



**2020-2025**  
(Updated March 2023)

# **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 1,620 rented, leased and shared ownership homes in 19 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	986
Leasehold schemes for Older People	73
Shared ownership	2
<b>Total</b>	<b>1,620</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.

The last three years have seen Brexit, the Covid-19 pandemic, war in Ukraine, and changes in our government and their financial policies, which have contributed to high inflation, large increases in energy bills, as well as problems with the availability of labour and materials in the construction, building safety and maintenance industries. These have resulted in increased costs across all areas of the association. There have been delays to building new homes and repairs and maintenance works as contractors experience issues with retaining workers and delays with supply chains of building materials.

This turmoil and uncertainty has also further highlighted the need for safe, affordable, warm and comfortable homes for all. The UK's housing crisis is ongoing. More people are finding themselves priced out of the market with high house prices and private rents beyond their means. The shortage of homes and increased homelessness means that the provision of affordable social housing is ever more crucial.

The government is still focused on providing homes for sale rather than rent; and affordable rather than social rent. The Affordable Homes Programme for 2021-2026 brings its own challenges with the requirements to promote modern methods of construction, the National Design Guide, energy

efficiency and sustainability and the use of small and medium sized (SME) contractors, and the introduction of the Right to Shared Ownership.

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; and there are still plans to introduce the Voluntary Right to Buy for housing associations. Changes to welfare benefits have 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. Against this backdrop, significant increases in the older population requiring suitable accommodation is projected over the next decade.

The Social Housing Regulation Bill (The charter for social housing residents) includes changes that require the Regulator to take a proactive approach to making sure that landlords meet the consumer standards. The Building Safety Act 2022 and Fire Safety Act 2021 set out extensive reforms to building safety legislation and improvements to fire safety of residential buildings.

Recent adverse publicity about the poor condition of some homes in the social housing sector has emphasised the need for a data driven, risk-based

approach to potential disrepair followed by prompt and effective action.

The availability of good quality data is essential to knowing our residents and our homes so that we can understand our residents' needs and effectively manage our health and safety responsibilities, as well as the overall maintenance and improvement of our existing properties especially relating to energy efficiency and working towards net zero carbon emissions.

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.

High inflation and real terms wage reductions will increase financial pressure on residents; and staff morale is likely to be affected by the impact of the increased cost of living on residents as well as on their own lives.

Rent increases have been capped at 7% for 2023/24, with inflation (CPI) at 10.1% in September 2022. This means that income will not increase in line with expenditure and spending will need to be restricted to ensure that viability is maintained and covenants are not breached.

Competition within the social housing sector is also an issue, including competition for grant funding, development opportunities, low cost funding, recruiting and retaining the best staff, and attracting residents for some types of properties.

We are well placed to respond to all of these many and varied 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. We know our residents and our homes; and software improvements in 2023 will enhance the recording and use of this knowledge.

New legislation, regulation and guidance will formalise a lot of the best practice that we already apply.

Potential risks are identified and mitigated by our effective risk management policy and our business plans are regularly stress tested. We aim to avoid all risk and uncertainty as far as finances, health and safety, and regulatory compliance are concerned.

Low risk options are our preference for our reputation. We are more open to risks for customer services and for development, if these are likely to deliver a successful result.

Work has been undertaken to minimise the risk of cybercrime, with further work planned in 2023/24 on business continuity plans in the event of an attack.

We will complete 14 new homes in Hereford in 2023 and then plan to pause development work so we can concentrate our financial resources on improving the energy efficiency of existing homes to bring all homes up to EPC Level C by 2030 and in preparation for achieving net zero by 2050.

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 Directors is committed to responding effectively to challenges and opportunities by honouring our charitable ethos whilst making the most efficient use of our resources to continue to provide good quality, safe and well maintained homes 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 Behaviours

We will listen, be courteous, respectful, friendly, helpful, honest, patient, positive, and do what we say we will do to the best of our ability.

