

# **BUSINESS PLAN**

**2016/17-2020/21**



**Tel:** 0300 1234 009  
**Fax:** 01530 278086  
**Website:** [www.northamptonshirerha.org.uk](http://www.northamptonshirerha.org.uk)  
**Twitter:**  @NorthantsRural



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# **NORTHAMPTONSHIRE RURAL HOUSING ASSOCIATION**

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## **BUSINESS PLAN 2016/2017 TO 2020/2021**

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## Item 1

# INTRODUCTION TO THE BUSINESS PLAN AND MISSION STATEMENT

The mission of NRHA can be summarised as follows:

“NRHA exists to provide affordable housing within rural Northamptonshire. We work closely with District Authorities and Parish Councils in order to ensure that our developments meet the needs of local people who cannot access housing in their communities.”

At the beginning of the plan period Northamptonshire Rural Housing Association managed 560 homes, with proposals for a further 71 dwellings in the pipeline during the plan period. Despite the challenging economic and fiscal environment, we remain encouraged by the fact that growth is continuing, and our vision is being realised.

We continue to be supported by a range of partners, particularly Parish Councils, Local Authorities, the Homes and Communities Agency, and Midlands Rural Housing, and we will continue to build on this valued support throughout the plan period. We will also look to engage with Local Enterprise Partnerships and any emerging devolution structures, including any Combined Authority arrangements.

This Business Plan takes into account the significant changes affecting affordable housing – particularly the impacts resulting from reduced capital subsidy, rent control, welfare reform and recent Government policy announcements. At the same time we are determined not to lose sight of our primary objectives of providing affordable, attractive, well managed homes for local people within the villages of Northamptonshire; securing improved services for our residents; and contributing to the sustainability of the rural communities.

This Business Plan sets out the way ahead for achieving our aims, and how the emerging challenges will be addressed, and will be subject to annual review.

## Item 2

# SUMMARY OF AIMS AND OBJECTIVES

The purpose of this Document is to set out the objectives and financial plans of the Association for the period 2016/2017 – 2020/2021.

Throughout this period we will continue to pursue our stated mission. The Plan sets out the methodology by which we will do this, and how we will gain the support to do so while maintaining our financial viability. At the same time, the Association will continue to provide high quality services to its customers. In this context, our policies will remain resident focussed and geared to “local” aspirations.

We will continue the core business of providing new homes for the benefit of local people and rural communities. Such growth will continue to be achieved organically, and will be influenced by evidenced needs.

We will look for opportunities to expand the number of homes in management by working with other organisations and promoting ourselves as a specialist manager of rural housing. However, this role will only be pursued where it is viable in financial terms, and where our management expertise brings tangible benefits to residents.

We will continue to maintain our stock in good condition and our Asset Management Strategy will be consistent with this objective. We will also undertake improvements to our existing stock, with an emphasis on achieving affordable running costs for residents, and defining our sustainability aspirations.

Sound financial management will remain crucial across all our operations, particularly in a period of rent reductions. We will increase the investment of our own resources into the delivery of new homes to achieve our key objectives, but will continue to maintain our viability. The plan will ensure that required surpluses, and key financial ratios are achieved.

We will also meet any revised regulatory requirements set by the Homes and Communities agency, and periodically review our compliance with the latest NHF Code of Governance.

The Board of Management is fully aware of the increasingly challenging environment in which we operate, and feels that the plan represents a sound basis on which to progress during the coming five years.

## Item 3

# THE OPERATING ENVIRONMENT AND EXTERNAL CONSIDERATIONS (INCLUDING PEST AND SWOT ANALYSIS)

## KEY ISSUES AND RISKS

The Association's expectation is that the operating environment will continue to be challenging, and will cover a period of significant fiscal constraint.

In particular, it is anticipated the following areas will have a direct impact on the operations of NRHA, and the delivery of its objectives, and will need to be monitored and reviewed over the period of the Plan.

### **1. Extension of the Right to Buy to Housing Associations**

The Government has continued to progress its manifesto commitment to extend the Right to Buy to housing association tenants. However, this will now be progressed on a voluntary arrangement following agreement with the NHF. This will enable "discretion" on what homes providers will sell in this regard and NRHA will need to determine its policy approach.

The majority of the Association's stock has been developed utilising the Exceptions approach, with planning granted on the basis that the homes will be retained for local people in perpetuity. Given this context there is a strong case for NRHA to use its discretion not to sell in such circumstances. It has already been acknowledged that rural locations present specific issues, and there would be no expectation to sell homes that have been provided on this basis. However, some of the wider procedural elements, such as the operation of "portable discounts" are still to be determined as part of the overall scheme. Such details are essential for the Association to finalise its policy and communicate the details to residents.

Given the potential impact of the policy, it will continue to be considered as a primary business risk until the final details of the scheme are determined.

## **2. Rent Reductions**

The Government has re-confirmed that social housing rents across England will reduce by 1% a year for four years from April 2016. This will apply to both social and Affordable Rents. Such a rent reduction will impact on income streams, and cash flow over the plan period.

Given this, the financial projections included in this plan have been remodelled to take this into account. These continue to show surpluses being created and financial covenants being achieved. The rent reduction arrangements proposed by Government have indicated a return to CPI +1% in 2020/21. However, the Association has taken a cautious approach to its financial planning and based its projections for the final year on a “no increase” scenario. In practical terms, close financial management will be required over the plan period to ensure this position is maintained, and the financial projections will be subject to stress testing moving forward.

## **3. Relationships with Partner Housing Associations**

NRHA remains committed to working in partnership with other Housing Associations, particularly in the context of Development, where there is still need to engage others to absorb risks associated with this activity. The Plan assumes that such arrangements will be maintained, and that we will partner with housing associations who will look to secure subsidy in one form or another. That said, the Association recognises that the development capacity of mainstream providers is being affected by reducing incomes. This, in turn, could result in some providers being unable to take on additional schemes and provide development agency services. This will need to be monitored over the plan period, and it may be necessary for NRHA to identify new partners moving forward.

## **4. The Devolution Agenda**

The Government devolution agenda is gathering pace, with an increasing role for Local Enterprise Partnerships, and the promotion of Combined Authority proposals. In this context, the Government is keen to devolve the powers and budgets of public bodies to the local level and Combined Authorities could be a favoured model for this, which may lead to increased integration of funding streams. It is anticipated that in some cases it will include those for housing delivery. As a consequence, NRHA will need to identify opportunities to engage with any Combined Authority arrangements in its area of operation. Such structures will undoubtedly have an increasing role as strategic influencers and funding bodies moving forward.

## **5. Funding priorities and future investment**

The current level of public investment targeted at new rural housing is limited. This is not helped by the lack of national or local investment targets as part of current funding streams.

That said, NRHA has secured a healthy development programme for the 2015-18 period, which will be supported by Social Housing Grant via the HCA and Local Authority partners.

However, further funding opportunities have been significantly reduced by the closure of the HCA's Continuous Market Engagement (CME) programme for rented homes.

This has arisen as a direct result of the recent CSR announcement, and the increased emphasis on home ownership initiatives, which will promote greater investment in shared ownership, and the provision of "Starter Homes".

The recent HCA funding prospectus has since confirmed that grant funding is to be geared to increasing the supply of shared ownership housing, and, as a consequence, grant funded projects will need to accommodate increased numbers of shared ownership dwellings if HCA funding is to be pursued.

As a consequence, the provision of new rented housing will become increasingly difficult. There will be increased reliance on other forms of funding, particularly that from Local Authority partners. There will also be a need to review alternative funding solutions and models to maintain delivery of rented homes – this includes cross-subsidy, sourcing alternative funding and increased use of the Association's own resources. In this context, progress has already been made in relation to cross-subsidy arrangements with new development proposals aligned to this model. In terms of the Association's investment, it is acknowledged that this will need to increase, and a formal policy on the use of assets for this purpose will be developed.

## **6. Regulation and Governance**

The regulatory framework introduced on 1<sup>st</sup> April 2015 is primarily concerned with ensuring social housing assets are protected, and investment in new supply is encouraged. Managing risk to ensure that both elements can be delivered is crucial. This requires effective governance to manage the Association's resources; ensure financial viability is not compromised; and the impact of its activities on the business are clearly understood.

