



ENGLISH RURAL

VALUE FOR MONEY STATEMENT 2018

" We seek to obtain the maximum value for money from all aspects of our business activities, to support further investment in high quality services to our residents, and to increase the resources available to provide more affordable homes for local people in rural communities. "

ENGLISH RURAL HOUSING ASSOCIATION

VALUE FOR MONEY STATEMENT 2018

Contents

1. Our approach to Value for Money.
2. How do our assets perform, measured against the objectives of the organisation?
3. Value for Money measures & targets. How do we compare with others?
4. What Value for Money improvements have we delivered?
What further improvements are planned?
5. How do we demonstrate Value for Money to our stakeholders?

1. Our approach to Value for Money.

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 (VfM) from all aspects of our business activities, to support key strategic objectives, including further investment in high quality services to our residents, and increasing resources available to provide more affordable homes for local people in rural communities.

Thus, for English Rural, VfM is not simply a regulatory requirement to demonstrate business effectiveness, it is about being more efficient in doing the things we have to do, in order to create the financial capacity to do more of the things we want to do.

This means that we are continuously looking to improve the ways in which the assets and resources of the organisation are deployed to enhance the quality of our services whilst keeping our costs under control, and thereby increasing funds available for more affordable homes. During 2016/17 the Board developed and adopted a new Business Strategy for the period up to 2021 which supports an increase in the programme of new homes in rural areas. More detail can be found on the website at www.englishrural.org.uk

English Rural is regulated by the Regulator of Social Housing (RSH) and holds the highest Regulatory Ratings of V1 for Financial Viability and G1 for Governance, confirming that the association meets all the requirements expected by government for registered housing providers in the Regulatory Framework. These ratings were confirmed following an In-Depth Assessment (IDA) carried out by the RSH in 2018.

A new VfM Standard, issued by the 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 outcomes required by the new standard are that Registered Providers, like English Rural, must:

- (a) Clearly articulate their strategic objectives;
- (b) Have an approach agreed by the Board to the achievement of VfM in meeting those objectives and the demonstration of the delivery of VfM to stakeholders;
- (c) Through the strategic objectives to articulate the Board’s strategy for delivering homes that meet a range of needs;
- (d) Ensure that optimal benefit is derived from resources and assets to secure economy, efficiency and effectiveness in the delivery of strategic objectives.

The new VfM Standard encourages Registered Providers to provide additional measures and targets which are bespoke to the organisation and supplement the VfM metrics.

This VfM statement shows compliance with this new standard, by illustrating the clear links between our objectives as an organisation and outcomes delivered, including:

- Having a clear approach to achieving VfM in meeting key strategic objectives;
- the development of a Toolkit to examine in detail how our property assets perform;
- some findings from our detailed work on SROI;
- consideration of costs and benefits of alternative commercial, organisational and delivery structures;
- consideration of the risks and rewards resulting from non-social housing activities;
- an analysis of the costs of our activities;
- demonstrating performance against the Regulator's VfM Metrics;
- comparative benchmarking performance with other similar organisations;
- some examples of improvements in VfM already delivered;
- some of our plans for future improvements in VfM.

Finally, we can show how we demonstrate VfM to our stakeholders in ways that are both transparent and accessible.

2. How do our assets perform, measured against the objectives of the organisation?

As a social business, we believe that there are four main drivers to improving VfM performance:

- the financial return on our existing and new assets;
- the social and environmental value of our investment in our business activities;
- the development of efficient systems and processes;
- the ability to optimise the benefit of non-social housing activities and alternative delivery structures in achieving our objectives.

1. Financial Return on Assets

In addition to our housing stock, the assets and resources of the organisation include residents, the Board and staff, our financial capabilities, and finally our reputation for the quality of our work with and for rural communities.

Our human resources are a vital contributor to delivery of VfM: The Board actively holds the executive to account for performance; our Residents are involved in agreeing priorities, shaping services and scrutinising services; our Staff are aware of their role in extracting maximum value from our asset base of knowledge and ability.

For the purposes of this section of our VfM Statement, however, we shall confine our definition of 'Asset' as referring to our physical housing stock, the management of which plays a vital role in determining our performance, viability and ultimately VfM. How English Rural efficiently and effectively manage these assets is key to determining the VfM outputs achievable.

English Rural was created as, and is still, a multi-regional specialist rural provider of affordable housing, owning and managing stock across rural England. Our ethos is based on responding to the housing needs of rural communities, which are often unable to be met by other providers.

Due to the dispersed nature of our stock, distributed in small numbers across a wide geographic area, often within comparatively remote locations, it is to be expected that there will significant differences in financial performance between individual properties. The age and condition of our stock, the local housing market, regional and local social issues, and the relative costs of management and maintenance are some of the variety of factors that also play a part in determining how well each of our homes perform, when measured in purely financial terms.

We have developed our own **Active Asset Management Toolkit** which allows analysis of, and comparison between, our individual properties. Utilising our bespoke system of

weighted indicators combined with a simple *Financial Appraisal*, we are able to measure the relative financial performance of individual rented properties; these results are then compared with other similar properties and can be benchmarked against average outcomes for all similar properties across the Association.

Using our methodology a weighted '*Adjusted Asset Management Cost*' is calculated for individual properties which, when deducted from Rental Income, provides a Surplus/Deficit figure to which financial 'Tests' are then applied.