## 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 within the context of our resources and value for money
- 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 a level that provide value for money.

### Our Homes

We provide safe, well maintained, energy efficient homes

**We will continue to:**

- Prioritise investment 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 meets legal and regulatory standards and aims to achieve a high level of resident satisfaction within the context of our resources and value for money
- Improve energy efficiency to help reduce fuel poverty and carbon emissions
- 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
- Complete 14 new homes in 2023/24.

### 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 then providing new homes
- Aim to improve 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 rating of G1 V2 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
- Seek funding and prioritise works to reduce our carbon emissions and meet national carbon neutral targets, including the improvement of insulation to our homes, reducing reliance on fossil fuels, and promoting the use of green technologies.
- 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 within the context of our resources and value for money
- 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
- Retain silver level Investors in People accreditation.





# Financial forecast

1 April 2023 to 31 March 2028

## Index Commentary

### Commentary

#### Assumptions incorporated in the forecast

#### Housing Revenue Budget 2023/24 & Forecast to 31 March 2028

#### Annual Cash Flow Forecast from 1 April 2023 to 31 March 2028

#### Summary Statement of Financial Position to 31 March 2028

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 a detailed stock decarbonisation strategy and significant adverse variations are not anticipated.

**1.2 Mortgage interest rates**  
The association currently has four loan facilities in place. Three are fully fixed and are therefore not sensitive to movements in interest rates, and one is variable but will be fixed when the funds are used to achieve the association's policy level of a minimum of 70% of net debt. Over the term of the forecast, current debt is 38-42% 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 one of these facilities. No new borrowing is expected to be required during the term of the forecast.

**1.3 Development/remodelling**  
The forecast includes the completion of a development of 14 homes in Hereford in 2023/24. It is assumed that development activity will then be paused so that resources can be focused on improving the energy efficiency of existing properties, aiming to achieve EPC Level C by 2030 and net zero by 2050.

**1.4 Rents receivable**  
The association's rents are assumed to increase by CPI plus 1%, the maximum rent increase in accordance with the Regulator of Social Housing's rent standard, except for the financial years 2023/24 and 2024/25 when a 7% ceiling has been assumed.

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 2023 with take up of 2 units per annum from 2023/24 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

	2023/24	2024/25	2025/26	2026/27	2027/28
Scheme	£000	£000	£000	£000	£000
Development: Great Western Court, Hereford	1,115				
Capitalised major repairs	1,998	2,185	2,402	2,608	2,778
Other capital expenditure	296	246	248	338	360
<b>TOTAL</b>	<b>3,409</b>	<b>2,431</b>	<b>2,650</b>	<b>2,946</b>	<b>3,138</b>

## Assumptions

- Rents**  
7.0% cap applied in 2023/24 and 2024/25, and increases of CPI for the previous September plus 1% from 2025/26 (the applicable CPI is assumed at 2.75% for 2025/26, and 2.50% for 2026/27 and 2027/28).
- Voids**  
1.5% of turnover from social housing lettings.
- 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 2020 revaluation; it has been assumed that future service contribution rates will be capped at the current level.
- Bad debts**  
1.0% of net rents due.
- Planned maintenance expenditure**  
Based on stock condition surveys, options appraisals and the stock decarbonisation strategy; planned maintenance expenditure that is required to be capitalised is shown at paragraph 8.
- Interest receivable**  
Cash balances are assumed to be available for investment except for the minimum liquidity requirement of £0.5m.  
  
Interest receivable – 3.0% in 2023/24, 4.25% in 2024/25, 3.75% in 2025/26, 3.25% in 2026/27 and 3.0% in 2027/28.
- Inflation**  
The average rate of inflation applied to revenue items not noted elsewhere is 10.5% in 2023/24, 3.5% in 2024/25, 3.25% in 2025/26 and 2026/27, and 3.0% in 2027/28.

