



2016 ANNUAL REPORT

Each year, English Rural produces a detailed analysis covering our approach to securing value for money:



A summary of some of the key highlights are detailed in this Annual Report. The overarching objective of our approach to value for money is to secure efficiencies in all areas of our business, in order to maximise investment in delivering high quality services to residents and providing new affordable homes.

The summary data that follows helps to highlight how this approach is working; demonstrating that as we focus on understanding our assets better, we are able to release more from them. For example, the bespoke asset management toolkit we have designed helps us to appreciate the individual return on existing homes, informing our approach to these properties and influencing our strategy for growth. The increasing emphasis on borrowing capacity also benefits from improved intelligence on assets.

Over the past year this has been further developed by the creation of an asset and liabilities register.

The success of this intelligence is perhaps best demonstrated through the appraisal of business strategy currently underway, which includes a capacity review informed by our value for money work, which identified additional financial capacity, enabling us to increase levels of borrowing and thus investment.

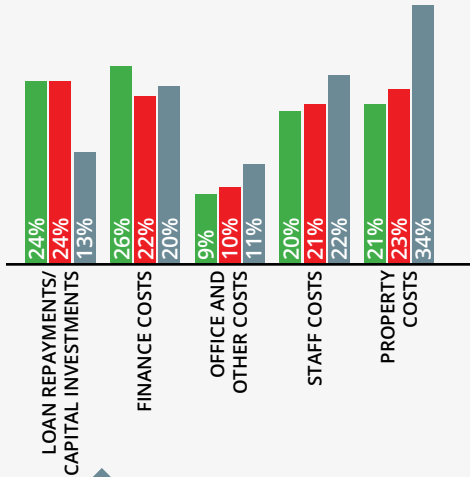
Considering our staff and expertise as an asset has also featured strongly in our approach, with services now being offered to a range of like-minded external partners, securing both important income and maximising our staffing capabilities and efficiency. Overall our approach for value for money now goes beyond simply offering more for the same, the work is used to influence and inform decision making at all levels using quality intelligence and insight.



*Read the full report on our website:
[http://englishrural.org.uk/about-us/
publications](http://englishrural.org.uk/about-us/publications)*

How we spent our income during 2015/16

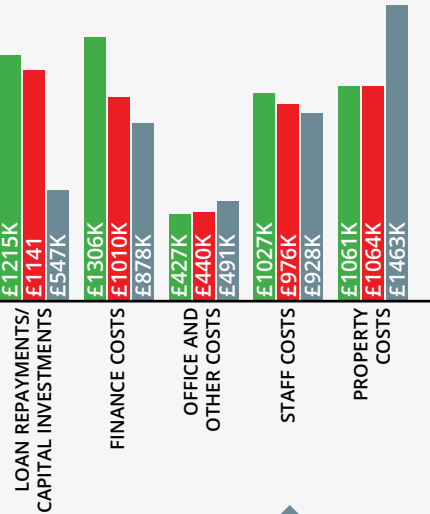
EXPENDITURE - AS A PROPORTION OF INCOME



Our expenditure as a proportion of our income:

- Loan repayments remain stable
- Modest increase in finance costs
- Staff costs reducing slightly; plus fall in office and other operating costs
- Property costs also reducing
(reflecting stock investment requirements)