NRHA will periodically assess, and test, compliance with the framework. However, the business is not exposed to the wider



commercial risks that affect some larger providers given that it is concerned with meeting rural needs through the provision of general needs affordable housing. Therefore, the Association does not anticipate compliance concerns in relation to asset protection.

In practical terms, the current regulatory engagement for NRHA is minimal on the basis that it does not open itself up to significant risk, and remains below the 1,000 unit regulatory threshold. However, recent announcements have indicated that increased regulatory scrutiny may arise for smaller housing associations. In effect, as the operating environment becomes more challenging, the potential risks to smaller providers can increase. A “risk-based” approach to regulation would need to acknowledge this, and bring smaller providers under closer scrutiny. This will need to be monitored as the framework evolves.

NRHA has continued to adopt the National Housing Federation Code as its governance model, and will periodically test compliance to ensure the requirements of the code are met.

## **7. Climate Change and Renewable Technologies**

The Association has taken the view that the focus on the existing stock will increase, particularly with regard to energy efficiency and limitations on carbon dioxide omissions. At present, the expectations on the housing association sector remain unclear. However, we have a strong commitment to address these issues, and future budgets will need to be set to enable investment in such measures. Additionally, we recognise there is an obligation to our residents to improve environmental standards in our stock and reduce the potential for fuel poverty. With this in mind, the Association will look to balance future investment in renewable technologies to ensure the benefits are passed on to existing residents as well as those occupying new developments.

## **8. Private Finance and Borrowing**

Lenders continue to take a more commercial view of the sector, and margins have been increased to reflect the risks associated with income restrictions. This will impact on future NRHA borrowings, and will need to be factored into financial planning. In line with the adopted Treasury Management Strategy, NRHA will increasingly look towards facility arrangements to make the best use of its assets. Refinancing existing loan portfolios to create further borrowing headroom will be actively pursued, which will be supported by the newly created Asset and Liability Register. In taking this approach, the Association acknowledges that there are still a limited number of lenders in the market, and that increasingly commercial terms will be applied. However, cautious assumptions have been used in the development of

the 5 year financial plan, which confirm that such an approach can be accommodated from a viability perspective.

Alongside the wider long-term borrowing concerns, there remains a limited range of products available to purchasers of Shared Ownership homes, which is still compounded by high deposit requirements. This continues to pose a disincentive to develop shared ownership products, which is a concern given the increased level of emphasis on delivering home ownership initiatives. The model shared ownership lease, introduced as part of the “Protected Area Status”, has alleviated some of these concerns by allowing leaseholders to purchase 100% of the equity in their property. Nonetheless, sales risks remain, and NRHA will continue with its approach of only providing shared ownership homes where a clear demand can be evidenced.

## **9. Changes to Welfare Benefits**

It is anticipated that the Government will continue with a programme of reducing and restricting welfare benefits which will affect residents, providers and housing authorities. Steps have already been taken to minimise the impact of recent benefit reductions which has resulted in rent arrears levels being maintained or even reducing..

The Association is in a position where the number of residents claiming full or partial benefit is low when compared to others in the sector. (At the point of preparing this plan, around 8% of tenants claim partial housing benefit, and 19% claim full housing benefit.) However, we cannot be complacent as welfare reform will have a direct impact on the Association’s income stream. The widening scope of universal credit in particular is a major concern. Significant activity is being undertaken to inform residents of the changes, and a cautious approach has been adopted to financial planning assumptions in order to acknowledge, and anticipate, the impact on the Association.

Recent announcements around restricting housing benefit to local allowance caps applicable to the private rented sector are concerning. In particular, single people under the age of 35 with no dependants could find it hard to afford, or access, social housing in the future. The imposition of local housing allowance caps, coupled with the increased migration to universal credit, has the potential to increase rent arrears. As a consequence, there could be implications for the management and income recovery function which will need to be sufficiently resourced to maintain the Association’s income stream. Again, this will be monitored closely over the plan period.

## **10. National Planning Policy Framework**

The “National Planning Policy Framework” continues to have an impact on development activities. Some changes have been positive. The maintenance of and enhancements to the “Exceptions” policy, that enable Local Authorities to utilise “cross-subsidy” from market homes is beneficial. Our key Local Authority partners have adopted policies that will allow a proportion of open market homes to be developed on such sites, and we anticipate this mechanism will be increasingly used to support the provision of rented homes in the future. There is, however, some concern with regard to the status of five year housing land supply and the impact this is having on the release of “exception” sites due to the hope value attached to land surrounding many villages. In the short term, this may negatively impact on the number of exceptions opportunities coming forward.

In addition, concern was recently expressed over a proposal to include “starter homes” within the “affordable housing” definition, and enable their inclusion on exception sites. However, at the point of preparing this plan, this threat has reduced as a result of lobbying by a range of rural organisations, and confirmation that exception sites would not be subject to “Starter Homes” requirements as part of the Housing and Planning Act. This has demonstrated the on going need for the Association to maintain key points of engagement and linkages with the NHF, CLA, Rural Services Network and Rural Housing Alliance.

## **11. Neighbourhood Planning**

Neighbourhood planning was introduced as part of the Localism Act. It is designed to give local people the power to deliver development in their local communities, providing significant support can be secured – this is currently set at 50% of those voting in a local referendum.

Increasingly, rural communities are looking to engage with these arrangements, which may present opportunities for the Association, and the potential to act in an advisory/consultancy capacity. The process is bringing forward potential development opportunities where communities have recognised the need for more housing, and are including options in their plans. NRHA is ideally placed to assist in the delivery of this objective whilst providing a commitment to meet local needs, which is often the primary driver for increasing local housing supply.

## **12. Achieving Value for Money and Business Efficiency**

The Association will continue to ensure value for money in its activities and operations. Over the plan period it will continue to review its loan portfolio, and release assets via its refinancing programme in order to improve borrowing efficiency and build more homes. It will also

competitively procure key elements of planned and cyclical maintenance, in conjunction with larger providers, to achieve increased economies of scale and cost efficiencies. This will all contribute to increasing our investment in new homes.

Alongside this, and in conjunction with its partner Rural Housing Associations, and Midlands Rural Housing, it will review the staffing resources required to carry out key functions in order to identify management cost efficiencies and associated overhead savings during the plan period.

The cost sharing arrangement with partner rural housing associations, in relation to the staff support from Midlands Rural Housing, will continue. This approach has already demonstrated its value from a cost efficiency perspective, while enabling the full range of skills to be secured for the effective running of the business.

The Association recognises that the issue of cost efficiencies is a crucial one for the sector, and cannot be avoided during a period of rent reductions. It is against this background that the NHF issued its voluntary code on “Mergers, Group Structures and Partnerships”. This makes it clear that Boards should ensure organisations operate effectively and efficiently, and that opportunities to do this should be regularly reviewed.

In this regard, the Board will actively examine options for increasing efficiency whilst still delivering on the key aims, objectives, and values of the organisation. It is acknowledged that the current cost sharing arrangement with the partner RHAs is already regarded as a good practice example of a formal “partnership” arrangement as described in the Code. That said, the Association will not be complacent in identifying further operational efficiencies moving forward.

In summary, the Association has recognised that the current operating environment, while raising potential risks, can present opportunities, and will undoubtedly be a key influence on the Association’s activities over the plan period. A detailed analysis of the risks identified is contained in the Association’s Operational Risk Map, which forms an Appendix to this plan.

