ENGLISH RURAL HOUSING ASSOCIATION LIMITED

Co-operative and Community Benefit Society No: 27606R

Regulator of Social Housing No: L4004

ENGLISH RURAL

REPORT AND GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2022

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Royal Patron:

Her Royal Highness Princess Anne, The Princess Royal

President:
Sir Peter Dixon

Board Members:

Pam Reynolds	Chair
Tony MacArthur	Vice-Chair until 21st September 2021
Dorcas Cumming	Vice-Chair from 21st September 2021
Sue Reekie	
Brian Carroll	Deceased 9th September 2021
Jane Jennings	
Monica Burns	
Rebecca Murphy	
Philip O'Dwyer	
Henry Lee	Appointed 21st September 2021
Mark Pragnell	Appointed 21st September 2021
Sarah Doyle	Resident Board Member - co-opted 2nd February 2022

Executive Management Team:

Martin Collett	Chief Executive
James Taylor	Deputy Chief Executive / Development Director – Retired 31st March 2022
Ray Green	Finance Director
Kathryn Harrison	Resident Services Director
Richard DeVille	Development Director – Appointed 21st February 2022

Company Secretary:

Karen Eagles
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London EC2M 7DT

External Auditor:
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Internal Auditor:
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London
EC1Y 8LP

Principal Bankers:
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Development Office:
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Strategic Report

The Board is pleased to present its report and audited consolidated financial statements for the year ended 31st March 2022.

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 include the management, development and advocacy of affordable housing in rural areas and the housing stock profile is set out below:

	Mar-22	Mar-21
General needs social rent	692	693
General needs affordable rent	181	173
General needs intermediate rent	11	11
Affordable home ownership	378	378
TOTAL OWNED	**1,262**	**1,255**
Managed on behalf of others	70	72
TOTAL OWNED & MANAGED	**1,332**	**1,327**

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 2021/22

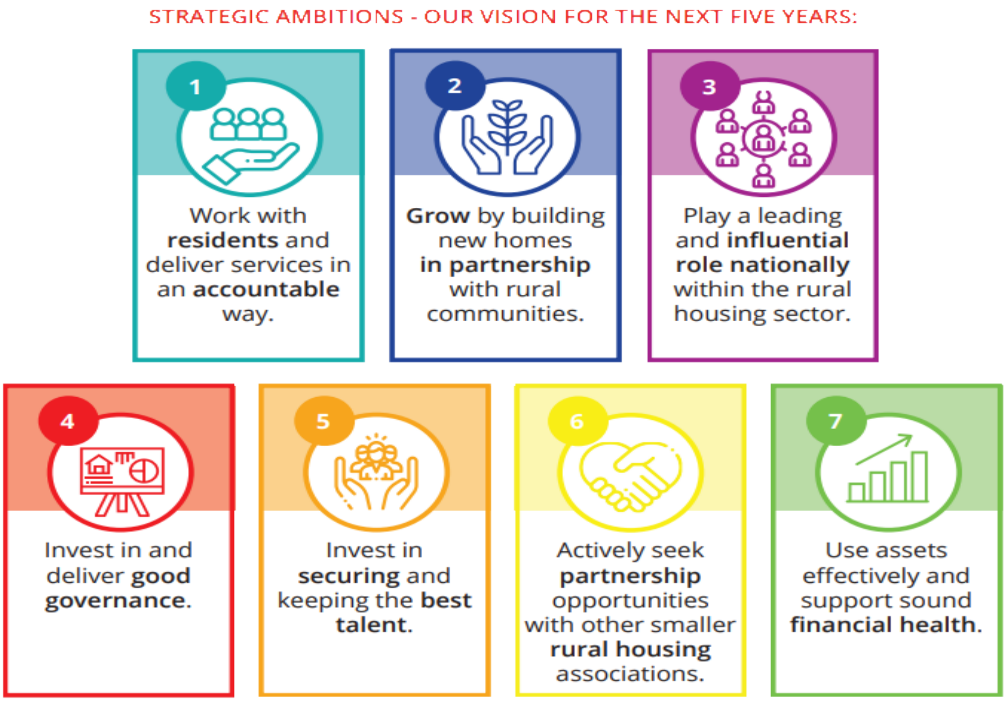
The year brought a return to degrees of normality and stability following the turbulence and far-reaching impact of the covid-19 pandemic. Like many in the housing association sector, English Rural has reflected on changes to the operating environment arising from the pandemic and how these have impacted on ambitions. This work culminated with the Board bringing forward a refresh of the five-year Business Strategy. It became apparent during this refresh that the soundness of business continuity arrangements, continued strong financial performance and successful stewardship through the worst stages of the pandemic had allowed English Rural to emerge with a renewed confidence in abilities and need to deliver on purpose.

As the financial statements incorporated within this report show, the positive business and financial position enables investment that will support ambitious plans to deliver "*The provision and management of affordable housing for local people in rural villages in England and to be an advocate for affordable rural housing*". The continued financial strength has allowed for the same level of development growth, whilst directing even more investment into services provided to residents as they face increased welfare and cost of living pressures. One element of this is the move to accelerate carbon reduction and improved energy performance for all homes, securing gains for the climate and resident finances.

One of the key themes coming to the fore during the year was the improved emphasis on working with residents to deliver accountable and transparent services; by advancing the new customer service focussed staffing model and developing learning from the resident focussed initiative, Together with Tenants. There is still some way to go before we achieve all that we hope to, but by investing in improved skills, culture and prioritising co-creation with residents, progress continues to be made.

Attention has also been focussed on value for money. Importantly, time has been taken to understand what this means for English Rural, our residents and our partners. As we strive to become a more effective and efficient business by embedding value for money expectations across the Association - the aim is to not simply focus on economy, but to understand what wider values are highly prized within our work. This year a separate Value for Money Statement has been produced and published (on our website) to focus attention on this matter, appraising where we are, how we compare to others and what our aspirations are for the future.

It is never possible to capture all activity within annual reporting, but a summary relating to each of our seven business ambitions is provided below. The appraisal against these ambitions providing some highlights on what has been delivered and what we hope to achieve next. Importantly, we always want to do better, so reference is also made to where lessons have been learnt and what steps are needed to make sure these improvements happen.



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

We have been listening to residents and it is clear that we need to keep evolving the way we communicate to better meet their expectations. Critically, resident voice will become more of a priority across the Association. To help advance this point, a review of communication channels and how effective they are in relation to residents took place during the year - changes included more effective use of the online portal, the publication of a dedicated annual report to residents and refreshed approach to the newsletter involving the resident editor, Mel. Working with residents, a Charter has also been co-created to articulate clearly what can be expected from English Rural through the services that we deliver. Alongside this work, an open campaign successfully took place to recruit a new resident to the Board, with the Residents Panel independently endorsing the candidate Sarah Doyle .

A revised strategic approach to investing in homes was agreed during the year, reflecting resident priorities as well as increasing external expectations on safety and the environment. The approach agreed on represents something of a watershed moment for English Rural, acknowledging that our homes built from the early 1990s' are now reaching an age where significant upgrades are needed. Careful financial planning will ensure that as a priority investment in existing homes always comes first when budgets are agreed, with increased financial future provision allowed for to deal with cost inflation volatility and the aim to deliver environmental improvements and carbon reduction targets. Enhanced contractor performance was also a key feature in planning, this seen as vital to growing trust with residents and increasing satisfaction with the services provided.

Achievements made during the year

- ✓ **Enhanced resident voice, including renewal at board level**
- ✓ **Continued focus on customer service improvements clearly stated in published Charter co-created with residents**
- ✓ **Revised asset management strategy incorporating more investment to upgrade homes and deliver environmental improvements**
- ✓ **Separately published annual report for residents**
- ✓ **Emphasis on supporting residents to navigate financially testing times, with a hardship fund to aid those most in need**
- ✓ **Resident services a core feature of the equality, diversity and inclusivity work completed during the year**

Lessons learnt during the year

- *Even more investment in existing homes is now needed as they reach an age where the useful life of key property components ends. Delivering this bigger programme of work will require new skills, capacity and contractor partnerships and these need to be further developed.*

- *Although there is a high degree of confidence in meeting the target for all homes to have a minimum EPC rating of C before 2030, further data and modelling is needed to progress towards a net zero target. This should be a critical factor for the next stock condition survey planned for 2023. English Rural will also need to learn from and work with the wider sector as good practice emerges that can help achieve this.*

- *Securing and maintaining the level of engagement from residents that we hope for will not be easy and we will be open and honest about this challenge. Feedback is that many residents* *simply do not have the time or inclination to support even a limited level of interactions. Working with those that do, we will need to be innovative in our approach to make sure that a diverse range of voices are heard. We will also need to be transparent in the way that we report on this work to others.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2021/22 Rating	2020/21 Rating	Direction
% Satisfied with Service	77	>85			=
Number of complaints	12	<13			↑
Ration of responsive and planned maintenance investment	0.33	<0.4			↑

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

Achieving development ambitions remains one of the biggest strategic challenges. English Rural continues to prioritise growth through the rural exceptions site approach, which amongst other things requires a willing landowner, strong enabling presence, local community support and a proactive planning authority; a combination that is not easily brought together. The impact of delays from the pandemic on progressing opportunities is also still material, with the far-reaching disruption on the development journey even now working its way through. More recently, the fluctuation in labour and material costs, alongside high levels of inflation have made achieving financial viability for some sites even more of a challenge.

