



2018

**ANNUAL  
REPORT**



ENGLISH RURAL





**Mark Tillson**  
Chairman

# CHAIRMAN'S WELCOME

For me, the most important outcome from this past year has been the continued renewal of our financial and governance gradings at the highest level. These were awarded following a routine In Depth Assessment (IDA) by the Regulator of Social Housing.

The accomplishment of English Rural's objectives coupled to our ability to deliver the Business Strategy is dependent on having financial strength and being well run. The time and skills contributed by Board Members, along with the commitment of our expert staff team, are key to our success. However, we must not be complacent given the current and emerging risks facing housing associations as we progress our ambition, which is to deliver high quality services and affordable homes in rural communities.

Our existing five year Business Strategy is fully funded and supports the delivery of around 180 new homes, alongside continued investment in those we already own. This careful management of our financial resources not only delivers quality affordable homes built to high environmental standards, it also secures improvements to existing properties. During recent years, we have particularly focused on tackling fuel poverty concerns, highlighted by the Board decision to approve our largest renewable technology installation programme in place of older style electric heating.

As well as ensuring English Rural's administrative and financial functions work effectively, the Board has encouraged more collaboration with residents. This work ensures greater transparency as well as increased resident scrutiny of how we perform.

English Rural has grown in scale and confidence, strengthening our presence as a national voice and advocate for affordable rural homes. All too often the needs of rural communities are nowhere near the forefront of policy makers' minds. Working in partnership with our peers, we are committed to playing a role in tackling this imbalance.

During my term as Chairman, I have been fortunate enough to be able to report positively on our work each year. I am pleased to be doing so again, but this year I would particularly like to extend thanks and acknowledgement to our expert staff and our external partners who also make an important contribution towards our achievements.

A handwritten signature in black ink, appearing to read 'Mark Tillson', written in a cursive style.

**Mark Tillson**

1991 1992  
**1993**  
1994 1995  
1996 1997  
1998 1999  
2000 2001  
2002 2003  
2004 2005  
2006

# CHIEF EXECUTIVE'S FOREWORD

English Rural's move to a new head office in Westminster at the start of the year meant more than a physical re-location. The Association's previous office in Vauxhall had the last remaining connection with our founder, the former Rural Housing Trust whose premises were in the floor below. Moving to Westminster represented the final step in English Rural's coming of age and provided a presence in the capital commensurate with our national profile.

**2007**

**2008**

2009

2010 2011

2012

**2013**

2014 2015

2016 2017

**2018**

2019 2020

2021 2022

2023 2024

This milestone in the Association's 26 years of being open for business has led me to reflect upon our progress, particularly during the last 11 years which is the period most familiar to me as Chief Executive.

There is no doubt that while English Rural's mission is as relevant today as it was in the year of its establishment, it is now a very different organisation to that which I joined.

The Association has grown and prospered through ever-changing political policies and priorities and despite challenging economic times, particularly the 2008 banking crisis. It has doubled in size, thereby helping more and more rural communities and the people who need affordable homes to enable them to live and work in the countryside.

This success led to Royal recognition when in 2013 HRH The Princess Royal became the Association's patron. Her work as Royal Patron gives valuable support to our national advocacy and influencing role.



**Adrian Maunders**  
Chief Executive

*" We were delighted to maintain the highest regulatory grading, which recognises that English Rural is a well run and financially secure organisation. The outcome highlights the excellent work undertaken by both our Board and staff. It is also important to recognise that it is the financial health of the organisation which enables us to achieve our mission of delivering homes and services to the rural communities we partner with and importantly the residents who live in the homes we provide. "*

Owned  
& managed  
**1237**  
homes

2007: 656

As well as the bricks and mortar signs of our work in over 150 villages, much supporting activity goes on behind the scenes to secure the ongoing financial and organisational health of the business. This has included keeping governance arrangements in line with good practice and the development of a comprehensive Business Strategy, underpinned by robust viability modelling and an effective risk management framework.

Presence in  
**128**  
villages

2007: 90

More detail about all of our work can be found in the pages of this Annual Report, including how we have sought to develop the services that we offer to residents living in the homes that we provide.

New Home  
Investment  
**38.5**  
million  
pounds

(since 2007)

Our experience and expertise is being shared with like-minded peer housing associations who are benefitting from a range of services being provided to them by the Association's team.

2018 has also been the year of an In depth Appraisal (IDA) of English Rural by the Regulator of Social Housing. The outcome of this rigorous process was that we retained the highest possible ratings for governance (G1) and viability (V1). This very positive result will encourage the Board and staff to continue to strive to work with and for rural communities to provide and manage quality affordable homes of which they and residents can be proud.