### 13. NRHA SWOT and PEST Analysis

As part of the process of identifying the key strengths and weaknesses of the organisation, a PEST and SWOT analysis has been undertaken, the outcomes of which are as follows:

#### (i) PEST

POLITICAL	ECONOMICAL
<ul style="list-style-type: none"> <li>• Government home ownership priorities</li> <li>• Extension of RTB to HA sector</li> <li>• Welfare Reform Agenda</li> <li>• Sector Reputation</li> <li>• Evolving Planning Frameworks</li> <li>• Devolution agenda</li> <li>• Revised regulatory framework</li> <li>• Exit from the European Union</li> </ul>	<ul style="list-style-type: none"> <li>• Structural deficit/reduced public investment</li> <li>• Economic uncertainty</li> <li>• Restructure of, and reduction in, public services</li> <li>• Inflation/deflation</li> <li>• Interest rates, borrowing margins, and availability of finance</li> <li>• Access to mortgages</li> <li>• Rent control/ rent reductions</li> <li>• Pensions deficit</li> <li>• Unemployment</li> </ul>
SOCIOLOGICAL	TECHNOLOGICAL
<ul style="list-style-type: none"> <li>• Increased homelessness</li> <li>• Demographical changes</li> <li>• Scarcity of rented housing</li> <li>• Social exclusion</li> <li>• Increasing care and support needs</li> <li>• Social cohesion</li> <li>• Community empowerment</li> <li>• Rising customer expectations</li> <li>• Ageing population</li> <li>• Increasing home ownership aspirations</li> </ul>	<ul style="list-style-type: none"> <li>• Remote/mobile working</li> <li>• Data security/integrity</li> <li>• Technology/Broadband exclusion</li> <li>• Business continuity</li> <li>• Renewable energy/carbon reduction</li> <li>• Sustainable/Eco/Passivhaus Homes</li> <li>• Social networking/media</li> <li>• Modern methods of construction (MMC)</li> </ul>

(ii) **SWOT**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Specialist providers with expertise local credibility</li> <li>• Local knowledge and accountability and focus</li> <li>• Good track record of delivery and performance</li> <li>• Committed Board members with effective governance</li> <li>• Good reputation with partners and stakeholders</li> <li>• Partnership working ethos</li> <li>• Efficiency of operation</li> <li>• Financially robust and viable</li> <li>• Positive support from funders</li> <li>• Strong support from local authorities</li> <li>• Small and flexible and able to readily respond to residents needs</li> <li>• Well resourced and efficient structure</li> <li>• Sound asset base</li> <li>• High value stock in prime location</li> <li>• Small projects requiring lower overall levels of subsidy</li> <li>• Able to compete with larger housing associations</li> <li>• Independent position</li> <li>• Innovative support structure with efficiency of operation</li> <li>• Good satisfaction levels amongst residents</li> </ul>	<ul style="list-style-type: none"> <li>• Reliance on others (Development Agents) to deliver</li> <li>• Narrow product and operational range</li> <li>• Cannot develop in own right</li> <li>• Reliant on key staff covering wide-ranging tasks</li> <li>• Lack of public awareness and ability to raise profile of NRHA activity</li> <li>• Reliant on specific planning policies and sensitive to policy changes</li> <li>• Bound by sector rent structures</li> <li>• Small organisation</li> <li>• Limited ability to influence in own right</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Rural issues still on political agenda (locally, regionally, and nationally)</li> <li>• Demand for outputs increasing</li> <li>• Specialisms can be offered to others</li> <li>• Management of rural stock for others</li> <li>• Potential operational area expansion</li> <li>• Selection as a Preferred Partner leading to business expansion</li> <li>• Increased PR opportunities to be explored</li> <li>• New planning mechanisms</li> <li>• Community Land Trusts and social enterprise</li> <li>• Product expansion into intermediate housing</li> <li>• Other funding streams (Community Led funding/ commuted sums and cross-subsidy)</li> <li>• Stock rationalisation by others</li> <li>• Securing positive publicity</li> <li>• Devolution agenda</li> </ul>	<ul style="list-style-type: none"> <li>• 1% rent reduction year on year from April 2016</li> <li>• Voluntary Right to Buy (VRTB) for housing associations</li> <li>• Rural issues lose priority status politically</li> <li>• Competition from others, including private developers</li> <li>• Restricted number of investment partners</li> <li>• Reducing capital subsidy for rented homes and increasing costs</li> <li>• Increased maintenance input/requirements</li> <li>• Change in local and national planning policies (NPPF)</li> <li>• Reputational damage from service delivery failure</li> <li>• Loss of NRHA profile through ineffective PR and media activity</li> <li>• Ineffective marketing in a competitive environment</li> <li>• Non-compliance with the regulatory framework</li> <li>• Welfare Reform impacting on residents, and Association's income stream</li> <li>• Fuel poverty and associated impact on the Association's resources</li> <li>• Reduced number of lenders and/or increasing margins</li> <li>• Amendments/changes to building standards impacting on costs</li> <li>• Climate change – local impact/flood risk</li> <li>• Rural issues lose priority status (urban bias)/ Government uncertainty</li> <li>• Loss of Preferred Partner status</li> <li>• Further rent reform/ restructuring</li> </ul>



## Item 4

# CURRENT ACTIVITIES AND STRATEGIC FOCUS

In order to achieve its objectives, it is necessary for the Association to concentrate its activities in areas that will deliver the required outcomes. This section of the plan identifies those areas, and explains how they will enable the delivery of the plan objectives.

## 1. Delivering Development and Growth

The Association will continue to pursue organic development growth based on evidenced housing needs. In doing so, it will adhere to the key aspects of its development strategy. These are:

- To develop new build schemes in villages, of not more than 3,000 people for the benefit of local people. It will consider schemes in larger villages and towns on their merits where they contribute to this primary aim.
- Opportunities to provide homes will be sought where and when proven housing need is brought to the attention of the Association. To encourage the discovery of housing need, the co-operation and support of Local Authorities, Parish Councils and rural communities will be sought. The plan assumes that the majority of new development schemes will be on “exceptions” sites and subject to Section 106 Agreements, although the Association will explore all opportunities and alternative mechanisms to meet local housing needs, and achieve the growth ambitions identified in this plan. This will include cross-subsidy arrangements, planning gain options, and increased investment of its own resources.
- The views of the Parish Council will always be sought and all actions will be taken to secure their support throughout the development process.
- Considerable care will be taken to ensure its developments are in harmony with the existing village architecture.

The Association has a clear focus with regard to where it will promote new development, and on what basis. Surrounding this, however, are specific activities that will always be an integral part of the development process, namely:



- a) Emphasis will be maintained on keeping Parish Councils, landowners, District Councils and the funding agencies informed and updated on development progress. It is recognised that the nature of such schemes, with significant involvement from those at a local level, will involve a process of updating on a regular basis.
- b) As part of the development process, NRHA will consult with Parish Councils on scheme layouts and design proposals, with a view to co-sponsoring any planning application.

While this plan envisages that growth will primarily be achieved through developing new homes, growth through partnerships with other organisations will not be ruled out on the basis that the organisations key aims, objectives and values are not compromised. This may involve engagement with local Almshouse societies; local landed estates; and developers. However, such opportunities will only be pursued where it is financially viable to do so, and there are strategic or operational gains in relation to business.

To summarise, in respect of its development and growth activity, NRHA will, over the Plan period;

- Pursue the majority of its developments on “exception” sites or through similar planning mechanisms. It will increasingly look to the use of cross-subsidy arrangements, planning gain opportunities and investment of its own resources to pursue its growth objectives.
- Aim to deliver a minimum programme of 71 dwellings in the Plan period, subject to funding availability (both public and private) and viability being achieved.
- Where feasible, NRHA will progress environmental exemplar projects, and develop good practice examples with a view to promoting this activity to others.
- Actively look for opportunities for partnership arrangements to achieve its growth objectives where its key aims, objectives and values are not compromised.

## **2. Service delivery to residents**

As a manager of property, NRHA aims to provide excellent services to its residents, and will strive to improve this service when opportunities to do so present themselves.

The Association remains committed to engaging with residents over the services it provides, and is introducing new mechanisms to achieve this, including the increased use of social media. This includes enhancements to its website; development of a Facebook page; utilising Twitter and publishing a regular e-zine.

The Association has developed a range of “Local Offers” in conjunction with its residents, to ensure its services are geared to what residents want. Delivery against these offers will be reported to residents annually. We have proven resident engagement structures to enable scrutiny of our performance. This is primarily via the Resident Involvement Board in conjunction with our partner RHAs. The NRHA Board also receives annual reports in relation to resident complaints, satisfaction with new homes, and Customer Care performance. Alongside this, the Association will develop approaches to enable increased member engagement with residents to improve local accountability.