Despite this difficult environment there is some good news - more new homes were completed during the year. A further review of our design and environmental standards was also completed, with building work starting on the first ever EPC A rated homes. A new Development Director was recruited, a change triggered by natural retirement plans. This has created an opportunity to refresh the leadership of the development team as we focus on achieving future growth ambitions. An immediate priority of the incoming Director was to review the future programme and unlock some of the stalled opportunities, the result of which will be shown with many more homes now starting on site and due for completion next year. Working with partners, including Homes England, we hope to sustain this momentum.

Although our focus will always be on delivering genuinely affordable homes, the value of the development subsidiary ER Homes Ltd remains. Through ER Homes we can unlock potential sites by generating useful cross-subsidy to invest in making the finances work. We are also able to deliver market, discounted market and self-build opportunities alongside our traditional affordable rented and shared ownership tenures. This approach helps to meet a broad range of needs evidenced within rural communities and creates diverse developments. Helpfully, ER Homes was able to gift aid £171k back to support English Rural during the year.

✓ ***New affordable rural homes built and started on***
✓ ***Diverse programme including cross subsidy via ER Homes***
✓ ***Progress with delivering for other smaller housing association partners, including New Forest Villages and Cirencester Housing***
✓ ***Design and environmental standards reviewed and enhanced***
✓ ***Appointment of a new leadership via Development Director***

Lessons learnt during the year

- *Delivery of homes through the rural exception site route continues to be challenged from the lack of land, community support, limited enabling and local authority housing priorities. Where these ingredients exist, the policy continues to deliver successfully and because of this maintaining a dynamic programme of activity over a broad geography continues to make sense.*

- *The impact of labour and materials made worse by high inflation pressure and spikes to building material costs are now shown in build costs. How long these higher costs will remain is unclear but financial viability will be an increasing pressure that will need to be understood and navigated.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2021/22 Rating	2020/21 Rating	Direction
Homes started within year	24	>40			↑
Homes completed in year	10	>16			↑
Homes in development programme	134	>100			↑

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

Working with others to play a role in representing the interests of affordable rural housing providers remains essential. For agreed Business Strategy to be achieved, English Rural will need a positive operating environment and to play a role in influencing this; as well as a wide range of other factors that impact on successful outcomes.

Recognising the limitations that exist due to scale and resource, the approach that has been agreed is to capitalise on relationships and networks to create impactful partnerships - doing this in a way that allows others to secure value from working with English Rural also. Good examples of this approach are the continued active role played in the Rural Housing Alliance and more recently the Rural Housing Network via Board Member, Monica Burns who was appointed Co-Chair during 2021. The Chief Executive has also been involved with a working group convened by DEFRA.

Learning from previous experiences there has been a renewed focus on gathering useful evidence about the circumstances surrounding affordable rural housing. English Rural is currently involved in three separate research projects due to be completed within 2022/23. These include a rural homelessness project being jointly undertaken by Kent and Southampton Universities, a wider land and planning policy project being undertaken by University College London and a capacity project yet to be commissioned. All three projects will secure important evidence, case studies and recommendations to inform the rural housing debate.

✓ ***Refresh of communication strategy with even greater digital focus***
✓ ***Royal engagements to spotlight the value of what we do***
✓ ***Further impactful research embarked on***
✓ ***Proactively working to add value from our experiences to a range of wider rural and affordable housing sector groups***

Lessons learnt during the year

- *Frequent changes at ministerial, government official and wider sector level result in a continuous loss of knowledge and experience. Although time-consuming, a cycle of sharing our experiences with those who have influence over how we are able to deliver on ambitions remains vital;*

- *The scale of our capacity and resource continues to limit how effective our voice can be. Working proactively and openly with others, especially established rural and affordable housing interest groups, will help us have the biggest impact. Similarly, the communications strategy continues to focus on promoting our messages to audiences digitally.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2021/22 Rating	2020/21 Rating	Direction
% spend on advocacy	3.1%	>3			↓

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

During the year, the Board agreed to adopt the new National Housing Code of Governance (2020). In readiness for this, a Task & Finish Panel was set-up to consider what additional work needed to be completed to secure compliance and to report on this work to the Board. Some highlights of this work included - collectively revisiting and recording agreed culture, behaviours and values; an appraisal of board and committee effectiveness; revising board succession plans to move towards two three-year standard terms and a review of subsidiaries within the Group against intended purpose. Parallel to this work, a separate staff group progressed a review of equality, diversity and inclusion (EDI), which cumulated in an action plan to be delivered over the following year.

An essential ingredient of good governance is having the right people and skills to steward English Rural and inform strategic decision making. Two new Board Members, Mark Pragnell and Henry Lee, joined during the year with their skills matched to those considered most needed. As well as strengthening the Board, membership of both standing committees was reviewed and added to, making sure that relevant skills were matched from Board Members and independents. Further board recruitment is planned for the coming year and to date English Rural continues to attract exceptional talent to its governing bodies on a voluntary basis, this reflecting its strength of reputation and commitment of those involved to agreed purpose.

Building on the Together with Tenants early adopter work, the Board has also resolved to grow links with residents, strengthen resident voice at board level and embed lived-experience through board recruitment. A good example of this was the campaign that was run at the end of the year resulting in the nomination of Sarah Doyle as a Board Member. The appointment formalised shortly after the year end.

The highest regulatory gradings of G1 and V1 were retained during the year. A review of these was underway by year end through the commencement of the cyclical In-Depth Assessment (IDA) carried out every four years by the Regulator of Social Housing; the outcome of which has confirmed the continuation of G1 and V1.

✓ ***Retained V1 and G1 regulatory gradings***
✓ ***Successful recruitment to Board including new resident representation and enhanced lived-experience***
✓ ***NHF Code of Governance 2020 adopted and compliance delivered***
✓ ***EDI Project completed with action plan adopted***

Lessons learnt during the year

- *Even smaller housing associations like English Rural secure value from revisiting and discussing culture, behaviours and values regularly. Defining these at board level has helped to set the tone and approach as the organisation continues to evolve and grow.*

- *A review of EDI across the organisation was considered vital, but uncertainty around where to start and what would secure most benefit less apparent. Working with retained people and culture advisors, as well as listening to staff, residents and other stakeholders has helped the EDI Project Group develop an approach that felt right. There is though still some way to go, and this is acknowledged.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2021/22 Rating	2020/21 Rating	Direction
% Board attendance	88	>90			↓
% Committee attendance	92	>85			=
% Training attendance	98	>90			↑

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

The success of delivering agreed ambitions is dependent on the performance and skills available within the staff team. English Rural strives to be a good employer, attracting and retaining high-calibre staff who have the attributes and passion to deliver on agreed purpose. To help achieve this and remain competitive with other employers, a review of staffing rewards was completed during the year. This saw the Board agree a new Staff Pay Policy and updated salary scale. The decision was also taken to end the availability of the final salary social housing pension scheme, which had continued to be available to a minority of the longest serving staff members. At the same time, the competitiveness of the alternative pension offer was tested.

In response to staff feedback and recognising the benefits of more flexible working arrangements initiated by the pandemic, some roles have been moved to hybrid contracts where they lend themselves to working in this way. The need to have in place an effective framework to support more flexible working has been made a priority, with a transformative three-year IT Strategy agreed. Staff wellness and mental health has also been a continued focus, with better promotion of external services from which staff can benefit alongside internal training for mental health first aiders and an increased awareness with managers.

Although English Rural has a strong track-record for staff retention, there is inevitably some staff turnover. The level and quality of candidates applying for roles during the year was regarded as positive. This particularly true in relation of a new Development Director, recruited due to natural retirement plans.

English Rural was pleased to welcome Richard DeVille as the incoming Development Director, to take charge of delivering the 220 new homes target within the Business Strategy.

Further progress has also been made with equality, diversity and inclusion (EDI) aims. The Project Group charged with progressing this advancing their work to a point where they were able to report on detail to the Board and agree an action plan to be delivered.