The Toolkit thus allows us to assess the comparative *Return on Asset* results for individual rented properties, with financial performance measured via a series of four Tests as follows:

Level 1 : The rental income is sufficient to cover the direct costs of managing and maintaining the property, including the Association's staffing costs for management, maintenance and repairs.

Level 2 : In addition to the above, the rental income will make a proportionate contribution towards all of the operating costs of the association, including the costs of long-term finance.

Level 3 : An indication of the relative investment value of our properties, calculating the *Return on Asset* by comparing the security value of a property against the Association's average cost of borrowing.

Level 4 : In addition to meeting the costs of ownership, it is expected that a property should make a positive contribution towards the Association's capital investment plans, including the repayment of loans for new homes or major improvement to needs to our properties.

Analysis of the four 'Measures' thus provides a reasonable indication of a property's overall financial performance, as compared with other stock in the ownership of the association.

For new development projects, robust financial assessments are carried out at various stages prior to construction using our bespoke development appraisal tool, to ensure that every project remains financially viable. Indicators include the impact on key financial covenants, payback period, VfM, return on investment and return on asset. Not only does this allow individual schemes to be appraised but also offers a way of comparing schemes with one another.

2. Social Return on Investment (SROI)

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

Social Return on Investment (SROI) gives a framework for measuring and accounting for change and its much wider span of value. English Rural has carried out a project which has used this wider framework to help understand the impacts of enabling people to live in their own village and to prove the real value, in quantified monetary terms, of offering local homes for local people - and the benefits it can bring to the wider community.

The final analysis of this study undertaken revealed that every £1 invested by English Rural in this rural community generated £6.50 of social value per year over the projected five-year period.

3. An alternative measure of Social Value

The core business of English Rural is to provide affordable homes for local people in rural areas. It could therefore be argued that an alternative measure of Social Value could also be calculated by taking the difference in rent levels between those charged by English Rural and the local market equivalent:

- In total we own and manage around 780 rented homes, with an average rent of £116 per week.
- We have recently calculated that the average market rent equivalent for our homes is £185 per week, and that the average Local Housing Allowance is £152 per week.
- For tenancies supported by housing benefit, the difference between average Local Housing Allowance and our average rents represent a saving in public expenditure. As approximately 30% of our rental income is supported by housing benefit, we estimate that last year this represented a saving to the taxpayer of at least £438,000 in housing benefit.
- In addition, it can be argued that we are saving those residents that are paying rent themselves a combined total of over £2.0m per year compared to equivalent market rents.
- Furthermore, English Rural has a financial interest in another 372 homes, which have been developed for Affordable Home Ownership. It is estimated that net savings to these residents, when compared to the market costs of home ownership, would equate to at least £1.0m per year.

Although it is acknowledged that the above simple statistics should be regarded with a degree of caution, it is reasonable to assert that these savings must have a positive financial effect on local businesses and services. These examples help to illustrate that English Rural continues to make a significant contribution to the local rural economy in accordance with our objectives to work with, and for, rural communities.

4. Non-Social Housing Activities & Alternative Delivery Structures

In seeking to meet its strategic objectives, English Rural will look at incorporating non-social housing activities where the benefits to the delivery of new social housing outweigh the risks. This will include a small proportion of market sales included within social housing developments with the aim of cross-subsidising the latter. Doing this reduces our reliance

on capital grants and allows us to build more social housing than would otherwise be the case. This managed risk should result in better VfM outcomes for our residents.

In addition, to protect English Rural's social housing assets as well as its charitable status, any non-social housing activities will be undertaken within a wholly-owned separate ring-fenced commercial entity, ER Homes Ltd. Profits from ER Homes will be gift-aided back to English Rural for re-investment into new social housing and services.

As part of English Rural's regular review of its Business Strategy, consideration is always given to whether it would be more effective to deliver this strategy within an alternative organisational structure. This is in line with the National Housing Federation's voluntary Code on Mergers, Group Structures and Partnerships and would include options to merge with other registered providers. The Board considers that a merger with a larger organisation may not necessarily guarantee that the necessary priority would be given to rural housing. This position will be reviewed regularly in the light of any changes to external and internal environment.

English Rural does, however, continually seek opportunities to work with other like-minded organisations in order that our expertise and experience can help them to deliver their strategic objectives as well as to provide additional income to English Rural.

5. Efficient Processes & Systems

It is essential to have efficient systems and processes to both improve services to residents and keep control of costs. English Rural regularly reviews all its processes to see if improvements can be made and will invest in new technology where appropriate. Residents expectations in terms of accessibility and transparency of their data has increased and will continue to adapt our systems and processes to try and meet this demand. We are embarking on a digital project that will extend an online service offer to residents, increasing convenience for them, whilst improving staff efficiency.

3. Value for Money measures & targets. How do we compare with others?

English Rural’s long-term VfM objective is an increase in the number of affordable homes which we provide, without a corresponding increase in our running costs or any perceptible reduction in the services offered to our residents. Achieving this aim requires continuous improvements in both economy (ie proportionate reductions in our costs), efficiency (ie reviews of working practices) and effectiveness (maintaining or improving service levels in the face of proportionate reductions in costs). To measure our performance against each of these areas, we have used a combination of the new regulatory VfM metrics and our own bespoke indicators. The latter adding more weight to resident satisfaction and rent collection which are not reflected in the regulatory metrics.