**Adrian Maunders**

# BUSINESS STRATEGY 2016-2021

The current Business Strategy covers the years 2016 to 2021 and we are now halfway through this period. A review is scheduled for 2019. The Business Strategy was developed to support English Rural's unique identity as one of England's largest specialist rural housing associations.



English Rural has a strong “brand”, greater than would normally be associated with a housing association of our size. This has been built up through the provision of quality services and extensive advocacy. Because of this advocacy work, we are increasingly viewed as a leader in the specialist field of affordable rural housing.

The Business Strategy is designed to support our continued strength and growth, which has seen a doubling in size to owning and managing 1,237 homes over the past ten years. Funding facilities have been secured to deliver the further ambition for growth within the Business Strategy.

Partnerships with other housing associations that are designed to share expertise and services are a strong feature of the Business Strategy. This also forms part of our approach to value for money. We now provide a range of services to five smaller housing associations; all within existing resources i.e. “more for the same”. This approach meets the regulatory requirement that in seeking to maximise value for money, Boards should “consider alternative service delivery models”.

The biggest need in rural areas continues to be for affordable rented homes. To help deliver these and improve the financial viability of new developments, these may include homes for discounted or market sale. The surpluses from these sales are then used to subsidise the affordable rented homes; a delivery route supported by the National Planning Policy Framework. Local authority partners increasingly recognise that rural exception site developments need to include sales to make affordable housing financially viable. Communities often support this approach where homes for sale are also used to meet alternative local housing needs. English Rural has always advocated setting rents that are genuinely affordable. We were therefore pleased to see the return of grant for lower ‘social rents’ and we be actively looking to secure funding from this grant programme.

## Advocacy activity



As one of the leading national providers of affordable rural homes, English Rural wants to play a role in highlighting the importance of what we and our peers provide. Our Board have highlighted this advocacy role within the Business Strategy, which has resulted in us investing more resource in this area. We have also pro-actively sought to develop successful wider partnerships with other like-minded organisations who share our values. Our Patron, HRH The Princess Royal is also a great asset to the organisation and the wider affordable rural housing sector, regularly attending and speaking at events on our behalf.



One way to measure the success of this advocacy role is to consider the influence on policy decisions that affect the delivery of the Business Strategy. The profile of rural housing is still high on the political agenda and this has been supported through the 5-star plan for rural housing, an ambition that English Rural were heavily involved in shaping. Through our active role as Chair of the Rural Housing Alliance and involvement in other rural networks we continue to contribute our views and take part in a wide range of events aimed at influencing outcomes that are positive for our mission.



We have also made small donations available to support the work of others where the outcomes are aligned with our own views. For example we helped to financially support the IPPR research: *A new rural settlement: Fixing the affordable housing crisis in rural England*, which developed some clear and beneficial policy asks of central government. English Rural has also jointly sponsored the Plunkett Foundation campaign #thelittlethings, which sought to highlight ways to combat rural isolation and loneliness.

**“ This housing scheme is brilliant. Without it, I do not know where I would be living now. One very grateful resident. ”**

## **Resident involvement**

Being transparent and accountable is important to English Rural. Residents have different ways of becoming involved which reflect varying levels of interest and commitment. The Residents’ Scrutiny Group carries out a critical role in considering how services perform and informs the way business decisions are taken. Over the past year we have reviewed the way this group functions, to encourage more residents to get involved and to focus the group on issues that are most important to residents. This review has also looked at the impact of other involvement activity, so that we can develop it further in a way that works for both residents and the organisation.

*Below: Regional Housing Manager, Luke Versteeg (far right) with local residents and partners*







## Resident and housing services

During 2017 a comprehensive survey was carried out to understand how satisfied residents are with the services provided to them. This survey secured useful information and feedback, which is being used to further develop our service offer.

**Online Offering:**  
Over 80% of the Association's residents have access to the internet and the current website is being developed to meet a growing demand for a digital offer. This work will include online access to rent accounts, repairs and tenancy information.

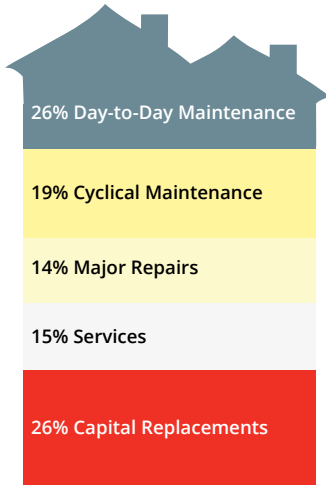
English Rural continues to meet key targets and compares well to other housing associations. We record high levels of satisfaction from residents, particularly when it comes to service delivery and the quality of the homes provided.

