



*“ Providing affordable housing services with, and for, rural communities ”*

ENGLISH RURAL  
HOUSING ASSOCIATION

Annual Report 2015





## CHAIRMAN'S FOREWORD

**As I approach the end of this, my first year as English Rural's Chairman, I am pleased to introduce the Association's 2014/15 Annual Report which I hope you will find of interest.**

It is customary for the Chairman's foreword to look back over the past year's challenges and achievements. This year, the content of the Report provides a positive summary of the year and on which I do not propose to elaborate. Instead, I want to take this opportunity to comment on the potentially radical changes to English Rural's operating context being considered by Parliament.

Throughout England, affordable homes developed in small rural villages of less than 3,000 people have been exempt from the Right to Buy (RTB) for almost 30 years. This exemption is at the heart of this Association's purpose and critical to securing support of both local communities and landowners for the development of rural affordable housing. The possible extension of RTB could, if the long-standing exemption of small rural communities is not continued, fundamentally change these communities. In essence the current guarantee of availability of rural affordable housing, for future generations of local people, will be lost.

*“ The need for our work continues unabated ”*

At the time of writing, English Rural and our colleagues elsewhere in rural housing, along with other partners such as parish councils, are pressing the Government to ensure that this vital protection for small rural communities is not overlooked whilst the policy detail of the extension to RTB is being developed.

Whatever the outcome of this and other major changes in the offing, it is no exaggeration to say that these will have a dramatic effect on the way English Rural works with our partners as well as other housing associations. This Association has demonstrated both the capacity and will to overcome challenges during its 22

years life and I have no doubt will do so again.

As the detail of this Annual Report says, the need for our work continues unabated, along with the efforts of the staff and Board in seeking to fulfil our purpose towards rural communities.



Mark Tillson,  
Chairman



## OBJECTIVES & STRATEGY



**For English Rural, the year 2014/15 was marked by further significant steps to ensure continued resilience and success as Board Members and staff steer towards a quarter of a century of work with and for rural communities.**

There are a number of fundamental elements that enable our expert team to maintain its purpose, which is as relevant today as it was when the organisation was formed. Each of these elements has been given renewed attention during the year to ensure that the organisation is keeping pace with customer, business and regulatory requirements.

These include:

- Good governance which keeps pace with internal and external requirements;
- Sound finances and value for money (VfM);
- Service standard and relationship satisfaction from residents and partners on whom we depend;
- Access to capital finance for investment;
- Effective risk management, including stress testing of the Business Plan.

The following sections of this report provide a brief update on each of these fundamentals.

*“English Rural’s Chief Executive, Adrian Maunders (3<sup>rd</sup> from left) joins peers to discuss rural housing issues at 10 Downing Street”*

### The Board has adopted the 2015 version of the National Housing Federation (NHF) Code of Governance;

- Implementation of a rolling Board Member succession plan has continued and has removed the only previous area of non-compliance with the regulatory code;
- Annual independent review of governance arrangements by internal auditors which gave the Board a finding of “substantial assurance” of compliance with the regulatory code and good practice;
- A review of the Board's Committee structure which included the creation of a Finance & Resources Committee to strengthen governance of this area, vital to English Rural's ongoing viability;
- The Residents' Scrutiny Panel continued with the work programme which the members developed to focus on key service developments as well as their scrutiny role.



During the year an independent peer review of our finance function was commissioned. The review included a programme of further development of the finance strategy and operations to ensure that these continue to meet the organisation's needs as the business grows;

- The appointment of a Finance Director to underline the importance of the function and support the work of the new Finance & Resources Committee.
- Implementation of the first stages of the VfM strategy adopted by the Board during 2014. This has included application of a bespoke Asset Management Toolkit, resulting in consideration being given to rationalising properties where this would make best use of resources. Our VfM strategy can be viewed online at [www.englishrural.org.uk](http://www.englishrural.org.uk)
- Existing properties have continued to see investment with some 50 homes benefiting from improvements, including high performing window and door upgrades, new kitchens and heating systems.
- English Rural's pioneering work on Social Return on Investment (SROI) has been shared with peers in the Rural Housing Alliance (RHA). The RHA is developing this work into a tool for wider use in rural housing and rural services generally.