1. Regulatory Metrics

A suite of metrics has been designed by the RSH, in consultation with Registered Providers, to highlight relative performance across the three key indicators of VfM, namely efficiency, economy and effectiveness. They cover areas relating to existing stock as well as investment in new stock along with some traditional financial performance measures such as return on capital employed, operating margin and gearing. These “high-level” metrics are an attempt to standardise measurement of VfM across the sector. In doing so, however, they do not necessarily allow for the different scale, operating and geographic coverage backgrounds of individual Registered Providers which could distort performance. They can, however, act as a “can-opener” for a better understanding of these differences.

Performance figures for 2017/18 are set out below. 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.

New VfM Metrics (Definitions included at Appendix A)

| Metric | English Rural 2017/18 | Housemark 2017/18 |
|--|-----------------------|-------------------|
| 1 - Reinvestment % | 1.9% | 5.7% |
| 2 - New supply delivered %: | | |
| A. New supply delivered (Social Housing Units) | 1.6% | 1.1% |
| B. New supply delivered (Non-Social Housing Units) | 0% | 0% |
| 3 - Gearing % | 28.0% | 43.6% |
| 4 – EBITDA MRI** Interest Cover (inc sales) % | 181% | 214% |
| 5 - Headline social housing cost per unit | £2,326 | £3,237 |
| 6 - Operating Margin %: | | |
| A. Operating Margin (social housing lettings only) | 32.5% | 32.7% |
| B. Operating Margin (overall) | 27.9% | 29.9% |
| 7 - Return on capital employed % | 2.2% | 4.0% |

* Source: Housemark — Median data

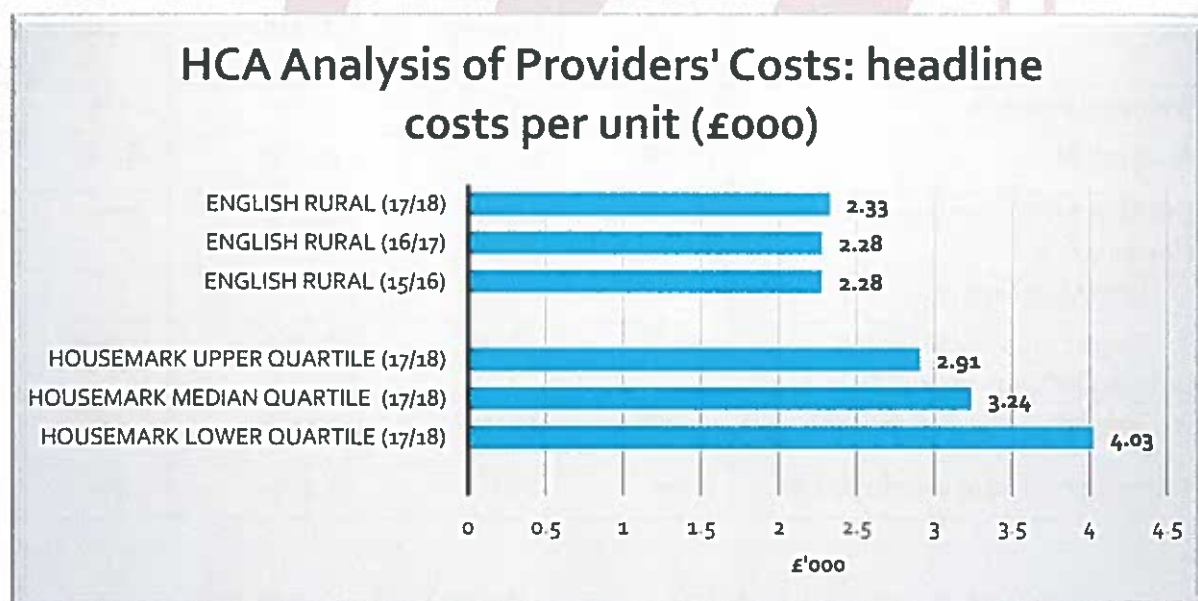
** Earnings Before Interest, Taxation, Depreciation and Amortisation (Major Repairs Included)

Rather than take performance against these metrics in isolation, our approach is to combine these with our own selected performance measures, to provide a more rounded view of our VfM performance across the three areas of Economy, Efficiency and Effectiveness:

Economy

The key measure for "Economy" used by the RSH is the **Headline Social Housing Cost Per Unit** metric. At a very high level this indicates the cost of resources that are being applied to manage and maintain a social housing unit. Ways to reduce the cost per unit include better procurement methods, improving systems and processes and savings through economies of scale (more for the same).

The chart below shows that English Rural performs particularly well in this area. Average costs per unit were £2.33k in 2017/18 compared to a Housemark median of £3.24k. This puts English Rural comfortably in the top quartile for performance.



Keeping control over costs, absorbing the cost of managing new units within existing resources and allocating costs to income generated from third parties have all helped to keep costs low.

Average unit costs are expected to rise over the next 5 years, reflecting the planned increase in component replacements including bathrooms, kitchens and boilers. This increase is in line with our latest stock condition survey and demonstrates our continued strategy of investing in both existing and new stock. Even with these increases, average unit costs should remain below £2.9k over this period, still forecast to be in the top quartile of performance. **Our target will be to remain in the top quartile.**

The Board of English Rural wishes to ensure that the Association remains focused on its primary purpose, and accept that this focus may have some cost implications. As a specialist provider of homes exclusively for people with a proven local connection and with typically six or eight homes in any given location, our management costs per unit might be expected to be higher than others in the sector. In addition, our Board are committed to the principle that English Rural should remain a leading advocate of rural affordable housing and acknowledge that there may be costs attributable to this important work. These conscious business decisions reinforce the Association's commitment to the provision of affordable housing for local people in small rural communities. It is pleasing to see, therefore, that we perform very well in terms of operating costs per unit when compared with other housing providers.