- 8. Capital expenditure**
- 8.1 Expenditure on the affordable housing development in 2023/24 will be funded by social housing grant, borrowing and cash balances.
- 8.2 The 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 capital expenditure in respect of development and major repairs is as shown in the table opposite.
- 8.4 The viability and impact of further 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 no new loan facilities will be arranged.

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



## Housing revenue budget 2023/24 and forecast to 31 March 2028

	Budget 2023-24	Year ending 31-Mar 25	Year ending 31-Mar 26	Year ending 31-Mar 27	Year ending 31-Mar 28
	£000's	£000's	£000's	£000's	£000's
<b>INCOME</b>					
Rents receivable	7,019.4	7,497.7	7,855.9	8,135.3	8,417.9
Service charges	1,460.6	1,511.7	1,560.8	1,611.5	1,659.8
	8,480.0	9,009.4	9,416.7	9,746.8	10,077.7
Less - voids	-103.4	-135.1	-141.3	-146.2	-151.2
<b>Net rents due</b>	<b>8,376.6</b>	<b>8,874.3</b>	<b>9,275.4</b>	<b>9,600.6</b>	<b>9,926.5</b>
Interest receivable	180.0	235.1	223.9	197.5	195.4
Amortised government grant	326.0	352.7	366.7	387.3	404.8
Other grants	45.1	33.2	0.0	0.0	0.0
Other income - rates allowances	28.4	29.4	30.4	31.4	32.3
- LSE service charges	102.9	106.5	110.0	113.6	117.0
<b>TOTAL INCOME</b>	<b>9,059.0</b>	<b>9,631.2</b>	<b>10,006.4</b>	<b>10,330.4</b>	<b>10,676.0</b>

<b>EXPENDITURE</b>					
Administration - staff costs	1,614.2	1,665.4	1,713.2	1,764.0	1,811.4
- office overheads	713.3	740.4	755.4	776.3	769.8
- other expenses	81.3	84.1	86.8	89.6	92.3
Bank charges & interest payable	2.0	2.1	2.2	2.3	2.4
Bad debts	62.8	88.7	92.8	96.0	99.3
Abortive development costs	0.0	0.0	0.0	0.0	0.0
Property insurance	72.6	76.2	80.0	84.0	88.2
Water rates - payable	323.5	334.8	345.7	356.9	367.6
- less receivable	-323.5	-334.8	-345.7	-356.9	-367.6
Maintenance - day to day	700.0	724.5	748.0	772.3	795.5
- voids	320.0	331.2	342.0	353.1	363.7
- electrical testing	58.1	60.1	62.1	64.1	66.0
- electrical repairs	40.0	51.4	52.7	54.0	55.2
- cyclical	39.2	107.0	88.9	68.6	115.1
- planned maintenance	13.9	122.0	185.2	151.8	154.4
Aids & adaptations	20.0	20.7	21.4	22.1	22.8
Service & support costs	1,271.2	1,345.2	1,359.4	1,403.5	1,445.5
LSE service costs	162.4	87.1	206.8	161.6	101.7
Mortgage interest payments	935.0	885.0	812.8	745.5	695.2
Property depreciation	1,944.8	2,087.8	2,270.2	2,279.6	2,289.0
Other expenditure	77.3	85.9	86.1	77.8	90.6
<b>TOTAL EXPENDITURE</b>	<b>8,128.1</b>	<b>8,564.8</b>	<b>8,966.1</b>	<b>8,966.3</b>	<b>9,058.1</b>
<b>SURPLUS FOR THE YEAR</b>	<b>930.9</b>	<b>1,066.4</b>	<b>1,040.4</b>	<b>1,364.1</b>	<b>1,617.9</b>