The Association has set clear targets against which it will monitor its Housing Management performance. To this end, it has adopted a set of “Performance Indicators”. These indicators will not only be used as a measure to ensure effective management, but will also be used as a management tool to assess where improvements, for the benefit of residents, can be made. Performance against these indicators will be subject to regular review by the Board.

There are clear differences in management between the rural environment and the urban areas. Remaining sensitive to local circumstances and consultation over local connections are just two areas where NRHA has significant experience and expertise. The Association recognises that these management skills are a resource that could be effectively deployed in the management of stock outside the Association’s ownership. (This is already the position on schemes provided through Development Agents where an interim Management Agreement is put in place before transfer of the freehold title). The Association will look for appropriate opportunities to expand its management role with particular emphasis on managing stock for others where financially viable to do so, or where the management of such stock is likely to present future purchase options.

To summarise, NRHA will, over the plan period:

- Provide high quality management, maintenance and customer services to residents.
- Set clear Performance Indicators to monitor the delivery of services.
- Continue to deliver agreed “local offers” and report on performance to residents annually.
- Continue to widen the membership of the Resident Involvement Board, and look for mechanisms to increase Board member engagement with residents.
- Promote itself as a skilled manager of rural stock and expand this element of the business where financially viable to do so, and where stock ownership opportunities exist.
- Ensure compliance with all health and safety obligations.

### **3. Asset Management**

The Association has a formal Asset Management Strategy, which is subject to annual review. Through the implementation of the Strategy, the Association aims to improve the quality of life and environment for its customers. The Strategy sets out how the Association will maintain its stock at Decent Homes Standard by the effective programming of works. Such works will be discussed with residents as part of our on going commitment to consultation. We will ensure that realistic and deliverable budgets are set for planned maintenance over the life of the Business Plan. Such budgets will be formulated with reference to future rent reductions, and will need to acknowledge the impact of reducing income.

The Association remains committed to minimising the effect of climate change and improving our stock for the benefit of the environment and our residents, and this will be a clear objective over the life of the plan.

In this context, over the plan period, NRHA will:

- Annually review the Asset Management Strategy.
- Maintain its stock in good, safe, condition to ensure all homes meet the Decent Homes Standard.
- Liaise with our residents over any proposed planned maintenance or improvement work.
- Fund a planned programme of repair work based on realistic and deliverable budgets.
- Invest resources to improve running costs for the benefit of residents.

### **4. Financial planning**

#### ***(a) Assumptions on Development Activity***

It is highly unlikely, in the current fiscal and funding environment, that new projects will be viable in their first year of management. This is the result of increasing costs and building requirements and significantly reduced capital subsidy. This position will be exacerbated by rent reductions over the next four years.

In these circumstances a considered decision will be made on scheme specific revenue losses, and capital contributions, and their impact on the Association's financial resources.

In addition, the Association has a responsibility to ensure that its expenditure on long-term finance commitments can be met, and that there is sufficient provision for management and maintenance costs and long-term major repairs. Delivery of these key business objectives is a major consideration in

deciding on the level of the Association's own resources to be invested in new development projects.

At the time of preparing this Plan, the Association had secured grant funding as part of the HCA's development programme for 2015-18. This funding, alongside private finance raised from more efficient asset security and utilisation of the Association's own resources, will support the Association's growth aspirations during this period. It is recognised, however, that there will be circumstances where, due to the level of cost, it is not feasible, or desirable, to pursue specific development opportunities, particularly in an environment where rent reductions are impacting on income streams. In these instances the Association will give consideration to negotiating the transfer of such schemes to other Housing Associations in return for Housing Management input and, where appropriate, a relevant level of the development income.

Based on current level of development programme, the following unit completions are anticipated for the plan period:

- (i) At the end of 2015/16 the Association had 560 homes in management, including those managed for other Housing Associations. This is the "baseline" figure for the commencement of the plan.
- (ii) It is anticipated that 6 homes will complete in the first year of the plan (2016/17).
- (iii) The number of completions achieved in the second year of the plan is anticipated at 24. The number of completions achieved in the third year of the plan is anticipated at 13.
- (iv) Completions for 2019/20 and 2020/21 are anticipated figures based on the completions achieved in the first three years of the plan.

**b) *Assumptions on staffing and running costs***

The staffing resources required to run the operations of the business will be provided by Midlands Rural Housing.

Midlands Rural Housing will meet its obligations utilising staff from its office located in Coalville, Leicestershire, and this will remain the base for staffing resources for the plan period.

The Association, in conjunction with its partner rural Housing Associations in Warwickshire, Leicestershire and Derbyshire, jointly employs the staff within MRH. These costs are directly related to the time involved in running the business of the Association, and are regularly adjusted to ensure the contribution to salaries and overheads is fair and appropriate.

We recognise that as our stock and activity base continues to grow, we will need staff resources to support it. Should the growth in stock materialise as planned, it will inevitably result in a requirement for further resources in relation to the housing management and maintenance functions. This will be addressed by increased resourcing within Midlands Rural Housing, in conjunction with the partner RHAs. However, such resources must be readily accommodated within the financial plans of NRHA and the partner RHAs in manner that does not adversely impact on individual viability, and still demonstrates value for money.

## **5. Risk Management**

NRHA recognises the importance of establishing a risk management framework, and a formal risk map has been developed as part of this process. A summary of this is attached to the plan at Appendix 3.

As part of the adopted framework, there is regular reporting of emerging risks to the business in order for the Board to take ownership of the process, and there is a periodic review of the Association's risk appetite. With regard to this latter aspect, a recent exercise undertaken by the Board has indicated that the Association has a moderate approach to most risks, but remains cautious when it comes to finance and growth. Alongside this, it is more open to the risks associated with service delivery and supports innovation in this area of the business.

## **6. Incorporating Community Cohesion into our Core Activities**

The Association provides more than just homes. Our activities contribute to sustaining rural villages as cohesive and vibrant communities. By providing much needed homes for local people, who contribute significantly to their neighbourhoods, the benefits are not just to those housed but to the community as a whole. While this is often seen as “added value” to what we do, we want to ensure that these benefits are embedded as core objectives.

In this context, the Association will endeavour to increase its commitment to, and investment in, community development activity. In particular, we will:

- Work with other agencies committed to community development in rural areas to ensure our contribution is part of a co-ordinated approach and not an isolated activity.
- Ensure that our homes are designed to environmental standards that benefit residents by controlling utility costs and reducing fuel poverty.

- Look for opportunities in the villages where we work to improve economic and social viability; for example, utilising local skills in development, social enterprise and maintenance activities, and contributing to community infrastructure projects.
- Contribute to local support services that actively tackle social exclusion, and contribute to maintaining people in their communities.
- Undertake an assessment of specific development projects to establish the social and economic return on investment associated with the provision of such homes.

That said, we recognise there needs to be “buy in” from the communities themselves, and much of our involvement will need to be led by the communities in which we work.

## **7. Governance and Board Control**

The Board of NRHA will ensure its activities are accountable. It will determine strategic direction of the business; oversee the management of risk, and ensure the Association adheres to its aims and objectives. Specifically, during the plan period, the Board will look to:

- 1 Promote engagement with residents with a view to increasing Board accountability.
- 2 Ensure compliance with the NHF Code of Governance and ensure arrangements are in place for Board member succession and renewal.
- 3 Ensure proportionate compliance with the regulatory framework.
- 4 Ensure all members are sufficiently trained, briefed and engaged to act as advocates for our work, and act as a bridge between the organisation and the outside world.
- 5 Ensure a proportionate appraisal process is in place for Board members, and learning and development needs are identified.

## Item 5

# FINANCIAL ASSUMPTIONS

In order for NRHA to achieve its development and growth objectives, access to private lending sources is crucial, and such money can only be secured if adequate security is available. In this respect, the Association has a clear Treasury Management Policy and Asset Register, which is subject to regular review. The Treasury Management Policy identifies how the Association will raise the necessary finance to support its developments and which sources and terms will be utilised. It also deals with the Association's approach to interest rate exposure.

