rather than rent; and affordable rather than social rent. However, there is now certainty about rent setting for

the next five years and there is a commitment to renew the current Affordable Homes Programme, which is due to end in 2021.

The grant available towards building new homes for rent has been substantially reduced in recent years and there is no indication that this will increase again. The Right to Buy for housing associations is due to be introduced once the pilot scheme ending in Spring 2020 has been evaluated. Changes to welfare benefits such as the reduction of the benefits cap, introduction of the bedroom tax and Universal Credit, freezing

of welfare benefits since 2016 (due to increase by CPI from April 2020), and the limiting of housing benefit to a shared room rate for under 35 year-olds has increased the demand for low cost social housing. Supporting People funding for support services continues to be reduced and many local authorities have reduced the support services available to our more vulnerable residents. Regulatory changes have been made and further ones are proposed. Against this backdrop, significant increases in the older population requiring suitable accommodation is projected over the next decade.

Climate change is a huge issue. The UK has a target of halving carbon emissions by 2030 and reaching 'net zero' by 2050. The Future Homes Standard proposes

increases to the energy efficiency requirements for new homes, including the banning of fossil fuel heating, by 2025. However, the more challenging issue is the improvement of existing homes up to high energy efficiency standards to reduce emissions; as well as looking at reducing the carbon footprint of our offices and how we work.

We are still well placed to respond to these challenges and opportunities. We are a financially strong and well governed organisation with talented staff working together to make a real difference to peoples' lives. Potential risks are identified and mitigated by our effective risk management policy.

We aim to avoid all risk and uncertainty as far as health and safety and regulatory compliance

is concerned; and safe, low risk options are our preference for financial matters and our reputation. We are more open to risks for customer services, development and sales if these are likely to deliver a successful result.

We demonstrate excellent performance across a range of services, our homes are maintained to a high standard, and we are alert to changes in our operating environment.

Our Board of Trustees is 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.

## Our Priorities

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

- Providing excellent housing management and maintenance services to residents living in our older persons and general needs accommodation, leasehold schemes for older people and shared ownership homes
- Building new homes to meet housing need.







## Our Strategic Goals

### Our Residents

We provide excellent services that meet residents' needs

We will continue to:

- Put the needs of residents at the heart of our business
- Strive for excellence and achieve high levels of resident satisfaction
- Listen to residents' views
- Encourage and support residents to have meaningful involvement in service improvements and decision making
- Let homes in a fair and transparent way
- Keep rents and service charges at an affordable level that provide good value for money.

### Our Homes

We provide safe, well maintained, energy efficient homes

We will continue to:

- Invest in maintaining and improving existing homes that are affordable and sustainable
- Maintain our homes to a safe, secure and energy efficient standard
- Comply with all relevant health and safety legislation and good practice
- Provide a repairs service that aims to meet residents' expectations
- Improve energy efficiency and reduce fuel poverty
- Keep communal areas and immediate surroundings of our homes clean and safe
- Work with other agencies to tackle anti-social behaviour and any other neighbourhood issues
- Work with stakeholders to establish future needs for homes
- Provide as many new homes as we can, by building 16 new homes in 2020/21, 51 in 2021/22, followed by 25 per year up 2024/25.

### Value for Money

We use resources wisely to achieve value for money throughout the organisation

We will continue to:

- Consider value for money in all our spending decisions
- Achieve year on year efficiency savings of 5% of operating costs
- Agree funding priorities with residents
- Make best use of assets to provide funding for building new homes
- Use our resources to achieve the right balance between front line services, maintaining existing homes and providing new homes
- Aim to achieve top quartile performance in recognised value for money indices.

### Our Organisation

We are a well-managed and appropriately governed organisation

We will continue to:

- Have a strong board and executive team providing effective leadership and management
- Comply with all regulatory requirements
- Seek to retain the highest rating (G1 V1) from the Regulator of Social Housing
- Achieve high standards of governance and risk management
- Manage our business to aim to generate a strong operating margin and 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, going beyond legal requirements where it is reasonably practical
- Promote and demonstrate fairness and equality of opportunity in the provision of services, employment of staff and governance
- Retain our hard earned reputation as an excellent landlord and employer, providing quality homes and easy to use services.

