

# **ENGLISH RURAL HOUSING ASSOCIATION LIMITED**

**Co-operative and Community Benefit Society No: 27606R**

**Regulator of Social Housing No: L4004**



**REPORT AND GROUP FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31<sup>ST</sup> MARCH 2021**

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**Royal Patron:**

Her Royal Highness Princess Anne, The Princess Royal

**President:**

Sir Peter Dixon

**Board Members:**

Mark Tillson

Deceased December 2020

Nick Way

Retired 29th September 2020

Norman Arnell

Retired 29th September 2020

Tony MacArthur

Vice-Chair from 29th September 2020

Jane Jennings

Dorcas Cumming

Sue Reekie

Brian Carroll

Pam Reynolds

Chair from 29th September 2020

Monica Burns

Rebecca Murphy

Co-opted 22nd April 2020

Philip O'Dwyer

Co-opted 22nd April 2020

**Executive Management****Team:**

Martin Collett

Chief Executive

James Taylor

Deputy Chief Executive /

Development Director

Ray Green

Finance Director

Kathryn Harrison

Resident Services Director

**Company Secretary:**

Karen Eagles

7a Strutton Ground

London

SW1P 2HY

**Principal****Solicitors:**

Devonshires

30 Finsbury Circus

London EC2M 7DT

**External****Auditor:**

Mazars LLP

First Floor

Two Chamberlain Square

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B3 3AX

**Internal****Auditor:**

Beever & Struthers

15 Bunhill Row

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EC1Y 8LP

**Principal****Bankers:**

Lloyds Banking Group

25 Gresham Street

London

EC2V 7HN

**Registered Office:**

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ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
BOARD REPORT

## Strategic Report

The Board is pleased to present its report and audited consolidated financial statements for the year ended 31st March 2021.

### Principal activities

English Rural Housing Association Limited is a not-for-profit registered provider of social housing directed by a voluntary Board. The Association's main activities are the management and development of affordable housing in rural areas and the housing stock profile is set out below:

	March 2021	March 2020
General needs social rent	693	694
General needs affordable rent	173	156
General needs intermediate rent	11	11
Affordable home ownership	378	374
<b>TOTAL OWNED</b>	<b>1,255</b>	<b>1,235</b>
Managed on behalf of others	72	4
<b>TOTAL OWNED &amp; MANAGED</b>	<b>1,327</b>	<b>1,239</b>

The Association's business plan model is based on ensuring that operational cash flows are prioritised to meet the management and maintenance costs of its existing housing stock. Surplus cash is invested in developing new affordable homes, whilst ensuring that the current and future financial viability of the Association is not put at risk. The provision of services to residents and the investment in new stock is subject to financial assessment to ensure Value for Money (VfM).

The English Rural Housing Group includes English Rural Housing Association Limited (English Rural) and its two subsidiaries, ER Homes Limited (ER Homes), whose principal activity is developing homes for sale on the open market and New Forest Villages Housing Association (NFVHA), a Registered Provider. English Rural Housing Association does not provide any form of guarantees but does provide a £3 million revolving credit facility to ER Homes on commercial terms.

## A Year in Review 2020/21

The year for which the annual financial statements are presented has been like no other experienced by English Rural. The international efforts mobilised in response to the Covid-19 pandemic were unprecedented. The success of these efforts relied on everyone playing their part, including housing associations. The founding principles that guided our own business continuity response were to protect core business activity, whilst importantly keeping both residents and staff safe.

Early interventions and forward planning, a tested business continuity plan and sound financial business model means that English Rural emerges from the pandemic experience with confidence. This is illustrated through a refresh of the Business Strategy started during the year, which now agreed, sets an ambitious course towards meeting our purpose of building more affordable rural homes, whilst increasing investment in those already owned. The expertise of the staff and Board who have stewarded English

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Rural through the challenges faced, as well as the support of residents, particularly those engaged with developing our response and policies all worthy of mention.

English Rural emerges from the pandemic a changed organisation. There has been a lasting impact on individual and organisation psychology; changes to working culture; a long term public financial legacy; a heightened vulnerability of low-income households and shift in living patterns that make rural locations more accessible and appealing. Our refreshed Business Strategy has been prepared with all of this in mind.

The refresh of the Business Strategy concluded that the seven over-arching ambitions agreed in 2019 remained relevant to achieving English Rural's purpose and value for money aims. The refresh therefore principally focussed on reviewing operational environment, specifically both challenges and opportunities, to agree clear future strategic direction. The direction arrived at presents a positive future for English Rural, with higher levels of investment delivering a programme of new homes in partnership with rural communities, as well as increased investment in existing homes and services, including improving the environmental sustainability of older housing. Monitoring the delivery of agreed objectives has been enhanced through the introduction of a newly developed Business Health Dashboard, where strategic and operational metrics are presented. The primary metrics from this dashboard are reported below as each strategic objective is appraised in the context of the financial year.

English Rural's bold and self-assured stance would not have been possible without continued strong financial health and performance, which is shown from the financial statements presented. Advancing income streams through development activity, providing third-party services and delivering on value for money aims have all contributed. The implementation of treasury strategy focussed on fixed low interest borrowing opportunities has also locked in financial gains. All of this means that more can be invested in our purpose.

## STRATEGIC AMBITIONS - OUR VISION FOR THE NEXT FIVE YEARS:



## **Strategic ambition one - *Work with residents and deliver services in an accountable way***

As an early adopter of the National Housing Federation's Together with Tenants initiative, English Rural has started to shape services in a way that better engages residents and amplifies resident voice. This has included a more prominent role for the Resident Scrutiny Group and formation of an online resident panel. This work played a valuable role as business continuity response was mobilised and communicating with residents effectively became even more essential. The growth in use of the online portal, through which residents can manage day-to-day service transactions has been a notable success with over 50% of residents now signed-up.

The impact of the pandemic on residents was at the forefront of the business continuity response. There was regular contact with those identified as needing support, frequent communication on matters affecting residents and signposting to further advice. The Board also agreed a £10,000 hardship fund, financed through third-party income, that was distributed to households recognised as facing significant financial hardship due to income or employment losses. For many households this proved an essential lifeline.

During the year, health and safety work was prioritised and sound forward planning aided continued landlord compliance. Clear guidelines on safe access arrangements provided residents with peace-of-mind. Challenges facing preferred contractor businesses were regularly appraised during the year, with English Rural playing our role in supporting the small and medium size businesses we partner with through prompt payment designed to assist contractor cashflow. Some major works were inevitably delayed due to restrictions and this included several planned retrofits, where grant funding had been secured under the Warm Homes Fund to install air source heat pumps.

By listening to feedback from residents and monitoring performance it became clear during the year that the staffing structure through which services were being supplied was not operating as effectively as it should. In response to this a restructure of the services team was implemented, creating a single Directorate to oversee resident services, employment of more technical skills and creation of a dedicated customer services team. This approach aligned with a review of key processes and complaints handling.

### **Achievements made during the year**



**Increased role for residents emerging through Together with Tenants related activity**



**Restructure of services team with customer service focus**



**Growth of digital offer through online portal**



**Review of complaints process and handling**



**Continued investment in keeping homes safe and environmental improvements as laid out in Asset Management Strategy**

### **Lessons learnt during the year**

- *Delivery of the second planned retro-fit programme experienced multiple challenges. Complexities around grant eligibility presented logistical problems and the availability of heat pumps through the agreed supply chain resulted in delays and some grant funded installations not happening. As the approach to asset management is reviewed to reflect refreshed Business Strategy, a more robust and planned method will need to be agreed on.*

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- *The demand for self-service and digital interaction has led to services evolving. This has allowed for some efficiency improvements, but also increased capacity for more dedicated resource to engage households requiring higher levels of support. As the public and third-sector support to vulnerable households has retracted, housing associations like English Rural have experienced changed demands. The restructure of the services team and creation of a customer services approach will strengthen the internal environment for responding to this.*

**Key related business health metrics at year end**

Performance Indicator	Actual	Target	Rating
% Satisfied with service	77	>85	
Number of complaints	22		
Ratio of responsive and planned maintenance investment	0.43	<0.4	

**Strategic ambition two - *Grow by building new homes in partnership with rural communities***

Fluctuations within the development programme have continued to be a feature, but the level of completions was broadly comparable with the prior year and the number of homes within the programme has increased. This reflects the confidence to advance opportunities and develop partnerships with rural communities, given the clear ambition for growth agreed and resourced.

To an extent, English Rural's development programme seems to have evolved more positively than the wider sector during the year. New ways of communicating to progress projects were established and onsite construction slowed but delays were productively managed. The limited reliance on developer-led opportunities and greater degree of control over sites were the main reasons for this.

The relationship with Homes England and ability to secure grant through market engagement continued to serve English Rural well. We were pleased to see some greater flexibilities introduced during the year in relation to grant, which included funding the first social rented homes in around a decade. The ability to offer homes at lower rent levels relevant to our purpose and delivering wider value to residents and the public purse.

During the year the development team continued to keep under review the standard of homes provided and this will be considered further as the development strategy is refreshed to reflect new strategic direction. English Rural's good reputation has relied on quality and beautiful homes being provided through community partnerships. A further emphasis on design and environmental standards will advance this further. Importantly, the gains planned for in the financial business plan will be achieved without a reduction to the projected build rates.

The refresh of the Business Strategy considered at length the limitations on geography facing development ambitions. There are growing demands on English Rural's product outside of key operational areas, but the extent to which this uses resources and capacity effectively is not tested. The outcome of board discussion on geography was that English Rural will continue to focus growth in existing areas of its operation, but where opportunities emerge outside of these with a good business case, these will also be considered. The Association will also use partnership working with other like-minded rural housing associations to advance our purpose. This includes acting as development agent

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for the subsidiary NfVHA, and separately partnerships with other local housing associations such as Grayshott & District Housing Association or Cirencester Housing.

The development programme continues to feature a moderate element of sales activity, including a small proportion of market sale homes built through the subsidiary ER Homes Ltd. Demand for these homes remains strong, driven by the buoyant rural property market in the areas where English Rural is active.



- New affordable rural homes built***
- Successful sales programme generating income that can be applied to purpose***
- Delivery of homes for other smaller providers and new strategic development partnership agreement with Cirencester Housing***
- Increased clarity of geographic coverage and focus***
- Innovation and more efficient ways developed that enable engagement with local communities***

### Lessons learnt during the year

- *Traditional channels of engagement and communication were disrupted during the pandemic. Although in some cases there is no replacement for in-person discussions, much can be achieved and often more efficiently digitally through enhanced online practices. A good example of this is online community consultation, the prototype of which was developed during the year.*

### Key related business health metrics at year end

Performance Indicator	Actual	Target	Rating
£000 Average internal subsidy per unit (Interest Cover)	30	<35	Green
£000 Average internal subsidy per unit (Asset Cover)	11	<35	Green
% Average loan repayment profile (years)	36	<45	Green

### Strategic ambition three - *Play a leading and influential role nationally within the rural housing sector*

Over recent years English Rural has developed a reputation as one of the leading voices on affordable rural housing matters. More recently this has been supported through the communications strategy, with successes online and through social media. To be truly effective and recognising the resources that can be made available to support this ambition, partnerships are vital. During the year the impactful Rural Recovery and Revitalisation research was launched. This co-funded with CPRE (the Countryside Charity) and the Rural Services Network. This research presents a clear economic, fiscal and societal case for higher levels of public investment in affordable rural housing delivery.

English Rural continued to be engaged by local and national political stakeholders, who seek a rural perspective on planning and housing policy development. English Rural's Chief Executive maintains a high-profile national advocacy role within both the housing and rural sectors, and this is something supported by the refreshed Business Strategy. The gains secured by this advocacy activity support agreed purpose, delivering organisational and social value.



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English Rural's Royal Patronage is something that Board, staff and residents alike are proud of. The helpful support from HRH The Princess Royal continuing during the year through virtual engagements and videos during the pandemic. When rules permitted, The Princess also hosted a roundtable meeting of rural stakeholders.



**Successful delivery of communications strategy and growth of online reach and influence**



**Royal engagements and support continued**



**Relevant research completed and launched**



**Representation on national and local groups to effectively represent voice of affordable rural housing providers**

### Lessons learnt during the year

- *As a smaller housing association with limitations on the time and capacity that can be invested in external communications and advocacy, working collaboratively with others on targeted projects helps our own resources go further.*

### Key related business health metrics at year end

Performance Indicator	Actual	Target	Rating
% Spend of advocacy	3.5%	>3	

### Strategic ambition four - *Invest in and deliver good governance*

A programme of enhancing governance arrangements continues and during the year included a review of board effectiveness by specialist advisors Altair. The extensive brief for this work covered the Group and culminated in a report containing recommendations, all of which have now been acted on. This work followed the prior updating of key corporate documents and the Risk Management and Assurance Framework. One element of Altair's work was a whole board appraisal, which compliments the annual individual board member appraisals completed by the Chair, or in the case of the Chair, Vice Chair.