A clear offer to residents has been established as part of our Business Strategy. This offer reflects the commitment to value for money, which aims to deliver an effective and high-quality service whilst maintaining reasonable costs. Rent arrears are at a historic low due to the focus on working with residents to manage accounts. This work is part of the approach being taken in readiness for the new way of paying housing benefit, through Universal Credit.

### Housing Management performance indicators Vs. 2016/17:

Performance Indicator	Target	2017/18	2016/17
Rent collection	More than 97%	▼ 99.61%	100.92%
Current tenant arrears	Less than 3%	▲ 1.49%	1.54%
Former tenant arrears	Less than 0.2%	▲ 0.38%	0.36%
Residents satisfied with housing service	90%	▲ 88%	87%
Void re-let time when minor works needed	Less than 28 days	▼ 39 days	43 days
Void rent loss %	Less than 0.5%	▲ 0.39%	0.33%

## Property Costs

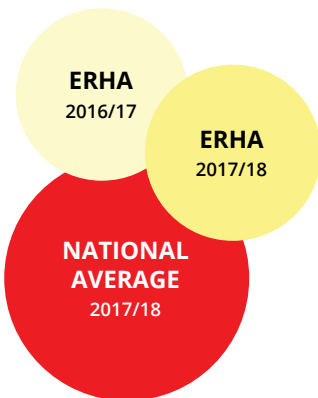


£1.142m

2016/17: £1.092m



## Costs per property



£2,330

2016/17: £2,280

## Asset management

Each year we invest around £1 million in maintaining properties and we want to make sure that this money is making a difference to the quality of homes that we provide. To help understand this, a stock condition survey is being carried out during 2018. The results of this survey will also help us make financial plans and future investment decisions.

Achieving value for money is fundamental to the Business Strategy. This has included taking advantage of government changes that made water companies responsible for private pumping stations. The repairs team worked hard to ensure that all eligible pumping stations were passed to water companies as soon as possible. The biggest cost saving here was passed onto residents. The repairs team have then undertaken a competitive tender process to set up new contract arrangements for the remaining pumping stations and waste water treatment plants, which will again save residents money.

Taking time to consider how we contract for repairs and maintenance services is important as getting this right secures good workmanship, makes the most of money spent and delivers quality service.

Over time we have been upgrading heating systems in older homes which do not have access to mains gas. A new programme of installing 56 air-source heat pumps, which offer low cost heating and hot water, is underway. We are investing our own money in this work, but have also secured external grant from the Warm Homes Fund. This latest project of installing renewable technology will cost around £500,000, with around 80% of this being covered by the external grant.

## Risk management

Understanding and managing risk is a key theme that cuts through our activity. With the assistance of specialist housing consultants Altair, a comprehensive review of the formal risk framework was completed in 2016. The revised framework is designed to support delivery of our Business Strategy and is subject to regular reviews.

One of the ways English Rural prepares for risks is to test the financial business plan by considering worst-case scenarios. This allows us to understand what might happen and how long it would take; we can then consider, in the unlikely event that circumstances did deteriorate, what measures we could take to address the risk.

### Repairs performance indicators Vs. 2016/17:

Performance Indicator	Target	2017/18	2016/17
Emergency repairs completed in 24 hours	100%	▼ 97.9%	99%
Routine repairs completed in 28 days	95%	▼ 90.4%	91%
Repairs completed on first visit	70%	▲ 78.4%	76%
Units with valid gas certificate	100%	= 100%	100%
Tenants satisfied with repairs service	85%	▲ 96%	90%
Residents satisfied with overall quality of home	85%	▲ 90%	83%



# Development

Growing steadily in a way which does not compromise our financial stability has been a long-standing objective and last year 16 rented and two shared ownership properties were completed at Mersham (Kent) and Wickham Bishops (Essex). In addition, two discounted local sale properties were sold at Wickham Bishops at 80% of the market value to residents who lived locally. A restriction on the title of the discounted market properties ensures that future sales remain below market value and are restricted to those who have a local connection. Starts were made during the year on a further 16 properties at Warehorne (Kent) and Bolney (West Sussex).

Capital grant totalling £699,000 was received during the year as English Rural was successful in securing new grant allocations from Homes England taking the total allocated to £1.7m. This is extremely good news and allows for greater capacity to deliver more schemes in the future.