✓ ***Review of staff pay and reward***
✓ ***New Development Director recruited***
✓ ***Awareness and training on staff wellness and mental health***
✓ ***Transformative IT Strategy developed to help support staff***

Lessons learnt during the year

- *For a smaller housing association like English Rural, embarking on a transformative IT Strategy is daunting and the pace of change needs to be carefully plotted, including making provision for external support to supplement skills within the existing staff team.*

- *As more flexible working becomes formalised, the benefit staff receive from being together in-person should not be lost. Designing this in to working practices will be a matter for managers to thoughtfully achieve. The value of these in-person interactions particularly relevant for supporting staff learning and wellness - two areas easily overlooked within a two-dimensional working environment.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2020/21 Rating	2021/22 Rating	Direction
% Staff who would recommend English Rural as a good place to work	95	>90			=
% Annual appraisals overdue	6	<10			↓

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

A number of partnerships were developed during the year, some leading to important strategic business opportunities. This includes the decision for The Cambridgeshire Cottage Housing Society (TCCHS) to merge into the English Rural Group, with the process well underway by the year end. The value of this decision being the safeguarding of assets for the benefit of affordable rural housing, whilst enabling increased efficiencies of scale and reducing administrative expenses for both parties. The business case for the merger focusses on the ability to sensitively dispose of older listed properties considered no longer fit for social housing and reinvesting money back into delivering new high-quality affordable rural developments. Ultimately this is intended to transform the profile of TCCHS housing stock into a modern housing portfolio which provides affordable, well-designed and energy efficient homes that village communities can benefit from.

The partnership with Cirencester Housing also evolved, with English Rural appointed as their development agent through a formal Memorandum of Understanding. The aim is that combined endeavours will secure new momentum across rural Gloucestershire to get more affordable housing opportunities off the ground. Alongside this development work, the existing strategic and financial business planning support continued.

A range of other smaller housing partners were also aided during the year, often localised within villages alongside English Rural's operations.

✓ ***New development partnership launched in Gloucestershire***
✓ ***£50,000 fee income generated from partnerships with others that can be applied to purpose***
✓ ***Agreement for TCCHS to merge into the English Rural Group***

Lessons learnt during the year

- *The original aim of partnerships with other like-minded housing associations was to secure value from English Rural's staff team through making their skills and capacity available. Over time, the availability of capacity within the staff team has diminished, due to growing internal demands and resources leant to partnerships in place. To overcome this, future partnership opportunities are likely to rely more on increasing staff capacity through additional recruitment to the staff team, rather than working on the principle that spare capacity exists within it.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2021/22 Rating	2020/21 Rating	Direction
Active partnerships	5	>5			=
£000 Partnership income*	£49,400	>58			↑

* Excludes NFVHA income accounted for within the Group.

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

The importance of securing the best value out of our work and assets is not lost on English Rural and to show how we will achieve this a separate Value for Money Statement has been produced this year. The benefit of examining value for money in this more forensic way is that it helps with a better understanding of performance across all areas of the organisation, and critically how these can be improved upon when needed. Considering this matter separately also provides an opportunity to highlight values that we know our residents and partners also care about, to sit alongside those accepted as standard across the sector.

The annual refresh and testing of the long-term Financial Business Plan was more robust this year as a range of dynamic economic risks continue to worsen. By understanding our financial strengths and weaknesses, we can proactively protect the interests of those invested in our success, whilst at the same time commit funds to agreed purpose, across each of the seven strategic ambitions. The financial statements presented later in this report show a continued strong financial performance, largely consistent with budget forecasts.

The rent we receive is the most critical financial component of our financial health that underpins our ability to invest in services to residents and new homes. This year the Board considered the level of rent increase to pass onto residents exceptionally carefully, recognising the financial strain on household finances arising from cost-of-living pressures. Ultimately, they took the difficult decision to pass on the full increase permitted of 4.1% but sought to mitigate the impact of this on those struggling most by resourcing a financial support fund to sit alongside the increase. Where hardship is evidenced, residents are able to financially benefit from this fund at the discretion of their Regional Housing Manager. One of the main reasons for passing on the rent increase in full was the need to make allowances for English Rural's own cost increases, with spikes being seen in maintenance and building materials.

Work was started during the year to prepare for a new funding exercise, with this work due for completion towards the middle of 2022. Further funding of around £35m is being sought, partly to refinance an existing £12m revolving credit facility and to fund strategic ambitions to invest in improvements to existing homes and develop new ones over the next five years. Careful treasury management continues to make sure money is borrowed and managed on competitive terms, with 82% of loans currently fixed and the average interest rate on all loans at 3.33%.

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.

✓ ***Increased focus on value for money through standalone statement***
✓ ***Robust updating and testing of the financial business plan***
✓ ***Overall improvements to key financial metrics***
✓ ***Increased income streams from ER Homes and third-parties***
✓ ***Residents supported through dedicated financial fund***

Lessons learnt during the year

- *The scale and risk arising from economic uncertainty make financial planning more important than in previous years. The further deterioration of this risk, either in a way that complies or does not comply with economic norms needs to be carefully monitored. Testing of English Rural's financial business plan showed that it was able to withstand significant shocks and had a range of measures to apply in response, providing resilience even in a perfect storm scenario. Continued monitoring of risk is vital so that strategic thinking remains adaptable and financial mitigation tactics can be applied quickly, should the need arise.*

- *The level of rent increase to pass onto residents is always carefully considered, but this year even more so given the cost-of-living pressures that are known to be facing residents. The scenario for 2022/23 is likely to be even worse given the inflationary link to rent reviews and heightening pressures on household finances.*

Performance Indicator	Actual	Threshold	2021/22 Rating	2020/21 Rating	Direction
% Fixed to variable rate debt	82	>60			↓
% EBITDA (MRI) exc sales and interest cover	177%	>110			↓
Liquidity	21 months	>18 months			↓

Risk Management & Assurance

During the year English Rural's approach to risk management and assurance was reviewed as part of the internal audit process. Although the review found some minor recommendations that have been acted on, overall it validated that the approach to monitoring, managing and reporting on risk across the Group was strong.

The role of the Group Audit & Risk Committee remains critical to the successful implementation of agreed risk strategy. The detailed focus of the Committee provides useful assurances to the Board. Alongside the traditional role of agreeing and considering an annual programme of internal audits, the Committee instigated risk 'deep-dives' during the year. These involve appraising the circumstances of a specific risk at each meeting, with risk areas chosen based on risk reporting and business performance metrics.

An annual review of the 30-year financial business plan was completed by the Committee, who had a role in determining the range of stress scenarios against which it was tested. This year, the range of scenarios was extensive, reflecting the volatile economic operating environment. Alongside the usual mapping and reporting of agreed scenarios mitigation actions are also considered. These represented as a range of options within a financial recovery plan that can be applied to varying degrees dependent on the nature and severity of the financial risk faced.

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 2022. For the benefit of this annual review, three of the highest rated risks are covered separately with additional narrative and context.

Business Critical Issue	Risk Event or Activity	Mitigation Measures in Place
Multi impact	> Consistent under performance of service delivery. Including asset management failings and adverse publicity. > Sparsity of materials and labour affecting scope business ambitions and impact of high levels of inflation.	• Media protocol • Role of Audit & Risk Committee • Service standards, procedures and targets • Staff training Approach to complaints handling Role of Resident Scrutiny Group and online Panel. • Review of cost data and 30 year financial model to be considered by FRC • Refreshed Asset Management Strategy Management of preferred contractors
Management of loans / cashflow & funders covenants / Exposure to sales income	Deterioration in UK economic conditions, including the housing market.	• Treasury Strategy • Budget process • Financial Business Plan stress testing • Refreshed Business Strategy 2021-26 • Regular re-evaluation of scheme viability and property values.
Achieving Financial Value	Counter-party risk from contractor partner arrangements and supply-chain.	• Supplier/contract register • Broad range of contactors/suppliers • Robust contracts and improving contractor performance reporting
Influence on public policy	Political uncertainty / government policy developments adverse to the Association, including the “Rural Exceptions site” planning policy may become diluted by national drive to build more homes e.g. First Homes Exception Sites	• Advocacy and influencing activities • Financial Business Plan stress testing • Chief Executive sector profile and influence • Communications Strategy • Contribution to neighbourhood and local plans • Diversification of scheme types and sources • Development of homes through subsidiary for market sale • Contributions to consultation responses

Quality of services and homes	Acceleration of environmental upgrades to achieve targets set externally	• Business Strategy 2021-26 • Asset Management Strategy • Development Strategy • Influencing role to ensure rural matters are understood
Data security and fraud / Provision of IT and digital infrastructure	Exposure to Cyber Security Attack / Connecting to untrusted networks (such as the Internet) could expose IT networks to attacks the results of which could compromise the confidentiality, integrity and availability of ICT and the information it stores	• Servers are held and maintained by third party experts • Regular updates to anti-malware and virus software • Use of Mimecast to filter and quarantine suspicious e-mails and attachments • Regular updates to all software and operating systems. Regular guidance and training available to staff on how to avoid threats, particularly those using laptops • Clear IT Policy setting out how to mitigate risk of threats, including password rules
Management of loans / cashflow & funders covenants	Spending or income seriously at variance with budget and financial business plan impacting narrow margins	• Management accounts • SOFR's /policies • Internal audit plan • Refreshed Asset Management Strategy

Consistent under performance of service delivery, including asset management failings, adverse publicity AND sparsity of materials and labour affecting business ambitions and impact of high levels of inflation.