As part of the refresh of the Business Strategy the Board and senior staff team undertook a review of risk tolerance for key matters relevant to English Rural. There was some movement in risk appetite, reflective of changes to the operating environment. Updated risk tolerance levels have been agreed on and used to inform strategic direction.

The Audit & Risk Committee played a role in developing the approach to reviewing risk tolerance and, as with the separate standing Finance & Resources Committee, both continue to fulfil critical roles within the governance structure. Both committees have enhanced membership and skills during the year through the recruitment of independent specialist members and representation from the NFVHA subsidiary. Work is underway with residents as part of the Together with Tenants initiative to also increase resident voice and involvement within governance; gains on this have been slower than hoped due to the impact of the pandemic.

The year was an unusual one for board succession, with the death of the Chair, Mark Tillson after a short illness part way through the year and natural retirement of two further Board Members. Careful planning had already been underway to manage board succession, and this has retained the skill-profile

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agreed on by the Board and successfully managed the transition to a new internal Chair, Pam Reynolds, being appointed. Two further Board Members were successfully recruited during the year following an external competitive recruitment process. English Rural's reputation and achievements attracting high-calibre applicants. The planned programme of board training has further informed board decision making and knowledge.

Alongside Altair who have been referenced, governance arrangements continue to benefit from the expertise of Beevers and Struthers (internal auditors), Mazars (external auditors) and ARK (treasury advisors). Collectively and working with the Board and senior staff, these advisors complement a comprehensive framework that secures expert guidance, third-party assurance and delivers specialist advice when this is needed.



**Retained V1 and G1 regulatory gradings**

**Successful succession around agreed skills for Board and Committees**



**Board effectiveness review completed and acted on**

**Further development towards enhancing resident voice within the governance structure**



**Refreshed intra-group agreements for subsidiary ER Homes, securing equivalence to those in-place with the subsidiary NRVHA**

### Lessons learnt during the year

- *English Rural continues to attract high-calibre Board Members on a voluntary basis. Increasing the diversity of the Board is a challenge and how to achieve this should feature as part of the wider work being considered by the EDI working group.*
- *Board succession plans should be designed to accommodate the unexpected and not automatically assume that Board Members will complete a full term.*

### Key related business health metrics at year end

Performance Indicator	Actual	Target	Rating
% Board attendance	100	>90	Green
% Committee attendance	97	>85	Green
% Training attendance	72	>80	Yellow

### Strategic ambition five - Invest in securing and keeping the best talent

The dedication of the experienced staff team during the year has been the cornerstone of English Rural's successful navigation through the pandemic. Changes to working practices, shifting priorities and challenging personal pressures have each featured. The loyalty of the staff team to English Rural and commitment to delivering on agreed purpose showing through their actions and continued sound performance.

A programme of activity designed to support staff and enhance working arrangements, guided by retained people and culture advisors HRSP has progressed. This included a review and update of key staffing policies, and importantly an increased focus on staff welfare and health. During the year the new

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appraisal system was fully implemented, with improved focus on performance, values, personal development and effective team working.

A working group was initiated to consider Equality, Diversity and Inclusion (EDI) across the organisation. This Group is applying a toolkit approach. Senior management and the Board will consider recommendations from the Group once work is completed and an Action Plan will be agreed. Although the work of the Group is not yet completed there is an expectation that EDI is an area where improvements should be made and a commitment at all levels to do so.

There were some changes to the staffing team during the year and these resulted from a review of the housing and property services teams, which were restructured to come under one Directorate. Under the new structure a dedicated customer services team was created, focussed around a hub approach. Technical abilities were also strengthened and a clearer role for safety compliance and asset management created.



***Staff successfully stewarded through pandemic***  
***EDI project initiated and commitment to act on findings***  
***Improved staff appraisal process fully implemented***  
***Increased focus on staff wellbeing and health***  
***Resident services team created with greater degree of customer focus***

### Lessons learnt during the year

- *Acting on the results of the residents' survey, the decision was taken to review and restructure the way that services are provided. This decision was reached on the basis that the prior structure was not delivering on agreed strategic ambitions effectively.*
- *The forced changes to working practices showed that, in some circumstances, staff time and capacity can be used more efficiently by increased digital and remote working.*

### Key related business health metrics at year end

Performance Indicator	Actual	Target	Rating
% Staff who would recommend English Rural as a good place to work	95	>90	
% Annual appraisals overdue	9	<10	

### Strategic ambition six - ***Actively seek partnership opportunities with other smaller rural housing associations.***

Applying spare capacity to support the work of other smaller rural housing associations helps to deliver on English Rural purpose. It also generates useful income that can be invested back into agreed internal ambitions. English Rural's Chair and Chief Executive were pleased to be able to share their experiences at a National Housing Federation smaller housing association conference during the year.

Across the year a range of new partnerships emerged whilst existing ones continued. The development partnership with Grayshott & District Housing Association has resulted in 14 new affordable rural homes being provided. Separately, the strategic relationship with Cirencester Housing evolved following an

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invitation to act as their development agent – it is hoped that this collaborative approach will secure more opportunities for growth for both them and English Rural within the Cotswolds and surrounding districts.

An approach was received from The Cambridgeshire Cottage Housing Society (TCCHS), initially for guidance on policy activity but this evolved into a formal request for comprehensive partnership working via a service agreement. As a rural housing association situated alongside English Rural's existing operations, this partnership was felt to be mutually beneficial.

Formal arrangements in place with the subsidiary NfVHA continue to work well. English Rural is contracted to deliver all services for an agreed fee. Potential opportunities for using NfVHA financial capacity to build affordable homes have also advanced and it is hoped that a successful project will now materialise because of the skills made available to them by English Rural.

- ✓ **14 homes completed and programme of further homes emerging through development agent work**
- ✓ **£37,000 fee income generated from partnerships with others that can be applied to purpose**
- ✓ **Formal partnership agreed with TCCHS**

### Lessons learnt during the year

- *The success of English Rural's offer to other like-minded rural housing associations has led to its own challenges. Careful consideration is needed before committing resource capacity to support others. A good example of this is the new relationship with TCCHS, the timing of mobilising this offer was balanced to accommodate internal priorities within the staffing teams involved.*

### Key related business health metrics at year end

Performance Indicator	Actual	Target	Rating
Active partnerships	5	>5	
£000 Partnership income *	37	>58	

\* Excludes NfVHA income accounted for within the Group.

### Strategic ambition seven - *Use assets effectively and support sound financial health.*

The implementation of English Rural's value for money approach continues to secure gains and these are reported on separately. Sustained sound financial stewardship has enabled a bold refresh of the Business Strategy to be embarked on, with surpluses applied to delivering agreed purpose. The financial business plan has been used to inform investment in ambitions, this is carefully tested against potential risk scenarios. It was also agreed to start work on mapping key financial drivers, so that measures impacting these could be better understood and acted on.

The low interest environment capitalised on through treasury strategy and policy continues to secure benefit. As a not-for-profit business whose model relies heavily on debt borrowing, the lower the value of servicing this debt the higher the surpluses available to support business ambitions. Locking in low cost borrowing as English Rural has sought to do also provides medium to longer term financial confidence.

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The benefit of the development subsidiary ER Homes Ltd has come to the fore during the year. The subsidiary has had another successful year and generated surpluses that are gift-aided back to English Rural. The buoyant rural property market has seen cautious financial projections exceeded when sales have completed. To a lesser extent the same is also true for new shared ownership and discounted market homes where sales completed.

During the year the Board agreed to implement the rent review by applying an increase of CPI+1%. Recognising the financial challenges facing some residents during the pandemic, it was agreed that further staffing resource should be made available to assist residents facing financial challenge and £10,000 of hardship grants funded by third-party activity were distributed to those most in need. This approach has helped to ensure that residents are supported, income is managed in-line with projections and growth in arrears over the year has been minimal.

The level of investment in maintaining assets through a programme of planned and cyclical activity has increased within the refreshed Business Strategy. This higher investment is a recognition that the Association's stock is aging, but also that the aspiration for quality homes is at the core of English Rural's service offer. This is demonstrated by extending further investment into improving property performance, reducing carbon emissions and lowering household energy bills. Although not fully completed due to the pandemic, a further 49 homes benefitted from a retro-fit programme of installing air-source heat pumps in place of older style electrical storage heating.

There was a natural acceleration of business improvements during the year due to the pandemic, with a substantial shift towards finding more digital and automated ways of working. Although these efficiency gains are often small in scale, the culminative result is increased staff capacity and lower overall operational costs.



***Continued gains from low-interest rate environment***  
***Financial gains used to increase investment in purpose, including***  
***higher levels of investment in existing homes***  
***Improvements to key financial metrics***  
***Maintained income streams from ER Homes and third-parties***  
***Staffing capacity gains through business improvement***

### Lessons learnt during the year

- *Planning for investment in existing homes has generated further discussion as part of the refresh of the Business Strategy due to the ageing profile of assets and heightened environmental ambitions. Improved use of asset data will help to inform and test how provision is made to support this.*
- *Although the decision was reached after careful consideration to apply the permitted rent review in full, assessing the impact of this on households and making provision to support those in need was a valuable part of the Association's offer.*
- 

Performance Indicator	Actual	Target	Rating
% Fixed to variable rate debt	88	>60	
% EBITDA (MRI) exc sales interest cover	226	>110	
Liquidity	41	> 18 months	

## Risk Management & Assurance

During the year a review of agreed risk tolerance levels was completed and applied to the refreshed Business Strategy. Understanding the extent to which the Board is willing to take, or not take risks has a direct impact on how agreed ambitions are embarked on and risk management applied. The overall approach to risk is stewarded through the Risk Management and Assurance Framework, which will now be refreshed to align with changes to the Business Strategy.

The Group Audit & Risk Committee continues to support the approach to risk management. Amongst other tasks the Committee regularly reviews the Group Strategic Risk Register, agrees the internal audit plan based on risk factors and considers related reporting; the oversight role that Committee now holds for complaint monitoring fully embedded in its programme of work.

A separate task for the Committee is to consider and agree stress scenarios against which the 30-year financial business plan is tested. When considering which scenarios to apply, English Rural's Group Strategic Risk Register is referred to alongside the Sector Risk Profile produced annually by the Regulator of Social Housing. The value of testing in this way is to understand what deteriorating impact risks would have, the timeframe for these crystallising and what mitigation measures can be applied.

The highest-level risks (those with a net score of nine or higher after mitigation has been considered), together with the mitigation measures in place are shown in the extract below. This extract has been taken from the Group Strategic Risk Register considered by the Board at their meeting in April 2021. For the benefit of this annual review, three of the highest rated risks are covered separately with additional narrative and context.

<b>Business Critical Issue</b>	<b>Risk Event or Activity</b>	<b>Mitigation Measures in Place</b>
Management of loans / cashflow & funders covenants / Exposure to sales income	Rapid deterioration in UK economic conditions. Including the deterioration of the housing market and possible consequences of Brexit.	<ul style="list-style-type: none"> <li>• Treasury Strategy</li> <li>• Budget process</li> <li>• Financial Business Plan stress testing</li> <li>• Refreshed Business Strategy 2021-26</li> <li>• Regular re-evaluation of scheme viability and property values.</li> </ul>
Influence on public policy/ Achieving growth through building new homes / Diversifying tenure	The "Rural Exceptions site" planning policy may become diluted by national drive to build more homes e.g. First Homes Exception Sites	<ul style="list-style-type: none"> <li>• Influencing and advocacy activities</li> <li>• Contribution to neighbourhood and local plans</li> <li>• Diversification of scheme types and sources</li> <li>• Development of homes through subsidiary for market sale</li> <li>• Contributions to consultation responses</li> </ul>



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Quality of services and homes / Public reputation	Consistent or significant temporary under performance of service delivery. Including adverse publicity about a service failure reaching national or regional level	<ul style="list-style-type: none"> <li>• Media protocol</li> <li>• Role of Audit &amp; Risk Committee</li> <li>• Service Standards, procedures and targets</li> <li>• Staff training</li> <li>• Renewed approach to complaints handling</li> <li>• Resident surveys</li> </ul>
Quality of services and homes / Public reputation / Achieving financial value	Service failings in maintaining property assets. Including contractor/partnership failure.	<ul style="list-style-type: none"> <li>• Regular stock condition surveys</li> <li>• Role of new Resident Services director and reorganisation of team</li> <li>• Cost data review in 2020 and incorporated in 30-year financial model</li> <li>• Management of preferred contractors</li> </ul>
Multi impact	Covid-19 pandemic	<ul style="list-style-type: none"> <li>• Business Continuity Plan</li> <li>• Bespoke stress test scenario</li> <li>• Government support/intervention measures</li> <li>• Covid Recovery Roadmap.</li> <li>• Access to sufficient liquidity to allow all suppliers/staff to be paid as usual</li> </ul>
Influence on public policy	Political uncertainty / government policy developments adverse to the Association	<ul style="list-style-type: none"> <li>• Advocacy and influencing activities</li> <li>• Financial Business Plan stress testing</li> <li>• Chief Executive sector profile and influence</li> <li>• Communications Strategy</li> </ul>

### **Rapid deterioration in UK economic conditions. Including the deterioration of the housing market and possible consequences of Brexit.**

This risk accommodates the potential impact of new trading arrangements agreed between the UK and EU as well as an uncertain economic outlook, primarily driven by the impact of the Covid-19 pandemic. During 2020/21 the government and Bank of England announced an unprecedented package of financial interventions and support in response to Covid-19, these consistent with other national governments and central banks globally. Longer-term recovery is expected by 2022/23 – predictions around the timings of recovery boosted by the successful rollout of vaccines allowing for an easing of lockdown measures and increase in consumer confidence. Uncertainty remains around the ultimate impact of the property market, with the consequence of government interventions and shifting homeowner priorities yet to fully unfold. The rural housing market continues to perform strongly, benefitting English Rural’s own sales programme, whilst conversely heightening the need to deliver on agreed purpose.