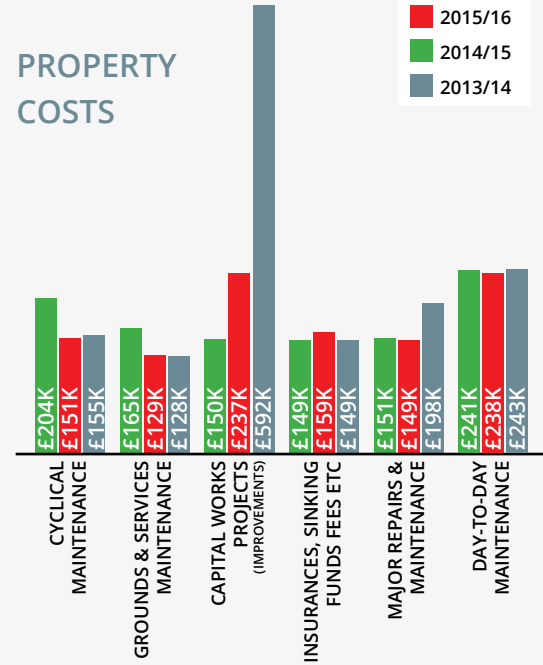
REVENUE EXPENDITURE



When tracking expenditure changes over the past three financial years, key highlights include:

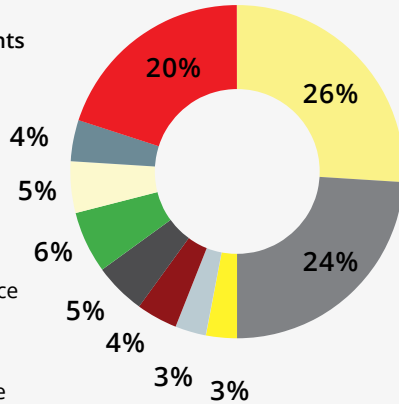
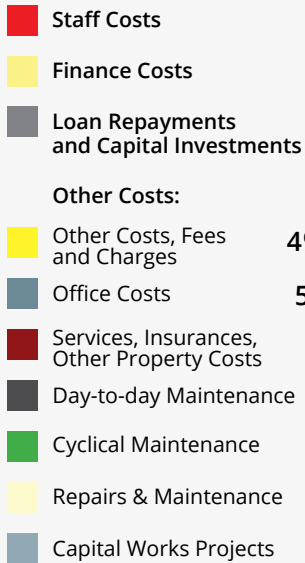
- Dramatic increase in loan repayments
(reflecting increased borrowing to fund investment)
- Significant increase in finance costs
- Staff costs increasing slightly but balanced by fall in office and other operating costs
- Property costs remaining stable

PROPERTY COSTS

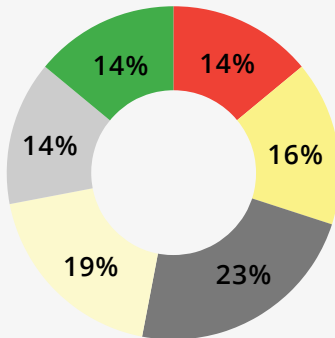
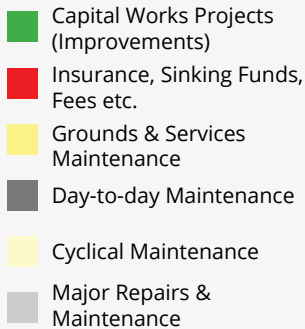


2015/16
2014/15
2013/14

REVENUE EXPENDITURE 2015-16



PROPERTY COSTS 2015-16



VALUE FOR MONEY

CHAIRMAN'S WELCOME

Mark Tillson

REFLECTING ON THE PAST YEAR, IT IS EVIDENT THAT ENGLISH RURAL CONTINUES TO EVOLVE TO REFLECT THE CHANGING OPERATING ENVIRONMENT.



Reflecting on the past year, it is evident that English Rural continues to evolve to reflect the changing operating environment...



...Central to this process has been reviewing our mission and capacity through a comprehensive strategic review due for completion by the 2016 AGM. True to its entrepreneurial ethos and in contrast to the gloomy outlook of negligible grants and reductions to rent levels, this strategic review sets English Rural on a path of opportunity and continued growth. Increased efficiencies, maximising return on assets and utilising new flexibilities enabled through planning reform are all important outcomes.

There are some notable highlights from the last financial period which need some individual recognition, given the role they have played in steadying and advancing English Rural. The increase in our service offer to other housing associations has utilised capacity whilst generating efficiencies. This work has also secured useful additional income, whilst at the same time enabling these customers to benefit from our expertise and make their own improvements.