*“ Existing properties have continued to see investment, with some 50 homes benefiting from improvements ”*



DURING THE YEAR OUR  
ARREARS WORK REDUCED  
BAD DEBTS BY £50,000



Early in 2015 a full Residents' Survey was carried out. The results again showed a high level of satisfaction with housing services; the full results can be viewed at [www.englishrural.org.uk](http://www.englishrural.org.uk)

With 70% of residents having internet access, a project to re-design and update our website started work; the new site will be operational by the end of 2015. The high level of resident internet access offers an opportunity to overcome the challenges of the geographic housing stock profile and to support digital inclusion in rural communities.

Investment in repairs and maintenance activities remains in line with levels

identified in the latest Stock Condition Report, planned works involving the upgrade of older property components such as windows, kitchens and heating systems. A programme of retrofitting older homes with efficient systems for heating and hot water also continues, with the latest investment in renewable technology whilst also taking advantage of the expanding mains gas network.

Good relationships with partners such as local authorities and parish councils are the cornerstone of our work. Indeed, English Rural is invited to work in many more areas than its current capacity allows.

*“ We secured an additional £10m funding for investment in homes and services ”*

The development of new affordable rural homes and investment in existing assets depends upon the continued availability of capital funding. During the year, English Rural secured an additional £10 million facility under the Government's Housing Guarantee Scheme as administered by Affordable Housing Finance plc (AHF). This was achieved at a very competitive effective interest rate of 2.92%, fixed for 28 years. This excellent outcome secures capacity for current and planned investment programmes.



OUR OPERATING COST  
PER UNIT IS £42, COMPARED  
TO A PEER AVERAGE OF £70



Risk management is crucial for English Rural's continued well-being, it features each time the Board meets, with the Board considering the latest risk management register and updates on the necessary actions. The Executive Management Team also reviews risks at a more detailed level.

An independent peer review of the risk management framework was commissioned during the year. The resulting recommendations will be implemented during 2015/16 to further strengthen this area.

The 2015 Business Plan was subject to stress testing. This showed that the plan was robust and the worst case

scenario gave a long lead in time for any corrective action, should this be necessary.

The 2015 Residents' Survey results are assisting with the Association's understanding of the possible impact of Welfare Reform.



# PERFORMANCE 2014/15



Indicator	Target	Annual
Interest Cover	≥ 100%	252%
Interest Cover (Major Repairs Included)	≥ 80%	227%
Gearing – Gross Borrowings / Net Tangible Worth	≤ 90%	65%
Number of completed new properties	20	20
Dwellings vacant and available to let	0	0

“ Our void and income collection figures have exceeded target ”

**Performance against our loan covenants has been exceptionally good, helped by continuing low interest rates, providing capacity for future investment.**

The collection of income is a key part of maintaining this performance, and we are pleased that our void and income collection figures have exceeded targets. In particular, our arrears figures reflect work performed in preparation for the impact of welfare reform, working with tenants to help them manage their finances while also implementing changes to income and arrears management.

We have put a lot of effort into improving maintenance processes, and are pleased that this is reflected both in terms of performance and the satisfaction of our tenants. We were marginally behind target on obtaining gas certificates due to a single timing issue in getting access to one property before the year end. This has now been resolved.

Whilst we are disappointed that the overall tenant satisfaction has slightly reduced since last year, it has not come as a surprise. The change in regulation and concentration on value for money has led to some rationalisation of services. Whilst we believe performance is good

compared to most of our peers, we will be aiming for higher satisfaction levels in future.

# FUTURE PERFORMANCE



As noted already, there is no sign that English Rural's purpose of providing and managing affordable rural housing will become less relevant in the future. Whilst we would expect to be able to maintain our existing stock, our ability to meet increasing demand by developing new homes is dependent on a number of factors:

- The pricing and availability of debt funding, particularly long term debt funding. To this end, we were pleased to secure new funding during the year that improved our long term capacity for investment;
- Inflation rates, especially relating to rent, house prices and land values, building materials and repairs and maintenance.
- Policy at both local and national level, including planning policy, the availability of grant subsidy and support for vulnerable people in need of affordable housing.