Supply chain issues continue to pose a risk to delivering on repairs and maintenance activity, as well as development ambitions. However, to an extent the procurement of materials and challenges within the labour market have started to settle. This risk has instead taken on a new economic dimension, with costs associated with addressing the materials and labour challenge now coming through, compounded further by the wider impact of inflation, which itself is variable across components relied on. Financial business plan assumptions have been based on higher costs, to reflect this change. As well as continuing to monitor and report on this risk, the management team are also seeking to understand individual risks from key contractors more clearly, whilst reviewing how to use more effective procurement and contract management to help mitigate.

Mitigation actions to deploy should risk worsen or crystalise:

- *Reprofile, delay or pause planned investment programme until operating environment becomes more stable;*
- *Delay or pause development programme, until operating environment becomes more stable;*
- *Invest further in temporary services staff to focus on consumer and property compliance needs;*
- *A review of the skills and capacity of the management team*

Rapid deterioration in UK economic conditions, including the deterioration of the housing market and possible consequences of Brexit.

This risk is in part also connected to above, but the management team continue to recommend that it is separated out and considered as distinct. Sales activity continues to perform well, driven by the strategy of building market and affordable homeownership products where there is an evidenced demand. Nonetheless, the UK economy and housing market remains volatile and susceptible to rapid changes. Alongside existing domestic and global factors impacting on this risk, the war in Ukraine is likely to act as a further deteriorating factor and prolong a climate of economic uncertainty and volatility for longer than had been predicted. English Rural should remain in a position where it tracks this risk, making sure that it is able to respond to emerging challenges (and opportunities) as they emerge.

Mitigation actions to deploy should risk worsen or crystalise:

- *Reprofile planned investment programme to meet both emerging opportunities and challenges;*
- *Reprofile development programme to reduce / remove market / discounted market sales;*
- *Review organisational structure to reflect changes from above;*
- *Consider change of tenure to market rent/affordable rent until market improves.*

Counter-party risk from contractor partner arrangements and supply-chain.

This risk was introduced during 2021 and is part connected to the risks above. The risk relates to the potential failing or shortcomings of contractor partners who are themselves experiencing the effects of supply chain, labour and economic volatility. This latter economic factor having an increasing relevance. The management team has continued to map this risk in more detail through a supplier/contract register. An advisory internal audit is also due to be completed on this subject shortly.

Mitigation actions to deploy should risk worsen or crystalise:

- *Utilise range of contract partners to redistribute contracted work;*
- *Reprofile planned investment or intended work programme to avoid impact from contractor failing.*

Financial performance

Group Accounts highlights, five-year summary:

For the year ended 31 March	**2022 £000's**	**2021 £000's**	**2020 £000's**	**2019 Restated £000's**	**2018 £000's**
Comprehensive Income Statement					
Total turnover:	8,451	8,571	6,828	5,638	6,442
Income from social housing lettings	6,539	6,325	5,803	5,505	5,510
Operating surplus	1,756	2,181	1,811	1,450	1,796
Gain on acquisition	-	-	2,639	-	-
Surplus for the year	709	1,070	3,333	291	462
Other comprehensive income	96	(164)	130	(138)	-
Total comprehensive income transferred to reserves	805	906	3,463	153	462
Statement of Financial Position					
Housing properties net of depreciation	90,194	87,599	87,793	81,185	78,045
Financial assets	399	398	396	390	385
Other fixed assets & long-term debtors	62	63	66	28	39
Net current assets	703	810	1,441	1,909	4,548
Total assets less current liabilities	91,358	88,870	89,696	83,512	83,017
Creditors (greater than one year)	(72,778)	(71,095)	(72,827)	(70,106)	(69,764)
Net Assets	18,580	17,775	16,869	13,406	13,253
Reserves	18,580	17,775	16,869	13,406	13,253
Housing properties owned at year end:					
Social housing	1,262	1,255	1,236	1,161	1,154
Statistics:					
Operating margin	20.8%	25.5%	26.5%	25.7%	27.9%
Rent losses *(voids and bad debts as a % of rent and service charges receivable)*	1.0%	0.7%	0.6%	0.7%	0.4%
Rent arrears *(gross arrears as % of rent and service charges receivable)*	1.4%	1.5%	1.3%	1.9%	1.5%
Historic Cost Gearing *(loans less cash as % historic cost of completed properties)*	29.5%	30.3%	31.4%	30.1%	28.0%
Interest cover *(operating surplus as % of net interest payable) **	167.7%	196.3%	162.1%	125.1%	132.4%

* 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 17 and 22.

The Board reports a surplus for the year of £709k (2021: £1,070k). The surplus is lower this year compared to last year, mainly due to higher repair costs and a £166k gain last year on disposal of some land. Operating margins for 2021/22 are materially lower than expected due mainly to higher repair costs. The Board is conscious of inflationary pressures that are starting to feed through into costs, particularly in relation to repairs and construction. As such higher inflationary assumptions have been used in both the 2022/23 budget and 30-year financial business plan.

Treasury management

Undrawn, fully secured, borrowing facilities of £13.5m are available through both Triodos (£1.5m) and Santander (£12m). These, together with existing cash balances, will provide enough to fund the 5-year development programme, set out in the latest Business Strategy, up to early 2024. Thereafter, new facilities of circa £30m will need to be available to fund the remaining programme and to re-finance the £12m Santander facility which expires in August 2024. Arrangements are in place to extend existing facilities to accommodate this new funding requirement and should be in place by late summer.

Performance against the interest cover loan covenant, as shown below, has reduced this year. An increase in both repair costs and component replacements has reduced operating cashflows and meant that the operating surplus has reduced from £2.2m last year to £1.8m this year. interest costs broadly remained the same, reflecting some higher fixed rate loans maturing and being replaced with lower fixed rates. Gearing has increased slightly, reflecting the increase in net debt during the year.

English Rural Housing Association Only:

Covenant Definition	Tightest Covenant	2021/22	2020/21
Interest cover – adjusted for major repairs, capitalised interest and excluding surpluses/deficits on sale of assets	Greater than 110%	179%	198%
Gearing – net borrowings / historic cost of properties	Less than 50%	31.0%	30.2%

Cash flows are shown in the Statement of Cash Flows on page 38. This shows that £3.6m (2021: £3.6m) of cash was generated from operations, and a net £1.7m of new borrowing was drawn (2021: £1.8m repaid). Operating cash surpluses and new loans were used to fund investments in new homes and new components of £4.4m (2021: £2.1m) and interest payments of £1.2m (2021: £1.2m). At 31 March 2022, cash balances were £1.9m (2021: £1.4m), and £13.5m in undrawn, but available loan facilities were in place (2021: £15.0m).

There are 290 properties that are currently unsecured and available for charging with a minimum security value of around £33m.

Future performance

English Rural's purpose of providing and managing affordable rural housing is still extremely relevant, with high demand for our existing homes and lack of new affordable homes being built in rural areas. The latest Business Strategy continues to prioritise the ambition to increase financial capacity so that more affordable homes can be developed as well as to invest 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.

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 2022 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, provision for investment in carbon reduction measures and demonstrates that all existing funding covenants are met.

Value for Money

Approach to Value for Money (VfM)

With increasing demands on housing sector resources, be that high inflation, lack of opportunities to build new affordable homes or the increasing need to invest in energy improvement and safety measures, being effective and efficient with available resources is of paramount importance. English Rural's business model is built on ensuring that services to existing residents are fully funded, including investment in improving energy efficiency, 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. Opportunities to work with other like-minded partners are also see as a way of sharing resources and adding further value to not only English Rural's residents but others too.

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. Current inflationary pressures are exacerbating these issues, as the smaller contractors that English Rural works with, are building in more risk leading to much higher tender prices.

- 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 near 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.

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 2021/22 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 2021/22.

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. English Rural's level of investment in existing properties is increasing, as planned, reflecting that a significant number of properties are now reaching an age where components are needing replacing. We are aware, from resident feedback, the importance of this investment and providing them with value.

- **% 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.