Attached to this section of the plan are the assumptions used in the financial planning process and the anticipated income and expenditure profile for the period. These demonstrate that the Association has the resources to fulfil the aspirations set out in this Plan.

Details are as follows:

- Appendix 1 - Assumptions on Unit Completions
- Appendix 2 - Assumptions on Houses in Management
- Appendix 3 - Other Assumptions
- Appendix 4 - Income & Expenditure Forecast for the Plan Period
- Appendix 5 - Balance Sheet for Plan Period.

## **FINANCIAL PLANNING ASSUMPTIONS**

### **COMPLETIONS**

	PLAN PERIOD									
	Year 1: 2016/17		Year 2: 2017/18		Year 3: 2018/19		Year 4: 2019/20		Year 5: 2020/21	
	Location	Units	Location	Units	Location	Units	Location	Units	Location	Units
Arising from:	Titchmarsh	6	Braunston	12	Little Addington	6	Anticipated completions	14	Anticipated completions	14
<u>Existing and forecast</u>			Mears Ashby	6	Brigstock	7				
Development			Yarwell	6						
Programme										
<b>TOTAL</b>		<b>6</b>		<b>24</b>		<b>13</b>		<b>14</b>		<b>14</b>



**FINANCIAL PLANNING ASSUMPTIONS**

**HOUSES IN MANAGEMENT**

	PLAN PERIOD				
	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Houses in Management at start of year</b>	560	566	590	603	617
<b>New completions</b>	6	24	13	14	14
<b>Total houses in Management at year end</b>	<b>566</b>	<b>590</b>	<b>603</b>	<b>617</b>	<b>631</b>

**FINANCIAL PLANNING ASSUMPTIONS**  
**FOR THE PERIOD ENDED 31<sup>st</sup> MARCH 2021**

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>INFLATION INDEX</b>					
Consumer Price Index	-0.10%	0.50%	1.30%	1.80%	2.00%
Rental Income	-1.00%	-1.00%	-1.00%	-1.00%	0.00%
Staff Costs	0.00%	1.00%	1.00%	1.00%	1.00%
Maintenance – Responsive – owned	-2.00%	-2.00%	-2.00%	-2.00%	2.00%
Maintenance – Responsive – managed	-1.00%	-1.00%	-1.00%	-1.00%	0.00%
Other Expenses	0.00%	0.50%	1.30%	1.80%	2.00%
<b>FUNDING COSTS</b>					
Bank Base Rate	3.50%	4.50%	4.50%	4.50%	4.50%
Margin on new Bank Debt	2.50%	2.50%	2.50%	2.50%	2.50%
<b>RENT LOSSES</b>					
Voids	0.75%	1.25%	1.25%	1.50%	1.50%
Bad Debts	1.75%	2.00%	2.50%	3.00%	3.50%

**INCOME & EXPENDITURE FORECASTS**  
**FOR THE PERIOD ENDED 31<sup>st</sup> MARCH 2021**

	2016-17	2017-18	2018-19	2019-20	2020-21
	£	£	£	£	£
<b>Income From Lettings</b>					
<b>Rent Receivable</b>	1,701,270	1,779,244	1,839,660	1,867,193	1,909,375
<b>Service Charge Income</b>	81,858	82,268	83,337	84,837	86,534
<b>Gross Rental Income</b>	<b>1,783,129</b>	<b>1,861,511</b>	<b>1,922,997</b>	<b>1,952,030</b>	<b>1,995,909</b>
<b>Less Voids</b>	(28,607)	(38,384)	(39,030)	(44,156)	(44,840)
<b>Management Charge Income</b>	249,482	248,992	248,581	248,222	248,489
<b>Total Turnover From Social Housing Lettings</b>	<b>2,004,003</b>	<b>2,072,119</b>	<b>2,132,548</b>	<b>2,156,095</b>	<b>2,199,558</b>
		3%	3%	1%	2%
<b>Management Costs</b>	572,496	575,358	582,838	593,329	605,196
<b>Service Costs</b>	64,221	64,542	65,381	66,558	67,889
<b>Routine Maintenance</b>	296,896	320,222	316,414	311,886	318,534
<b>Planned Maintenance</b>	133,995	113,832	120,257	123,457	132,708
<b>Bad Debts</b>	61,669	72,519	83,078	93,292	104,647
<b>Depreciation Of Housing Properties</b>	192,115	214,351	248,227	268,288	287,211
<b>Total Operating Costs</b>	1,321,391	1,360,823	1,416,194	1,456,810	1,516,185
<b>Surplus (Deficit) On Social Housing Lettings</b>	<b>682,612</b>	<b>711,296</b>	<b>716,354</b>	<b>699,285</b>	<b>683,373</b>
		4%	1%	-2%	-2%
<b>I&amp;E from Other Activities</b>	3,584	28,256	23,520	0	49,727
<b>Surplus Before Interest and Tax</b>	<b>686,196</b>	<b>739,552</b>	<b>739,874</b>	<b>699,285</b>	<b>733,100</b>
<b>Interest Collected</b>	410	410	410	410	410
<b>Interest Payable</b>	(341,124)	(405,212)	(437,628)	(481,567)	(530,410)
<b>Surplus Before Tax</b>	<b>345,482</b>	<b>334,751</b>	<b>302,656</b>	<b>218,128</b>	<b>203,101</b>

## **BALANCE SHEET**

### **FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2021**

	2016-17	2017-18	2018-19	2019-20	2020-21
	£	£	£	£	£
<b>HOUSING ASSETS</b>					
<b>Housing Properties at cost</b>	25,613,794	27,268,540	29,805,872	30,883,746	32,657,673
<b>Social Housing Grants</b>	(12,507,958)	(13,019,958)	(13,688,558)	(13,888,478)	(14,320,036)
<b>Depreciation</b>	(1,437,878)	(1,652,228)	(1,900,455)	(2,168,743)	(2,455,954)
<b>Total Fixed Assets</b>	<b>11,667,958</b>	<b>12,596,354</b>	<b>14,216,859</b>	<b>14,826,525</b>	<b>15,881,683</b>
<b><u>Current Assets</u></b>					
<b>Cash</b>	1,427,273	564,893	250,000	250,000	250,000
<b>Other</b>	44,434	44,434	44,434	44,434	44,434
	1,471,707	609,327	294,434	294,434	294,434
<b>Current Liabilities</b>	628,901	628,901	628,901	628,901	628,901
<b>Net Current Assets</b>	842,806	(19,574)	(334,467)	(334,467)	(334,467)
<b>Total Assets Less Current Liabilities</b>	<b>12,510,764</b>	<b>12,576,780</b>	<b>13,882,392</b>	<b>14,492,058</b>	<b>15,547,216</b>
<b>LONG TERM LIABILITIES</b>					
<b>Outstanding Loan Balance</b>	6,374,424	6,099,345	7,095,957	7,481,152	8,326,865
<b>Loan Fees</b>	(114,183)	(107,839)	(101,496)	(95,152)	(88,809)
<b>NET ASSETS</b>	<b>6,250,523</b>	<b>6,585,274</b>	<b>6,887,931</b>	<b>7,106,058</b>	<b>7,309,160</b>
<b>Capital and Reserves</b>					
<b>Share Capital</b>	12	12	12	12	12
<b>Retained Surplus</b>	6,250,512	6,585,262	6,887,919	7,106,047	7,309,147
	<b>6,250,524</b>	<b>6,585,274</b>	<b>6,887,931</b>	<b>7,106,059</b>	<b>7,309,159</b>

## **Item 6**

# **BUSINESS PLAN**

## **APPENDICES**

- 1. Board Membership and Structure**
- 2. Stock Profile**
- 3. NRHA Operational Risks**
- 4. Glossary**



## 1 BOARD MEMBERSHIP AND STRUCTURE

The Board of NRHA comprises representatives from Local Authority partners, ACRE, partner RSLs, NFU, the Church and Residents. In addition, there are a number of individual representatives who bring a significant range of skills and experience to the Board.

A regular “Skills and Experience” audit is undertaken to ensure the range of experience and knowledge remains relevant to the Association’s business, and the Association’s operations are fully compliant with the NHF Code of Conduct.