### **The “Rural Exceptions Site” planning policy may become diluted by national drive to build more homes e.g. First Homes Exception Sites**

Entry Level Exception Sites (ELES) had already started to emerge in operational areas and these are now to be replaced with First Homes Exception Sites (FHES). FHES cannot be used in designated rural

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areas, which include many of the smaller villages where English Rural works. Their existence and promotion is likely to cause disruption and increase expectations around land values. The development team are already finding that securing traditional Rural Exceptions Site (RES) sites is becoming more challenging. This not helped by the frequent amendments to planning policy.

**Consistent or significant temporary under performance of service delivery. Including adverse publicity about a service failure reaching national or regional level**

The reorganisation of the services team is now complete. It is recognised that establishing the desired level of performance for the new team will take more time and until then some areas of performance may fall below agreed targets.



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## Financial performance

### Group Accounts highlights, five-year summary:

For the year ended 31 March	2021 £000's	2020 £000's	2019 Restated £000's	2018 £000's	2017 £000's
<b>Comprehensive Income Statement</b>					
Total turnover:	8,571	6,828	5,638	6,442	5,515
Income from social housing lettings	6,325	5,803	5,505	5,510	5,410
Operating surplus	2,181	1,811	1,450	1,796	1,580
Gain on acquisition	-	2,639	-	-	-
Surplus for the year	1,070	3,333	291	462	203
Other comprehensive income	(164)	130	(138)	-	-
Total comprehensive income transferred to reserves	<u>906</u>	<u>3,463</u>	<u>153</u>	<u>462</u>	<u>203</u>
<b>Statement of Financial Position</b>					
Housing properties net of depreciation	87,599	87,793	81,185	78,045	77,623
Financial assets	398	396	390	385	384
Other fixed assets	63	66	28	39	54
Net current assets	<u>810</u>	<u>1,441</u>	<u>1,909</u>	<u>4,548</u>	<u>5,347</u>
<b>Total assets less current liabilities</b>	<b>88,870</b>	<b>89,696</b>	<b>83,512</b>	<b>83,017</b>	<b>83,408</b>
Creditors (greater than one year)	<u>(71,095)</u>	<u>(72,827)</u>	<u>(70,106)</u>	<u>(69,764)</u>	<u>(70,616)</u>
Net Assets	<u>17,775</u>	<u>16,869</u>	<u>13,406</u>	<u>13,253</u>	<u>12,792</u>
Reserves	<u>17,775</u>	<u>16,869</u>	<u>13,406</u>	<u>13,253</u>	<u>12,792</u>
<b>Housing properties owned at year end:</b>					
Social housing	1,255	1,236	1,161	1,154	1,136
<b>Statistics:</b>					
<b>Operating margin</b>	25.5%	26.5%	25.7%	27.9%	28.6%
<b>Rent losses</b> ( <i>voids and bad debts as a % of rent and service charges receivable</i> )	0.7%	0.6%	0.7%	0.4%	(0.1%)
<b>Rent arrears</b> ( <i>gross arrears as % of rent and service charges receivable</i> )	1.5%	1.3%	1.9%	1.5%	1.5%
<b>Historic Cost Gearing</b> ( <i>loans less cash as % historic cost of completed properties</i> )	30.3%	31.4%	30.1%	28.0%	29.6%
<b>Interest cover</b> ( <i>operating surplus as % of net interest payable</i> ) *	196.3%	162.1%	125.1%	132.4%	118.2%

\* This interest cover definition is not adjusted for capitalised interest and non-cash items such as depreciation and is, therefore, different from the definitions used for the loan covenants and VFM Metrics on pages 16 and 21.

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The Board reports a surplus for the year of £1,070k (2020: £3,333k). The surplus is lower this year compared to last year, mainly due to a £2,639k gain last year on the acquisition of New Forest Villages Housing Association. Excluding this gain, the comparative for last year would be £694k. One-off surpluses on disposal of assets, including land and a farmhouse at Hambledon, Surrey added £166k to overall surpluses in the year.

### Treasury management

Undrawn, fully secured, borrowing facilities of £16m are available through both Triodos (£4m) and Santander (£12m). These, together with existing cash balances, will provide enough to fund the development programme, set out in the updated 2021-26 Business Strategy, up to mid-2024. Thereafter, new facilities of circa £22m will need to be available to fund the remaining programme and to re-finance the £12m Santander facility which expires in August 2024.

With the return to CPI plus 1% rent increases, performance against the interest cover loan covenant, as shown below, has improved this year. The rent increase along with the increase in operating surplus generated by additional properties coming on stream, has helped improve the operating surplus from £1.8m to £2.2m. In addition, interest costs have fallen from last year as interest rates remain at historically low levels and £1.8m of debt was repaid during the year. The latter, as a result of expected income received from property sales, both open market and low cost home ownership. Gearing has fallen as a result of the £1.8m repayment of existing debt as highlighted above.

English Rural Housing Association Only:

Covenant Definition	Tightest Covenant	2020/21	2019/20
<b>Interest cover</b> – adjusted for major repairs, capitalised interest and excluding surpluses/deficits on sale of assets	Greater than 110%	198%	159%
<b>Gearing</b> – net borrowings / historic cost of properties	Less than 50%	30.2%	32.1%

Cash flows are shown in the Statement of Cash Flows on page 37. This shows that £3.6m (2020: £2.5m) of cash was generated from operations, and £1.8m (2020: £0.8m) of loans were repaid during the year. Operating cash surpluses were used to fund investments in new homes and new components of £2.1m (2020: £5.7m) and interest payments of £1.2m (2020: £1.3m). At 31 March 2021, cash balances were £1.4m (2020: £2.4m), and £16.0m in undrawn but available loan facilities were in place (2020: £15.0m).

There are 280 properties that are currently unsecured and available for charging with a minimum security value of around £30m.

### Future performance

As noted above, despite the impact of Covid-19, there is no sign that English Rural's purpose of providing and managing affordable rural housing will become less relevant in the future. The Business Strategy review process in 2020/21 identified increased investment capacity and an ambition to use this ability to develop more affordable homes, as well as investing in existing homes and services. English Rural is aware of potential cost pressures arising from the Government's carbon reduction targets and will always prioritise investment in existing stock by ensuring that sufficient provision is included in the financial business plan.

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The strategy will be underpinned by continued assurance of:

- A strong governance framework, running from the Board throughout the organisation;
- A robust approach to risk management, balancing risks and rewards and ensuring that conscious decisions are made around the risk appetite;
- Strong and continued advocacy for affordable rural housing, working with partners and other influencers, including providing support services to peers.

The 2021 financial business plan, approved by the Board, makes full provision for the funding of the approved development programme, maintenance identified in the latest stock condition survey, and demonstrates that all existing funding covenants are met.

## Value for Money

### Approach to Value for Money (VfM)

The Board recognises that it is essential that English Rural is focused on demonstrating VfM in delivering its strategic ambitions. The housing sector is facing big challenges, both in terms of delivering new supply, maintaining high levels of services to existing residents and ensuring properties are safe and well maintained. English Rural's business model is built on ensuring that services to existing residents are fully funded, before looking to contribute any internal resources to the provision of new homes. To deliver VfM, English Rural is prepared to be innovative, be more commercial and generate economies of scale through both organic and inorganic growth. These actions will deliver greater financial capacity to invest in and deliver the Association's agreed purpose.

English Rural, like other housing providers, is constrained in what it can achieve and has to make difficult decisions on how resources are deployed. However, the Board believes fundamentally that investment in new supply is a key strategic ambition and has a key role in generating future sustainable capacity to invest in existing stock.

### Challenges to delivering VfM

- English Rural only builds and manages homes in smaller rural communities. These schemes are relatively small, with homes per scheme typically numbering between two and twelve. Build costs can be high due to the cost of supplying infrastructure, as schemes are built on land initially without utilities, access or drainage.
- Although English Rural has excellent relationships with the local councils and parishes in areas it operates, there is often considerable local resistance to homes being built in small rural villages. Mostly these concerns are alleviated through positively engaging and communicating with the local residents, but this does take time, and means that a typical scheme can take between 5 and 10 years from start to finish, requiring significant staff time to deliver each project.
- Although relatively small, English Rural operates in many local authority areas across the country, making efficient delivery of services more challenging. That said, average social housing cost per unit is well below the average for the Sector.

### Opportunities to delivering VfM

- As a specialist in rural housing, English Rural will often build and manage social housing in locations that other housing associations would dismiss as too difficult or too small. This is a key differentiator for English Rural in delivering value to rural communities.
- The Board recognises its role in being an advocate for rural communities and rural housing. It achieves this through influencing policies at a local and central government level. This can have real benefit to current and future residents by protecting and promoting the investment in rural housing and services. It also supports a positive policy framework for English Rural and others like us to operate within. A good example of success was the re-introduction of a rural target by Homes England within the latest Affordable Homes Programme.
- English Rural has been very successful in partnering and sharing expertise with smaller like-minded housing associations, helping them deliver homes and services. For English Rural, this helps bring in useful income to help spread overheads and create further capacity to deliver our strategic ambitions. It also helps others to deliver homes that are aligned with a shared purpose.

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English Rural's VfM Strategy can be summarised as the ability to effectively mobilise investment and deliver on its agreed purpose, whilst using capacity and resources more efficiently. To understand how well it does this, it is important that there are easy to measure targets and outcomes. A set of performance indicators has been agreed by the Board in a "Business Health Dashboard," detailed above in the review of strategic ambitions. These indicators include both financial and non-financial outcomes, some of which, together with some of the VfM Standard Metrics below, should provide a clear indication of how English Rural is performing in delivering VfM against its strategic objectives.

### **VfM Standard**

The Value for Money (VfM) required outcomes by the Standard are that housing association providers registered with the Regulator of Social Housing (RSH) 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 VfM Standard requires housing associations to determine additional measures and targets which are bespoke to the organisation and which supplement the VfM metrics. This includes measurable targets and plans to address any areas of underperformance. The Group performance figures for 2020/21 against the VfM metrics are shown below. Sector wide figures provided by the RSH are shown for comparison purposes. It should be noted that the benchmark comparisons, even though the most recently published, are a year out of date and so are not directly comparable with English Rural's figures for 2020/21.

English Rural's strategic approach to VfM is shown through the Business Strategy 2021-26, the success of which is in part measured by linking improvements to VfM metrics. The Strategy looks to apply resources to achieve agreed purpose, whilst delivering more for the same or less. Importantly achieving this whilst positively enhancing financial, staff and asset performance. The result of this being better productivity and improved VfM.

Performance indicators which the Board consider key to demonstrating whether VfM is being delivered to stakeholders, through the Business Strategy are:

- **New Supply Delivered (VfM Standard Metric)**

As a specialist rural housing association, English Rural takes responsibility for adding new supply of homes in rural communities. This allows residents to remain close to their support networks and places work as well as providing an essential boost to the local economy and reducing rural disadvantage. This disadvantage is highlighted in a recent Pragmatix research report, "Rural Recovery and Revitalisation", commissioned jointly by English Rural. The report illustrated the economic, fiscal and societal value that comes from delivering affordable rural homes. The report can be found on English Rural's website.