The success of our approach to treasury management must also not go unmentioned. As we switch to a low grant - high borrowing environment, the importance of understanding capacity and long term loan stewardship becomes even more crucial to handling levels of investment and controlling financial risk.

Finally, one of the most externally obvious step-changes to occur, has been the approach to development of homes for rent, with our programme now reflecting an increasing element of cross-subsidy. To date this has been secured through partnerships with developers but, moving forwards, a range of cross-subsidy tools will be used, including developing homes for sale. This will be managed through the formal activation of our development subsidiary, English Rural Developments.

Alongside these changes, our commitment to delivering first class services to our existing homes and residents remains a core activity. The launch of our new website reflects the increasing demand from some residents to access a greater level of services online and further advances are planned to help support this trend. In addition to the increasing virtual offer, the housing administrative support team has also expanded in capacity during the year, in order to improve the support and communication we offer to residents both online and in person.

In summary, in spite of a range of external challenges, English Rural has had another accomplished year and has a great deal to be optimistic about. Furthermore, the support of our partners, residents, board and staff continues to be vital to our success.

English Rural was formed back in 1992 by the Rural Housing Trust as a national housing association with a sole focus on developing and managing affordable village homes.

A great deal has changed since then, but our core rural emphasis has remained constant, securing around 1,150 affordable rural properties, benefiting over 140 communities.

Operating climates seldom remain constant and this has been particularly true for the housing association sector, with recent years seeing an acceleration of change in response to the wider economic and political circumstances. Our continued success is dependent on adequately responding to change and focusing our activities through sound strategic and business planning, this has been a particular focus over the past year as we have sought to undertake a thorough analysis of our position and aspirations by way of a strategic review, which centres around three key outcomes:



- 1 To consider the opportunities of recent radical changes in the Association's operating context;
- 2 To develop an ambition for the medium term, with a focus on the next five years, i.e. 2016-2021;
- 3 To formulate a business strategy to support delivery of that ambition.

The revised strategy in place reaffirms that our mission is the provision and management of affordable housing for local people in rural villages in England and to be an advocate for affordable rural housing and that this is best achieved as an independent and unique specialist. The content will impact all areas of our activity and represents a further milestone in our development as one of the leading providers of affordable rural homes and the largest housing association with a distinct mission of working in partnership solely with small rural communities to provide homes in villages. Some highlights from our revised strategy follow.

Developing new homes is one of the key features of the strategy and has perhaps been that most impacted by the wider contextual changes influencing the Association:

The revised strategy endorses the primary outcome of development activity is to deliver homes for affordable rent, but not to the exclusion of other tenures. Homes for part or outright sale will be delivered where there is demand and planning policy permits; this will include shared ownership, discounted market and open market sales.

The income and surpluses generated from homes for sale will be used to cross-subsidise rented units, assisting with financial viability whilst contributing towards meeting the full context of local demand. Recognising the need to generate surpluses to replace negligible levels of public subsidy will enable the Association to continue to grow organically by building new homes as it has always done. These flexibilities will also enable the Association to take full advantage of opportunities where they arise and although the geographical focus will remain within existing operational areas, this does not mean that other opportunities for broader growth will be discounted.



This new approach to development is a further advancement of current practice, which has already incorporated cross-subsidy models in partnership with developers to mitigate the Association from potential risks. The new strategy secures greater flexibility for our development activity, broadening the range of tenures and cross-subsidy models that the Association is comfortable to consider. The strategy recognises the increased risks associated with the change and strengthens risk management arrangements in response.

Our record of sound financial stewardship has and will continue to be a feature that underpins the Association:

In the new low grant – high borrowing environment the Association faces, a progressive approach to treasury matters and ensuring we fully utilise the assets at our disposal, in all areas of the business, is an essential strategic goal.