The following were members of the NRHA Board at the time the Plan was issued:

Mr Christopher Sparrow	Estate Manager <i>Chairman of Board of Management</i> CLA Representative
Mrs Joanne Barrett	Strategic Housing Manager <i>Vice Chairman of Board of Management</i> Independent Member
Mrs Pam Booker	Retired Resident Representative
Mrs Janet Roberts	Chartered Accountant Independent Member
Mr Gareth Lugar-Mawson	Retired Barrister Northants ACRE Representative
Mr Saul Marston	Farmer NFU Representative
Annmarie Teahan	Housing Manager Independent Member
Darren Paterson	Chartered Certified Accountant Independent Member
Bradley Swingler	Trainee Chartered Building Surveyor Independent Member

## 2 NORTHAMPTONSHIRE RURAL HOUSING ASSOCIATION – STOCK PROFILE

Village	Address	Number	Mix	Tenure	Completion Date
Geddington	Chase View Road	6	2 Bed 4 Person Houses	Rent	September 1992
Byfield	Curgenvan Close	7	3. x 2 Bed 4 Person Houses 2 x 2 Bed 3 Person Houses	Rent Rent	September 1993
Nether Heyford	Roberts Field	13	4. x 2 Bed 4 Person Houses 5. x 3 Bed 5 Person Houses 2 x 2 Bed 3 Person Bungalows	Rent Rent Rent	September 1993
Holcot	Moulton Road	4	4 x 3 Bed 5 Person Houses	Rent	February 1994
Nassington	Fenn Close	8	6. x 2 Bed 4 Person Houses 1 x 3 Bed 5 Person Houses 2 x 2 Bed 4 Person Houses	Rent Rent Shared ownership	January 1994
Braunston	Spinney Hill Walnut Close	4 4	4 x 2 Bed 4 Person Houses 2 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses	Rent Rent Rent	April 1994 April 1994
Clipston	Marecroft	8	1 x 2 Bed 4 Person House 3 x 3 Bed 5 Person Houses 4 x 2 Bed 3 Person Bungalow	Rent Rent Rent	May 1994
Potterspury	Chettle Place	18	2 x 2 Bed 3 Person Bungalows 2 x 3 Bed 5 Person Houses 7. x 2 Bed 4 Person Houses 8. x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses	Rent Rent Rent Shared ownership Shared ownership	May 1994



Village	Address	Number	Mix	Tenure	Completion Date
Farthinghoe	Church Piece Cottages	5	1 x 3 Bed 5 Person Houses 2 x 2 Bed 4 Person Houses 2 x 2 Bed 3 Person Bungalows	Rent Rent Rent	April 1995
Stoke Albany	Denman Close	4	2 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses	Rent Rent	April 1995
Welford	Woodford Glebe	12	4 x 3 Bed 5 Person Houses 9. x 2 Bed 4 Person Houses 3 x 2 Bed 3 Person Bungalows	Rent Rent Rent	December 1994
Barby	Mitchison Close	14	8 x 2 Bed 4 Person Houses 6 x 3 Bed 5 Person Houses	Rent Rent	February 1995
Brafield on the Green	Bridle Close	8	2 x 3 Bed 5 Person Houses 4 x 2 Bed 4 Person Houses 2 x 2 Bed 4 Person Houses	Rent Rent Shared ownership	June 1995
Ravensthorpe	Diary Field	6	2 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses 2 x 2 Bed 4 Person Houses	Rent Rent Shared ownership	March 1996
Wilbarston	Kendalls Close	5	2 x 2 Bed 4 Person Houses 3 x 3 Bed 5 Person Houses	Rent Rent	March 1996
Barnwell	Well Lane	6	2 x 2 Bed 4 Person Houses 4 x 3 Bed 5 Person Houses	Rent Rent	September 1996
	Castle View	4	2 x 2 Bed 4 Person Houses 1 x 3 Bed 5 Person Houses 1 x 3 Bed 5 Person Houses	Shared ownership Shared ownership Rent	

Village	Address	Number	Mix	Tenure	Completion Date
Crick	Ellen Close	16	10. x 2 Bed 3 Person Bungalow 3 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses 4 x 1 Bed 2 Person Flat	Rent Rent Rent Rent	June 1997
Flore	Muscott Close	6	2 x 2 Bed 3 Person Bungalow 2 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses	Rent Rent Rent	September 1997
Existing Satisfactory Purchases: Daventry	Phase I	10	9 x 2 Bed 4 Person Houses 1 x 3 Bed 5 Person House	Rent Rent	April 1996 April 1996
	Phase II	6	12. x 2 Bed 4 Person	Rent	March 1997
	Phase III	6	House	Rent	October 1997
	30 Rugby Rd, Kilsby	1	6 x 2 Bed 4 Person	Rent	April 1998
	11. Swan Close,	1	House	Rent	April 1998
	W. Halse	1	1 x 2 Bed 4 Person	Rent	April 1998
	28 Barnett Cres W.	1	House	Rent	July 1999
	Halse		1 x 2 Bed 4 Person House		
Existing Satisfactory Purchases:- Kettering	26 Westfield Cres		1 x 2 Bed 4 Person House		
	Welford		1 x 3 Bed 5 Person House		
	32 Chase View Road	1	1 x 3 Bed 5 Person House	Rent	March 1997
Existing Satisfactory Purchases:- ENDC	16 West St, Woodford	1	1 x 3 Bed 5 Person House	Rent	March 1998
West Haddon	Eleanor Court	7	13. x 2 Bed 4 Person House 1 x 3 Bed 5 Person House	Rent Rent	February 1998

Village	Address	Number	Mix	Tenure	Completion Date
Bozeat	Little Close	6	4 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses	Rent	May 1999
Holcot II	Tithe Close	6	2 x 2 Bed 4 Person Houses 2 x 2 Bed 3 Person Bungalows 2 x 1 Bed 2 Person Flats	Rent	September 1999
Walgrave	Jubilee Drive	9	2 x 2 Bed 3 Person Bungalows 14. x 2 bed 4 Person Houses 2 x 2 Bed 2 Person Flats	Rent	March 2000
Greens Norton	Calvert Close	16	2 x 2 Bed 3 Person Bungalows 15. x 2 Bed 4 Person Houses 4 x 3 Bed 5 Person Houses 5 x 2 Bed 4 Person Houses	Rent Rent Rent Shared Ownership	April 2000
Naseby	Catton Close	5	2 x 2 Bed 4 Person House 1 x 2 Bed 3 Person Bungalow 1 x 3 Bed 5 Person House 1 x 3 Bed 5 Person House	Rent Rent Rent Shared Ownership	September 2002
Hemington	Tally Ho Cottages	5	2 x 2 Bed 4 Person Houses 2 x 3 Bed 5 Person Houses 1 x 3 Bed 5 Person House	Rent Rent Shared Ownership	June 2002
Braunston II	Maple Close	10	16. x 2 Bed 3 Person Bungalows 3 x 2 Bed 4 Person Houses 1 x 3 Bed 5 Person House	Rent Rent Shared Ownership	October 2002
Byfield II	Clock Meadow	8	1 x 3 Bed 5 Person House 4 x 2 Bed 4 Person House 2 x 2 Bed 4 Person Bungalow 1 x 3 Bed 5 Person House	Rent Rent Rent Shared Ownership	April 2005

Village	Address	Number	Mix	Tenure	Completion Date
Braunston III	Maple Close	10	4 x 2 Bed Bungalow 1 x 2 Bed Adapted Bungalow 4 x 2 Bed House 1 x 3 Bed House	Rent Rent Rent Rent	May 2006
Nassington II	Fenn Close	9	1 x 4 Bed Person House 1 x 3 Bed House 3 x 2 Bed House 2 x 2 Bed Bungalow 1 x 2 Bed House 1 x 3 Bed House	Rent Rent Rent Rent Shared Ownership Shared Ownership	September 2006
Barby II	School Close	9	1 x 2 Bed Bungalow 3 x 2 Bed House 3 x 3 Bed House 1 x 2 Bed House 1 x 3 Bed House	Rent Rent Rent Shared Ownership Shared Ownership	May 2007
Norton	Gouldens View	6	1 x 2 Bed Bungalow 4 x 2 Bed House 1 x 3 Bed House	Rent Rent Rent	February 2008
Ravensthorpe II	Dairy Court	6	3 x 2 Bed House 2 x 2 Bed House 1 x 3 Bed House	Rent Shared Ownership Shared Ownership	February 2009
Little Harrowden	Rookery View	7	2 x 2 Bed Bungalow 2 x 2 Bed House 2 x 3 Bed House 1 x 3 Bed Bungalow	Rent Rent Rent Shared Ownership	October 2010
Harpole	Larkhall Way	14	2 x 2 Bed Bungalow 4 x 2 Bed Flat 1 x 3 Bed House 17. x 2 Bed House 2 x 2 Bed House	Rent Rent Rent Rent Shared Ownership	April 2011