- **Operating Margin - social housing lettings only (VfM Standard Metric)**

A key indicator of English Rural's underlying efficiency. An increased margin shows that residents' rent payments are being used efficiently, ensuring more is available to invest in services and improvements to existing homes as well as to support new supply. The latter being

particularly relevant given the likely additional costs arising from the Government's carbon reduction initiatives.

- **Reinvestment % (VfM Standard Metric)**

Aligned to the key strategic objective to deliver more homes, this indicator can also demonstrate English Rural's commitment to investing in its existing homes.

- **% Homes above EPC C (Bespoke Metric)**

Through agreed Business Strategy, the Board have set an ambitious approach to improving the environmental performance of homes. This approach is driven by a desire to reduce the carbon impact of homes provided, whilst lowering running costs for residents.

- **Number of complaints (Bespoke Metric)**

Fundamental to the agreed strategic ambitions are the quality of services provided to residents and that residents have an effective voice and route to recourse when things go wrong. Listening to residents and in-particular learning from complaints positively helps us to deliver services more effectively, efficiently and in a way that meets customer needs.

- **% spend on Advocacy (Bespoke Metric)**

Although not unique in its purpose, English Rural has developed a brand and profile which places it at the fore of conversations around affordable rural housing delivery. The Association's strategic commitment to fulfilling this advocacy role recognises the positive value that is secured for its own work, and that of other with aligned purpose. Independently and through partnerships with others English Rural has ensured that its voice is heard, positive opportunities have emerged, and risks have been mitigated. All of this combined creating an environment in which it can act on agreed business ambitions confidently and efficiently.

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**Value for Money Metrics (Group)**

Metric	English Rural 18/19	English Rural 19/20	English Rural 20/21	Target 20/21	Target 21/22	Longer Term Target (5 Years)	Median RP's < 2,500 units*	Median All RP's > 1,000 units*
<b>Regulatory VFM Metrics:</b>								
<b>Reinvestment %</b>	5.5%	6.3%	3.0%	6.0%	8.0%	8.0%	5.6%	7.2%
<b>New supply delivered %:</b>								
A. New supply delivered (Social Housing)	0.6%	2.2%	1.7%	3.3%	2.0%	3.0%	0.7%	1.5%
B. New supply delivered (Non-Social Housing)	0%	0%	0%	0%	0%	0%	0%	0%
<b>Gearing %</b>	35.3%	37.0%	36.2%	<42%	37.0%	<45.0%	34.5%	44.0%
<b>EBITDA MRI Interest Cover (inc sales) % **</b>	148%	189%	236%	>240%	195%	250%	199%	170%
<b>Headline social housing cost per unit</b>	£2,688	£2,799	£2,808	N/A	£3,085	£3,150	£4,600	£3,830
<b>Operating Margin %:</b>								
Operating Margin (social housing lettings only)	27.2%	26.4%	27.7%	30%	24.3%	>30%	23.9%	25.7%
Operating Margin (overall)	25.8%	26.5%	23.5%	30%	21.4%	>28%	20.3%	23.1%
<b>Return on capital employed</b>	1.7%	2.0%	2.5%	2.5%	2.0%	>2.5%	3.0%	3.4%
<b>Bespoke VFM Metrics</b>							<b>Benchmark (where available)</b>	
<b>% of homes above EPC C</b>	63%	66%	68%	68%	73%	90%	61% ***	
<b>% Spend of advocacy</b>	3.6%	3.8%	3.5%	>3%	>3%	>3%	N/A	
<b>Number of complaints</b>	12	6	22	Not Set	<13	<10	N/A	

\* Source: Regulator of Social Housing – Value for money metrics report 2020 - annex to Global Accounts 2020

\*\* This interest cover definition differs from that used by our funders (see page 16) as it is at Group level and includes surpluses from the sale of properties. Performance is, therefore, generally higher than for loan covenant purposes.

\*\*\* Locarla by Housingnet – average from range of large and medium sized Registered Providers



## Commentary - Regulatory VFM Metrics

### Re-investment (Efficiency) – 3.0% versus 5.6% benchmark\* (Target 6%)

Amber

This measure will tend to fluctuate year-on-year depending on the profile of spend on both the replacement of existing capital components, for example, kitchens and bathrooms and the timing of spend on new developments. In the past year, due mainly to the impact of Covid-19, there were delays to the delivery of both new housing supply and also component spend on existing properties. This meant that the re-investment was much lower than target in the year. The spend profile should be back on track going forward, as English Rural delivers its planned 220 new affordable homes, and re-investment will average around **8%** over this period, higher than the median for RPs owning less than 2,500 units.

Plans to meet strategic target:

- Delivery of investment in existing homes already well-advanced for 2021/22.
- Review of Asset Management Strategy to reflect refreshed Business Strategy

\* benchmark taken as RP's under 2,500 units (median)

### New supply delivered (Effectiveness) – 1.7% versus 0.7% benchmark (Target 3.3%)

Amber

As with re-investment, the percentage of new supply delivered will fluctuate year-on-year depending on the timing of completions. The forecast average over the next five years is **3.0%** which is significantly ahead of benchmark figures and demonstrate English Rural's commitment to use its financial capacity and deliver new affordable homes. Performance is marked as amber because of the delays to starts and completions during the year caused mainly by the impact of Covid-19.

Plans to meet strategic target:

- On-line consultation meetings with local communities to reduce delays in planning process.
- An increase in the development programme and pipeline to over 250 units.
- A series of regional online promotional conferences to promote our work to parish and district councils.

### Gearing (Efficiency) – 36.2% versus 34.5% benchmark (Target – below 42%)

Green

Current gearing of 36.2% is above the median for English Rural's size and is forecast to rise to 42% over the next five years as more debt is taken on to deliver the Business Strategy. Debt per unit increases from £26k to £35k over this period. This is a manageable increase and within the Board's accepted risk tolerance. The increase is also in-line with English Rural's business plan expectations.

### EBITDA MRI Interest Cover (Efficiency) – 236% versus 194% benchmark (Target > 240%)

Green

The 2020/21 position has improved compared to the 189% reported last year. This is mainly due to improved operating margins resulting from the re-introduction of rent increases, a reduction in the overall average interest rate and additional sales surpluses generated in the year compared to 2019/20. However, there has been some cost and volume pressure on repairs, particularly void and major repairs. Despite this, the expectation is that this measure of interest cover will continue to increase and average above **240%** over the next five years, ahead of current benchmarks.

Plans to meet strategic target:



- Delivery of the planned sales programme of 29 low cost home ownership units and 22 market sales homes up to 2026.
- Review the void specification process (including an internal audit on void management).

### **Headline social housing cost per unit (Economy) - £2,812 versus £4,600 benchmark**

**Green**

English Rural performs well in this area and will continue to do so for the foreseeable future. As English Rural's stock has been built mostly over the last 20 years, to date there has not been the need to spend significant sums on capital replacements. This programme of component renewal will increase over the next five years, as more kitchens and bathrooms will need replacing. It will also be impacted by ambitions to respond to improve the environmental credentials of legacy stock. Average unit costs will, therefore, start to increase although are projected to remain well below the benchmark median. The increase will be partially offset by the addition of 200 affordable homes achieved through the Business Strategy. The economies of scale achieved by this growth will have a positive impact on overall costs per unit.

### **Operating Margin % (Efficiency)**

**Social housing – 27.7% versus 23.9% benchmark (Target 30%)**

**Amber**

Social housing margins have improved from last year, achieved by increasing operating surpluses through growing unit numbers, economies of scale in terms of cost control and looking at partnering opportunities to further spread overheads. Increasing core margins is essential to freeing up financial capacity and improving returns on capital employed. Margins have partly been held back by cost and volume pressure with repairs and voids. This has meant that margins were around 2% lower than expected last year. Margins are projected to increase to 32.0% by 2026.

Plans to meet strategic target:

- Review the void specification process (including an internal audit on void management).
- Delivery of further homes from the development pipeline.
- Identify further partnership opportunities to secure additional income or further spread overheads.

**Overall – 23.5% versus 20.3% benchmark (Target 30%)**

**Amber**

Generally, overall margins are lower as they include business activities which have lower returns. Income generated from third party services and development activities have much lower margins than social housing. However central overheads, which are mostly fixed, allocated to those activities help reduce the costs associated with social housing lettings and as a result improve those margins. Overall margins are projected to increase to 29% by 2026.

**Return on capital employed (Efficiency) – 2.5% versus 3.0% benchmark (Target 2.5%)**

**Green**

The one area where there appears to be a relative underperformance is in relation to return on capital employed (ROCE). The Association's financial business plan forecasts show that ROCE will average 2.5% over the next five years but remains below the current benchmark average.

One of the main factors for English Rural's relatively low ROCE is the high proportion of shared ownership properties owned. The historic model of shared ownership sold by English Rural was designed to be an affordable product in high-value rural areas. Because of this, the model charges very low rents on the retained shares, and consequently, secures lower returns for the Association. The impact of this reduces the overall return by circa 0.5%. In response to this, English Rural is in the process of introducing a new shared ownership model and associated policies which look to increase the return.

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This work has, however, been held up by the need to take account of the Government's leasehold reform proposals and the introduction of a new shared ownership model by Homes England.

Another factor contributing towards the low performance is the fact that the majority of English Rural's homes were built on Rural Exception Sites, with build costs significantly higher than average due to the need to put in place services and infrastructure, without a corresponding increase in rent that can be charged. Only a small proportion of homes were secured through Section 106 agreements on market-led sites, where generally costs are lower due to any subsidy being included in the purchase costs. English Rural will continue to prioritise its delivery of Rural Exception Sites as these are important for achieving agreed purpose and business ambitions – without the focus on delivering these less would be built and impact on the overall 'additionality' of affordable rural housing supply. As a consequence, ROCE will likely remain below the median for the sector as a whole.

Plans to meet strategic target:

- Introduce new shared ownership lease model for new schemes and review policies applied to support existing shared ownership homes.

## Commentary - Other strategic Value for Money measures

English Rural is committed to being transparent about the approach to securing Value for Money (VfM). Alongside publishing our individual VfM Statement and sector standard metrics annually, tailored VfM metrics have been developed around agreed business strategy and purpose. The actions to support delivery of VfM continues to make English Rural a more efficient and effective organisation, delivering additional outputs using the same or less resource. Importantly achieving this without compromising quality of services or our offer.

An update on the bespoke VfM metrics is supplied below:

**% of homes above EPC C (Economy) – 68% versus 61% benchmark (Target by 2030 - 90%)**

Amber

There is an expectation on English Rural to secure a C or above rating on all homes by 2030, unless specific exemptions apply. The refreshed Business Strategy sets a target of moving from the current level of 68% to 90% during the five-year strategy period. A specific challenge is the rural nature of homes, which are often off the mains gas network and reliant on older electrical forms of heating. This is known to impact low-income households, who struggle with higher electricity costs. The inability to heat homes can also increase the probability of condensation and poor living conditions, which typically leads to higher maintenance costs. English Rural has already successfully delivered two retro-fit programmes where air-source heat pumps have been installed in-place of electrical storage and convector heaters.

Plans to meet strategic target:

- Ambitions embedded within Asset Management Strategy.
- Increased financial provision within financial business plan.
- Future retrofit programmes being researched and these informed by property data secured through the latest stock condition survey.

**% on advocacy (Effectiveness) – 3.5% (Target 3%)**

Green

The refreshed Business Strategy continues the ambition to play a leading and influential role in the sector. English Rural has a brand and profile beyond what would typically be expected for an organisation of its type and size. Continued investment in the effective use of this position will help to sustain a positive operating environment in which agreed purpose is understood and supported. There is no easy benchmark to compare this measure against given its bespoke nature.

Plans to meet strategic target:

- Refreshed Communications Strategy planned for 2021/22, which will focus on mobilising resources effectively to optimise outcomes.

**Number of complaints (Efficiency) – 22 (Target <10)**

Amber

Listening to residents has shown the need to adapt the way that services are delivered. The restructure of the services team completed in 2020 is the first step towards this. Enhancing resident voice through the development of the Together with Tenants work will also help to improve the quantity and quality of resident engagement and involvement activity. The review of the complaints handling process and enhanced role for the Audit & Risk Committee will make sure that lessons can be learnt and value is secured when complaints happen. Combined these efforts will help to make sure that better value is secured, by making services and processes more efficient and resident recourse more effective.

Plans to meet strategic target:

- Delivery of Together with Tenants project to take forward plans to improve resident engagement and involvement.
- Continued development of services team to optimise performance and quality of offer following restructure.

