LYHA Corporate Plan 2016-2020

Updated May 19

About LYHA

Leeds and Yorkshire Housing Association was formed in 1979 through the merger of four associations, which date back individually to as early as 1950.

The original four housing associations were:

- The Leeds Tenants Housing Society Limited was formed in 1950 and was registered as a Friendly Society, affiliated to the National Federation of Housing Societies. Its founder, Charles Charlesworth, wanted to tackle homelessness which had risen in the years following World War II. Mr Charlesworth had been impressed with the co-operative housing movement in Sweden and based Leeds Tenants Housing Society on this model.
- Yorkshire Cottage Housing Association Limited was founded in 1952. It provided some general family housing, but focused primarily on accommodation for the elderly.
- Aggrey Housing Limited was formed in 1955 and named after the Ghanaian educationalist Dr J.E.K. Aggrey (1875-1927). It was one of the country's first housing providers for Black and Minority Ethnic communities. Dr Aggrey aimed to support the integration of newcomers to Leeds.
- Aire Valley Housing Limited was founded in 1962 as a development consortium which focused on the design, construction and management of properties for 'fairly' priced rents.

- Today we have our head office in Headingley, Leeds. We build and manage homes to rent and buy across Yorkshire. We currently provide homes to more than 1500 individuals and families.
- We remain a forward thinking, dynamic and progressive organisation who strives to be the best we can be. The core values of the original housing associations which formed Leeds and Yorkshire Housing Association remain embodied in our approach today.

Operating Environment

There is an acute housing crisis which is wide and varied. The National Housing Federation's *Home Truths* report reveals that in the Yorkshire and Humber Region:

- Overall house prices are lower than the national average at £181,740, but homes still cost more than seven times average incomes.
- Across the region, nearly 36,000 too few homes were built between 2012 and 2016 to keep pace with demand.

In February 2017, the Government published a white paper "Fixing our broken housing market" setting out their plans to reform the housing market and boost the supply of new homes in England. It includes measures to:

- plan for the right homes in the right places
- build homes faster
- diversify the housing market
- help people now

In 2016, housing associations in Yorkshire and the Humber built many homes for social rent, and 90% of these homes were funded entirely by housing associations, without government assistance.

There are opportunities for growth and the challenge for LYHA is to work innovatively to deliver services that customers value while delivering our Value for Money strategy.

This plan sets out how LYHA will work to address the housing crisis by providing a great customer experience, making a positive impact in our communities and leveraging our assets to invest in new housing supply.

BUSINESS PLAN

Our strategic goals & vision

Our vision - *to provide quality affordable homes and services that make a positive impact on people and communities*

Aim 1 – To provide a positive customer experience

1. We will be **easy to contact**
2. We **listen** to customers
3. We **agree** resolutions and courses of action
4. We **deliver** on our promises
5. We **check** how we've done and how we made customers feel

By 2020 we will have achieved:

- Overall Customer Satisfaction of 88%
- Satisfaction with repairs of 85%

Aim 2 – To make a positive impact locally

1. **Support** local communities to be involved and have a say in their area
2. **Investment** and initiatives that respond or provide solutions for local issues
3. **Partnerships** to complement our strengths to deliver our vision and strategic aims.
4. We will **measure** the impact we have on local areas and neighbourhoods
5. We will understand what makes **communities** and shape our priorities to respond to and encourage diverse communities
6. We will maximise opportunities for **local people** through our procurement and investment activities

By 2020 we will have:

- Delivered improvements to well-being equivalent to £100k of value on the HACT well-being scale.
- Generated significant added-value benefits to LYHA and the wider community.

2020 Ambition

Priority 1 – To be a strong, viable and efficient BUSINESS

1. Embed **Value for Money**: Operating at best quartile costs per unit (excluding one-off investment)
2. Leverage our housing assets to borrow responsibly for **Investment** in new homes.
3. Embrace a comprehensive approach to **Risk Management** at all levels of the business.
4. Board and Executive Team have the right skills and experience to deliver effective **Governance** and lead the organisation
5. Maintain **Compliance** with all regulatory and other requirements, regaining a G1 grading

By 2020 we will have achieved:

- 100% H&S compliance
- Secured funding for 18 mths development
- G1/V1 Regulatory ratings

Priority 2 – To be an employer of choice

1. We will have a **Culture** based on shared **Values** which are lived by all colleagues
2. We value **Diversity** and recognise the strength that diverse views bring to LYHA
3. We are a **Learning** organisation which invests in personal and professional development.
4. We **Reward** & recognise colleagues for their contribution.
5. We show **Leadership** in our communities, our professions and our sector.