**Mersham**  
Kent



**Wickham Bishops**  
Essex

EXTRA HOMES  
SINCE 2017

+ 18  
owned  
+ 32  
managed



24

▲ 2  
SALES  
(NEW &  
EXISTING)



7

▲ 1  
MUTUAL  
EXCHANGES



40

▲ 4  
PROPERTIES  
LET



18

=  
EXTRA  
STOCK  
IN OUR  
PORTFOLIO

Development performance indicators Vs. last year:

	March 2018	March 2017
General needs social rent	= 647	647
General needs affordable rent	▲ 124	116
General needs intermediate rent	▲ 11	3
Shared ownership	▲ 372	370
<b>TOTAL OWNED</b>	<b>1,154</b>	<b>1,136</b>
Managed on behalf of others	83	51
<b>TOTAL OWNED &amp; MANAGED</b>	<b>1,237</b>	<b>1,187</b>

Below: Lord Gardiner (second from right) and Cllr Henry Bass, Chairman of Maldon District Council with villagers in Wickham Bishops



# FINANCIAL PERFORMANCE

## STATEMENT OF COMPREHENSIVE INCOME:

	2017/18	2016/17
	£	£
<b>TURNOVER</b>	<b>6,441,673</b>	<b>5,514,851</b>
Cost of sales	(680,948)	-
Operating expenditure	(3,964,932)	(3,935,191)
<b>OPERATING SURPLUS</b>	<b>1,795,793</b>	<b>1,579,660</b>
Loss on transfer of engagements	-	(64,903)
Surplus on sale of property	21,902	25,436
Interest receivable and similar income	22,733	31,303
Interest payable and similar charges	(1,378,908)	(1,368,030)
Surplus before tax	461,520	203,466
Taxation	-	-
Surplus for the year after tax	461,520	203,466

**Our surplus for the year was £462,000 (2017: £203,000).**

The surplus is higher this year compared to last year due to lower write-offs of abortive development scheme costs and the surplus on the sale of two discounted local sale homes at Wickham Bishops.

Cash balances are high at £7.5m (2017: £7.6m) as the proceeds from a historic loan are mostly still to be applied to fund our projected development programme over the next four years. In addition, English Rural was successful in securing capital grant receipts of £699,000 during the year. As new homes are completed, the added rental income will offset the additional interest costs.

## STATEMENT OF FINANCIAL POSITION:

	2017/18 £	2016/17 £
<b>FIXED ASSETS</b>		
Social housing properties	78,044,736	77,623,317
Office equipment and leasehold improvements	39,223	54,136
	<u>78,083,959</u>	<u>77,677,453</u>
<b>CURRENT ASSETS</b>		
Properties developed for sale	-	582,904
Debtors	328,041	246,975
Cash and cash equivalents	7,506,339	7,651,667
	<u>7,834,380</u>	<u>8,481,546</u>
<b>CREDITORS</b>		
Amounts falling due within one year	(2,900,854)	(2,750,719)
<b>NET CURRENT ASSETS</b>	<u>4,933,526</u>	<u>5,730,827</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>83,017,485</u>	<u>83,408,280</u>
<b>CREDITORS</b>		
Amounts falling due after one year	(69,764,132)	(70,616,447)
<b>TOTAL NET ASSETS</b>	<u>13,253,353</u>	<u>12,791,833</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	48	48
Revenue reserve	13,253,305	12,791,785
	<u>13,253,353</u>	<u>12,791,833</u>

## Treasury management

Additional borrowing facilities of £7m were secured with Santander during the year. This, together with the £6m secured with Triodos in July 2018, gives enough funding along with existing cash balances to support the remaining development programme set out in the 2016-2021 Business Strategy.

Performance against loan covenants has been favourable, helped by the continuing low level of interest rates and positive operating margins, offering capacity for further future investment.

There are more than 180 properties that are unsecured and available for charging which should provide around £18m of additional borrowing capacity.

### How we performed against our loan covenants:

Covenant Definition	Covenant	Actual
Interest Cover – adjusted for major repairs and excluding surpluses/deficits on sale of assets	Greater than 110%	▲ 170%
Gearing – Net Borrowings / Historic Cost of Properties	Less than 50%	▼ 28.0%
Gearing – Gross Borrowings / Net Tangible Worth	Less than 90%	▼ 58.2%





# VALUE FOR MONEY

A new Value for Money (VfM) Standard, issued by the Regulator for Social Housing (RSH), came into effect from April 2018. It moved the focus of the Regulator's approach away from the primarily narrative VfM Statements to reporting through the statutory annual accounts by providers on progress in meeting their own targets, including a suite of metrics to be defined, from time to time by the RSH.