## **Board Members and Executive Officers**

The present Board Members and Executive Officers are set out on page 1. The Board comprises up to twelve non-executive members and is responsible for the strategy and viability of the Association. Board Members are drawn from a wide background bringing together professional, commercial and other relevant experience. The Board met five times during the year for regular business to discuss strategy and related matters. There are two governance committees, one dealing with audit and risk and the other with finance and resources, which each meet as required.

All members of the Board hold one share of £1 each in the Association and no member had any interest in any contract or arrangement with the Association except for Tony MacArthur who is also a resident living in one of the Association's homes.

## **Board Responsibilities & Governance**

### **Governance framework**

As well as a broad range of skills and experience, the Board's decisions are informed by the expertise and scrutiny provided by the executive team and committee structure. The Board and the committees are governed and supported by English Rural's rules, standing orders and financial regulations that provide a formal, structured framework for decision-making. Committees have been strengthened through independent specialist membership and also wider Group representation. The Association's rules are based on the 2015 National Housing Federation Model for housing associations and were reviewed and adopted in 2020.

English Rural is committed to maintaining the highest standards of governance, accountability and probity, and seeks to comply fully with its adopted Code of Governance, that of the National Housing Federation (NHF) (2015). A requirement of the regulatory framework is the reporting of any areas of non-compliance with the selected Code of Governance. There have been no areas of non-compliance during the year. The Board has considered the National Housing Federation's voluntary code on Mergers, Group Structures and Partnerships and has adopted a version of the code tailored to the Association's circumstances. The Board has established a Task & Finish Panel to consider the latest NHF Code of Governance published in 2020 and if the Association should move towards adopting this updated Code.

This governance structure is supported by a comprehensive internal audit function and regulatory framework process. The executive team is responsible for the implementation of English Rural's strategy.

### **Compliance with the Governance and Financial Viability Standard**

The Board has reviewed the requirements of the Regulator's Governance and Financial Viability Standard and have confirmed that the Association continues to meet its requirements. The Board consider the following measures as fundamental to on-going compliance:

- Adoption of the principal recommendations of the 2015 NHF revised Code of Governance and Code of Conduct (2012);
- An effective Board committed to the principles of good governance, with regularly external appraisals to advise on and validate board performance;
- Annual succession and skill planning, ensuring the Board maintains the right level of skills and culture for the organisations type and business objectives;
- Standing Orders and Financial Regulations establishing and delegating roles and responsibilities, which are reviewed annually by the Board;
- A dynamic risk management framework with an agreed risk appetite and detailed risk map;

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- Basing decisions on sound advice from the executive team and third-party experts;
- A long-term financial business plan supporting agreed Business Strategy. The financial business plan having been robustly stress tested against likely scenarios and multiple perfect storm scenarios, including the latest impact of Covid 19. With mitigating actions considered and understood;
- Compliance with lender covenants, with the Board monitoring compliance on a quarterly basis;
- Sufficient liquidity to meet contractual commitments;
- A robust annual budget setting process for both revenue and capital elements;
- Sufficient capacity within agreed financial parameters (headroom) to meet strategic ambitions, including growth by developing new affordable homes;
- An effective system of internal controls which are continually tested by a programme of internal audit;
- Control over both subsidiaries, ER Homes Ltd and NRVHA, with a high degree of understanding of subsidiary activities and their impact on the Group;
- Regular reports from the executive team and third parties on compliance with RSH standards and timely submission of returns;
- An asset and liability register compliant with the expectations of the Governance and Viability Standard; and
- A fraud register reviewed annually by the Audit & Risk Committee.

Additional measures added during the year:

- A new “Business Health Dashboard” in place that considers key performance measures, including compliance with health and safety requirements;
- Establishment of “Golden Rules” to act as early warning signs for any corrective actions.

The Board was pleased to note that the Association’s Regulatory Assessments of G1 (for Governance) and V1 (for Financial Viability) were renewed during the year. This confirmed that English Rural continues to meet the requirements on governance and viability set out in the Governance and Financial Viability Standards and maintained the highest of the four available grades in both categories.

### Going concern

**Covid-19** - The Board has considered, and continues to review, the operational and financial impact of the Covid-19 pandemic on English Rural and its subsidiaries. The Board has implemented appropriate measures in response to the pandemic and has reviewed its financial business plans and stress tests, including potential financial impacts to its development, property maintenance and customer service obligations. Based on this review and on-going measures, the Board has determined there are no material going concern uncertainties arising as a result of the pandemic. The Board continues to review the Government and the Regulator of Social Housing (RSH) advice, monitor sector publications on the potential impacts of the pandemic as well as to continue to closely monitor impacts on English Rural.

The Association has sufficient resources (including £16m of undrawn committed facilities and £1.4m of cash as at 31 March 2021) to finance committed development programmes, along with the Association’s day to day operations. The Association also has a long-term financial forecast, which shows that it can service these debt facilities whilst continuing to comply with lenders’ covenants.

On this basis, the Board has an expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**Data protection & confidentiality**

The Board have approved a Data Protection & Confidentiality Policy which ensures that English Rural complies with the General Data Protection Regulation (GDPR).

**Appointment of external auditors**

A resolution to reappoint Mazars LLP for the coming year will be presented to the forthcoming Annual General Meeting.

**Statement of the Board's Responsibilities in Respect of the Accounts**

ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
BOARD REPORT

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of English Rural Housing Association Limited (“the Association”) and of the surplus or deficit for that period.

In preparing those financial statements, the Board is required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Accounting Direction for Social Housing in England from April 2015. The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed ‘PBE’ in FRS 102.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Assessment of the effectiveness of internal controls**

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control and for reviewing its effectiveness.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable assurance against material financial misstatement or loss. The Association has an Audit and Risk Committee to assist and advise the Board in the audit and risk management processes. Key elements of the Committee’s role include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and controls and a summary of delegated authorities, which ensures a strong control environment and enables the monitoring of these controls;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts are prepared which enable the Board to monitor the key business risks and financial objectives. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- A sophisticated approach to treasury management, which is subject to external review each year;
- Regular monitoring of loan covenants and requirements for new loan facilities;
- the Board reviews reports from the Executive Management Team, from the internal auditors and the external auditors with a view to obtaining reasonable assurance that control procedures are in place and are being followed;



## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## BOARD REPORT

- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets;
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks; and
- weaknesses identified from the above reports are discussed with management and addressed by the Board.

The Board has reviewed, on an ongoing basis with the external auditor the effectiveness of the system of internal control in existence at the Association for the year ended 31<sup>st</sup> March 2021 and until the date of approval of the annual Financial Statements. No weaknesses were found in internal financial controls that resulted in material losses, contingencies or uncertainties that require disclosure in the Financial Statements or in the auditor's report on the Financial Statements.

So far as each of the directors at the time the report is approved are aware: a) there is no relevant audit information of which the auditors are unaware and, b) that they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board has received an annual report from the Association's Executive Team and Audit & Risk Committee confirming they have reviewed the effectiveness of the system of internal control throughout this year and have taken account of any changes needed to maintain the effectiveness of the risk management and control processes. This Board Report was approved on 7<sup>th</sup> July 2021 and signed on its behalf by order of the Board:

Chairman

*Pamela M Reynolds*

Pamela M Reynolds (Jul 15, 2021 13:01 GMT+1)

Jul 15, 2021

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Date:



ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS

## **Independent auditor's report to the members of English Rural Housing Association Limited**

### **Opinion**

We have audited the financial statements of English Rural Housing Association Limited (the 'Parent Association') and its subsidiaries New Forest Villages Housing Association Limited and ER Homes Limited (the 'Group') for the year ended 31 March 2021 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Reserves and the Group and Association Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Association's affairs as at 31 March 2021 and of the Group's and Parent Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board members with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Board Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the Board report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Group and Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Parent Association has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Board**

As explained more fully in the Statement of the Board's responsibilities set out on page 29 of this report, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or Parent Association Limited or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and Parent Association, and its sector, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, Homes England and Regulator of Social Housing requirements, anti-bribery, corruption, fraud and money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

We evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to capitalisation of works to existing properties, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Board and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and Parent Association which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

This report is made solely to the Group and Parent Association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Group and Parent Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Parent Association's members as a body for our audit work, for this report, or for the opinions we have formed.



Vincent Marke (Aug 12, 2021 13:38 GMT+1)

Mazars LLP  
Chartered Accountants and Statutory Auditor  
1st Floor  
2 Chamberlain Square  
Birmingham  
B3 3AX

Date Aug 12, 2021

ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS

**GROUP AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2021

		Group		Association	
	Notes	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Turnover	3	8,571	6,828	7,280	6,639
Cost of sales	3	(1,503)	(618)	(599)	(566)
Operating expenditure	3	(5,053)	(4,399)	(4,896)	(4,421)
Gain on disposal of housing properties		166	-	166	-
<b>Operating surplus</b>		<u>2,181</u>	<u>1,811</u>	<u>1,951</u>	<u>1,652</u>
Gain on acquisition	25	-	2,639	-	-
Gift Aid		-	-	85	-
Interest receivable and similar income	5	7	14	12	29
Interest payable and similar charges	6	<u>(1,118)</u>	<u>(1,131)</u>	<u>(1,110)</u>	<u>(1,127)</u>
<b>Surplus before tax</b>	8	<u>1,070</u>	<u>3,333</u>	<u>938</u>	<u>554</u>
Taxation	9	-	-	-	-
<b>Surplus for the year after tax</b>		<u>1,070</u>	<u>3,333</u>	<u>938</u>	<u>554</u>
Other comprehensive income:					
Actuarial gain/(loss) in respect of pension scheme	20	(164)	130	(164)	130
<b>Total comprehensive income for the financial year</b>		<u><u>906</u></u>	<u><u>3,463</u></u>	<u><u>774</u></u>	<u><u>684</u></u>

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

**GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES**  
for the year ended 31 March 2021

		<b>Group</b>		<b>Association</b>	
	<b>Notes</b>	<b>Revenue reserves</b>	<b>Total</b>	<b>Revenue reserves</b>	<b>Total</b>
		£'000	£'000	£'000	£'000
Balance at 1 April 2020		16,869	16,869	14,099	14,099
Surplus from statement of comprehensive income for the year		1,070	1,070	938	938
Other comprehensive income:					
Actuarial gain on pensions:					
Actuarial loss in respect of pension scheme	20	(164)	(164)	(164)	(164)
Balance as at 31 March 2021		<u>17,775</u>	<u>17,775</u>	<u>14,873</u>	<u>14,873</u>

		<b>Group</b>		<b>Association</b>	
	<b>Notes</b>	<b>Revenue reserves Restated</b>	<b>Total</b>	<b>Revenue reserves Restated</b>	<b>Total</b>
		£'000	£'000	£'000	£'000
Balance at 1 April 2019 (Restated)		13,406	13,406	13,415	13,415
Surplus from statement of comprehensive income for the year		3,333	3,333	554	554
Other comprehensive income:		-	-	-	-
Actuarial loss on pensions:					
Actuarial loss in respect of pension scheme	20	130	130	130	130
Balance as at 31 March 2020		<u>16,869</u>	<u>16,869</u>	<u>14,099</u>	<u>14,099</u>

All activities reported above, both in the current year and preceding year, relate to continuing activities.