## Cash flow forecast from 1 April 2023 to 31 March 2028

	Year ending 31-Mar 24	Year ending 31-Mar 25	Year ending 31-Mar 26	Year ending 31-Mar 27	Year ending 31-Mar 28
	£000's	£000's	£000's	£000's	£000's
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,931</b>	<b>3,126</b>	<b>3,184</b>	<b>3,528</b>	<b>3,682</b>
Interest received	180	235	224	198	195
Interest paid	-966	-911	-839	-773	-723
<b>NET CASH IN/OUT(-) FLOW</b>	<b>2,145</b>	<b>2,450</b>	<b>2,568</b>	<b>2,953</b>	<b>3,154</b>
Cash in/out(-) flows from investing activities:					
Development activity	-1,559	-113	0	0	0
Capitalised major repairs	-1,999	-2,061	-2,269	-2,466	-2,631
Other investing activities	93	-62	-64	-66	-68
Grants received	904	753	506	657	552
Net cash in/out (-) flow from investing activities	-2,561	-1,483	-1,827	-1,876	-2,147
Net cash in/out (-) flow from financing	-423	-528	-634	-643	-653
<b>INCREASE/DECREASE (-) IN CASH &amp; CASH EQUIVALENTS</b>	<b>-839</b>	<b>439</b>	<b>108</b>	<b>434</b>	<b>354</b>
Cash balance b/f	7,370	6,531	6,970	7,078	7,512
<b>CASH BALANCE C/F</b>	<b>6,531</b>	<b>6,970</b>	<b>7,078</b>	<b>7,512</b>	<b>7,866</b>



## Statement of Financial Position to 31 March 2028

	Year ending 31-Mar 24	Year ending 31-Mar 25	Year ending 31-Mar 26	Year ending 31-Mar 27	Year ending 31-Mar 28
	£000's	£000's	£000's	£000's	£000's
<b>FIXED ASSETS</b>					
Intangible assets	216	181	153	128	132
Housing properties	97,579	99,030	99,693	101,226	102,944
Depreciation	-37,811	-39,044	-39,461	-40,487	-41,523
Net housing properties	59,768	59,986	60,232	60,739	61,421
Other fixed assets	584	578	573	568	562
	60,568	60,745	60,958	61,435	62,115
<b>CURRENT ASSETS</b>					
Debtors	700	727	752	778	804
Cash and investments	6,531	6,970	7,078	7,512	7,866
	7,231	7,697	7,830	8,290	8,670
<b>CREDITORS</b> Amounts falling due within one year:					
Housing loans	-528	-634	-643	-653	-5,932
Other creditors	-2,124	-2,060	-2,117	-2,163	-2,227
	-2,652	-2,694	-2,760	-2,816	-8,159
<b>NET CURRENT ASSETS</b>	<b>4,579</b>	<b>5,003</b>	<b>5,070</b>	<b>5,474</b>	<b>511</b>
<b>TOTAL ASSETS less current liabilities</b>	<b>65,147</b>	<b>65,748</b>	<b>66,028</b>	<b>66,909</b>	<b>62,626</b>
<b>CREDITORS</b> Amounts falling due after more than one year:					
Housing loans	-16,551	-15,943	-15,326	-14,699	-8,794
Other creditors	-21,441	-21,801	-21,892	-22,117	-22,209
	-37,992	-37,744	-37,218	-36,816	-31,003
Defined benefit pension liability	-1,072	-854	-619	-538	-449
<b>NET ASSETS</b>	<b>26,083</b>	<b>27,150</b>	<b>28,191</b>	<b>29,555</b>	<b>31,174</b>
<b>CAPITAL AND RESERVES</b>					
Accumulated surplus	24,401	25,512	26,605	27,865	29,314
Designated reserves	1,682	1,638	1,586	1,690	1,860
<b>TOTAL RESERVES</b>	<b>26,083</b>	<b>27,150</b>	<b>28,191</b>	<b>29,555</b>	<b>31,174</b>

Our office in Maple House, 11 Tillage Green, Westpark Village, Darlington, DL2 2GL is open between 8.30 am and 4.30pm Monday to Friday.

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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