### Our People

We are an employer of choice attracting, developing and retaining excellent staff with the skills, qualifications and outlook to deliver our goals

We will continue to:

- Achieve high levels of staff satisfaction
- Encourage and support learning and development
- Recognise and reward staff for their contributions and achievements
- Support wellbeing of staff
- Involve staff in decision making
- Empower staff to achieve high standards of services
- Encourage apprenticeships
- Work towards achieving gold level Investors in People accreditation.



# Financial forecast

1 April 2020 - to 31 March 2025

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### Commentary

#### Assumptions incorporated in the forecast

#### Housing Revenue Budget 2020/21 & Forecast to 31 March 2025

#### Annual Cash Flow Forecast from 1 April 2020 to 31 March 2025

#### Reserves Forecast to 31 March 2025

## 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 partially fixed until March 2023, 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 2020/21, and 28 homes in Bishop Auckland, 14 homes in Hereford and a further 9 homes that have not yet been identified completing in 2021/22. From 2022/23 to 2024/25, the forecast assumes 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 increase by CPI plus 1% from 2020/21 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.
- 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 2021 with take up of 2 units per annum from 2021/22 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**  
Reserves are 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

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
<b>Scheme</b>					
<b>Developments:</b>					
Barton Street Darlington	1,294				
King James School, Bishop Auckland	3,562	1,430			
Great Western Court, Hereford	836	776			
Addordable housing/ other developments	852	591	3,211	3,299	3,390
Capitalised major repairs	1,383	1,284	1,186	1,123	1,355
Other capital expenditure	218	225	223	225	231
<b>TOTAL</b>	<b>8,145</b>	<b>4,306</b>	<b>4,620</b>	<b>4,647</b>	<b>4,976</b>

- 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**  
It has been assumed that the Barclays loan will be refinanced in 2020/21 with a new bank facility for a term of 10 years at a margin of 1.6%.  
  
A further new bank facility has been assumed in 2023/24 for £8.5m, for a term of 10 years at a margin of 1.75%.

## Assumptions

1. **Rents**  
Increases of CPI for the previous September plus 1% from 2020/21 (CPI is 1.7% for 2020/21, and assumed at 1.75% for 2021/22 and 2.0% per annum thereafter).
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 CARE structure and employees that are currently members of the 120ths CARE structure will remain in their current structures. 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 in the table above.
6. **Interest receivable**  
Cash balances are available for investment except for the minimum liquidity requirement of £0.5m.  
  
Interest receivable – 0.5% in 2020/21, 1.0% in 2021/22, 1.5% in 2022/23, 1.75% in 2023/24, and 2.5% in 2024/25.
7. **Inflation**  
The average rate of inflation applied to revenue items not noted elsewhere is 3.0% in 2020/21 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.

“Invest in maintaining and improving existing homes that are affordable and sustainable”



## Housing revenue budget 2020/21 and forecast to 31 March 2025

	Budget 2020/21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24	Year ended 31-Mar 25
	£000's	£000's	£000's	£000's	£000's
<b>INCOME</b>					
Rents receivable	6,090.3	6,345.7	6,695.7	7,016.5	7,355.7
Service charges	1,015.2	1,043.1	1,071.8	1,101.3	1,131.6
	7,105.5	7,388.8	7,767.5	8,117.8	8,487.3
Less - voids	-75.7	-110.8	-116.5	-121.8	-127.3
<b>Net rents due</b>	<b>7,029.8</b>	<b>7,278.0</b>	<b>7,651.0</b>	<b>7,996.0</b>	<b>8,360.0</b>
Interest receivable	5.0	10.0	17.8	40.2	214.7
Amortised government grant	325.4	346.0	352.3	309.4	315.7
Other income - rates allowances	29.2	30.0	30.8	31.6	32.5
- LSE service charges	78.8	81.0	83.2	85.5	87.9
<b>TOTAL INCOME</b>	<b>7,468.2</b>	<b>7,745.0</b>	<b>8,135.1</b>	<b>8,462.7</b>	<b>9,010.8</b>
<b>EXPENDITURE</b>					
Administration - staff costs	1,404.8	1,437.4	1,470.6	1,504.5	1,539.2
- office overheads	682.6	693.1	705.6	717.2	736.3
- other expenses	58.1	59.7	61.3	63.0	64.7
Bank charges & interest payable	2.5	2.6	2.7	2.8	2.9
Bad debts	52.7	72.8	76.5	80.0	83.6
Abortive development costs	3.5	3.5	3.5	3.5	3.5
Property insurance	18.0	18.9	19.8	20.8	21.8
Water rates - payable	333.1	342.3	351.7	361.4	371.3
- less receivable	-333.1	-342.3	-351.7	-361.4	-371.3
Maintenance - day to day	489.1	502.6	516.4	530.6	545.2
- voids	293.2	301.3	309.6	318.1	326.8
- electrical testing	122.0	50.0	51.4	52.8	54.2
- cyclical	89.7	83.2	82.6	83.7	80.7
- planned maintenance	148.8	137.5	141.1	144.6	142.5
Aids & adaptations	20.0	20.6	21.2	21.8	22.4
Service & support costs	856.7	903.5	931.5	973.7	966.1
LSE service costs	62.0	63.7	74.6	67.5	73.2
Mortgage interest payments	582.3	643.4	752.9	1,116.4	1,243.5
Property depreciation	1,857.4	2,022.0	2,034.5	2,050.0	2,090.7
Other expenditure	497.1	69.5	73.8	88.9	84.8
<b>TOTAL EXPENDITURE</b>	<b>7,240.5</b>	<b>7,085.3</b>	<b>7,329.6</b>	<b>7,839.9</b>	<b>8,082.1</b>
<b>SURPLUS FOR THE YEAR</b>	<b>227.7</b>	<b>659.8</b>	<b>805.5</b>	<b>622.8</b>	<b>928.7</b>