The new VfM Standard encourages Registered Providers to publish additional measures and targets which are bespoke to the organisation and which supplement the VfM metrics. The Association will continue to incorporate other VfM indicators and benchmarking information in its annual Value For Money Statement that can be viewed at [www.englishrural.org.uk](http://www.englishrural.org.uk). This includes measurable targets and plans to address any areas of underperformance.

The Association has produced performance figures for 2017/18 against the new metrics shown overleaf. As yet, there are no official published benchmarks from the RSH, so instead figures from the latest Housemark Sector Scorecard report are shown where available.



*Far left: HRH Princess Royal meeting English Rural residents.*

*Left: Our development at Chown Court, East Horsley, Surrey*

## New Value for Money Metrics:

Metric	English Rural 2017/18	Sector Scorecard (Housemark 2017) *
<b>1 - Reinvestment %</b>	1.9%	N/A
<b>2 - New supply delivered %:</b>		
A. New supply delivered (Social Housing Units)	1.6%	1.1%
B. New supply delivered (Non-Social Housing Units)	0%	N/A
<b>3 - Gearing %</b>	28.0%	41.6%
<b>4 - EBITDA MRI Interest Cover (inc sales) % **</b>	181%	228%
<b>5 - Headline social housing cost per unit</b>	£2,326	£3,306
<b>6 - Operating Margin %:</b>		
A. Operating Margin (social housing lettings only)	32.5%	31.6%
B. Operating Margin (overall)	27.9%	30.3%
<b>7 - Return on capital employed</b>	2.2%	4.0%

\* Source: Housemark – Sector Scorecard Analysis Report 2017 – Median data

\*\* This interest cover definition differs from that used by our funders (see page 9) as it includes surpluses from the sale of properties. Performance is, therefore, generally higher than for loan covenant purposes.

The one area where there appears to be a relative underperformance is in relation to return on capital employed (ROCE). English Rural's business plan forecasts show that ROCE will average 2.6% over the next five years but remains below the current benchmark average. One of the reasons for this performance is the relatively high proportion of shared ownership properties owned. The latter have relatively low rents charged on the retained shares, and consequently, have lower returns, reducing the overall return by circa 0.5%.

# OUR TEAM

**PATRON**  
HRH The Princess Royal

**HONORARY PRESIDENT**  
Sir Peter Dixon

## CHIEF EXECUTIVE'S OFFICE

**Adrian Maunders**  
*Chief Executive*

**Karen Eagles**  
*Business Support Officer and  
Company Secretary*

## BOARD

**Mark Tillson**  
*Chairman*

**Nick Way**  
*Vice Chairman*

**Jane Jennings**  
*Chair of Audit & Standards  
Committee*

**Sue Reekie**  
*Chair of Finance &  
Resources Committee*

**Tony MacArthur**  
*Resident Board Member*

**Norman Arnell**  
**Dorcas Cumming**  
**Clive Francis**

## RESIDENT SERVICES TEAM

**Martin Collett**  
*Operations &  
Communications Director*

**Steven Bland**  
**Jade Clark**  
**Luke Versteeg**  
*Regional Housing Managers*

**Kathryn Harrison**  
*Housing Services Manager*

**Janette Spence**  
*Repairs and Maintenance  
Manager*

**Dawn Cridland**  
*Repairs and Maintenance  
Officer*

**Terri Browning**  
**Pam Howard**  
*Housing Services  
Administrators*

**Julie Hodges**  
*Services Assistant*

## DEVELOPMENT TEAM

**James Taylor**  
*Development Director and  
Deputy Chief Executive*

**Nick Hughes**  
*Regional Development  
Manager*

**Ian Gillespie**  
*Technical Development  
Manager*

**Alison Thompson**  
*Senior Regional  
Development Manager*

## FINANCE

**Ray Green**  
*Finance Director*

**Ferdi Lachica**  
*Finance Manager*

**Ade Balogun**  
**Lorna Murdoch**  
*Accounts Officers*

**Chyna Edwards-Bryce**  
*Finance Apprentice*



## English Rural Housing Association

7a, Strutton Ground, Westminster, London SW1P 2HY

020 7820 7930 |  @EnglishRural | [info@englishrural.org.uk](mailto:info@englishrural.org.uk) | [www.englishrural.org.uk](http://www.englishrural.org.uk)