By 2020 we will have achieved:

- IiP Accreditation
- Staff retention of 85%
- Colleague engagement of 85%

Priority 3 - Growing our business and providing more homes.

1. We will continue to build and acquire **Homes**.
2. **Homes for Rent** – we will maintain at least 90% of our homes for sub-market rent.
3. **Home Ownership**: we will provide shared ownership where this reflects local demand
4. **Merger** & Acquisition : we will consider merger opportunities where it complements and supports us to deliver our vision and increases our capacity and potential.

By 2020 we will have achieved:

- 1640 homes in management, 23% > 2015
- 60 homes built for shared ownership
- 200 homes in Barnsley

Positive Reputation

Merger

- In order to best deliver our objectives, LYHA will seek to merge with another local housing association.
- The partner organisation must currently operate in LYHA's core areas of Leeds or Barnsley. They must demonstrate effective Governance (G1 rating). They should have an established community investment programme and demonstrate delivery of social value. They should own and manage fewer than 5,000 homes.
- The aims of the merger are:
  - To provide LYHA customers and staff with an advanced IT platform and digital services,
  - to improve and safeguard the association's Governance arrangements,
  - to permit greater economies of scale, and
  - to unlock additional development capacity in the medium and long term.

2018/19 Action Plan Update

Leeds & Yorkshire Housing Association

Complete | In Progress | Not Started

Business Improvement
- Develop business Improvement function & skills
- Policy / process / Guidance
- Agile Working

Customer
- Annual Report
- STAR Survey
- Scrutiny & Customer Insight

Organisational Development
- Investors in People
- E&D Action Plan
- Learning, development and leadership

Assets
- Estate Investment
- Growth programme
- Asset management & affordable warmth

Data & IT
- Data management
- Reporting
- ICT infrastructure

Compliance
- Compliance roadmap
- Safeguarding

Community Investment
- Develop and implement community investment strategy
- Customers, communities, business

2019/20 Action Plan

Customer
- Customer Services Programme
- Scrutiny Programme

People
- Investors in People
- E&D Action Plan
- Well-being

Assets
- H&S Management & Reporting Software
- Repairs Provision
- Elmetes Investment Project
- Active Asset Management
- Policies & Procedures

Governance
- Governance Improvement Plan
- Data Management

Growth
- Partnerships
- Development Programme

Community Investment
- Implement community investment strategy

Financial Plan

Period: 01 April 2019 - 31 March 2024	2020	2021	2022	2023	2024
	£000's	£000's	£000's	£000's	£000's
Total Turnover	**8,417**	**7,985**	**9,798**	**8,223**	**8,705**
Operating Expenditure					
Other income					
Operating Surplus/(deficit)	**6,558**	**5,881**	**7,146**	**6,032**	**6,246**
Gain/(loss) on disposal of fixed asset		147			
Interest Receivable	2	2	2	2	2
Interest and financing costs	- 749	- 1,003	- 952	- 1,101	- 1,078
Decrease in valuation of housing properties					
Movement in fair value of investment properties					
Surplus before tax	**1,112**	**1,250**	**1,702**	**1,092**	**1,384**

Financial Plan – Ratios & Metrics

	2020	2021	2022	2023	2024
Metric 1 - Reinvestment %	10.74%	7.83%	10.26%	6.31%	6.22%
Metric 2A) - New supply delivered % (Social housing units)	5.17%	3.16%	2.62%	2.24%	2.19%
Metric 2B) - New supply delivered % (Non-social housing units)	0.00%	0.00%	0.00%	0.00%	0.00%
Metric 3 - Gearing %	39%	36%	37%	38%	39%
Metric 4 - EBITDA-MRI Interest Cover %	217%	231%	292%	225%	255%
Metric 5 - Headline social housing cost per unit	£3,512	£3,307	£3,165	£3,183	£3,196
a) Management cost per unit	£1,579	£1,446	£1,433	£1,427	£1,420
b) Service charge cost per unit	£264	£289	£289	£290	£291
c) Maintenance cost per unit	£795	£814	£789	£811	£828
d) Major Repairs cost per unit	£854	£737	£632	£634	£636
e) Other social housing cost per unit	£20	£22	£22	£22	£22
Metric 6A) Operating Margin % (social housing lettings only)	17.23%	20.72%	23.78%	25.87%	27.51%
Metric 6B) Operating Margin % (overall)	22.09%	24.51%	27.07%	26.65%	28.26%
Metric 7 Return on Capital Employed (ROCE)	3.04%	3.57%	3.91%	3.25%	3.58%