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION  
as at 31<sup>st</sup> March 2021

	Notes	Group		Association	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Fixed assets</b>					
Social housing properties	10	87,599	87,793	85,012	85,190
Office equipment and leasehold improvements	11	63	66	63	66
Financial assets	26	398	396	398	396
		<u>88,060</u>	<u>88,255</u>	<u>85,473</u>	<u>85,652</u>
<b>Current assets</b>					
Stock	12	973	1,128	588	283
Long-term intercompany debtor	13	-	-	179	724
Trade and other debtors	13	403	352	383	435
Short term deposit		783	-	-	-
Cash and cash equivalents		1,350	2,444	1,207	1,521
		<u>3,509</u>	<u>3,924</u>	<u>2,357</u>	<u>2,963</u>
<b>Less: Creditors: amounts falling due within one year</b>	14	<u>(2,699)</u>	<u>(2,483)</u>	<u>(2,570)</u>	<u>(2,444)</u>
<b>Net current assets</b>		<u>810</u>	<u>1,441</u>	<u>(213)</u>	<u>519</u>
<b>Total assets less current liabilities</b>		88,870	89,696	85,260	86,171
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(71,095)</u>	<u>(72,827)</u>	<u>(70,387)</u>	<u>(72,072)</u>
<b>Total net assets</b>		<u>17,775</u>	<u>16,869</u>	<u>14,873</u>	<u>14,099</u>
<b>Capital and reserves</b>					
Non-equity share capital	16	-	-	-	-
Revenue Reserve		<u>17,775</u>	<u>16,869</u>	<u>14,873</u>	<u>14,099</u>
		<u>17,775</u>	<u>16,869</u>	<u>14,873</u>	<u>14,099</u>

These financial statements were approved by the Board on 7<sup>th</sup> July 2021 and signed on its behalf by:

*Pamela M Reynolds*

Pamela M Reynolds (Jul 15, 2021 13:01 GMT+1)

Pam Reynolds (Chairman)

*S Reekie*

S Reekie (Jul 15, 2021 14:05 GMT+1)

Sue Reekie (Board Member)

*K Eagles*

K Eagles (Jul 15, 2021 10:17 GMT+1)

Karen Eagles (Company Secretary)

The accompanying notes form part of these financial statements

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

**GROUP AND ASSOCIATION STATEMENT OF CASH FLOWS**  
for the year ended 31<sup>st</sup> March 2021

		<b>Group</b>		<b>Association</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		£'000	£'000	£'000	£'000
<b>Net cash generated from operating activities</b>	19	<u>3,574</u>	<u>2,514</u>	<u>2,964</u>	<u>2,891</u>
<b>Cash flow from investing activities</b>					
Property expenditure		(2,101)	(5,739)	(2,079)	(5,736)
Capital grants received		478	654	478	654
Office equipment purchases		(16)	(61)	(16)	(61)
Investment in subsidiary		-	-	545	(511)
Proceeds from sale of tangible fixed assets		704	-	704	-
Cash gained on acquisition		-	811	-	-
Interest received		5	8	2	6
		<u>(930)</u>	<u>(4,327)</u>	<u>(366)</u>	<u>(5,648)</u>
<b>Cash flow from financing activities</b>					
Finance charges		(1,150)	(1,273)	(1,124)	(1,259)
Loan issue costs		-	(16)	-	(16)
Loans received		-	3,000	-	3,000
Loans repaid		(1,805)	(791)	(1,788)	(784)
Transfer to short term deposit		(783)	-	-	-
Proceeds from issue of shares		-	-	-	-
		<u>(3,738)</u>	<u>920</u>	<u>(2,912)</u>	<u>941</u>
<b>Net change in cash and cash equivalents</b>		(1,094)	(893)	(314)	(1,816)
Cash and cash equivalents at beginning of year		2,444	3,337	1,521	3,337
<b>Cash and cash equivalents at end of year</b>		<u>1,350</u>	<u>2,444</u>	<u>1,207</u>	<u>1,521</u>

The accompanying notes form part of these financial statements

ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31st March 2021

**1. Legal status**

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is also registered with the Regulator of Social Housing as a Registered Provider as defined by the Housing and Regeneration Act 2008.

**2. Principal Accounting Policies**

(a) **Basis of accounting**

The financial statements of the Association are prepared on an historical cost basis and are in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

(b) **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Association and its subsidiaries, ER Homes Limited and New Forest Villages Housing Association Limited, drawn up to 31 March each year.

(c) **Going concern**

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association and the preparation of long-term financial forecasts and plans which include an assessment of the availability of funding and the certainty of cash flow from rental of social housing stock.

(d) **Accounting judgements and estimations**

**Significant management judgements**

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

*Capitalisation of property development costs* – a judgement is made as to the appropriate amount and timing to charge direct development staff costs to development schemes in progress. The total amount of development salaries and associated on costs capitalised in the year was £193,000 (2020: £209,000).

*Impairment* - housing properties are annually assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as expenditure in the statement of comprehensive income.



*Allocation of costs* – The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Useful lives of depreciable assets* - judgements have been made in determining the main components and useful lives of property, plant and equipment for depreciation purposes. Details are provided in note (g) – Housing properties and depreciation.

*Rental and other trade receivables* - Estimations have been made internally regarding the recoverable amount of rental and other trade receivables.

*Contingent liability* - the Association's possible obligation to pay money to the Social Housing Pension Scheme (SHPS), were the last active member of the scheme to leave pensionable employment, has been estimated by the Scheme's actuary. This calculation includes estimations of life expectancy, salary growth, discount rates and inflation.

*Pension liability* - The Association's share of net liabilities for the Social Housing Pension Scheme (SHPS) is based on a number of assumptions which are set out in note 20.

### (e) **Turnover and revenue recognition**

Turnover represents rental income receivable, amortised capital grant, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied. Rental income is recognised when the property is available for let. Income from property sales is recognised on legal completion. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

### (f) **Service charges**

Service charge income and costs are recognised on an accruals basis. The Association operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within current creditors.

### (g) **Housing properties and depreciation**

In accordance with SORP 2018, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock. Housing properties (in development and completed) are stated at cost less accumulated depreciation and any accumulated impairment losses. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised. Interest incurred during the development phase is capitalised rather than expensed to the statement of comprehensive income.

## ENGLISH RURAL HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over their estimated useful lives which have been set taking into account professional advice. Freehold land is not subject to depreciation.

Major components are treated as separate assets and depreciated over their expected useful economic lives at the following rates:

	Economic Life (years)
Land	n/a
Bathrooms	30
Heating systems	15 -20
Kitchens	20
Electrics	40
Mechanical Systems	30
Roofs	70
Structure	100
Windows and doors	20-25

Housing assets are depreciated from the month of acquisition, or in the case of a larger project, from the month of completion. Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

Housing properties in the course of construction are held at cost and not depreciated. They are transferred to completed properties when handed over for letting or sale.

Any surplus arising on first tranche sales of shared ownership properties are restricted to the "overall surplus" which is defined as the difference between the net present value of cash flows and cost. The Association charges a rent on the retained percentage of the property. Therefore, the net cost allocated to first tranche sale is the balance after allowing for the proportion of the property that is expected to be retained by the Association.

(h) **Office equipment, computer software and leasehold improvements**

Office equipment and computer software are depreciated over 3 years and leasehold improvements are depreciated over the term of the lease of 10 years.

(i) **Government and other grants**

Social housing grant (SHG), receivable from Homes England, and other capital grants are recognised in income over the expected useful life of the housing property structure under the accruals model.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS

(j) **Financial instruments**

The Association has determined that its financial instruments meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model. This includes loans where there are two-way breakage cost clauses as part of the terms of the loan agreement.

(k) **Properties held for disposal**

Where the Association has identified properties to be sold within the short term, they have been transferred to current assets.

(l) **Works to existing properties**

Where a major component of a housing property is replaced or restored, the works are capitalised. All other costs of works to existing properties are charged to the Statement of Comprehensive Income.

(m) **Taxation**

The Association is accepted as a charity by the HMRC. Income and capital gains of the Association are generally exempt from tax if applied for charitable purposes. There is no provision required for deferred tax.

(n) **Value added tax**

The Association is registered for VAT and accordingly, where specifically applicable, expenditure incurred in selling shared ownership schemes is shown net of VAT. All other expenditure is shown inclusive of VAT.

(o) **Apportionment of management expenses**

Management expenses are allocated to activities either directly or on the basis of estimated staff time spent on the activity.

(p) **Pension costs**

**Defined Benefit Pension Schemes**

The Association participates in the Pension Trust Social Housing Pension Scheme (SHPS Scheme), a multi-employer defined benefit scheme now closed to new members. The actuary to the SHPS Scheme has provided sufficient information to allow the Association to identify their share of scheme assets and these are included in the Statement of Financial Position and the expected cost of pensions is charged to the Statement of Total Comprehensive Income. The liability for the benefits earned by employees in return for service rendered in the current and prior periods is determined using the projected unit credit method as determined annually by qualified actuaries. This is based upon a number of assumptions, the determination of which is significant to the valuation.

The following are charged to operating profit:

- the net finance expense measured using the discount rate applied in measuring the defined benefit obligation;

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- the increase in the present value of pension scheme liabilities arising from employee service in the current period (current service cost);
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest (past service cost);
- gains and losses arising on settlements/curtailments; and
- scheme administration costs.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

Full details of the pension scheme's financial position are set out in notes 20 and 21.

#### **Defined Contribution Schemes**

The Association also participates in the SHPS Scheme defined contribution money purchase pension scheme which is open to new members and a Scottish Widows defined contribution money purchase pension schemes which is now closed to new members. In respect of the defined contribution schemes, employers' contributions are charged to the Statement of Total Comprehensive Income in the year incurred.

(r) **Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

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**3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS - GROUP**

	Note	----- 2021 -----				----- 2020 -----			
		Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
<b>Social Housing Lettings:</b>	4								
General needs housing		5,963	-	(4,070)	1,893	5,456	-	(3,774)	1,682
Shared ownership accommodation		362	-	(505)	(143)	347	-	(497)	(150)
		<u>6,325</u>	<u>-</u>	<u>(4,575)</u>	<u>1,750</u>	<u>5,803</u>	<u>-</u>	<u>(4,271)</u>	<u>1,532</u>
<b>Other Social Housing Activities:</b>									
1st tranche shared ownership sales		137	(6)	(3)	128	421	(283)	(6)	132
Discounted local sales		678	(593)	-	85	356	(283)	-	73
Other income		336	-	(294)	42	78	-	(29)	49
Abortive development costs		-	-	(77)	(77)	-	-	(65)	(65)
Non-capitalised development costs		-	-	(101)	(101)	-	-	(21)	(21)
<b>Non-Social Housing Activities:</b>									
Market Sale – ER Homes Limited		1,095	(904)	(3)	188	170	(52)	(7)	111
		<u>2,246</u>	<u>(1,503)</u>	<u>(478)</u>	<u>265</u>	<u>1,025</u>	<u>(618)</u>	<u>(128)</u>	<u>279</u>
		<u>8,571</u>	<u>(1,503)</u>	<u>(5,053)</u>	<u>2,015</u>	<u>6,828</u>	<u>(618)</u>	<u>(4,399)</u>	<u>1,811</u>

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**3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS - ASSOCIATION**

	Note	----- 2021 -----				----- 2020 -----			
		Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social Housing Lettings:</b>	4								
General needs housing		5,681	-	(3,824)	1,857	5,319	-	(3,673)	1,646
Shared ownership accommodation		362	-	(505)	(143)	347	-	(497)	(150)
		<u>6,043</u>	<u>-</u>	<u>(4,329)</u>	<u>1,714</u>	<u>5,666</u>	<u>-</u>	<u>(4,170)</u>	<u>1,496</u>
<b>Other Social Housing Activities:</b>									
1st tranche shared ownership sales		137	(6)	(3)	128	421	(283)	(6)	132
Discounted local sales		678	(593)	-	85	356	(283)	-	73
Other income		422	-	(392)	30	196	-	(159)	37
Abortive development costs		-	-	(71)	(71)	-	-	(65)	(65)
Non-capitalised development costs		-	-	(101)	(101)	-	-	(21)	(21)
		<u>1,237</u>	<u>(599)</u>	<u>(567)</u>	<u>71</u>	<u>973</u>	<u>(566)</u>	<u>(251)</u>	<u>156</u>
		<u>7,280</u>	<u>(599)</u>	<u>(4,896)</u>	<u>1,785</u>	<u>6,639</u>	<u>(566)</u>	<u>(4,421)</u>	<u>1,652</u>

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4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP

	----- 2021 -----			----- 2020 -----		
	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000
Rent receivable net of identifiable service charges	5,401	189	5,590	4,953	185	5,138
Service charges receivable	210	70	280	165	60	225
Grants released from deferred income	352	103	455	338	102	440
<b>Turnover from Social Housing Lettings</b>	<b>5,963</b>	<b>362</b>	<b>6,325</b>	<b>5,456</b>	<b>347</b>	<b>5,803</b>
Housing Management	707	183	890	700	191	891
Housing services	414	211	625	355	195	550
Routine maintenance	536	-	536	546	-	546
Planned maintenance	383	-	383	387	-	387
Major repairs	500	-	500	407	-	407
Bad debts	3	-	3	1	-	1
Depreciation of housing properties	1,527	111	1,638	1,378	111	1,489
<b>Operating costs on social housing lettings</b>	<b>4,070</b>	<b>505</b>	<b>4,575</b>	<b>3,774</b>	<b>497</b>	<b>4,271</b>
Operating surplus on social housing lettings	1,893	(143)	1,750	1,682	(150)	1,532
<b>Void Losses</b>	<b>41</b>	<b>-</b>	<b>41</b>	<b>32</b>	<b>-</b>	<b>32</b>

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4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – ASSOCIATION