Value for Money Metrics (Group)

Metric	English Rural 19/20	English Rural 20/21	English Rural 21/22	Target 21/22	Target 22/23	Longer Term Target (5 Years)	Median RP's < 2,500 units*	Median All RP's > 1,000 units*
Regulatory VFM Metrics:								
Reinvestment %	6.3%	3.0%	5.2%	8.0%	11.9%	8.0%	3.3%	5.8%
New supply delivered %:								
A. New supply delivered (Social Housing)	2.2%	1.7%	0.6%	2.0%	1.8%	3.0%	0%	1.3%
B. New supply delivered (Non-Social Housing)	0%	0%	0%	0%	0%	0%	0%	0%
Gearing %	37.0%	36.2%	35.8%	37.0%	34.0%	<45.0%	28.9%	43.9%
EBITDA MRI Interest Cover (inc sales) % **	189%	236%	216%	195%	184%	200%	167%	183%
Headline social housing cost per unit	£2,799	£2,808	£3,082	£3,085	£3,869	£4,300	£4,170	£3,730
Operating Margin %:								
Operating Margin (social housing lettings only)	26.4%	27.7%	22.9%	24.3%	22.1%	>28%	25.1%	26.3%
Operating Margin (overall)	26.5%	23.5%	20.8%	21.4%	20.8%	>25%	22.1%	23.9%
Return on capital employed	2.0%	2.5%	1.9%	2.0%	2.8%	>2.5%	3.0%	3.3%
Bespoke VFM Metrics							**Benchmark (where available)**	
% of homes above EPC C	66%	68%	70%	73%	78%	90%	69% ***	
% Spend of advocacy	3.8%	3.5%	3.1%	>3%	>3%	>3%	N/A	
Number of complaints	6	22	12	<13	<12	<10	N/A	

* Source: Regulator of Social Housing – Value for money metrics report 2021 - annex to Global Accounts 2021
** This interest cover definition differs from that used by our funders (see page 17) as it is at Group level and includes surpluses from the sale of properties. Performance is, therefore, generally higher than for loan covenant purposes.
*** Acuity – South West Benchmarking Group Median 2022.

Commentary - Regulatory VFM Metrics

Re-investment (Efficiency) – 5.2% versus 3.3% benchmark* (21/22 Target 8%) Green

Although 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, last year saw the first of a sustained period of higher investment for English Rural. Development schemes that had partially stalled during Covid-19 were progressed and this, along with an increased investment in component replacements, resulted in an increase from the 3.0% re-investment in 2021/22. With further planned increases in expenditure on both new supply and investment in existing properties next year, the forecast for 2022/23 is nearer to 12%, with a longer term average target of 8.0%.

Plans to meet strategic target:

- Delivery of over 230 new affordable homes over the next 5 years;
- Review of Asset Management Strategy to reflect refreshed Business Strategy

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

New supply delivered (Effectiveness) – 0.6% versus 0.0% benchmark (21/22 Target 2.0%) Amber

As with re-investment, the percentage of new supply delivered will fluctuate year-on-year depending on the timing of completions. Delays in planning and some handovers during the year has meant that completions, at 0.6% of overall homes owned, was lower than expected. A significant pipeline of new schemes is, however, in progress with a 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.

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) – 35.8% versus 28.9% benchmark (21/22 Target – below 37.0%) Green

Current gearing of 35.8% is above the median for English Rural's size, reflecting the commitment to an active development programme, and is forecast to rise to 44% over the next five years as more debt is taken on to deliver the Business Strategy. Debt per unit increases from £28k to £39k 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) – 216% versus 167% benchmark (21/22 Target 195%) Green

The 2021/22 interest cover is lower than last year, mainly as a result of increased spend on repairs and maintenance. This is a trend that is being closely monitored, particularly given the high levels of inflation currently being experienced. Interest costs have remained at similar levels to last year despite an additional £1.7m of net debt taken on, a reflection of some higher fixed rate loans maturing and being replaced with lower rates. Over the next five years, there is forecast to be significantly more debt taken on to fund the development programme but, despite this and due to higher operating margins on new properties and surpluses on sales, interest cover is expected to increase and average above **200%** over the next five years, ahead of current benchmarks. As a guide, there is currently an interest cover buffer of £0.9m, forecast to rise to £1.7m in five years. This is an indication of potential reduction in income/increase in costs that could be tolerated without breaching interest covenant covenants.

Plans to meet strategic target:

- Delivery of the planned sales programme of 27 low cost home ownership units and 23 market sales homes up to 2027;
- Delivery of over 230 new affordable homes over the next 5 years;
- Continue to look for opportunities to grow through partnerships.

Headline social housing cost per unit (Economy) - £3,082 versus £4,170 benchmark (21/22 Target £3,085) **Green**

English Rural performs relatively well in this area and will continue to do so for the foreseeable future. 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 230 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)

Amber

Social housing – 22.9% versus 25.1% benchmark (21/22 Target 24.3%)

Social housing margins have reduced from last year, due mainly to higher repair costs. Maintaining and increasing social housing operating margins will be a challenge in the future given cost pressures but English Rural's approach to generating capacity to invest in new homes and existing ones will be the same ie 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. Additional inflation allowances have been built into English Rural's 30-year financial plan and this has meant that margins are projected to increase to 29% over a 5-year period rather than the 32% projected last year.

Plans to meet strategic target:

- Delivery of the planned sales programme of 27 low cost home ownership units and 23 market sales homes up to 2027;
- Delivery of over 230 new affordable homes over the next 5 years;
- Continue to look for opportunities to grow through partnerships.

Overall – 20.8% versus 22.1% benchmark (Target 21.4%) **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 26% by 2027 rather than 29% as reported last year.

Return on capital employed (Efficiency) – 1.9% versus 3.0% benchmark (21/22 Target 2.0%)

Green

Although close to target in 2021/22, return on capital employed (ROCE) remains below the benchmark. The Association's financial business plan forecasts show that ROCE will average 2.8% over the next five years, an improvement, 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. 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. A separate annual VFM Report is available to view on English Rural's website **englishrural.org.uk**. This provides more details on a wider range of VfM measures and initiatives which are used to demonstrate achievement against the overall Business Strategy.

An update on key bespoke VfM metrics is supplied below:

% of homes above EPC C (Economy) – 70% versus 69% 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 70% 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.

% spend on advocacy (Effectiveness) – 3.1% (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. The percentage is lower than last year's 3.5%, reflecting proportionately higher overall operating cost base.

Plans to meet strategic target:

- Refreshed Communications Strategy in 2021/22, which is focusing on mobilising resources effectively to optimise outcomes.

Number of complaints (Efficiency) – 12 (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 has proved successful and provides a single point of contact for residents. 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 has made sure that lessons can be learnt, and value is secured when complaints happen. It is encouraging that the number of complaints has fallen from 22 in 2020/21 to 12 in 2021/22.

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.

Governance Report

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, having carried out a self-assessment against the Standard, 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); with an annual review of compliance against the former;
- Adoption of the 2020 NHF Code of Governance from April 2022;

- 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;
- 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 on-going economic volatility. With mitigating actions considered and understood;
- Establishment of “Golden Rules” to act as early warning signs for any corrective actions;
- A Recovery Plan that has been prepared in readiness were there to be a need to take corrective financial actions;
- Compliance with lender covenants, with the Board monitoring compliance on a quarterly basis;
- A “Business Health Dashboard” in place that considers key performance measures, including compliance with health and safety requirements;
- 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 NFVHA, 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;
- A fraud register reviewed annually by the Group Audit & Risk Committee;
- A formal structure and approach for involving residents within the governance of the Association, including a robust approach to handling resident complaints that involves the Group Audit & Risk Committee; and
- A review of compliance against all the Regulatory Standards, considered by the Audit & Risk Committee and reported on to the Board.

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

The Board has considered, and continues to review, any operational and financial impact of the Covid-19 pandemic on English Rural and its subsidiaries. Although services are no longer directly impacted by the pandemic, the Board continue to monitor the economic consequences to supply chains and inflationary pressure as part of financial business planning and stress testing; these pressures being exacerbated by the war in Ukraine and also trade and labour market disruption arising from Brexit. The latest financial business plan was updated by the Board in June 2022 to include greater provision for future cost inflation and, despite this, the plan demonstrates that the Association remains financially viable.

The Association has sufficient resources (including £13.5m of undrawn committed facilities and £2.5m of cash as at 31 March 2022) 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

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;

- 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 31st March 2022 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 19th July 2022 and signed on its behalf by order of the Board:

Chairman

Pamela M Reynolds

Date: 19th July 2022

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 2022 which comprise 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, including 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 and of the Parent Association's affairs as at 31 March 2022 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. 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 this gives rise to a material misstatement in the financial statements themselves. 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board members' remuneration specified by law are not made; 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 [X], the Board are 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 determine 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 are responsible for assessing the Group 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 intend to liquidate the Group or Parent Association 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 Association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.
To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and Parent Association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, 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. In addition, we evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

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. 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.