Village	Address	Number	Mix	Tenure	Completion Date
Hannington	Lime Trees Close	6	3 x 2 Bed House 1 x 3 Bed House 1 x 2 Bed Bungalow 1 x 3 Bed House	Rent Rent Rent Shared Ownership	September 2011
Collyweston	The Drove	6	3 x 2 Bed Bungalow 3 x 2 Bed House	Rent Rent	May 2014
Croughton	Townend Close Brackley Road	9	1 x 2 Bed Bungalow 2 x 2 Bed Flat 3 x 2 Bed House 1 x 3 Bed House 1 x 3 Bed House 1 x 2 Bed House	Rent Rent Rent Rent Shared Ownership Shared Ownership	June 2014
Walgrave	Poachers Close	11	2 x 2 Bed Bungalow 4 x 2 Bed Flat 3 x 2 Bed House 1 x 3 Bed House 1 x 3 Bed House	Rent Rent Rent Rent Shared Ownership	December 2014

### 3 NRHA OPERATIONAL RISKS

	RISK CATEGORY	CAUSE	EFFECT
1	NRHA development procurement and viability	<ul style="list-style-type: none"> <li>- Insufficient subsidy/capital funding sources available for required product</li> <li>- Over extending of NRHA resources</li> <li>- Competition for resources</li> <li>- Direct funding of developers and reduced opportunities</li> <li>- Lack of Development Agent partners for NRHA with capacity and access to funding</li> <li>- Increased output expectations</li> <li>- Nimbyism</li> <li>- Insufficient rental values</li> <li>- Lack of Core Strategies resulting in increased hope value for sites</li> </ul>	<ul style="list-style-type: none"> <li>- NRHA unable to develop to meet identified need</li> <li>- Failure to meet NRHA Business plan targets</li> <li>- Loss of development income to NRHA</li> <li>- Loss of reputation/influence</li> </ul>
2	Welfare Reforms and introduction of Universal Credit	<ul style="list-style-type: none"> <li>- Government actions to reduce public spending and Welfare Bill</li> <li>- Changes to Welfare Benefit rules/qualifying criteria and introduction of Universal Credit</li> <li>- New legislation/payment arrangements impacting on rental stream</li> </ul>	<ul style="list-style-type: none"> <li>- Impact on NRHA rental income</li> <li>- Increasing NRHA rent arrears, bad debts, court applications and evictions</li> <li>- NRHA residents seeking transfer to smaller properties</li> <li>- Increased assistance to residents requiring support (signposting)</li> </ul>

	RISK CATEGORY	CAUSE	EFFECT
3	NRHA ability to compete within sector	<ul style="list-style-type: none"> <li>- Inadequate priority attached to rural housing provision</li> <li>- Increased competition for grant resources/reduced funding sources</li> <li>- Unrealistic/unachievable output expectations</li> <li>- Insufficient internal resources to compete</li> <li>- Unable to meet needs due to revised funding priorities</li> </ul>	<ul style="list-style-type: none"> <li>- Increased costs/excessive use of NRHA resources</li> <li>- Lack of new business for NRHA</li> <li>- Reduced development programme</li> <li>- Lack of homes being provided</li> </ul>
4	NRHA health and safety obligations	<ul style="list-style-type: none"> <li>- NRHA failure to comply with legislation</li> <li>- Inadequate monitoring procedures</li> <li>- insufficient priority/focus</li> </ul>	<ul style="list-style-type: none"> <li>- Increased risk of injury</li> <li>- NRHA legal liability</li> <li>- Regulatory intervention (serious detriment)</li> <li>- Reputational damage to NRHA</li> </ul>
5	Withdrawal of managed stock	<ul style="list-style-type: none"> <li>- NRHA unable to meet partner performance expectations and VFM</li> <li>- Consolidation of management function by partner RSLs, or reduction in management fees</li> <li>- Property sales/stock rationalisation</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of income to NRHA, and viability of service</li> <li>- Loss of geographical/local influence</li> <li>- Reputational fall out</li> <li>- Loss of purchase opportunities</li> </ul>
6	Increasing NRHA maintenance and void costs	<ul style="list-style-type: none"> <li>- Increases in building inflation</li> <li>- Ageing/deterioration of NRHA stock</li> <li>- Insufficient investment by NRHA in planned maintenance</li> <li>- Properties not attractive to potential residents</li> </ul>	<ul style="list-style-type: none"> <li>- Detrimental impact on NRHA budget</li> <li>- Unable to include necessary work in financial plans</li> <li>- NRHA resident dissatisfaction</li> <li>- Reputational damage</li> <li>- Increasing void times</li> </ul>

	RISK CATEGORY	CAUSE	EFFECT
7	Changes to planning system	<ul style="list-style-type: none"> <li>- Change in planning legislation (NPPF)</li> <li>- Local policy making at LA level</li> <li>- Government announcements and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- Loss/revision of planning mechanisms for delivery of new NRHA homes</li> <li>- Loss/revision of Exceptions Policy</li> <li>- Implementation of cross-subsidy on Exception sites</li> </ul>
8	NRHA ability to access private finance	<ul style="list-style-type: none"> <li>- Insufficient lenders in the market</li> <li>- Increasing margins</li> <li>- NRHA inability to meet covenants</li> <li>- Insufficient security for loans</li> <li>- Inadequate financial skills on NRHA Board</li> <li>- Withdrawal of existing lenders from the sector</li> </ul>	<ul style="list-style-type: none"> <li>- Inability to secure loans at acceptable levels</li> <li>- Inability of NRHA to repay loans</li> <li>- Reduced lending market</li> <li>- Increased refinancing</li> </ul>
9	NRHA interest rate exposure	<ul style="list-style-type: none"> <li>- Inflation/deflation in economy</li> <li>- NRHA lenders margins renegotiated</li> <li>- Fixed:Variable loan ratios not maintained</li> </ul>	<ul style="list-style-type: none"> <li>- Inability of NRHA to repay loans</li> <li>- Breach of NRHA lending covenants</li> </ul>
10	NRHA failure to comply with Regulatory Framework and Code of Governance	<ul style="list-style-type: none"> <li>- Insufficient attention given to revised (2015) regulatory obligations</li> <li>- Insufficient attention given to adopted (NHF) Code of Governance</li> <li>- NRHA failure to address resident focus/ co-regulatory agenda</li> <li>- Increased regulatory engagement emerging from private lender concerns</li> <li>- Risk based approach to regulation and increased attention on smaller (RASA) HAs.</li> </ul>	<ul style="list-style-type: none"> <li>- Regulatory intervention</li> <li>- Merger considerations</li> <li>- Loss of/reduction in NRHA development funding</li> <li>- NRHA reputational damage with partners and residents</li> <li>- Incorrect/ inaccurate certifications</li> </ul>