*“ Our business plan reflects our intention to build  
188 new homes, investing £19.5m ”*

Whilst there are many aspects that we cannot control, we are mitigating against the risks arising by:

- Ensuring a strong governance framework, running from the Board throughout the organisation;
- Maintaining a robust approach to risk management, balancing risks and rewards;
- Being a strong advocate of appropriate rural housing, working with partners and other influencers to make the best of our opportunities;

Our current business plan reflects our intention to build 188 new homes, investing nearly £19.5m over the next five years, for which we have sufficient loan funding facilities in place.

The business plan makes full provision for the maintenance identified by the stock condition survey, and meets existing funding covenants. The plan has been prepared under existing accounting rules, which will change with the move to Financial Reporting Standard 102. However, this will make no difference to the cash movements that are fundamental to our financial viability.

*“In addition to performance against financial targets, our assets are also reviewed against the wider strategic objectives of the organisation, and in particular our ongoing commitment to rural communities and the creation of Social Value.”*

## UNDERSTANDING THE VALUE OF OUR WORK...

*“We have developed our own Active Asset Management Toolkit which allows analysis of, and comparison between, our individual properties. Utilising a bespoke system of weighted indicators together with a simple Financial Appraisal, we are able to measure the relative financial performance and calculate a comparative Return on Asset for individual rented properties.”*

**English Rural Housing Association is a social business, registered as a Community Benefit Society and an organisation which is committed to using all available resources to help in delivering a simple stated purpose: “to provide affordable housing services with, and for, rural communities.”**

In delivering these aims, English Rural seeks to obtain the maximum value for money from all aspects of the business to support further investment in high quality services for residents, and to provide the resources to build affordable homes for local people in rural communities.

Analysis of our revenue expenditure, including detailed examination of property and staff costs, helps to identify potential areas for improvement.

Benchmarking performance against that of other similar organisations is also a vital component of our Value for Money strategy, although all organisations are different and a degree of caution is required.

## REVENUE EXPENDITURE 2014/15:

*Some key findings from our Value for Money Statement are shown right, the full report can be downloaded from our website: [www.englishrural.org.uk](http://www.englishrural.org.uk)*



PROPERTY COSTS  
& IMPROVEMENTS - £1,064K  
**23%** (-11%)



STAFF COSTS - £976K  
**21%** (-1%)



OFFICE COSTS - £241K  
**5%** (-1%)



OTHER COSTS,  
FEES & CHARGES - £199K  
**4%** (-2%)

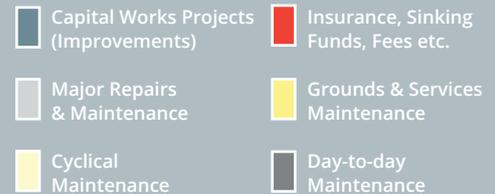
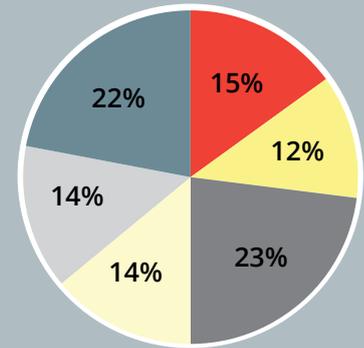


FINANCE COSTS - £1,010K  
**22%** (+2%)



LOAN REPAYMENTS - £1,141K  
**25%** (+12%)

### PROPERTY COSTS 2014/15:



# FINANCIAL REVIEW



**The Association is primarily debt funded, with some contribution from accumulated reserves. Housing associations do not have the facility to issue equity shares to raise capital, and it is therefore vitally important that we meet our funding covenants and limit our financial risks.**

In the past, our debt funding has mainly been supplied by the major banks. However, since the credit crisis in 2008, the banks have been less able to offer appropriate terms and funding periods. During this year, we have raised further funding through a bond issue as part of the Government's Guarantee Scheme

administered by Affordable Housing Finance plc. The Association issued £10m of debt at a nominal rate of 3.8% maturing in May 2042. The gross proceeds were £11.6m, making an effective rate of 2.92%, a record low for debt in the housing sector.