	----- 2021 -----			----- 2020 -----		
	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000
Rent receivable net of identifiable service charges	5,142	189	5,331	4,824	185	5,009
Service charges receivable	187	70	257	157	60	217
Grants released from deferred income	352	103	455	338	102	440
<b>Turnover from Social Housing Lettings</b>	<b>5,681</b>	<b>362</b>	<b>6,043</b>	<b>5,319</b>	<b>347</b>	<b>5,666</b>
Housing Management	629	183	812	661	191	852
Housing services	377	211	588	340	195	535
Routine maintenance	501	-	501	527	-	527
Planned maintenance	369	-	369	380	-	380
Major repairs	457	-	457	403	-	403
Bad debts	2	-	2	3	-	3
Depreciation of housing properties	1,489	111	1,600	1,359	111	1,470
<b>Operating costs on social housing lettings</b>	<b>3,824</b>	<b>505</b>	<b>4,329</b>	<b>3,673</b>	<b>497</b>	<b>4,170</b>
Operating surplus on social housing lettings	1,857	(143)	1,714	1,646	(150)	1,496
<b>Void Losses</b>	<b>39</b>	<b>-</b>	<b>39</b>	<b>32</b>	<b>-</b>	<b>32</b>



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## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest Receivable on Bank Deposit Accounts	7	14	12	29

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest on loans	1,130	1,174	1,104	1,161
Non-Utilisation Fees	111	130	111	130
Amortisation of loan issue costs & bond proceeds premium	(3)	(1)	(3)	(1)
Fair value amortisation Orchardrook	(18)	(9)	-	-
Net interest charge pension scheme	3	6	3	6
Interest capitalised	(105)	(169)	(105)	(169)
	<u>1,118</u>	<u>1,131</u>	<u>1,110</u>	<u>1,127</u>

## 7. EMOLUMENTS AND EXPENSES

### a) Directors' Emoluments and Expenses

	2021 £'000	2020 £'000
Total Emoluments	<u>366</u>	<u>330</u>
Emoluments of highest paid director excluding pension contribution	<u>129</u>	<u>120</u>
The Chief Executive has a stakeholder pension plan. The total contribution amounts to 9% of pensionable salary, amounting to £10,965.		
Total expenses reimbursed to the directors and not chargeable to United Kingdom taxation	2	12

The full-time equivalent number of staff whose remuneration fell within each band of £10,000 from £60,000 upwards was:

	No.	No.
£120,000 - £129,999	1	1
£110,000 - £119,999	1	1
£100,000 - £109,999	1	-
£ 90,000 - £ 99,999	-	1
£ 80,000 - £ 89,999	-	-
£ 70,000 - £ 79,999	-	-
£ 60,000 - £ 69,999	3	3

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	<b>Group and Association</b>	
	<b>2021</b>	<b>2020</b>
	£'000	£'000
<b>b) Employee Costs</b>		
Salaries	1,160	1,051
Social security costs	122	114
Pension costs	147	144
Less: capitalised staff costs	<u>(193)</u>	<u>(209)</u>
	<u><u>1,236</u></u>	<u><u>1,100</u></u>
Average weekly number of employees (expressed as full-time equivalent and including the Executive Management Team)	<u>23</u>	<u>22</u>

## 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

The surplus on ordinary activities before taxation is stated after charging:

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000	£'000	£'000
Auditor's remuneration including VAT:				
In their capacity as auditors	20	21	14	13
For other services	4	3	1	1
Depreciation:				
Housing Properties	1,638	1,489	1,600	1,470
Office Equipment and leasehold improvements	<u>20</u>	<u>22</u>	<u>20</u>	<u>22</u>

## 9. TAXATION

English Rural Housing Association Limited and New Forest Villages Housing Association Limited are exempt charities registered with the Regulator for Social Housing and are exempt from liability to taxation on its income and capital gains.

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**10. FIXED ASSETS (PROPERTIES) – GROUP**

	Completed Properties for Letting £'000	Completed Shared Owned Properties £'000	Properties in Development £'000	Total £'000
<b>Cost</b>				
At 1 <sup>st</sup> April 2020	87,191	11,106	4,956	103,253
Additions: new properties	-	-	2,339	2,339
Works to existing properties	320	-	-	320
Components written off	(185)	-	-	(185)
Disposal/Staircasing Sales	-	(36)	(509)	(545)
Aborted development scheme costs	-	-	(77)	(77)
Transferred to completed schemes	3,631	119	(3,750)	-
Transferred from (to) current assets (Note 12)	-	-	(599)	(599)
At 31 <sup>st</sup> March 2021	90,957	11,189	2,360	104,506
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2020	13,789	1,671	-	15,460
Charge for year	1,527	111	-	1,638
Released on disposal	(185)	(6)	-	(191)
At 31 <sup>st</sup> March 2021	15,131	1,776	-	16,907
<b>Net Book Value</b>				
At 31 <sup>st</sup> March 2021	75,826	9,413	2,360	87,599
At 31 <sup>st</sup> March 2020	73,402	9,435	4,956	87,793

**10. FIXED ASSETS (PROPERTIES) – ASSOCIATION**

	Completed Properties for Letting £'000	Completed Shared Owned Properties £'000	Properties in Development £'000	Total £'000
<b>Cost</b>				
At 1 <sup>st</sup> April 2020	84,571	11,106	4,956	100,633
Additions: new properties	-	-	2,321	2,321
Works to existing properties	309	-	-	309
Components written off	(177)	-	-	(177)
Aborted development scheme costs	-	(36)	(509)	(545)
Disposal/Staircasing Sales	-	-	(70)	(70)
Transferred to completed schemes	3,631	119	(3,750)	-
Transferred from current assets (Note 12)	-	-	(599)	(599)
At 31 <sup>st</sup> March 2021	88,334	11,189	2,349	101,872
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2020	13,772	1,671	-	15,443
Charge for year	1,489	111	-	1,600
Released on disposal	(177)	(6)	-	(183)
At 31 <sup>st</sup> March 2021	15,084	1,776	-	16,860
<b>Net Book Value</b>				
At 31 <sup>st</sup> March 2021	73,250	9,413	2,349	85,012
At 31 <sup>st</sup> March 2020	70,799	9,435	4,956	85,190

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### 11. OTHER FIXED ASSETS – GROUP AND ASSOCIATION

	Leasehold Offices £'000	Office Equipment £'000	Computer Software £'000	Total £'000
<b>Cost</b>				
At 1 <sup>st</sup> April 2020	40	67	27	134
Written off in year	-	-	-	-
Additions at Cost	-	6	11	17
At 31 <sup>st</sup> March 2021	40	73	38	151
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2020	1	58	9	68
Written off in year	-	-	-	-
Charged in year	4	7	9	20
At 31 <sup>st</sup> March 2021	5	65	18	88
<b>Net book value</b>				
At 31 <sup>st</sup> March 2021	35	8	20	63
At 31 <sup>st</sup> March 2020	39	9	18	66

### 12. STOCK

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 <sup>st</sup> April	1,128	599	283	283
Expenditure during the year	1,348	1,148	904	566
Transferred to fixed assets (Note 10)	-	-	-	-
Transferred to cost of sales	(1,503)	(619)	(599)	(566)
At 31 <sup>st</sup> March	973	1,128	588	283

### 13. DEBTORS

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Trade and other debtors:</b>				
Arrears of rent and service charges	100	129	88	121
Provision for doubtful debts	(17)	(31)	(14)	(31)
	83	98	74	90
Legal fees due from tenants	-	6	-	6
Recharges-tenants	22	27	21	26
Other recharges	36	11	34	11
Capital grant due	8	-	8	-
Amounts due from subsidiaries	-	-	1	92
VAT recoverable	-	1	-	1
Deposit for highway works	28	89	28	89
Sundry debtors and prepayments	226	120	217	120
	403	352	383	435
<b>Long-term debtors:</b>				
Inter-company loan	-	-	179	724
	-	-	179	724

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**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Sinking fund	662	615	662	615
Other creditors and accruals	682	551	647	617
Amounts owed to subsidiaries	-	-	8	-
Recycled capital grant fund (see below)	14	-	14	-
Employee benefits – annual leave carried forward	51	30	51	30
Deferred income – capital grants	448	445	448	445
Building retentions	208	164	208	164
Building creditors	212	316	137	227
Housing loans	422	362	395	346
	<u>2,699</u>	<u>2,483</u>	<u>2,570</u>	<u>2,444</u>

**Recycled Capital Grant Fund:**

	Group and Association	
	2021	2020
	£'000	£'000
As at 1 April	-	33
Grants recycled	14	(33)
Interest accrued	-	-
As at 31 March	<u>14</u>	<u>-</u>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Housing loans	32,650	34,536	31,942	33,781
Deferred income – capital grants	38,191	38,180	38,191	38,180
Pension provision (Note 20)	254	111	254	111
	<u>71,095</u>	<u>72,827</u>	<u>70,387</u>	<u>72,072</u>

**Housing Loans**

Borrowings are repayable as follows:

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Due in less than 1 year	422	362	395	346
Due between 1 and 2 years	416	346	396	346
Due between 2 and 5 years	3,062	2,254	3,003	2,254
Due after 5 years	29,172	31,936	28,543	31,181
Due after more than 1 year	32,650	34,536	31,942	33,781
Total	<u>33,072</u>	<u>34,898</u>	<u>32,337</u>	<u>34,127</u>

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### Housing Loans (continued)

The loan facilities are provided by four funders and a bond issue through the Government's Affordable Housing Guarantee Scheme (AHF Loan), the funders being Santander, Barclays, Orchardbrook and Triodos. Loan interest rates range from 1.20% to 11.50% per annum (2020: 1.20% to 11.50%). The average rate achieved over the year was 3.40% (2020: 3.74%). Interest on housing loans is charged to the statement of comprehensive income in the year that it is incurred unless capitalised to development schemes still to complete. The housing loans are secured by first fixed charges over the Association's housing properties. The total undrawn loan facilities at 31 March 2021 were £16.1m (2020: £15.1m). Issue costs were incurred for the Triodos Bank, Santander and AHF loans and are amortised to the statement of comprehensive income.

Loan balances were as follows:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Debt by Lender:				
Barclays Bank	4,486	4,876	4,486	4,876
Triodos Bank	16,766	18,160	16,766	18,160
AHF plc	10,000	10,000	10,000	10,000
Orchardbrook	253	304	25	30
Total debt	<u>31,505</u>	<u>33,340</u>	<u>31,277</u>	<u>33,066</u>
Related amounts:				
Premium on AHF loan	1,382	1,429	1,382	1,429
Fair value on Orchardbrook loans	568	557	60	60
Issue costs	(383)	(428)	(383)	(428)
Total	<u>33,072</u>	<u>34,898</u>	<u>32,336</u>	<u>34,127</u>

The loan balance against AHF plc is shown as the £10m nominal amount borrowed. The unamortised excess proceeds to date are shown separately against "premium on AHF loan".

### Deferred income – capital grants

	Group £'000	Association £'000
<b>Capital grants received</b>		
At 1 <sup>st</sup> April 2020	44,664	44,664
Grant received during the year	483	483
Grant recycled during the year	(14)	(14)
At 31 <sup>st</sup> March 2021	<u>45,133</u>	<u>45,133</u>
<b>Less grant amortisation</b>		
At 1 <sup>st</sup> April 2020	6,039	6,039
Grant amortised for year	455	455
At 31 <sup>st</sup> March 2021	<u>6,494</u>	<u>6,494</u>
Net deferred income at 31 <sup>st</sup> March 2021	<u>38,639</u>	<u>38,639</u>
Net deferred income at 31 <sup>st</sup> March 2020	<u>38,625</u>	<u>38,625</u>

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	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amount due to be released in less than one year	448	445	448	445
Amount due to be released in more than one year	38,191	38,180	38,191	38,180
	<u>38,639</u>	<u>38,625</u>	<u>38,639</u>	<u>38,625</u>

## 16. CALLED UP SHARE CAPITAL

	Group		Association	
	2021 £	2020 £	2021 £	2020 £
Shares of £1 each – allotted, issued and fully paid at 31 <sup>st</sup> March 2020	51	49	51	49
Issued during the year	2	2	2	2
Cancelled during the year	(4)	-	(4)	-
Shares of £1 each – allotted, issued and fully paid at 31 <sup>st</sup> March 2021	49	51	49	51

The shares provide Members with the right to vote at General Meeting, but they do not provide any rights to dividends or distributions, if the Association is wound up or dissolved. When a shareholder ceases to be a shareholder, his or her share shall be cancelled. The amount paid up becomes the property of the Association. Under Financial Reporting Standard 102, the Association's share capital falls under the description 'non-equity'.

