

**ENGLISH RURAL HOUSING ASSOCIATION LIMITED**



**Value for Money Report  
2024**

## **Approach to Value for Money (VfM)**

The Board and Management of English Rural continue to acknowledge and respond to the challenges impacting the association and wider affordable housing sector, such as high inflation, viability pressures on development growth or the increasing need to invest in environmental and safety measures. To achieve value for money aims when responding to these challenges requires the association to be effective and efficient with all available resources. The association's refreshed Business Strategy continues to align with agreed purpose, delivering homes and services to rural communities and the people who live in them. Whilst determining this new Strategy the Association has needed to balance conflicting pressures across the business, accepting trade-offs in pursuit of a balanced approach that delivers on both financial and social value. A fundamental of English Rural's business model is ensuring that services to existing homes and residents are fully funded whilst maintaining a sustainable approach to growth through building new affordable homes. As such, English Rural's approach to delivering Value for Money is based on the following guiding principles:

- Investing in and delivering good services to our existing homes and residents.
- Making homes more sustainable. Reducing their environmental impact and the running costs for residents.
- Generating more financial capacity through growth, partnerships, generating economies of scale to provide more capacity to invest in existing homes, services and new developments.
- Being a pro-active advocate and influencer on matters that benefit our strategic ambitions and the rural communities we work with.

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.

### **Challenges to delivering VfM**

- English Rural only builds and manages homes in smaller rural communities where construction costs are generally more due to higher infrastructure costs such as utilities and drainage. This has been exacerbated by the recent inflationary pressures.
- Although English Rural has excellent relationships with the local authorities and parishes in areas where it operates, there is often local resistance to homes being built in small rural villages, responding to this and taking our community focused approach requires significant staff time, which attracts proportionally higher upfront costs per property which are at risk of being abortive if a development does not progress.
- Although relatively small, English Rural operates in many local authority areas across the country, making efficient delivery of services in some instances more challenging because of scale and sparsity.

### **Opportunities to delivering VfM**

- As a specialist in affordable rural housing, English Rural will often build and manage homes in locations that other housing associations would dismiss as too difficult or too small. This is a key differentiator for English Rural and these relatively small developments deliver significant, long term, social value within rural communities where they are cited.
- As an active advocate for rural communities, English Rural's actions are aimed at 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, securing or directing funding from which English Rural benefits. It also supports a positive policy framework for English Rural and others like us to operate within.

- English Rural has been very successful in collaborating and sharing expertise with smaller like-minded partners, helping them deliver affordable rural homes and services. For English Rural, this helps bring in useful income to help spread overheads and create further capacity to invest in our strategic ambitions. Over recent years English Rural has welcomed a number of smaller housing providers through mergers and transfers. This has achieved greater economies and efficiencies to enhance VfM principles. Where these transfers have happened a strong business case has existed and the changes secured have both endowed English Rural with more assets, as well as securing the long-term sustainability of rural social housing which can be more challenging for smaller providers to deliver in the current economic environment.
- Ongoing analysis of responses to tenancy satisfaction survey feedback and tenancy satisfaction metrics will continue to inform our focus on improving value as viewed by residents. For example, it is clear that satisfaction levels have been influenced by dissatisfaction with elements of the Grounds Maintenance service and a key focus during 2024 has been to reflect these concerns in the procurement of this service.

## **How Do We Perform and What are the Measures to Improve?**

The Regulator for Social Housing (RSH) requires publication in the Financial Statements of performance against nine headline VfM Metrics, which allows comparison across the housing association sector. Targets are set for future years and measures identified to improve performance where needed. Details of performance against these regulatory metrics are included from page 23 within our published financial statements [here](#).

The RSH recognised that the overall value delivered by individual providers cannot be expressed solely by these metrics and that bespoke VfM metrics help further demonstrate how an organisation is delivering and improving value against its long-term strategic objectives.