Mazars LLP

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

Date 2nd August 2022

GROUP AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2022

		Group		Association	
	Notes	**2022**	**2021**	**2022**	**2021**
		£'000	£'000	£'000	£'000
Turnover	3	8,451	8,571	7,287	7,280
Cost of sales	3	(1,373)	(1,503)	(617)	(599)
Operating expenditure	3	(5,322)	(5,053)	(5,190)	(4,896)
Gain on disposal of housing properties		-	166	-	166
Operating surplus		1,756	2,181	1,480	1,951
Gift Aid		-	-	171	85
Interest receivable and similar income	5	3	7	21	12
Interest payable and similar charges	6	(1,050)	(1,118)	(1,042)	(1,110)
Surplus before tax	8	709	1,070	630	938
Taxation	9	-	-	-	-
Surplus for the year after tax		709	1,070	630	938
Other comprehensive income:					
Actuarial gain/(loss) in respect of pension scheme	20	96	(164)	96	(164)
Total comprehensive income for the financial year		**805**	**906**	**726**	**774**

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2022

	Notes	Group Revenue reserves	Group Total	Association Revenue reserves	Association Total
		£'000	£'000	£'000	£'000
Balance as at 31 March 2021		17,775	17,775	14,873	14,873
Surplus from statement of comprehensive income for the year		709	709	630	630
Other comprehensive income:					
Actuarial gain on pensions:					
Actuarial gain in respect of pension scheme	20	96	96	96	96
Balance as at 31 March 2022		18,580	18,580	15,599	15,599

	Notes	Group Revenue reserves Restated	Group Total	Association Revenue reserves Restated	Association Total
		£'000	£'000	£'000	£'000
Balance as at 31 March 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 loss on pensions:					
Actuarial loss in respect of pension scheme	20	(164)	(164)	(164)	(164)
Balance as at 31 March 2021		17,775	17,775	14,873	14,873

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

GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
as at 31st March 2022

		Group		Association	
		2022	2021	2022	2021
Fixed assets	**Notes**	£'000	£'000	£'000	£'000
Social housing properties	10	90,194	87,599	87,550	85,012
Office equipment and leasehold improvements	11 (a)	40	44	40	44
Intangible assets	11 (b)	10	19	10	19
Financial assets	25	399	398	399	398
Long-term debtor	13	12	-	-	-
		90,655	88,060	87,999	85,473
Current assets					
Stock	12	851	973	403	588
Long-term inter-company debtor	13	-	-	337	179
Trade and other debtors	13	331	403	317	383
Short term deposit		600	783	-	-
Cash and cash equivalents		1,875	1,350	1,517	1,207
		3,657	3,509	2,574	2,357
Less: Creditors: amounts falling due within one year	14	(2,954)	(2,699)	(2,884)	(2,570)
Net current assets		703	810	(310)	(213)
Total assets less current liabilities		91,358	88,870	87,689	85,260
Creditors: amounts falling due after more than one year	15	(72,778)	(71,095)	(72,090)	(70,387)
Total net assets		18,580	17,775	15,599	14,873
Capital and reserves					
Non-equity share capital	16	-	-	-	-
Revenue Reserve		18,580	17,775	15,599	14,873

These financial statements were approved by the Board on 19th July 2022 and signed on its behalf by:

Pamela M Reynolds

Pam Reynolds (Chairman)

S Reekie

Sue Reekie (Board Member)

K Eagles.

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 31st March 2022

		Group		Association	
	Notes	2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	19	3,606	3,574	3,601	2,964
Cash flow from investing activities					
Property expenditure		(4,359)	(2,101)	(4,262)	(2,079)
Capital grants received		585	478	585	478
Office equipment purchases		(6)	(16)	(6)	(16)
Investment in subsidiary		-	-	(158)	545
Proceeds from sale of tangible fixed assets		-	704	0	704
Cash gained on acquisition		-	-	-	-
Interest received		2	5	0	2
		(3,778)	(930)	(3,841)	(366)
Cash flow from financing activities					
Finance charges		(1,190)	(1,150)	(1,163)	(1,124)
Loan issue costs		-	-	-	-
Loans received		2,500	-	2,500	-
Loans repaid		(797)	(1,805)	(788)	(1,788)
Transfer (to)/from short term deposit		184	(783)	-	-
Proceeds from issue of shares		-	-	-	-
		697	(3,738)	550	(2,912)
Net change in cash and cash equivalents		525	(1,094)	310	(314)
Cash and cash equivalents at beginning of year		1,350	2,444	1,207	1,521
Cash and cash equivalents at end of year		1,875	1,350	1,517	1,207

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2022

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 £171,400 (2021: £193,000).

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.

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.

(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;

- 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.

(q) **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.

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

	Note	---- 2022 ----				---- 2021 ----			
		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
Social Housing Lettings:	4								
General needs housing		6,145	-	(4,501)	1,644	5,963	-	(4,070)	1,893
Shared ownership accommodation		394	-	(543)	(149)	362	-	(505)	(143)
		6,539	-	(5,044)	1,495	6,325	-	(4,575)	1,750
Other Social Housing Activities:									
1st tranche shared ownership sales		476	(315)	(5)	156	137	(6)	(3)	128
Discounted local sales		319	(302)	(5)	12	678	(593)	-	85
Other income		142	-	(98)	44	336	-	(294)	42
Abortive development costs		-	-	0	0	-	-	(77)	(77)
Non-capitalised development costs		-	-	(162)	(162)	-	-	(101)	(101)
Non-Social Housing Activities:					0				
Market Sale – ER Homes Limited		975	(756)	(8)	211	1,095	(904)	(3)	188
		1,912	(1,373)	(278)	261	2,246	(1,503)	(478)	265
		8,451	(1,373)	(5,322)	1,756	8,571	(1,503)	(5,053)	2,015

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

	Note	2022 Turnover	2022 Cost of sales	2022 Operating costs	2022 Operating surplus/ (deficit)	2021 Turnover	2021 Cost of sales	2021 Operating costs	2021 Operating surplus/ (deficit)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings:	4								
General needs housing		5,850	-	(4,277)	1,573	5,681	-	(3,824)	1,857
Shared ownership accommodation		394	-	(542)	(148)	362	-	(505)	(143)
		6,244	-	(4,819)	1,425	6,043	-	(4,329)	1,714
Other Social Housing Activities:									
1st tranche shared ownership sales		476	(315)	(5)	156	137	(6)	(3)	128
Discounted local sales		319	(302)	(5)	12	678	(593)	-	85
Other income		248	-	(199)	49	422	-	(392	30
Abortive development costs		-	-	0	0	-	-	(71)	(71)
Non-capitalised development costs		-	-	(162)	(162)	-	-	(101)	(101)
		1,043	(617)	(371)	55	1,237	(599)	(567)	71
		7,287	(617)	(5,190)	1,480	7,280	(599)	(4,896)	1,785

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

	2022			2021		
	General Needs Housing	Shared Ownership Accommodation	Total	General Needs Housing	Shared Ownership Accommodation	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	5,568	204	5,772	5,401	189	5,590
Service charges receivable	220	87	307	210	70	280
Grants released from deferred income	357	103	460	352	103	455
Turnover from Social Housing Lettings	6,145	394	6,539	5,963	362	6,325
Housing Management	622	190	812	707	183	890
Housing services	431	241	672	414	211	625
Routine maintenance	685	-	685	536	-	536
Planned maintenance	521	-	521	383	-	383
Major repairs	691	-	691	500	-	500
Bad debts	8	-	8	3	-	3
Depreciation of housing properties	1,543	112	1,655	1,527	111	1,638
Operating costs on social housing lettings	4,501	543	5,044	4,070	505	4,575
Operating surplus on social housing lettings	1,644	(149)	1,495	1,893	(143)	1,750
Void Losses	49	-	49	41	-	41

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

	2022			2021		
	General Needs Housing	**Shared Ownership Accommodation**	**Total**	**General Needs Housing**	**Shared Ownership Accommodation**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	5,302	204	5,506	5,142	189	5,331
Service charges receivable	191	87	278	187	70	257
Grants released from deferred income	357	103	460	352	103	455
Turnover from Social Housing Lettings	5,850	394	6,244	5,681	362	6,043
Housing Management	589	189	778	629	183	812
Housing services	397	241	638	377	211	588
Routine maintenance	644	-	644	501	-	501
Planned maintenance	497	-	497	369	-	369
Major repairs	639	-	639	457	-	457
Bad debts	8	-	8	2	-	2
Depreciation of housing properties	1,503	112	1,615	1,489	111	1,600
Operating costs on social housing lettings	4,277	542	4,819	3,824	505	4,329
Operating surplus on social housing lettings	1,573	(148)	1,425	1,857	(143)	1,714
Void Losses	48	-	48	39	-	39