Efficiency

There are five metrics set by the RSH in this area:

| Metric | English Rural 2017/18 | English Rural Targeted Average next 5 years | Housemark 2017/18 (median) | Peer Group 2017/18 (median) |
|--|-----------------------|---|----------------------------|-----------------------------|
| Reinvestment % | 1.9% | 5.1% | 5.7% | 4.1% |
| Gearing % | 28.0% | 33.0% | 43.6% | 18.7% |
| EBITDA MRI** Interest Cover (inc sales) % | 181% | 250% | 214% | 307% |
| Operating Margin %: | | | | |
| A. Operating Margin (social housing lettings only) | 32.5% | 28.9% | 32.7% | 26.6% |
| B. Operating Margin (overall) | 27.9% | 31.1% | 29.9% | 22.4% |
| Return on capital employed % | 2.2% | 2.6% | 4.0% | 3.4% |

As can be seen, although re-investment was relatively low in 2017/18, the planned development programme together with an enhanced component replacement schedule, pushes the average forecast investment over the next 5 years to 5.1%, much closer to the Housemark median.

Despite the planned delivery of over 170 new units over the 2016-21 Business Strategy, gearing remains well below the Housemark median which suggests that English Rural is not overstressing in terms of taking on debt. Interest cover improves to be above the Housemark median over the 5-year forecast period, helped by surpluses generated from shared ownership and outright sales.

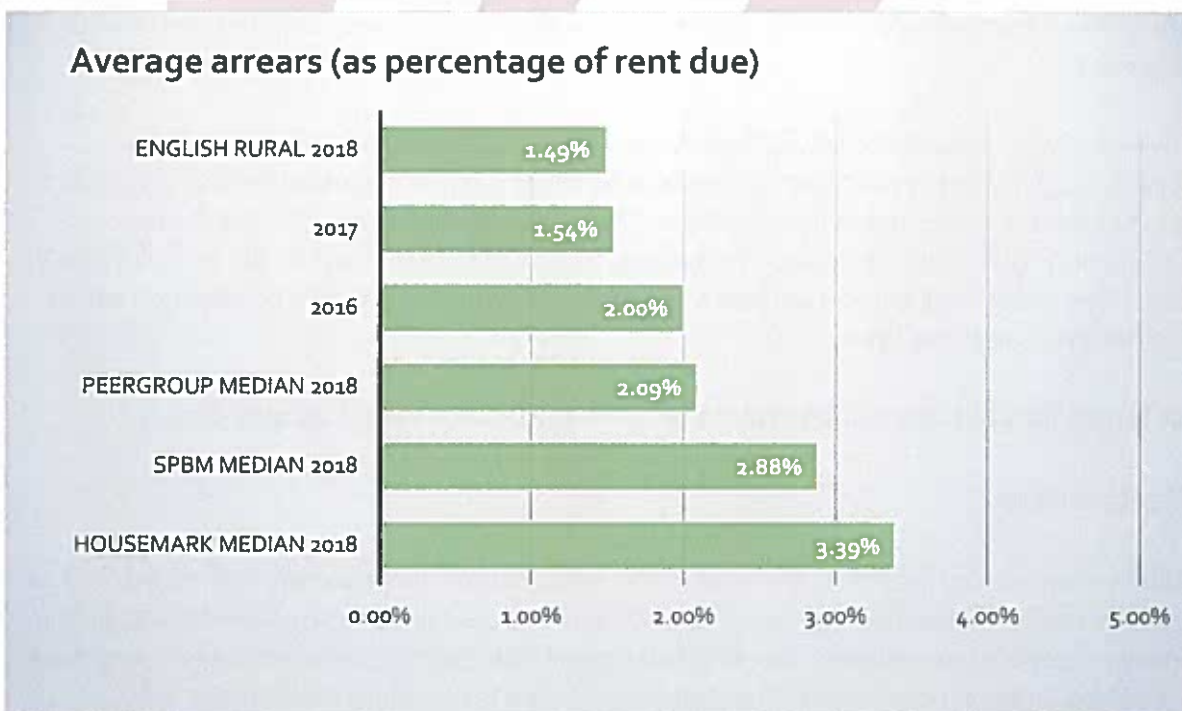
Operating margins are currently in-line with the Housemark medians but the social housing margin does fall over the next 5 years mainly due to two more years of 1% social

housing rent reductions. The overall margin improves helped by surpluses generated from shared ownership and outright sales.

The one area where there appears to be a relative underperformance is in relation to **return on capital employed (ROCE)**. The Association’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%. The Association have introduced new policies which look to increase the return on existing and new shared ownership properties.

In addition to the above RSH efficiency metrics, English Rural also measure and monitor performance against arrears and voids. These are key drivers to ensuring that overall rental collection is maximised and income not lost due to inefficient processes. English Rural takes part in a regional benchmarking group of small and predominantly rural Registered Providers, a member of SPBM – the Benchmarking system designed for smaller housing providers. The following tables compare English Rural with our rural Peer Group, SPBM and with national (Housemark) statistics where available.