English Rural's Board have identified three of the nine RSH VfM Metrics as being of particular relevance and important in demonstrating that English Rural is on track to deliver its VfM aims. Performance and targets against these, along with the three bespoke metrics, is shown in the table below.

In addition, there are a wider set of metrics which form a "Business Health Dashboard" showing underlying progress aligned to English Rural's strategic ambitions. These are regularly reviewed by Board and the Senior Management Team to ensure performance is appraised and where necessary improvement actions are taken and trade-offs are understood.

Metric	English Rural 21/22	English Rural 22/23	English Rural 23/24	Target 23/24	Target 24/25	5-Year Target	Median RP's < 2,500 units*	Median All RP's > 1,000 units*
<b>Regulatory VFM Metrics:</b>								
<b>Reinvestment %</b>	5.2%	7.3%	8.2%	9.9%	8.2%	6.5%	3.5%	6.7%
<p>This metric includes both investment in existing stock as well as in new homes. The lower than target (23/24) performance was most impacted by revisions to planned development phasing in order to allow for higher than previously anticipated funding costs. The current plan is now very much aligned to the Board agreed sustainable output target averaging 25-35 new homes per year. Given the growth in build costs over the past few years, this target is also based on the application of the revised development appraisal metrics introduced during the year, which reflected the reduced internal capacity to subsidise development growth from existing stock surpluses given both the underlying increases in maintenance costs and the planned improvements to environmental sustainability of existing stock. The strategy continues to focus on the provision of homes in rural locations. In addition to the updated assumptions for new homes being developed, the latest revisions to the financial business plan and associated targets have incorporated the updated stock condition survey data which was undertaken towards the end of 2023. These updates to the financial business plan included an additional £40m of expenditure on existing stock over the next 30 years to recognise latest assessment of requirements and the recent period of rapid inflation. Also included in the latest investment plan is £33m of investment homes to deliver enhanced energy performance requirements and to meet carbon emissions standards. During 2023/24, English Rural completed its first A rated environmental homes and through the updated Development Strategy and Asset Management Strategy embedded its approach to delivering sustainability aims.</p> <p>Plans to help deliver strategic target:</p> <ul style="list-style-type: none"> <li>• In its latest Financial Business Plan, the Board of English Rural approved the allocation of £24m of budget towards investing in new affordable developments at named locations and a further £10m for opportunities yet to be identified. In addition, over £12m of component replacement investment has been assigned to existing homes over the next five years.</li> <li>• A major property cost related procurement review is being undertaken during 2024 to ensure best value continues to be achieved on all stock investment.</li> <li>• A Sustainability Strategy is under development by Board to ensure the delivery of strategic ambition number eight "Develop homes, services and operations in a sustainable and environmentally responsible way".</li> </ul>								
<b>New supply delivered %:</b>	0.6%	1.3%	2.1%	1.3%	2.0%	2.0%	0.9%	1.4%
<p>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 of work. Our investment in new rural homes also secures an essential boost to the local economy helping to reduce rural disadvantage. The shift in economic environment, in particular the significant uplift in borrowing costs has placed additional pressure on our ability to meet historic targets, however, English Rural remains committed to increasing supply where this is practical and viable and in 2023/24 developed 32 more new affordable homes for residents to live in. In addition, 30 more much needed affordable rural homes are due to be completed in 2024/25.</p> <p>Plans to help deliver strategic target:</p> <ul style="list-style-type: none"> <li>• Fully funded financial business plan with supporting borrowing facilities in place.</li> <li>• Identified pipeline opportunities, sufficient to provide over 100 homes.</li> <li>• Continued working and support with landowners, Rural Housing Enablers and other providers to maximise delivery of rural housing.</li> </ul>								

<b>Operating Margin (social housing lettings)</b>	22.9%	21.4%	24.3%	26.5%	24.2%	>29%	21.4%	18.2%
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An indicator of English Rural's underlying efficiency. An increased margin helps to demonstrate that rent payments are being used efficiently, ensuring services and improvements to existing homes can be maintained as well as to support initial funding costs of new supply; providing assurance to both residents and lenders. This indicator also captures the long-term impact of growth through both development and mergers as well as potentially variable levels of cyclical investment works, or one off and 'new' expenditure demands such as growing levels of expenditure arising from the need to achieve the Government's carbon reduction initiatives.