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest Receivable on Bank Deposit Accounts	3	7	21	12

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest on loans	1,073	1,130	1,047	1,104
Non-Utilisation Fees	112	111	112	111
Amortisation of loan issue costs & bond proceeds premium	(4)	(3)	(4)	(3)
Fair value amortisation Orchardbrook	(18)	(18)	-	-
Net interest charge pension scheme	6	3	6	3
Interest capitalised	(119)	(105)	(119)	(105)
	1,050	1,118	1,042	1,110

7. EMOLUMENTS AND EXPENSES

a) Directors' Emoluments and Expenses

	2022	2021
	£'000	£'000
Total Emoluments	430	366
Emoluments of highest paid director excluding pension contribution	136	129
The Chief Executive has a stakeholder pension plan. The total contribution amounts to 9% of pensionable salary, amounting to £11,663.		
Total expenses reimbursed to the directors and not chargeable to United Kingdom taxation	7	2
	No.	No.
The full-time equivalent number of staff whose remuneration fell within each band of £10,000 from £60,000 upwards was:		
£120,000 - £129,999	1	-
£120,000 - £129,999	-	1
£110,000 - £119,999	1	1
£100,000 - £109,999	1	1
£ 90,000 - £ 99,999	-	-
£ 80,000 - £ 89,999	-	-
£ 70,000 - £ 79,999	1	-
£ 60,000 - £ 69,999	3	3

	Group and Association	
	2022	2021
	£'000	£'000
b) Employee Costs		
Salaries	1,168	1,160
Social security costs	130	122
Pension costs	174	147
Less: capitalised staff costs	(172)	(193)
	1,300	1,236
Average weekly number of employees (expressed as full-time equivalent and including the Executive Management Team)	24	23

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Auditor's remuneration including VAT:				
In their capacity as auditors	21	20	14	14
For other services	5	4	2	1
Depreciation:				
Housing Properties	1,655	1,638	1,615	1,600
Office Equipment and leasehold improvements	20	20	20	20

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.

10. FIXED ASSETS (PROPERTIES) – GROUP

	Completed Properties for Letting	Completed Shared Owned Properties	Properties in Development	Total
	£'000	£'000	£'000	£'000
Cost				
At 1st April 2021	90,957	11,189	2,360	104,506
Additions: new properties	-	-	4,199	4,199
Works to existing properties	454	-	-	454
Components written off	(196)	-	-	(196)
Transferred to completed schemes	1,708	-	(1,708)	-
Transferred from (to) current assets (Note 12)	-	-	(403)	(403)
At 31st March 2022	92,923	11,189	4,448	108,560
Depreciation				
At 1st April 2021	15,131	1,776	-	16,907
Charge for year	1,543	112	-	1,655
Released on disposal	(196)	-	-	(196)
At 31st March 2022	16,478	1,888	-	18,366
Net Book Value				
At 31st March 2022	76,445	9,301	4,448	90,194
At 31st March 2021	75,826	9,413	2,360	87,599

10. FIXED ASSETS (PROPERTIES) – ASSOCIATION

	Completed Properties for Letting	Completed Shared Owned Properties	Properties in Development	Total
	£'000	£'000	£'000	£'000
Cost				
At 1st April 2021	88,334	11,189	2,349	101,872
Additions: new properties	-	-	4,187	4,187
Works to existing properties	369	-	-	369
Components written off	(177)	-	-	(177)
Transferred to completed schemes	1,708	-	(1,708)	-
Transferred from current assets (Note 12)	-	-	(403)	(403)
At 31st March 2022	90,235	11,189	4,424	105,848
Depreciation				
At 1st April 2021	15,083	1,776	-	16,859
Charge for year	1,504	112	-	1,616
Released on disposal	(177)	-	-	(177)
At 31st March 2022	16,410	1,888	-	18,298
Net Book Value				
At 31st March 2022	73,825	9,301	4,424	87,550
At 31st March 2021	73,250	9,413	2,349	85,012

11 (a) OTHER FIXED ASSETS – GROUP AND ASSOCIATION

	Leasehold Offices	Office Equipment	Total
	£'000	£'000	£'000
Cost			
At 1st April 2021	40	73	113
Written off in year	-	-	-
Additions at Cost	-	5	5
At 31st March 2022	40	78	118
Depreciation			
At 1st April 2021	(5)	(64)	(69)
Written off in year	-	-	-
Charged in year	(4)	(5)	(9)
At 31st March 2022	(9)	(69)	(78)
Net book value			
At 31st March 2022	31	9	40
At 31st March 2021	35	8	44

11 (b) INTANGIBLE ASSETS – GROUP AND ASSOCIATION

	Computer Software	Total
	£'000	£'000
Cost		
At 1st April 2021	38	38
Written off in year	-	-
Additions at Cost	1	1
At 31st March 2022	39	39
Depreciation		
At 1st April 2021	(18)	(18)
Written off in year	-	-
Charged in year	(10)	(10)
At 31st March 2022	(28)	(28)
Net book value		
At 31st March 2022	10	10
At 31st March 2021	19	19

12. STOCK

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
At 1st April	1,016	1,128	588	283
Expenditure during the year	1,208	1,348	432	904
Transferred to fixed assets (Note 10)	-	-	-	-
Transferred to cost of sales	(1,373)	(1,503)	(617)	(599)
At 31st March	851	973	403	588

13. DEBTORS

	Group		Association	
	2022	**2021**	**2022**	**2021**
Trade and other debtors:	**£'000**	£'000	£'000	£'000
Arrears of rent and service charges	101	100	91	88
Provision for doubtful debts	(25)	(17)	(23)	(15)
	76	83	68	73
Recharges-tenants	19	22	18	21
Other recharges	6	34	6	34
Capital grant due	-	8	-	8
Amounts due from subsidiaries	-	-	4	1
Insurance recharges	30	-	30	-
Deposit for highway works	21	28	21	28
Sundry debtors and prepayments	179	228	170	217
	331	403	317	382
Long-term debtors:				
Inter-company loan	-	-	337	179
Other long-term debtor	12	-	-	-
	12	-	337	179

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Sinking fund	717	662	717	662
Other creditors and accruals	1,030	682	985	647
Amounts owed to subsidiaries	-	-	26	8
Recycled capital grant fund (see below)	14	14	14	14
Employee benefits – annual leave carried forward	45	51	45	51
Deferred income – capital grants	465	448	465	448
Building retentions	162	208	162	208
Building creditors	105	212	73	137
Housing loans	416	422	396	395
	2,954	2,699	2,884	2,570

Recycled Capital Grant Fund:

	2022	**2021**
	£'000	£'000
As at 1 April	14	-
Grants recycled	-	14
Interest accrued	-	-
As at 31 March	14	14

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

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Housing loans	34,337	32,650	33,649	31,942
Deferred income – capital grants	38,291	38,191	38,291	38,191
Pension provision (Note 20)	150	254	150	254
	72,778	71,095	72,090	70,387

Housing Loans

	2022	**2021**	**2022**	**2021**
	£'000	£'000		£'000
Due in less than 1 year	416	422	396	395
Due between 1 and 2 years	948	416	929	396
Due between 2 and 5 years	3,576	3,062	3,516	3,003
Due after 5 years	29,813	29,172	29,204	28,543
Due after more than 1 year	34,337	32,650	33,649	31,942
Total	34,753	33,072	34,045	32,337

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 2.05% to 12.13% per annum (2021: 1.20% to 12.13%). The average rate achieved over the year was 3.33% (2021: 3.40%). 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 2022 were £13.6m (2021: £16.1m). Issue costs were incurred for Triodos Bank, Santander and AHF loans and are amortised to the statement of comprehensive income.