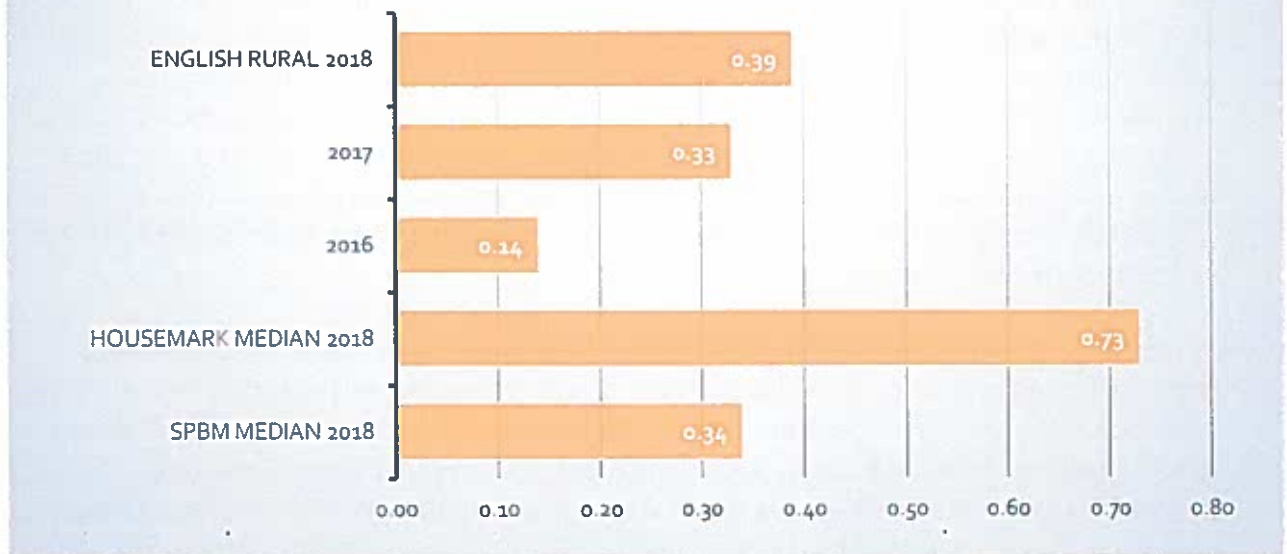
Arrears



Our arrears figures for continue to show a significant improvement putting us amongst the top performers amongst our peer group and significantly better than the national trend. **Our target is to keep current arrears below 2% despite the potential impact of the introduction of Universal Credit.**

Voids

Void loss as a % of Total Rent Due



The amount of income lost due to the frequency of and time taken to re-let a property once it becomes vacant, is an important measure of efficiency. Compared to national averages, English Rural has few relets within any year, reflecting the relatively high demand for its properties.

However, the time taken to let a property can be extended because all English Rural properties are subject to occupancy restrictions which require potential residents to meet defined local connection qualifying criteria. The allocations process, which includes consultation with community representatives, has been complicated by the introduction of Choice Based Lettings criteria applied by some local authorities, with a consequent effect on re-let times in those areas.

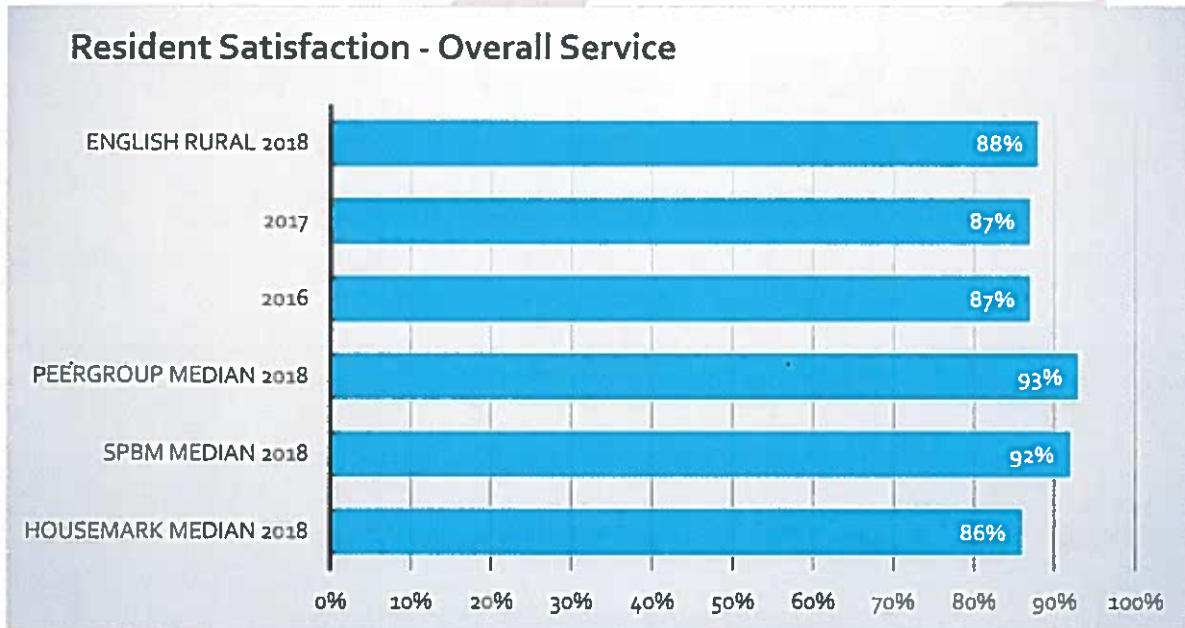
Our target for void loss will be remain below 0.5% of total rental income due.