	RISK CATEGORY	CAUSE	EFFECT
11	Business continuity	<ul style="list-style-type: none"> <li>- Destruction of MRH office(s)</li> <li>- Office site(s) unavailable to MRH staff</li> <li>- Hardware failure/destruction of equipment</li> <li>- No access to, or failure of, Group systems</li> </ul>	<ul style="list-style-type: none"> <li>- Disruption to service provision</li> <li>- Loss of MRH/NRHA records</li> <li>- Financial loss to MRH and NRHA</li> <li>- Reputational damage to MRH and NRHA</li> </ul>
12	Increasing NRHA rent arrears and bad debts	<ul style="list-style-type: none"> <li>- Rents not affordable to client group (Affordable Rent)</li> <li>- Impact of Universal Credit</li> <li>- Social changes (unemployment/benefits review and Welfare Reform effect)</li> </ul>	<ul style="list-style-type: none"> <li>- NRHA rent arrears/bad debts increase</li> <li>- Reduced income</li> <li>- Reduced surpluses</li> <li>- Increased demands on income management function</li> <li>- Increased evictions and associated costs</li> </ul>
13	Flood risk	<ul style="list-style-type: none"> <li>- Environmental change</li> <li>- Extremes of rainfall</li> <li>- Poor/inadequate land drainage in rural locations</li> </ul>	<ul style="list-style-type: none"> <li>- Flood damage to properties</li> <li>- Relocation of residents</li> <li>- Impact on insurance premiums</li> <li>- Disruption to service standards costs and potential rent loss</li> </ul>
14	Maintaining demand	<ul style="list-style-type: none"> <li>- NRHA unable to meet resident aspirations</li> <li>- Lack of demand for NRHA products</li> <li>- NRHA not providing VFM/achieving local affordability requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of NRHA rental income</li> <li>- Lack of demand for NRHA services and homes</li> </ul>
15	Unable to meet resident aspirations	<ul style="list-style-type: none"> <li>- NRHA not meeting agreed service standards</li> <li>- NRHA not involving residents in decision making</li> <li>- Resident Involvement Board not involved effectively</li> <li>- Reduced resources for stock investment</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in complaints</li> <li>- NRHA unable to let properties</li> <li>- Lack of resident “buy-in” and failure of co-regulatory structures</li> </ul>

	RISK CATEGORY	CAUSE	EFFECT
16	NRHA Board membership and effectiveness	<ul style="list-style-type: none"> <li>- Insufficient skills and experience on NRHA Board</li> <li>- Lack of focus on key issues impacting on NRHA business</li> <li>- Insufficient membership renewal</li> <li>- Insufficient effectiveness review</li> </ul>	<ul style="list-style-type: none"> <li>- Poor decision-making and governance</li> <li>- Inadequate business planning</li> <li>- Non-compliance with NHF Code and regulatory requirements</li> </ul>
17	Marketability of shared ownership	<ul style="list-style-type: none"> <li>- Lack of mortgage lenders</li> <li>- Unattractive to purchasers</li> <li>- High deposit requirements</li> <li>- Local affordability</li> </ul>	<ul style="list-style-type: none"> <li>- Unable to sell LCHO products</li> <li>- Mortgages unavailable or expensive to secure</li> </ul>
18	Adverse publicity and media	<ul style="list-style-type: none"> <li>- Service delivery failures</li> <li>- Inaccurate/irresponsible reporting</li> <li>- Inadequate supply of prepared material</li> <li>- Insufficient promotion of the sector's work/ poor sector image</li> </ul>	<ul style="list-style-type: none"> <li>- Poor perception of NRHA</li> <li>- Reputational damage</li> <li>- Failure to take advantage of PR opportunities</li> </ul>
19	Legislative change	<ul style="list-style-type: none"> <li>- Change in legislation</li> <li>- Judicial reviews</li> <li>- Increased transparency</li> <li>- Designation as public bodies</li> </ul>	<ul style="list-style-type: none"> <li>- Increased scrutiny of Housing Management practices</li> <li>- Increasing legal costs and resource demands</li> <li>- Increased Government influence over activities</li> </ul>
20	RHA service charges – not achieving cost recovery	<ul style="list-style-type: none"> <li>- Insufficient cost recovery</li> <li>- Tenant difficulty in meeting increases</li> <li>- Charges not supported within UC framework</li> <li>- Ineffective collection measures</li> <li>- Inaccurate budget setting</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient collection to cover costs</li> <li>- Service charges set at incorrect level</li> <li>- Affordability to residents</li> </ul>

	RISK CATEGORY	CAUSE	EFFECT
21	Security of loan portfolio (Co-op Bank)	<ul style="list-style-type: none"> <li>- Instability in banking system</li> <li>- Insufficient capitalisation</li> <li>- Poor management and reputation</li> <li>- Co-op Bank withdrawal from the sector</li> </ul>	<ul style="list-style-type: none"> <li>- Inability to maintain existing facilities and repayment demand</li> <li>- Requirement to refinance</li> </ul>
22	Restriction of LA allocation policies	<ul style="list-style-type: none"> <li>- Localism Act</li> <li>- LA policy changes to nominations/ allocations criteria</li> <li>- Restrictive access to LA lists</li> </ul>	<ul style="list-style-type: none"> <li>- Inability of applicants to access LA registers</li> <li>- Inappropriate nominations</li> <li>- Local needs not being addressed as promised</li> <li>- Negative impact locally</li> <li>- Reputation and future growth undermined.</li> </ul>
23	Air source heating systems	<ul style="list-style-type: none"> <li>- Incorrect specification</li> <li>- Undersized systems fitted</li> <li>- Lack of knowledge of product installation</li> </ul>	<ul style="list-style-type: none"> <li>- Increased utility bills for residents</li> <li>- Inefficient use of systems</li> <li>- Cost implications of replacement systems</li> <li>- Reputational damage</li> </ul>
24	Policy and procedure reviews	<ul style="list-style-type: none"> <li>- Inadequate review of existing policies</li> <li>- Revised legislation/ good practice introduced</li> </ul>	<ul style="list-style-type: none"> <li>- Outdated policies</li> <li>- Non-compliance with law/ good practice</li> <li>- Inconsistent approaches</li> </ul>

	RISK CATEGORY	CAUSE	EFFECT
25	Right to Buy for Housing Associations	<ul style="list-style-type: none"> <li>- Elected Government Manifesto pledge</li> <li>- Legislative change</li> </ul>	<ul style="list-style-type: none"> <li>- Undermining of key “exceptions”/in perpetuity principles</li> <li>- Reduced community support/buy in</li> <li>- Landowners unwilling to engage</li> <li>- Increased land values</li> <li>- Negative view from lenders on asset security</li> <li>- Difficulties in replacement</li> </ul>
26	Rent reductions/ rent control	<ul style="list-style-type: none"> <li>- Government intervention</li> <li>- Legislative change</li> <li>- Welfare reduction agenda</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in income to NRHA</li> <li>- Impact on NRHA business viability</li> <li>- Further cost efficiencies to be identified</li> <li>- Potential to breach loan covenants</li> <li>- Inability to raise private finance</li> <li>- Inability to deliver Business Plan aspirations</li> <li>- Insufficient resourcing of the business</li> <li>- Reductions in service provision and performance</li> </ul>

## 4 GLOSSARY

ACRE	Action for Communities in Rural England
CLA	Country, Land and Business Association
CME	Continuous Market Engagement
CPI	Consumer Price Index
CSR	Comprehensive Spending Review
HA	Housing Association
HCA	Homes and Communities Agency
LA	Local Authority
LCHO	Low Cost Home Ownership
MRH	Midlands Rural Housing
NFU	National Farmers Union
NHF	National Housing Federation
NPPF	National Planning Policy Framework
NRHA	Northamptonshire Rural Housing Association
PEST	Political, Economical, Sociological and Technological
PR	Public Relations
RHAs	Rural Housing Associations
RSLs	Registered Social Landlords
RTB	Right to Buy
SWOT	Strengths, Weaknesses, Opportunities, Threats
VFM	Value for Money

NORTHAMPTONSHIRE RURAL HOUSING ASSOCIATION LTD  
WHITWICK BUSINESS CENTRE  
STENSON ROAD  
COALVILLE  
LEICESTERSHIRE  
LE67 4JP

**TELEPHONE:** 0300 1234 009  
**FAX:** 01530 278086  
**EMAIL:** [enquiries@midlandsrural.org.uk](mailto:enquiries@midlandsrural.org.uk)  
**WEBSITE:** [www.northamptonshirerha.org.uk](http://www.northamptonshirerha.org.uk)

**Registered Office:** Northamptonshire ACRE, Hunsbury Hill Centre, Harksome Hill, Northampton NN4 9QX

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