Although not to the level reflected in the target, social housing margins have increased from last year, and this in part reflects the benefits of increased scale from the transfer with GRHA although this was part offset by one off costs as well as continued high underlying inflation for much of the year. These additional costs of integration also contributed to, and are reflected in the headline cost per unit, which was marginally over target for the year at £3,813 at £3825. Nonetheless we are projecting steady growth in operating margin over the coming years as will be required to support our borrowing and investment plans.

Plans to help deliver strategic target:

- Limited overhead cost increases as a result of scale achieved through recent transfers.
- Property related procurement costs review.
- Review of housing management technology platform to target transactional process cost savings as English Rural continues to grow. These forming part of the IT Strategy, which looks to harness technological gains to secure business efficiencies and enhance VfM.

Bespoke VFM Metrics	English Rural 21/22	English Rural 22/23	English Rural 23/24	Target 23/24	Target 24/25	5-Year Target	Benchmark (where available)
<b>% of homes at EPC C or above</b>	70%	69%%	69%	73%		90%	73% **

There is an expectation on English Rural to secure a C or above rating on all homes by 2030, unless specific exemptions apply. 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 and also as English Rural has expanded through merger, some home acquired had relatively low ratings. However, our focus remains to deliver this ambition for both the benefit of residents in terms of lowest sustainable cost and society in terms of reduced carbon utilisation. Although the target has not moved during the year, this reflects backsliding caused by the transfers into English Rural, where energy performance gains secured by growth and investment were offset by older and less efficient stock transferring; in real terms progress has been made.

Plans to help deliver strategic target:

- Seek opportunities for programme of 'whole house approach' with key partners in 2025.
- Develop evolving Sustainability Strategy to be agreed by the Board to ensure progress is made.
- Significant financial provision within financial business plan.
- Expand data, skills and knowledge to inform investment decisions in most impactful way.

<b>% Spend of advocacy</b>	3.1%	3.0%	3.3%	>3%	>3%	>3%	N/A
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English Rural continues to maintain an influential position and brand within the affordable housing and rural sectors. This has been developed over many years by investing resources in understanding critical matters related to purpose and advocating an improved environment for achieving these. Over the past year, notable success has been secured through the leadership role which saw the commissioning and promotion of innovative rural homelessness research. Since then, English Rural has sustained the momentum by facilitating the Rural Homelessness Counts Coalition, a direct result of the research.

A proactive Communications Strategy has established English Rural as a trusted and informed voice at the centre of national debate and policy discussion. Recognising the limitations of its own scale and abilities, a convenor role is relied on. This approach uses the associations relationships, insights and networks to bring together and scale like-minded partners from whose collective efforts greater impact can be delivered.

The presence and commitment of English Rural continues to encourage and may facilitate further merger considerations which ultimately has the potential to release further capacity and sustainability for rural housing. Value is also likely to be secured through renewed opportunities to secure grant or similar gains, for example a rural allocation within the new Affordable Homes Programme, environmental funding or streamlining of Rural Exception site planning process within the National Planning Policy Framework – gains such as this securing financial and efficiency gains that will enhance VfM as English Rural delivers strategic ambition.

<b>Number of complaints</b>	12	12	17	<10			N/A
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Listening to residents continues to help English Rural adapt the way that services are delivered, and whilst receiving complaints can be uncomfortable, they do form an important trigger to deliver better value and learning. Although the further increase in quantum of complaints may be disappointing it reflects English Rural’s promotion of feedback mechanisms showing the development of a culture where resident voice and feedback is seen as a critical component of evolving and enhancing the services provided. It is in that vein that English Rural have embraced the Tenancy Satisfaction Metrics and will be seeking to align these to future value for money reporting where possible.