Effectiveness

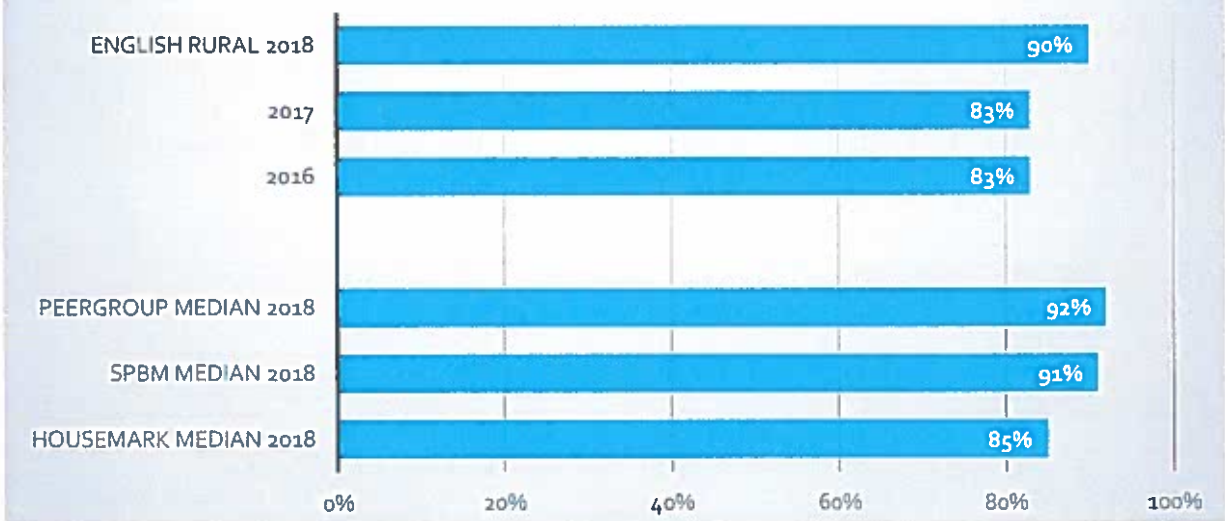
There is only one metric set by the RSH in this area, namely **New Supply Delivered**. This is a measure of how effective individual Registered Providers are at using their financial capacity to deliver new homes. For 2017/18, English Rural increased its social housing stock by 1.6% by building new homes. This compares with a Housemark median of 1.1%, suggesting English Rural is performing better than most in this area. The percentage increase in stock is set to increase further to an average of 2.4% over the next 5 years, reflecting the uplift in the development programme agreed in the 2016-21 Business Strategy.

English Rural also considers that levels of resident satisfaction are a key measure of VfM effectiveness and will continue to be monitored alongside the above RSH metric in this area.

The tables below illustrate a stable level of resident satisfaction across the whole of the housing sector over the past three years. Although English Rural has a satisfaction rating from its residents which exceeds national average (Housemark) figures, we compare less well against some members of our Peer Group and against other smaller providers (SPBM); we will continue our work to manage satisfaction rates at a level which represents Vfm wherever possible.

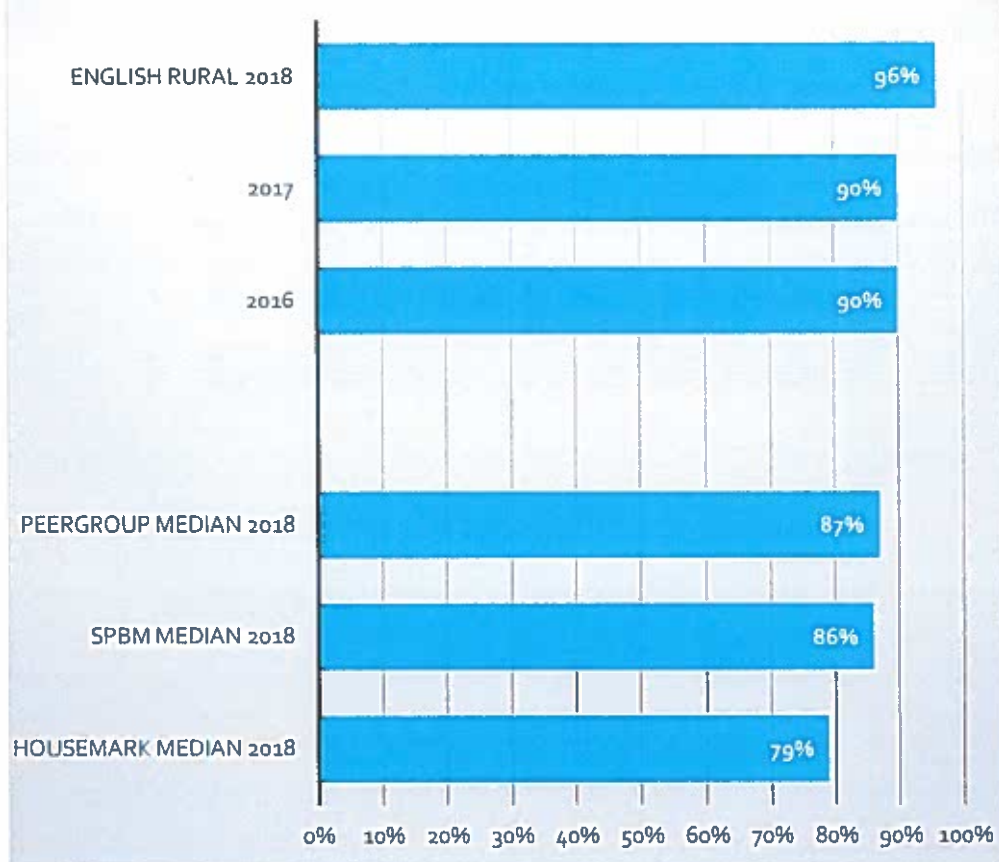


Resident satisfaction - Quality of Home



Our repairs and maintenance service remains among the best performing associations this respect, in accordance with our ambitions to deliver a high-quality service for our residents.