Understanding capacity and reviewing our debt portfolio both featured in our strategic review. The outcome was that by evaluating, adjusting and increasing loan financing within acceptable risk parameters, we identified an ability to increase the number of affordable homes due to be developed during the strategic review period by 70, which increased the overall ambition for the strategy period to around 175 new affordable homes.



English Rural has always sought to maintain a tight control over all areas of business expenditure, providing a flexible business structure and resource in order to maximise efficiencies. Value for money was a key thread considered throughout the strategic review and will continue to feature as a permeating influence across all business areas as detailed in the annual Value for Money Statements. The loss of income caused by the four years of rent reductions has had a significant impact which the revised strategy has sought to counter balance. Securing useful additional income from services provided to other housing association partners has gone some way to mitigating the income lost in the short term, but by far the biggest benefit has been the ability to maximise on the availability of low cost long term borrowing.

Providing quality services to residents remains a core objective and the revised strategy will seek to demonstrate this through a formal offer devised in consultation with residents:

This offer will identify opportunities for mutually beneficial approaches to services provided, whilst clearly establishing a framework for delivery based on reciprocal cooperation and responsibilities.

Resident involvement, scrutiny and the a co-regulatory approach will all be supported by the relationship English Rural will continue to develop with residents. Aligning service quality with the wider sector and recognising the value of reasonable service limitations will also feature. Above all, the strategy will look to focus the service offer on the role of a fair and supportive landlord.



Investment in maintaining and upgrading rented homes will continue under the revised strategy, with work informed by an updated stock condition survey during the strategy period. Opportunities will be sought to evolve services in a way which is beneficial to residents whilst also securing efficiencies for the Association and its contract partners. Providing a safe, secure and well maintained home will remain paramount and so far as possible opportunities will be sought to tackle issues around fuel poverty by improving the performance of older homes.



English Rural's external persona and influence has always exceeded the scale of the business:

The strength of our brand and more recently patronage of HRH The Princess Royal have secured a high profile position within and beyond the housing sector as a leading rural housing advocate. Allocating staff resources to sustain and develop this level of profile remains a commitment of the revised strategy, which recognises the benefits that are secured for both business activities and broader mission values.



Capitalising on relationships secured through our external activities was also identified within the strategic review as another means to secure efficiencies, in particular where opportunities arose to support and work in partnership with other like-minded housing associations. Inorganic growth secured through transfer opportunities is an emergent trend within the sector. The Association's own strategic approach to this will be to consider opportunities where they accord with the wishes of both parties and are aligned with our rural focus, achieve efficiencies and contribute towards broader business growth. The strategic approach to this type of growth will also continue to be passive, supportive and recognise the unique strengths and reputation of partners. Partnership and mutually beneficial collaboration will continue to be the principal focus of relationships with other housing associations. Above all, the Association respects the independent values of our peers and will develop the transparent and honest relationship of a trusted and supportive ally with whom mutually beneficial partnerships will flourish.



SERVICE



OVERALL SERVICE



VALUE FOR MONEY (VfM)



MAINTENANCE & REPAIRS



REPAIRS AND MAINTENANCE



RESPONSIVE REPAIRS (per property)



OPERATING COSTS (per unit)



TOTAL MAINTENANCE (per unit)



RENT AVERAGES



AVERAGE SOCIAL RENT

£113.10



AVERAGE INCREASE

2.20%



AVERAGE AFFORDABLE RENT

£140.61



EMPTY HOMES

How much rent did we lose because homes were empty:



RE-LETTING

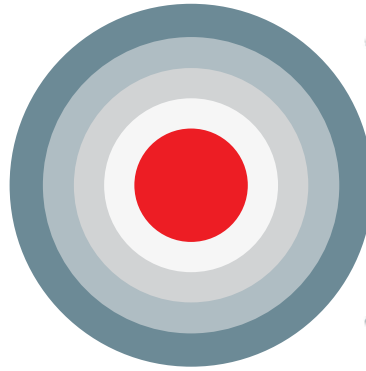
On average, how many days did it take did it take us to re-let existing homes:



RENT ARREARS



OUR TARGETS



≥ **110%** INTEREST COVER



≤ **70%** GEARING - GROSS BORROWING / NET TANGIBLE WORTH



We continue to achieve all key financial covenants and have again received the highest regulatory judgements for our governance and financial viability ▼



2016
1169

2015
1100

◀ **TOTAL NUMBER of homes owned & managed for others**

**STATEMENT OF
COMPREHENSIVE INCOME**

	2015/16	2014/15
	£000	Restated £000
TURNOVER	5,817,957	5,048,154
Cost of sales	(109,251)	-
Operating costs	(4,068,627)	(3,604,658)
OPERATING SURPLUS	<u>1,640,079</u>	<u>1,443,496</u>
Surplus on sale of property	-	17,200
Interest receivable and similar income	53,752	48
Interest payable and similar charges	(1,295,141)	(944,551)
Surplus before tax	<u>398,690</u>	<u>516,193</u>
Taxation	-	-
Surplus for the year after tax	<u><u>398,690</u></u>	<u><u>516,193</u></u>

STATEMENT OF FINANCIAL POSITION

	2015/16	2014/15
	£000	Restated £000
TANGIBLE FIXED ASSETS		
Housing properties - depreciated cost	76,672,771	75,533,320
Office equipment and leasehold improvements	5,917	5,705
	<u>76,678,688</u>	<u>75,539,025</u>
CURRENT ASSETS		
Debtors	210,211	383,461
Cash at bank	10,423,722	12,304,959
	<u>10,633,933</u>	<u>12,688,420</u>
CREDITORS		
Amounts falling due within one year	(2,762,983)	(2,272,280)
Net Current Assets	7,870,950	10,416,140
Total Assets Less Current Liabilities	<u>84,549,638</u>	<u>85,955,165</u>
CREDITORS		
Amounts falling due after more than one year	(71,961,277)	(73,765,488)
Total Net Assets	<u><u>12,588,361</u></u>	<u><u>12,189,677</u></u>
CAPITAL AND RESERVES		
Share capital	42	48
Revenue reserve	12,588,319	12,189,629
	<u>12,588,361</u>	<u>12,189,677</u>

Meet the English Rural Team:

PATRON

HRH The Princess Royal

HONORARY PRESIDENT

Sir Peter Dixon

BOARD OF MANAGEMENT

Mark Tillson, Chairman

Mike Paddock, Vice Chairman

Norman Arnell, Chairman of Audit and Standards

Clive Francis

Christine Knight, Chairman Housing Services Panel

Tony MacArthur

Nick Way OBE

CHIEF EXECUTIVE'S OFFICE

Adrian Maunders • Chief Executive

Karen Eagles • Business Support Office & Company Secretary

RESIDENT SERVICES TEAM

Martin Collett • Operations Director

Steven Bland • Regional Housing Manager

Jade Clarke • Housing Services Administrator

Dawn Cridland • Repairs and Maintenance Officer

Pam Howard • Housing Services Administrator

Katie Maclean • Regional Housing Manager

Jo Passmore • Regional Housing Manager (*maternity cover*)

Janette Spence • Repairs and Maintenance Officer

Luke Versteeg • Regional Housing Manager

Kathryn Watson • Housing Services Manager



DEVELOPMENT TEAM

James Taylor • Development Director & Deputy Chief Executive

Nick Hughes • Regional Development Manager

Ian Gillespie • Technical Development Manager

Alison Thompson • Senior Regional Development Manager

FINANCE

Ray Green • Finance Director

Ade Balugon • Accounts Officer

Chyna Edwards-Bryce • Finance Apprentice

Ferdie Lachica • Finance Manager

Lorna Murdoch • Accounts Officer





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



ENGLISH RURAL

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