Financial Plan –Stress Testing

Leeds & Yorkshire Housing Association

		Peak Debt			Gearing Max		Interest Cover Min		Cash in	New Finance	Total New
No.	Tests	£M	Peak Year	Repay Year	%	Year	%	Year	Year 30 £M	Required	Homes Planned
Base	Budget 2019/20 LTFP incl stock rationalisation in yr 2	34.1	2029	2047	75.5%	2028	147%	2020	10.5	Feb-2023	398
Base	**Updated for March 19 Balances & Interest**	**31.2**	**2029**	**2044**	**70.6%**	**2022**	**160%**	**2020**	**18.8**	**Nov-2023**	**396**
	LYHA risk testing										
1	Bad debts increase by 50% to 4.5%	32.9	2029	2047	72.6%	2028	142%	2035	8.2	Oct-2023	396
2	Inflation at 1% higher throughout the plan	30.7	2029	2042	70.3%	2022	160%	2020	37.6	Oct-2023	396
3	Costs rise by 1.5% above inflation for first 5 years	34.4	2029	#N/A	76.1%	2029	112%	2035	0.5	Oct-2023	396
4	Mitigate with cuts to discretionary spend and reduced	32.8	2029	#N/A	72.5%	2029	127%	2032	0.5	Oct-2023	381
5	Margin on future borrowing increases by 0.5%	31.8	2029	2046	70.6%	2022	153%	2035	14.5	Oct-2023	396
6	Margin on future borrowing increases by 1%	32.3	2029	2047	70.6%	2022	133%	2035	9.1	Oct-2023	396
7	Margin on future borrowing increases by 2%	33.5	2029	#N/A	74.6%	2029	101%	2035	0.5	Oct-2023	396
8	Mitigate 2% interest rise: Limit development to 5 yrs a	28.0	2024	2047	70.6%	2022	141%	2032	9.3	Jun-2023	309
9	Additional £200k costs per annum	34.1	2029	#N/A	76.9%	2029	124%	2035	0.5	Jul-2023	396
10	Mitigate by reducing development & rephase 2035 PW	32.0	2028	2049	73.4%	2028	133%	2020	2.6	Jul-2023	361
11	Capital repairs increase 10%	32.7	2029	2048	70.6%	2028	131%	2035	5.1	Oct-2023	396
12	No Development	27.6	2022	2037	70.5%	2022	160%	2020	23.7	Oct-2024	169
13	Uncommitted development is 25% more costly	37.8	2029	#N/A	83.1%	2029	122%	2035	0.5	Mar-2023	396
14	Mitigate by reducing development	31.1	2025	2045	73.5%	2025	156%	2035	13.6	Mar-2023	301
15	All sales delayed by 6 months	31.3	2029	2045	72.1%	2022	153%	2020	18.5	Oct-2023	396
16	All SO properties converted to rental	37.3	2029	2049	87.9%	2028	131%	2035	2.6	Feb-2022	394
17	Mitigate SO conversions with cancelled development	32.1	2029	2047	76.2%	2022	147%	2035	10.0	Oct-2023	345
18	SO Sales values fall 20%	32.3	2029	2045	72.0%	2022	160%	2020	16.1	Aug-2023	396

Financial Plan –Stress Testing (cont)

No.	Tests	Peak Debt £M	Peak Year	Repay Year	Gearing Max %	Gearing Max Year	Interest Cover Min %	Interest Cover Min Year	Cash in Year 30 £M	New Finance Required	Total New Homes Planned
Base	**Updated for March 19 Balances & Interest**	**31.2**	**2029**	**2044**	**70.6%**	**2022**	**160%**	**2020**	**18.8**	**Nov-2023**	**396**
	Multi-variate testing										
a	Repairs & capex costs and development rise 10%, inter	44.8	2049	#N/A	128.8%	2049	59%	2039	0.5	Feb-2023	396
b	Mitigate with reduced development, rephased and po	27.6	2022	#N/A	71.4%	2022	103%	2031	0.5	Oct-2023	169
c	Repairs , development and salaries rise above inflatio	37.7	2029	#N/A	87.2%	2029	67%	2039	0.5	Jun-2023	396
d	Mitigate through reduced development, CI, Planned w	30.3	2025	#N/A	73.6%	2025	112%	2033	0.5	Jun-2023	301
e	Increased SO sales costs and reduced SO values, increa	32.7	2029	2046	72.6%	2022	153%	2020	14.9	Jun-2023	396
	Brexit Testing (cumulative)										
i	Deteriorating housing market conditions	32.6	2029	2046	73.0%	2022	152%	2020	15.2	Oct-2022	396
ii	Inflation peaks at 6.25% and interest rates rise to 5.5%	32.6	2029	2044	72.9%	2022	146%	2020	22.8	Oct-2022	396
iii	Access to finance	34.1	2029	2045	75.6%	2026	146%	2020	19.0	Jul-2022	396
iv	Wage inflation	35.5	2029	2047	79.5%	2028	142%	2035	8.6	Jul-2022	396
v	Materials and components	37.5	2029	2049	86.6%	2028	120%	2020	2.2	Feb-2022	396
vi	Access to data	37.7	2029	2049	87.5%	2028	118%	2020	0.6	Jan-2022	396
vii	Mitigations	32.4	2029	2048	76.1%	2022	145%	2021	4.5	Oct-2022	346