Resident satisfaction - Maintenance & Repairs



2. Summary

The results published above suggest that English Rural performs very well against both regulatory and our own measures of VfM. In terms of economy, average operating costs per unit continue to be well below the median across the sector and are forecast to remain so despite the planned uplift in component replacements over the next 5 years.

In terms of efficiency, English Rural has average levels of operating margin which are set to increase because of more shared ownership and market sales in the development programme. Gearing and interest cover are healthy and show capacity to continue to grow without risk of breaching funding covenants. Return on Capital Employed (ROCE) is recognised as being low partly due to English Rural owning a relative high proportion of shared ownership properties with low rents. New shared ownership properties will have rents set which are more in line with the sector norm. This, together with higher operating margins, leads to an increase in ROCE from 2.2% to 2.6% over the next 5 years. Internal processes for rent recovery are performing well, with average arrears and voids well below the sector average. This means that poor management practices do not erode our main source of income.

In terms of effectiveness, our levels of re-investment in new housing stock are set to increase and average 2.4% over the next 5 years, significantly higher than the current sector median of 1.1%. The impact of our actions to provide VfM for our residents has not come at the expense of falling satisfaction. In fact, the latest resident satisfaction survey carried out in 2018 show that satisfaction is rising. It is not our intention to strive to be at the top of the satisfaction polls, instead to offer efficient and cost conscious services which are prioritised by our residents.

It should not be forgotten that there is a wider social impact of the services provided by English Rural. This is demonstrated by the analysis on pages 5 and 6 regarding Social Return on Investment and the financial savings to individuals and the Government through the lower than market rents set by English Rural for its properties.

4. What Value for Money improvements have we delivered? What further improvements are planned?

1. Overall Strategy

During 2016 the Board agreed that the scale and pace of recent changes to the operating environment for Registered Providers generally and for English Rural meant that the Association should undertake an in-depth review of its Business Strategy. This led to the adoption of a new Business Strategy for 2016 to 2021.

The Business Strategy 2016 to 2021, addresses the requirement of the Regulatory Standard that in seeking to maximise VfM, Boards should “consider alternative service delivery models”. The plan also sets out an ambition to build more homes, further enhancing VfM. The Board will be reviewing the Strategy in 2019 in the light of further changes to English Rural’s operating environment, including the re-introduction of capital grants for social rented housing, a new National Planning Policy Framework (NPPF) which includes changes to the planning policy governing the development of affordable housing in rural areas and the latest Housing Green Paper which includes enhanced expectations in terms of consumer standards, a key element of English Rural’s VfM Strategy.

Some of the key areas where VfM improvements have been made or are planned are outlined below:

2. New Supply

Growing sustainably is one of English Rural’s key objectives and last year 16 rented and 2 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. These properties have an on-going restriction on the title which ensures that future sales remain at 80% of the market value and is 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 £699k was received during the year as the Association was successful in securing new grant allocations from Homes England taking the total allocated on new schemes to £1.7m.

In 2018/19 completions are expected for a further 21 rented, 2 shared ownership and one custom build plot. The latter being delivered through our new commercial subsidiary ER Homes Ltd. This increase in new housing represents an overall 2% increase in the stock owned by English Rural, ahead of 2017/18 (1.6%) and higher than the sector median (1.1%)

3. Investment in Existing Stock

Each year around £1million is invested in maintaining and upgrading homes. The Association will review this programme in the light of a new stock condition survey being

carried out during the 2018/19 year. The results of this survey will help the Association understand more about the condition of homes and update its financial business plan.

Achieving VfM for both residents and the Association is fundamental to the Business Strategy. This has included taking advantage of government changes that made water companies responsible for private pumping stations. The Association worked hard to ensure that all eligible pumping stations it owned were passed to water companies as soon as possible. Pumping stations that are retained, along with waste water treatment plants, will now be included in a new contract arrangement. This will secure cost savings for residents and the Association. Making sure the right repairs and maintenance contractors are selected is important to securing good quality workmanship, makes the most of money spent and delivers quality services.

Heating systems in older homes which do not have access to mains gas are being upgraded. A new programme of installing air-source heat pumps, which offer low cost heating and hot water in 56 older homes has been approved. This investment uses money from both the 2017/18 and 2018/19 budgets, along with external grant from the Warm Homes Fund. This latest project of installing renewable technology will cost around £0.5 million, with 80% of this being covered by the external grant.

4. Treasury Management

The availability of appropriate funding through effective Treasury Management is fundamental to our objective of investment in new affordable homes. VfM improvements in Treasury Management have continued from last year and make a significant contribution towards our ability to sustain the development programme.

During 2018 negotiations were completed to support the ambition of the Business Strategy by raising additional £13million of funding; improved covenant terms; improved terms and a reduction on the minimum lending rate on some existing funding which will save over £90k in interest costs per year.