## 17. CAPITAL COMMITMENTS

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	2,713	1,602	1,723	1,334
Capital expenditure that has been authorised by the Board but has not yet been contracted for	22,789	16,319	19,437	11,587
Total	<u>25,502</u>	<u>17,921</u>	<u>21,160</u>	<u>12,921</u>
Proposed financing of above expenditure:				
Grants	4,396	3,058	4,396	3,058
Other Subsidy	-	282	-	282
Loans & Cash	14,425	6,988	14,425	6,988
Property sales	6,681	7,593	2,339	2,593
	<u>25,502</u>	<u>17,921</u>	<u>21,160</u>	<u>12,921</u>

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## 18. HOUSING STOCK

### In ownership and management

The number of units of housing accommodation under development and in management at 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021 were:

	Group				Association			
	Units in Development		Units in Management		Units in Development		Units in Management	
	2021 No.	2020 No.	2021 No.	2020 No.	2021 No.	2020 No.	2021 No.	2020 No.
General needs housing - social rent	-	-	693	694	-	-	646	647
General needs housing - affordable rent	104	72	173	156	104	72	173	156
General needs housing – intermediate rent	-	-	11	11	-	-	11	11
Affordable home ownership	10	12	378	374	10	12	378	374
Total units owned or in development	114	84	1,255	1,235	114	84	1,208	1,188
Units managed on behalf of other registered providers	-	-	72	4	-	-	68	-
	114	84	1,327	1,239	114	84	1,276	1,188

### Analysis of movement in units owned and managed:

Group	At 31 <sup>st</sup> Mar 2020	Additions	Disposals	Amalgamations	Conversions	Other	At 31 <sup>st</sup> Mar 2021
<b>Units owned:</b>							
<b>Social housing</b>							
Owned general needs - social rent	694	-	-	-	(1)	-	693
Owned general needs - affordable rent	156	17	-	-	-	-	173
Owned general needs - intermediate rent	11	-	-	-	-	-	11
Affordable home ownership	374	4	(1)	-	1	-	378
	1,235	21	(1)	-	-	-	1,255
<b>Non-Social housing</b>	-	-	-	-	-	-	-
<b>Total owned</b>	<b>1,235</b>	<b>21</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,255</b>
<b>Units managed</b>							
Managed units general needs	4	68	-	-	-	-	72



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<b>Association</b>	<b>At 31<sup>st</sup> Mar 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Amalga- mations</b>	<b>Conver- sions</b>	<b>Other</b>	<b>At 31<sup>st</sup> Mar 2021</b>
<b>Units owned:</b>							
<b>Social housing</b>							
Owned general needs - social rent	647				(1)		646
Owned general needs - affordable rent	156	17	-	-	-	-	173
Owned general needs - intermediate rent	11	-	-	-	-	-	11
Affordable home ownership	374	4	(1)	-	1	-	378
	1,188	21	(1)	-	-	-	1,208
<b>Non-Social housing</b>	-	-	-	-	-	-	-
<b>Total owned</b>	<b>1,188</b>	<b>21</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,208</b>
<b>Units managed</b>							
Managed units general needs	-	68	-	-	-	-	68

## 19. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of surplus to net cash inflow from operating activities

	<b>Group 2021</b>	<b>2020</b>	<b>Association 2021</b>	<b>2020</b>
	£'000	£'000	£'000	£'000
Surplus for the year	1,070	3,333	938	554
<b>Adjustments for non-cash items:</b>				
Depreciation and assets written off	1,673	1,511	1,620	1,492
Aborted scheme costs	70	63	70	63
Amortisation of fair value adjustment	(10)	-	-	-
(Increase)/decrease in trade and other debtors	47	18	52	23
Increase in trade and other creditors	95	(41)	114	(36)
(Decrease)/increase in provisions	143	(141)	143	(141)
Decrease/(increase) in properties developed for sale	125	(528)	(305)	-
Other comprehensive income	(164)	130	(164)	130
Gain on acquisition	-	(2,639)	-	-
<b>Adjustments for investing or financing activities:</b>				
Profit on disposal of fixed assets	(166)	-	(166)	-
Government grants utilised during the year	(479)	(440)	(455)	(440)
Interest receivable	(7)	(14)	(4)	(12)
Interest payable	1,177	1,262	1,121	1,258
<b>Net Cash Inflow from Operating Activities</b>	<b>3,574</b>	<b>2,514</b>	<b>2,964</b>	<b>2,891</b>

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**Analysis of change in net debt**

<b>Group</b>	<b>At 31<sup>st</sup> March 2020</b>	<b>Cashflows</b>	<b>Other Changes</b>	<b>At 31<sup>st</sup> March 2021</b>
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,444	(1,094)	-	1,350
Short-term deposits	-	783	-	783
Overdrafts	-	-	-	-
	<b>2,444</b>	<b>(311)</b>	<b>-</b>	<b>2,133</b>
Debt due within one year	(362)	6	-	(356)
Debt due after more than one year	(34,536)	1,820	-	(32,716)
Current asset investments	-	-	-	-
<b>Net debt</b>	<b>(32,454)</b>	<b>1,515</b>	<b>-</b>	<b>(30,939)</b>

<b>Association</b>	<b>At 31<sup>st</sup> March 2020</b>	<b>Cashflows</b>	<b>Other Changes</b>	<b>At 31<sup>st</sup> March 2021</b>
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,520	(313)	-	1,207
Overdrafts	-	-	-	-
	<b>1,520</b>	<b>(313)</b>	<b>-</b>	<b>1,207</b>
Debt due within one year	(346)	(1)	-	(347)
Debt due after more than one year	(33,781)	1,791	-	(31,990)
Current asset investments	-	-	-	-
<b>Net debt</b>	<b>(32,607)</b>	<b>1,477</b>	<b>-</b>	<b>(31,130)</b>

**20. SOCIAL HOUSING PENSION SCHEME (SHPS) DEFINED BENEFIT SCHEME**

English Rural Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

English Rural Housing Association Limited closed this Scheme DB to new staff from 2005. Under auto-enrolment, new staff are enrolled into the SHPS Defined Contribution (DC) scheme, significantly reducing the risk of the contingent liability detailed in Note 21 materialising.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

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For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

### FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2021 (£000s)	31 March 2020 (£000s)
Fair value of plan assets	992	834
Present value of defined benefit obligation	1,246	945
Surplus (deficit) in plan	(254)	(111)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(254)	(111)

### RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2020 to 31 March 2021 (£000s)
Defined benefit obligation at start of period	945
Current service cost	24
Expenses	2
Interest expense	23
Member contributions	19

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Actuarial losses (gains) due to scheme experience	(30)
Actuarial losses (gains) due to changes in demographic assumptions	4
Actuarial losses (gains) due to changes in financial assumptions	272
Benefits paid and expenses	(13)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,246

## RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period from 31 March 2020 to 31 March 2021 (£000s)
Fair value of plan assets at start of period	834
Interest income	20
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	82
Employer contributions	50
Member contributions	19
Benefits paid and expenses	(13)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	992

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £102,000.

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DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF  
COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2020 to 31 March 2021 (£000s)
Current service cost	24
Expenses	2
Net interest expense	3
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCl)	29

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE  
INCOME (OCI)

	Period from 31 March 2020 to 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	82
Experience gains and losses arising on the plan liabilities - gain (loss)	30
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(4)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(272)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(164)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	(164)

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ASSETS

	31 March 2021	31 March 2020
	(£000s)	(£000s)
Global Equity	158	122
Absolute Return	55	44
Distressed Opportunities	29	16
Credit Relative Value	31	23
Alternative Risk Premia	37	58
Fund of Hedge Funds	-	-
Emerging Markets Debt	40	25
Risk Sharing	36	28
Insurance-Linked Securities	24	26
Property	21	18
Infrastructure	66	62
Private Debt	24	17
Opportunistic Illiquid Credit	25	20
High Yield	30	-
Opportunistic Credit	27	-
Cash	-	-
Corporate Bond Fund	59	48
Liquid Credit	12	-
Long Lease Property	19	14
Secured Income	41	32
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	252	277
Net Current Assets	6	4
Total assets	992	834

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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## KEY ASSUMPTIONS

	31 March 2021	31 March 2020
	% per annum	% per annum
Discount Rate	2.19%	2.38%
Inflation (RPI)	3.26%	2.62%
Inflation (CPI)	2.87%	1.62%
Salary Growth	3.87%	2.62%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

## 21. CONTINGENT LIABILITY

Under the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008, an employer debt may become due, in respect of the DB scheme, in the event of an employer ceasing to participate in a multi-employer pension scheme.

As the Association has closed the scheme to new entrants, then a debt could crystallise under the current regulations when the last active DB or DC member leaves pensionable service, should the scheme not be fully funded on a buy-out basis at that time. The potential employer debt was £960,887 as at 30<sup>th</sup> September 2019 (equivalent for 30<sup>th</sup> September 2020 not available yet from Scheme Administrator).

The Board has taken steps to mitigate against the possibility of the debt crystallising. This includes the decision that the SHPS DC pension is the Association's qualifying scheme for the purposes of pension auto-enrolment. As the debt, if any, is not likely to crystallise in the foreseeable future, no provision is reflected in these accounts. There are currently 13 members of staff who are active members of either the SHPS DC or SHPS DB schemes.

## 22. RELATED PARTIES

There is one resident on the Board. His transactions with the Association continue to be on the same terms as for other residents. The Board have confirmed that there are no other related party transactions.

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### 23. OPERATING LEASE COMMITMENTS

The future minimum lease payments of leases are as set out below. Leases relate to office accommodation and office equipment. Where a break clause applies, the commitment extends to the date of the break clause.

Operating lease payments are as follows:

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Land &amp; Buildings</b>				
Due in less than 1 year	102	102	102	102
Due between 2 and 5 years	120	222	120	222
Due after 5 years	-	-	-	-
	Group		Association	
	2021	2020	2021	2020
	£000	£000	£000	£000
<b>Other</b>				
Due in less than 1 year	18	24	18	24
Due between 2 and 5 years	-	16	-	16
Due after 5 years	-	-	-	-
As at 31 March	<u>240</u>	<u>364</u>	<u>240</u>	<u>364</u>

The operating lease expense for the year was £128k.

### 24. SUBSIDIARIES

English Rural Housing Association is parent company to two subsidiaries. ER Homes Limited is a wholly owned subsidiary and is incorporated and registered in England and Wales with company number 10538606 whose registered office is 7a Strutton Ground, London SW1P 2HY.

ER Homes Limited purpose is to build and sell properties on the open market. ER Homes Limited commenced trading on 29<sup>th</sup> November 2018. On the 30<sup>th</sup> September 2019, New Forest Villages Housing Association became a wholly controlled subsidiary of English Rural Housing Association. New Forest Villages Housing Association is Registered Provider of Social Housing under the Co-operative and Community Benefit Societies Act 2014. The Association provides rented housing for households in the New Forest District Council area in the greatest need and who are least able, through limited income, advanced age or disability, to obtain suitable accommodation in their own communities.

### 25. GAIN ON ACQUISITION OF NEW FOREST VILLAGES HOUSING ASSOCIATION

On the 30<sup>th</sup> September 2019, New Forest Villages Housing Association (NFVHA) became a wholly controlled subsidiary of English Rural Housing Association. To recognise this acquisition, the assets and liabilities of NFVHA as at 30<sup>th</sup> September 2019 were consolidated into the Group accounts at fair value.

The following assets and liabilities were incorporated:



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	<b>NFVHA Net Assets</b>	<b>Fair Value Adjustments</b>	<b>Total Gain on Acquisition</b>
	£'000	£'000	£'000
<b>Fixed Assets</b>			
Properties: At cost	2,706	(86)	2,620
<b>Current Assets</b>			
Debtors	19	-	19
Cash	811	-	811
<b>Current Liabilities</b>			
Amounts falling due within 1 year	(63)	(10)	(73)
<b>Creditors Over One Year</b>			
Loans	(236)	(502)	(738)
Deferred Capital Grant	(1,728)	1,728	-
<b>Net Assets</b>	<u>1,509</u>	<u>1,130</u>	<u>2,639</u>

## 26. FINANCIAL ASSETS

	<b>2021</b>	<b>Group</b>	<b>2021</b>	<b>Association</b>
	£'000	2020	£'000	2020
		£'000		£'000
Liquidity reserve fund	398	396	398	396
	<u>398</u>	<u>396</u>	<u>398</u>	<u>396</u>

The Liquidity Reserve Fund (LRF) represents a long-term restricted cash deposit required under the terms of the Affordable Homes Fund (AHF) loan facility entered into by English Rural Housing Association in 2015. The agreement requires that a cash sum of at least one-year's loan interest due (£380k) is held in an account that the lender has security over. The purpose being to provide a cash buffer to investors were the Association to default on its interest payments. The cash becomes available to the Association at the end of the loan ie 2044.