## Cash flow forecast from 1 April 2020 to 31 March 2025

	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24	Year ended 31-Mar 25
	£000's	£000's	£000's	£000's	£000's
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,598</b>	<b>2,788</b>	<b>2,937</b>	<b>3,157</b>	<b>3,436</b>
Interest received	5	10	18	40	215
Interest paid	-1,072	-682	-927	-1,142	-1,269
<b>NET CASH IN/OUT(-) FLOW</b>	<b>1,532</b>	<b>2,116</b>	<b>2,028</b>	<b>2,056</b>	<b>2,382</b>
Cash in/out(-) flows from investing activities:					
Development activity	-5,801	-3,326	-2,984	-3,299	-3,390
Capitalised major repairs	-1,383	-1,284	-1,186	-1,123	-1,355
Other investing activities	-66	115	-39	-40	-42
Grants received	756	625	625	625	625
Net cash in/out (-) flow from investing activities	-6,494	-3,871	-3,584	-3,838	-4,161
Net cash in/out (-) flow from financing	3,186	1,946	2,662	8,077	-430
<b>INCREASE/DECREASE (-) IN CASH &amp; CASH EQUIVALENTS</b>	<b>-1,776</b>	<b>191</b>	<b>1,105</b>	<b>6,295</b>	<b>-2,210</b>
Cash balance b/f	3,275	1,498	1,689	2,795	9,089
<b>CASH BALANCE C/F</b>	<b>1,498</b>	<b>1,689</b>	<b>2,795</b>	<b>9,089</b>	<b>6,879</b>

## Reserves forecast to 31 March 2025

	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24	Year ended 31-Mar 25
	£000's	£000's	£000's	£000's	£000's
Surplus for the year	228	660	805	623	929
<b>TRANSFER (TO)/FROM RESERVES</b>					
Reserve Financing Capital Expenditure To (-) - loan principal repaid	-3,914	-54	-238	-423	-430
Other reserves	-99	-74	-86	-95	-78
<b>TRANSFER TO / (FROM) ACCUMULATED SURPLUS</b>	<b>-3,785</b>	<b>532</b>	<b>481</b>	<b>105</b>	<b>420</b>

## Estimated reserves at end of year

	Year ended 31-Mar 21	Year ended 31-Mar 22	Year ended 31-Mar 23	Year ended 31-Mar 24	Year ended 31-Mar 25
	£000's	£000's	£000's	£000's	£000's
Accumulated Surplus	1,631	2,163	2,645	2,749	3,170
Reserve - Financing Capital Expenditure	19,754	19,807	20,045	20,468	20,899
<b>TOTAL</b>	<b>21,385</b>	<b>21,970</b>	<b>22,690</b>	<b>23,218</b>	<b>24,068</b>





## Contact us

Our office in Darlington  
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Free phone: **0800 0287428**

Email: [info@railwayha.co.uk](mailto: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

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