To take advantage of historically low interest rates, a further £4.6m of 10-year fixed rate funding at an all-in cost of 3.3% was put in place to lock in added savings compared to assumption in the current Business Plan.

5. Working with and for other Registered Providers

As the only Registered Provider working exclusively in small rural communities and with a wide geographical coverage, English Rural has developed a strong "brand", built up through extensive and proactive networking and advocacy. This has led to the Association being regarded as a leader in the specialist area of rural housing and among smaller associations with similar aims and objectives.

During the year, the Association continued the provision of full housing, property and financial services to the New Forest Villages and RAFA housing associations which involves over 80 additional properties, all accommodated within existing resources. A further

example of providing services to others is that of the Finance Director helping and advising Cirencester Housing Society with their business planning and, capacity assessment. In addition, English Rural have been appointed as development agents for Grayshott District Housing Association and, as such, undertake all their development activities on their behalf.

The above initiatives and others in the pipeline are expected to deliver further efficiencies as well as generate additional income for the Association, all delivered within existing resources.

6. Arrears & Voids

As demonstrated earlier in this Statement, figures for arrears demonstrate a significant improvement in performance, achieved through such measures as increased support and advice and more efficient collection methods.

English Rural continues to apply a robust process when it comes to handling lettings, which minimises periods when properties are void and rent is lost. This approach is balanced carefully against the need to ensure local households take priority for homes and the complexities of working in partnership with local authorities and parish councils are also reasonably accommodated.

Our approach also involves working with potential new residents to ensure that the property is right for them and that tenancies start successfully. The use of Introductory Tenancies over recent years has also secured some gains. The intensive approach to letting properties is aimed at securing effective tenancy management and saving money in the longer term through reduced interventions.

7. Systems & Processes

English Rural has a programme in place looking at all potential options for improving VfM. Reviews of procedures and processes of all parts of the organisation have been ongoing throughout the year and will continue, with the aim of securing improved performance and value, when measured against our purpose and objectives.

During 2017/18 a new service offer to residents was agreed by the Board. This revised offer to residents sought to balance the aim of securing high levels of satisfaction and quality service delivery, with the need to ensure that investment of money and time was well-managed. The offer was developed in partnership with the Resident Scrutiny Panel and placed an increasing emphasis on scrutiny, accountability, and transparency. A new resident portal to be available through our website is being developed in conjunction with Housing Online, a company that specialises in offering resident facing web-based solutions. Once implemented, which is expected to be in 2019, the portal will enable residents to have easier access to view their rent accounts, report repairs, update their personal details and make payments.

Plans are also in place to improve our invoice authorisation process which should cut down on the flow of paper between our offices and reduce the time taken to get invoices approved.



ENGLISH RURAL

5. How do we demonstrate our Value for Money to our stakeholders?

“Value for Money” is ultimately a qualitative judgement which needs to be based on good evidence, although the phrase is likely to have different interpretations for each of our various stakeholders:

- Our Residents
- Our Board and staff
- The Regulator
- National and local partners

This VfM Statement will be accessible in full on the English Rural website at www.englishrural.org.uk and will be referenced within our Annual Report. Hard copies will be produced for the Regulator and for our national and local partners, as well as to any of our Residents upon request. Further references will also appear periodically in our Residents newsletter.

Internally, VfM appears as a regular and separate Agenda item for meetings of the Board, and relevant Committee. Governance arrangements will be reviewed to ensure that governance structure and processes continue to add value and accord with any changes in the regulatory framework.

An awareness of the wider Social Value of English Rural will continue to be promoted through our advocacy work with the Rural Housing Alliance and others.

Public awareness of the value of English Rural, and of affordable rural housing generally, continues to be reinforced by our Royal Patron, HRH Princess Anne the Princess Royal, who attended the official opening of our scheme at Wickham Bishops in Essex as well as a Landowners conference organised by the National Housing Federation in Cheltenham.

For further information contact: English Rural Housing Association
7a Strutton Ground,
London SW1P 2HY

Tel 020 7820 7930
Email info@englishrural.org.uk

Appendix A – VfM Metrics Definitions

1 - Reinvestment %

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held. This serves as an indication of whether there is potential under-investment in existing stock or new supply. The higher the % the better.

2 - New supply delivered %

This metric sets out the number of new social and non-social housing units that have been acquired or developed in the year as a proportion of total social and non-social housing units owned at the end of the period. This is an indication of the rate of growth in unit numbers year-on-year, a key strategic objective. The higher the % the better.

3 - Gearing %

A measurement of the proportion of assets funded from debt. This is a key indicator of an association's appetite for growth and capacity to increase debt within the restriction of lenders' covenants. The lower the % the better.

4 - EBITDA MRI Interest Cover (including sales) %

This measures the level of operating surplus, on a cash basis, that is generated as a proportion of interest payments due. It is a key indicator of the liquidity and investment capacity of individual Registered Providers. The higher the % the better.

5 - Headline social housing cost per unit

This metric sets out the average annual cost per unit including management, costs, service costs, maintenance costs (capital and revenue). It is an indicator of how much Registered Providers spend on managing and maintain their stock. The lower the amount the better.

6 - Operating Margin %

A measurement of the profitability of operating assets before exceptional expenses such as tax and interest payments. Increasing margins is a way of increasing the financial efficiency of an organisation and providing more scope for future growth. The higher the % the better.

7 - Return on capital employed %

This metric calculates the proportion of operating surplus to capital employed. It is an indicator of the efficient investment of capital resources. The higher the % the better.