Financial performance for the year has been good, adding over £0.5m to reserves. This has been helped by continuing low interest rates.

Our bad debts charge is approximately half that of the previous year, a good result in difficult times.

*“Financial performance this year has been good, adding £0.5m to our reserves”*

We generated £2.4m from our operations, and drew £15.1m in loans. This funded investments in new homes of £4.5m and loan repayments of £1.2m. At 31 March 2015, we had £12.3m in cash balances, and £4.5m in undrawn but available loan facilities. Our cash balances were unusually high due to the timing of the bond issue just before the year end.



# SUMMARY ACCOUNTS



## INCOME & EXPENDITURE ACCOUNT

	2014/15 £000	2013/14 £000
<b>TURNOVER</b>	4,630,968	4,649,284
Cost of Sales	-	(335,776)
Operating Costs	(3,126,862)	(3,169,797)
<b>OPERATING SURPLUS</b>	<u>1,504,106</u>	<u>1,143,711</u>
Surplus on Sale of Property	17,200	-
Interest Receivable and Similar Income	48	246
Interest Payable and Similar Charges	(944,551)	(877,727)
<b>Surplus on Ordinary Activities before Taxation</b>	<u>576,803</u>	<u>266,230</u>
Tax on Surplus on Ordinary Activities	-	-
<b>Surplus for the Financial Year</b>	<u><u>£576,803</u></u>	<u><u>£266,230</u></u>

## BALANCE SHEET

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>TANGIBLE FIXED ASSETS</b>		
Housing Properties – Depreciated Cost	79,284,469	75,051,713
Less : Social Housing Grant	<u>(42,429,458)</u>	<u>(41,811,920)</u>
	36,855,011	33,239,793
Office Equipment and Leasehold improvements	<u>5,705</u>	<u>9,100</u>
	<u>36,860,716</u>	<u>33,248,893</u>
<b>CURRENT ASSETS</b>		
Shared Ownership Properties Developed for Sale	-	-
Debtors	383,461	433,266
Cash at Bank	<u>12,304,959</u>	<u>1,366,252</u>
	12,688,420	1,799,518
<b>CREDITORS</b>		
Amounts falling due within one year	<u>(1,820,222)</u>	<u>(1,885,236)</u>
NET CURRENT ASSETS	10,868,198	(85,718)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>£47,728,914</u>	<u>£33,163,175</u>
<b>CREDITORS</b>		
<b>Amounts falling due after more than one year</b>	35,555,052	21,566,118
<b>CAPITAL AND RESERVES</b>		
Share Capital	48	46
Revenue Reserve	<u>12,173,814</u>	<u>11,597,011</u>
	<u>£47,728,914</u>	<u>£33,163,175</u>



# OUR PEOPLE

## Patron

**HRH The Princess Royal**

## Honorary President

**Sir Peter Dixon**

## The Board of Management

**Mark Tillson** Chairman

**Mike Paddock** Vice Chairman

**Norman Arnell**

**Clive Francis**

**Caroline Harris**

**Christine Knight** (Resident Board Member)

**Tony MacArthur** (Resident Board Member)

**Danielle Troop**

**Nick Way**

## Chief Executive's Office

**Adrian Maunders** Chief Executive  
**Karen Eagles** Business Support Officer  
& Company Secretary

## Resident Services Team

**Martin Collett** Operations Director  
**Kathryn Watson** Housing Services Manager  
**Ysella Sims** Housing Services Administrator  
**Dawn Cridland** Repairs and Maintenance Officer  
**Janette Spence** Repairs and Maintenance Officer  
**Steven Bland** Regional Housing Manager  
**Katie Maclean** Regional Housing Manager  
**Luke Versteeg** Regional Housing Manager

## Development Team

**James Taylor** Deputy Chief Executive  
& Development Director  
**Alison Thompson** Senior Regional Development Manager  
**Nick Hughes** Regional Development Manager  
**Ian Gillespie** Technical Development Manager

## Finance Team

**Graham Oliver** Acting Finance Director  
**Ferdie Lachica** Finance Manager  
**Ade Balugon** Finance Assistant  
**Lorna Murdoch** Accounts Officer



**English Rural Housing Association**

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