Plans to help deliver strategic target:

- Oversight of all complaints by Group Audit and Risk Committee (ARC), review and reporting of Tenancy Satisfaction Metrics to ARC and main Board.
- Review and delivery of a refreshed Resident Engagement Strategy to seeks to redefine transparency, voice and engagement with residents in a more effective way across the business in a meaningful way, including within governance.
- Seek mechanism to embed reference to TSM’s within future value for money reporting

\* Source: Regulator of Social Housing – Value for money metrics report 2023 - Global Accounts 2023

\*\* Acuity – Southwest Benchmarking Group Median 2023.

## Business Health Dashboard used to drive performance

The Board has in place a Business Health Dashboard to regularly review a variety of key indicators to drive improvements in business performance. These are directly aligned to English Rural's eight Strategic Ambitions. Improving these indicators will help drive better performance against the VfM metrics identified above. Performance for the year 2023/24 is shown below. Further reflection on performance against our Strategic Ambitions is included in the Board Report from page 4 within our [Financial Statements](#).

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
<b>Strategic ambition one - Work with residents and deliver services in an accountable way</b>					
% Satisfied with Service	74	>85	Red	Green	↓
Number of complaints	17	<10	Red	Yellow	↓
Ratio of responsive and planned maintenance investment	0.28	<0.4	Green	Yellow	↓
<b>Strategic ambition two - Grow by building new homes in partnership with rural communities</b>					
Homes started within year	0	>40	Red	Green	↓
Homes completed in year	20	>16	Green	Green	↑
Homes in development programme	110	>100	Green	Green	↓
<b>Strategic ambition three - Play a leading and influential role nationally within the rural housing sector</b>					
% Spend on advocacy	3.3%	>3	Green	Green	↑
<b>Strategic ambition four - Invest in and deliver good governance</b>					
% Board attendance	79	>90	Red	Red	↓
% Committee attendance	80	>85	Yellow	Yellow	↓
% Training attendance	60	>80	Red	Red	↓
<b>Strategic ambition five - Invest in securing and keeping the best talent</b>					
% Staff who would recommend English Rural as a good place to work	96	>90	Green	Green	↑
% Annual appraisals overdue	6	<10	Red	Red	↔
<b>Strategic ambition six - Actively seek partnership opportunities with other smaller rural housing associations.</b>					
Active partnerships	2	>5	Red	Yellow	↓
£000 Partnership income*	20	>15	Green	Green	↑
<b>Strategic ambition seven - Use assets effectively and support sound financial health.</b>					
% Fixed to variable rate debt	65	>60	Green	Green	↓
% EBITDA (MRI) exc sales and interest cover	130%	>110	Green	Green	↓
Liquidity	> 36 months	>18 months	Green	Green	↔

## **Benchmarking**

For VfM benchmarking purposes, English Rural uses the sector medians provided as part of the annual Global Accounts review by the RSH. In addition, English Rural also subscribes to Acuity Services, a regional benchmarking service for similar housing associations, which allows comparison across the range of VfM metrics as well as more customer focused indicators. This drives some useful comparisons but can also be problematic given that English Rural is one of the biggest in the group and is also an active developer. As such, English Rural feels the sector median for registered providers above 1,000 homes is a better benchmark and is, therefore, included for reporting purposes.