Loan balances were as follows:

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Debt by Lender:				
Barclays Bank	4,096	4,486	4,096	4,486
Triodos Bank	18,872	16,766	18,872	16,766
AHF plc	10,000	10,000	10,000	10,000
Orchardbrook	240	253	22	25
Total debt	33,208	31,505	32,990	31,277
Related amounts:				
Premium on AHF loan	1,333	1,382	1,333	1,382
Fair value on Orchardbrook loans	550	568	60	60
Issue costs	(338)	(383)	(338)	(383)
Total	34,753	33,072	34,045	32,336

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	Association
	£'000	£'000
Capital grants received		
At 1st April 2021	45,133	45,133
Grant received during the year	577	577
Grant recycled during the year	-	-
At 31st March 2022	45,710	45,710
Less grant amortisation		
At 1st April 2021	6,494	6,494
Grant amortised for year	460	460
At 31st March 2022	6,954	6,954
Net deferred income at 31st March 2022	38,756	38,756
Net deferred income at 31st March 2021	38,639	38,639

Deferred income – capital grants – continued

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amount due to be released in less than one year	465	448	465	448
Amount due to be released in more than one year	38,291	38,191	38,291	38,191
	38,756	38,639	38,756	38,639

16. CALLED UP SHARE CAPITAL

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Shares of £1 each – allotted, issued and fully paid at 31st March 2021	49	51	49	51
Issued during the year	2	2	2	2
Cancelled during the year	(2)	(4)	(2)	(4)
Shares of £1 each – allotted, issued and fully paid at 31st March 2022	49	49	49	49

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	1,799	2,713	1,629	1,723
Capital expenditure authorised by the Board but has not yet been contracted	25,685	22,789	20,108	19,437
Total	27,484	25,502	21,737	21,160
Proposed financing of above expenditure:				
Grants	4,877	4,396	4,417	4,396
Loans & Cash	17,017	14,425	15,341	14,425
Property sales	5,590	6,681	1,979	2,339
	27,484	25,502	21,737	21,160

18. HOUSING STOCK

In ownership and management

The number of units of housing accommodation under development and in management at 31st March 2021 and 31st March 2022 were:

	Group				Association			
	Units in Development		Units in Management		Units in Development		Units in Management	
	2022	2021	2022	2021	2022	2021	2022	2021
	No.	No.	No.	No.	No.	No.	No.	No.
General needs housing - social rent	21	-	692	693	21	-	645	646
General needs housing - affordable rent	106	104	181	173	96	104	181	173
General needs housing – intermediate rent	-	-	11	11	-	-	11	11
Affordable home ownership	11	10	378	378	11	10	378	378
Total units owned or in development	138	114	1,262	1,255	128	114	1,215	1,208
Units managed on behalf of other registered providers	-	-	70	72	-	-	66	68
	138	114	1,332	1,327	128	114	1,281	1,276

Analysis of movement in units owned and managed:

Group

	At 31st Mar 2021	Additions	Disposals	Amalgamations	Conversions	Other	At 31st Mar 2022
Units owned:							
Social housing							
Owned general needs - social rent	693	-	-	-	(1)	-	692
Owned general needs - affordable rent	173	8	-	-	-	-	181
Owned general needs - intermediate rent	11	-	-	-	-	-	11
Affordable home ownership	378		(1)		1		378
	1,255	8	(1)	-	-	-	1,262
Non-Social housing	-	-	-	-	-	-	-
Total owned	**1,255**	**8**	**(1)**	**0**	**0**	**0**	**1,262**
Units managed							
Managed units general needs	72	-	(2)	-	-	-	70

Association

	At 31st Mar 2021	Additions	Disposals	Amalgamations	Conversions	Other	At 31st Mar 2022
Units owned:							
Social housing							
Owned general needs - social rent	646	-	-	-	(1)	-	645
Owned general needs - affordable rent	173	8	-	-	-	-	181
Owned general needs - intermediate rent	11	-	-	-	-	-	11
Affordable home ownership	378		(1)		1		378
	1,208	8	(1)	-	-	-	1,215
Non-Social housing	-	-	-	-	-	-	-
Total owned	**1,208**	**8**	**(1)**	**0**	**0**	**0**	**1,215**
Units managed							
Managed units general needs	68	-	(2)	-	-	-	66

19. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of surplus to net cash inflow from operating activities

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Surplus for the year	708	1,070	627	938
Adjustments for non-cash items:				
Depreciation and assets written off	1,689	1,673	1,634	1,620
Aborted scheme costs	0	70	0	70
Amortisation of fair value adjustment	(10)	(10)	0	-
(Increase)/decrease in trade and other debtors	92	47	114	52
Increase in trade and other creditors	314	95	351	114
(Decrease)/increase in provisions	(104)	143	(104)	143
Decrease/(increase) in properties developed for sale	92	125	185	(305)
Other comprehensive income	96	(164)	96	(164)
Adjustments for investing or financing activities:				
Profit on disposal of fixed assets	0	(166)	0	(166)
Government grants utilised during the year	(483)	(479)	(460)	(455)
Interest receivable	(3)	(7)	(1)	(4)
Interest payable	1,216	1,177	1,159	1,121
Net Cash Inflow from Operating Activities	3,606	3,574	3,601	2,964

Analysis of change in net debt

Group

	At 31st March 2021	**Cashflows**	**Other Changes**	**At 31st March 2022**
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,350	525	-	1,875
Short-term deposits	783	(183)	-	600
Overdrafts	-	-	-	-
	2,133	342	-	2,475
Debt due within one year	(356)	(60)	-	(416)
Debt due after more than one year	(32,716)	(1,621)	-	(34,337)
Current asset investments	-	-	-	-
Net debt	**(30,939)**	**(1,339)**	-	**(32,278)**

Association

	At 31st March 2021	Cashflows	Other Changes	At 31st March 2022
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,207	310	-	1,517
Overdrafts	-	-	-	-
	1,207	310	-	1,517
Debt due within one year	(347)	(49)	-	(396)
Debt due after more than one year	(31,990)	(1,659)		(33,649)
Current asset investments	-	-	-	-
Net debt	**(31,130)**	**(1,398)**	**-**	**(32,528)**

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

English Rural Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme), a multi-employer 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 and then for future accrual from 1st April 2022. 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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

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.

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 is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 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 2022 (£000s)	31 March 2021 (£000s)
Fair value of plan assets	1,099	992
Present value of defined benefit obligation	1,249	1,246
Surplus (deficit) in plan	(150)	(254)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(150)	(254)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2021 to 31 March 2022 (£000s)
Defined benefit obligation at start of period	1,246
Current service cost	34
Expenses	2
Interest expense	28
Member contributions	20
Actuarial losses (gains) due to scheme experience	54
Actuarial losses (gains) due to changes in demographic assumptions	(19)
Actuarial losses (gains) due to changes in financial assumptions	(103)
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	1,249

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

	Period from 31 March 2021 to 31 March 2022 (£000s)
Fair value of plan assets at start of period	992
Interest income	22
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	28
Employer contributions	50
Member contributions	20
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	1,099

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £50,000.

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

	Period from 31 March 2021 to 31 March 2022 (£000s)
Current service cost	34
Expenses	2
Net interest expense	6
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 (SoCI)	42

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2021 to 31 March 2022 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	28
Experience gains and losses arising on the plan liabilities - gain (loss)	(54)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	19
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	103
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	96
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)	96

ASSETS

	31 March 2022 (£000s)	31 March 2021 (£000s)
Global Equity	211	158
Absolute Return	44	55
Distressed Opportunities	39	29
Credit Relative Value	37	31
Alternative Risk Premia	36	37
Fund of Hedge Funds	-	-
Emerging Markets Debt	32	40
Risk Sharing	36	36
Insurance-Linked Securities	26	24
Property	30	21
Infrastructure	78	66
Private Debt	28	24
Opportunistic Illiquid Credit	37	25
High Yield	9	30
Opportunistic Credit	4	27
Cash	4	-
Corporate Bond Fund	73	59
Liquid Credit	-	12

Long Lease Property	28	19
Secured Income	41	41
Liability Driven Investment	307	252
Currency Hedging	(4)	-
Net Current Assets	3	6
Total assets	1,099	992

KEY ASSUMPTIONS

	31 March 2022 % per annum	**31 March 2021 % per annum**
Discount Rate	2.79%	2.19%
Inflation (RPI)	3.54%	3.26%
Inflation (CPI)	3.17%	2.87%
Salary Growth	4.17%	3.87%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

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 £816,730 as at 30th September 2021 (£902,670 as at 30th September 2020).

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 14 members of staff who are active members of SHPS DC. schemes.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

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.

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 extents to the date of the break clause.

Operating lease payments are as follows:

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Land & Buildings				
Due in less than 1 year	75	102	75	102
Due between 2 and 5 years	45	120	45	120
Due after 5 years		-		-
Other				
Due in less than 1 year	-	18	-	18
Due between 2 and 5 years	-	-	-	-
Due after 5 years	-	-	-	-
As at 31 March	120	240	120	240

The operating lease expense for the year was £130k.

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 29th November 2018. On the 30th September 2019, New Forest Villages Housing Association became a wholly controlled subsidiary of English Rural Housing Association. New Forest Villages Housing Association is a 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. FINANCIAL ASSETS

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	£'000	£'000	£'000
Liquidity reserve fund	399	398	399	398
	399	398	399	398

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.

26. POST BALANCE SHEET EVENT

On the 31st May 2022, The Cambridgeshire Cottage Housing Society (TCCHS) joined the English Rural Group as a wholly owned subsidiary. TCCHS, is a Registered Provider of Social Housing under the Co-operative and Community Benefit Societies Act 2014. The Association provides social rented homes for 62 households in the Cambridgeshire area.