Financial Plan - Mitigations

Leeds & Yorkshire Housing Association

- Mitigations have been agreed following discussions with the Board.
  - The tested mitigations, in order of preference are:
    - Postpone or cancel development of new homes.
    - Postpone or re-profile major repairs
    - Reduce discretionary revenue expenditure
    - Disposal of vacant homes

Financial Plan - Triggers

- Good practice and the regulatory requirements of the Governance and Financial Viability Standard require that LYHA should understand when the risks are crystallising and therefore when to deploy the mitigations that have been identified.
- The following measures have been identified in order to understand when to deploy mitigations:

Financial Plan - Triggers

	Stress	Trigger
1	Rising Voids and/or Bad Debts	Combined voids/bad debts to be monitored. Combined rate of 4% p.a. for two quarters out of three or two consecutive quarterly rises of 0.5% trigger a review of the preferred mitigation at that point.
2	Rising Interest Rates	1 month LIBOR, 5 year and 10 year fixed rates be monitored closely, triggering a review (which may or may not lead to definitive action) of the hedging strategy if there is a cumulative uplift of 0.5% in either the 5 or 10 year fixed rates.
3	Rising Inflation	Three consecutive months of rising inflation, or a one month jump of 0.5% should trigger a review of business plan assumptions, and a re-run of sensitivities, applying such inflationary increases to costs only;
4	Increasing major repair costs	Annually, as part of the business planning process undertake a review of asset management assumptions vs prior year actual costs. Annual review of component replacements and report by exception of volume/value of replacements outside 5-year replacement plan.
5	Rising cost of developing new homes	Review of LTFP assumptions carried out after each new project contract is agreed.
6	Rising operating costs	If the budget and business planning process for 2020/21 shows continued requirement for operational expenditure that will require a review of uncommitted developments

Financial Plan - Assumptions

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25+
RPI	0.00%	2.80%	2.60%	2.50%	2.50%	2.50%
CPI	0.00%	2.30%	2.10%	2.00%	2.00%	2.00%
Salary growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost Inflation	0.00%	2.80%	2.60%	2.50%	2.50%	2.50%
Rent change – regulated	-1.00%	3.30%	3.10%	3.00%	3.00%	3.00%
Rent Change – non regulated	3.40%	3.30%	3.10%	3.00%	3.00%	3.00%
Voids & Bad Debts	2.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Fixed interest rates						
£975k Fix till 31/12/2030	6.115%	6.115%	6.115%	6.115%	6.115%	6.115%
£975k Fix till 31/3/2030	2.685%	2.685%	2.685%	2.685%	2.685%	2.685%
£650k Fix Till 28/2/2030	3.225%	3.225%	3.225%	3.225%	3.225%	3.225%
£650k Fix Till 28/2/2030	4.335%	4.335%	4.335%	4.335%	4.335%	4.335%
£462k Fresh Fix Till 30/9/2030	9.437%	9.437%	9.437%	9.437%	9.437%	9.437%
£2.30m tranche A 1st fix to 29/10/24	4.040%	4.040%	4.040%	4.040%	4.040%	4.040%
£2.70m tranche A 2nd fix to 29/10/24	2.970%	2.970%	2.970%	2.970%	2.970%	2.970%
£1.30m tranche B 1st fix to 29/10/24	3.080%	3.080%	3.080%	3.080%	3.080%	3.080%
£6.70m tranche B 2nd fix to 29/10/24	3.016%	3.016%	3.016%	3.016%	3.016%	3.016%
£5.00m tranche C 1st fix to 29/10/24	2.960%	2.960%	2.960%	2.960%	2.960%	2.960%
Variable rate margin (Tranche D)	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
LIBOR	2.25%	3.00%	3.50%	4.00%	4.00%	4.00%