## **Key Focus Activities 2024/25**

- Further delivering on transfer of engagement and improvements to group structure which during the previous year have included the full transfer of engagements into English Rural of The Cambridgeshire Cottage Housing Society and The Gloucestershire Rural Housing Society.
- Retendering of key contracts for Grounds Maintenance and Insurance to ensure best value for money
- Review of procurement framework relating to property repairs and maintenance to ensure best value is continuing to be achieved given the increased stock size.
- Tendering for and potential replacement of software relied on for housing management and financial reporting to ensure processes are efficient and continue to meet the needs of English Rural and its residents.
- Strategy development and implementation of actions to enhance medium term EPC performance and longer-term carbon emissions targets; utilising the significant provision in the financial business plan and seeking wider grant opportunities and efficiencies of scale through collaboration with others.
- Learn from the feedback from the newly published Tenancy Satisfaction Metrics to develop strategies which ensure resident voice can be demonstrably heard and acted upon
- Review of Treasury Policies to ensure long term value and alignment with updated corporate strategies and objectives.

## **Delivering on transfer of engagement and improvements to group structure**

On 1 April 2023, the Gloucestershire Rural Housing Association (GRHA) transferred all assets and liabilities into English Rural and on 31 March 2024, The Cambridgeshire Cottage Housing Association undertook a similar transfer. The legal transfer is in many ways just the beginning as to realise value for existing and new residents we will fully capitalise on potential gains that benefit the cost base and service to residents. This includes the specific actions of seeking procurement synergies and process amalgamation to create a 'simpler' organisation for core processes. English Rural remains open to future transfers and mergers and will continue to consider these on a case-by-case basis as opportunities arise; always with a view to protecting the interests of residents, agreed purpose and ensuring enhances VfM aims.

## **Retendering for Key Contracts**

A number of key contracts which impact both overhead and service costs are due for renewal. With Grounds Maintenance, English Rural has listened to the concerns of residents and will focus on balanced cost and service as a part of the Grounds Maintenance 5-year re-procurement. In addition, the costs of insurance have continued to increase over recent years and market advice will be carefully considered as the association seeks to renegotiate the best terms for the expanded organisation.



## **Review procurement framework relating to property repairs and maintenance.**

It is acknowledged that the rural nature and spread of English Rural's homes have a general adverse impact on costs of maintenance. However, there is no room for complacency and given the expanded scale achieved through development growth and transfer activity, as well as increased market competition, a full review of relevant procurement will be undertaken to ensure that the most appropriate procurement models are in place and that best available value is achieved. This will include, but not limited to, reviewing external cost and internal management structures.

## **Review and retendering of software relied on to deliver housing management and financial systems**

In an increasingly digital and integrated world, there are many opportunities to ensure information and processes are ever more secure but also straightforward for organisations and their customers. English Rural's existing systems have been in place for many years and the reporting demands internally and externally have evolved significantly over that period. This project will aim to ensure English Rural, and its customers are benefiting from the efficiency and flexibility of access that contemporary technology can support.

## **Enhancing energy and carbon emissions performance**

During the Summer of 2024, the Board have been developing the long-term Sustainability I Strategy. This is intended to provide focus and prioritisation for the many actions required over the coming years and decades both to combat the cost of energy and play a part on reducing carbon emissions. This strategy will now be finalised and built into operational planning for the future to deliver the required levels of performance and provide assurance to stakeholders of progress.

## **Using the feedback from TSM survey to support and act upon resident voice**

For the first time in 2023/24, the newly introduced Tenant Satisfaction Measures were collected, and this work was undertaken by an independent third party. Although in many areas English Rural compared favourable to the social housing sector, some weaknesses emerged. These were specifically around listening and acting on resident views, the value for money relating to service charges costs (specifically ground maintenance) and the overall quality of day-to-day repairs services, especially in some areas where contractor weaknesses persisted. As noted above, Grounds Maintenance is one of a number of services to be reviewed in 2024/25. English Rural will continue to work with residents to take account of their views and deliver services which residents regard as value for money.

## **Review of Treasury Policies to ensure long term value and alignment.**

Following the recent transfers and development programme reviews it is important that our treasury management strategy and policy reflect the expected demand for cash, facilities, and security. A further review of the Treasury Strategy will be undertaken during 2024/25 and will include options to renew or replace existing facilities where this may provide further benefit in terms of cost and risk.