

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

Co-operative and Community Benefit Society No: 27606R

Regulator of Social Housing No: L4004



REPORT AND GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2024

CONTENTS

	Page
BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS	1
STRATEGIC REPORT	2
INDEPENDENT AUDITOR'S REPORT	33
GROUP AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME	37
GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES	37
GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION	38
GROUP AND ASSOCIATION STATEMENT OF CASH FLOWS	39
NOTES TO THE FINANCIAL STATEMENTS	40

Royal Patron:

Her Royal Highness Princess Anne, The Princess Royal

President:

Sir Peter Dixon

Board Members:

Mark Pragnell	Chair from 19 th September 2023
Henry Lee	Vice-Chair from 19 th September 2023
Sue Reekie	Retired 24 th April 2024
Monica Burns	
Rebecca Murphy	
Sarah Nield	
Philip O'Dwyer	
Graham Oliver	Appointed 19 th July 2023
Rob Glendinning	Appointed 19 th September 2023
Pam Reynolds	Chair - Retired 19 th September 2023
Dorcas Cumming	Vice-Chair - Retired 19 th September 2023
Sarah Doyle	Retired 26 th April 2023
Rob Watkins	Appointed 26 th April 2023 - retired 19 th September 2023

Executive Management Team:

Martin Collett	Chief Executive
Edmund (Eddie) Smy	Finance Director
Kathryn Harrison	Resident Services Director
Richard DeVill	Development Director

Company Secretary:

Karen Eagles
Greenways Studios
Lower Eashing
Godalming
Surrey
GU7 2QF

Principal Solicitors:

Devonshires
30 Finsbury Circus
London EC2M 7DT

External Auditor:

Forvis Mazars LLP
6 Sutton Plaza,
Sutton court Rd
Sutton
SM1 4FS

Internal Auditor:

Beever & Struthers
15 Bunhill Row
London
EC1Y 8LP

Principal Bankers:

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Registered Office:

The Granary
Greenways Studios
Lower Eashing
Godalming
Surrey
GU7 2QF

Services Office:

The Granary
Greenways Studios
Lower Eashing
Godalming
Surrey
GU7 2QF

Development Office:

RCCE House
Threshelfords
Business Park
Inworth Road
Feering
Essex
CO5 9SE

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

Strategic Report

The Board is pleased to present its report and audited consolidated financial statements for the year ended 31st March 2024.

Principal activities

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

	Mar-24	Mar-23
General needs social rent	880	762
General needs affordable rent	251	191
General needs intermediate rent	11	11
Affordable home ownership	388	379
TOTAL OWNED	1,530	1,343
Managed on behalf of others	4	4
TOTAL OWNED & MANAGED	1,534	1,347

Following extensive merger and transfer activity over recent years; English Rural now owns and manages over 1500 homes and its financial business plan continues to pursue a strategic direction that ensures operational cash flows are prioritised to meet the management and maintenance costs existing housing stock. Residual cash surpluses that remain after funding management and maintenance costs are invested in supporting the development of new affordable homes. The provision of services to residents and the investment in new stock is subject to financial assessment to ensure Value for Money (VfM).

The structure of the English Rural Housing Group evolved further during the year, with the former subsidiary The Cambridgeshire Cottage Housing Society Ltd (TCCHS) transferring all interests into the Parent on 31 March 2024 and the Gloucestershire Rural Housing Association (GRHA) undertaking a transfer of engagements directly into the Parent on 1 April 2023. At the end of the period the Group consisted of English Rural Housing Association Limited (English Rural) and one subsidiary, ER Homes Limited (ER Homes), whose principal activity is the provision of individual homes and plots for sale on the open market. English Rural does not provide any form of guarantee but does provide a £3 million revolving credit facility to ER Homes on commercial terms. The surpluses generated from ER Homes are gift aided back to the parent to support social housing activity.

A Year in Review 2023/24

The financial year reported on was one of change for English Rural and more widely challenge for the social housing sector. During the year the association embarked on further consolidation, collapsing subsidiaries via transfers to deliver business efficiencies and streamline services offered to residents and partners. This approach happening alongside the full implementation of the external GRHA transfer and continued growth through the climax of programmed development activity.

English Rural was not immune to the downward pressures on finances that faced the sector during the year. These principally driven by the increased cost of borrowing, elevated rate of inflation, below

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

inflation rent cap and growing investment demands in response to shifting resident needs, regulation and compliance.

The consequence of the above was the need for continued sound financial planning and stewardship, this also safeguarding against a narrowing of key financial margins. An outcome of this as with many of the sector, was a re-grading of the viability rating to a compliant V2 by the Regulator of Social Housing, down from V1. The re-focus on delivering value for money during proceeding years validated as the right approach and one that must continue.

As part of the natural cycle of reviewing business strategy, the English Rural Board embarked on a refresh of ambitions during the year, working towards publishing an updated Business Strategy for the 2024/25 financial year. This process of review allowing the Board and association to consider the changed operational environment, as well as where strategic direction and resource provision might need to pivot in response. The approach to the review was though *evolution* rather than *revolution*. From a headline ambition perspective there was an increased emphasis on working accountably and transparently with residents. A new ambition was also introduced to further embed sustainability and environmental responsibility as a cross-cutting theme.

Critically during the year fresh research commissioned by English Rural evidenced that the need for affordable homes in rural communities remained acute and that '*the provision and management of affordable housing for local people in rural villages in England and to be an advocate for affordable rural housing*', which is the stated purpose was as important as ever.

Despite the financial pressures facing the social housing sector, English Rural continued to achieve a great deal during the year and this is covered in more detail in the report that follows. By way of headlines:

- onsite building more homes than at any time during the past decade.
- comprehensive stock condition survey showed homes are safe and well-maintained.
- renewed approach to working with residents to understand their views.
- external board effectiveness review evidenced strong governance arrangements.
- position of influence advocating on behalf of the communities and residents.
- covenants were comfortable achieved whilst sustaining levels of investment necessary for existing homes and services.

In readiness for the formal reporting of Tenant Satisfaction Measures (TSMs), an external party was employed to engage with and survey residents, collecting views on how well the association was performing. Validating these findings against the wider sector and general trends, English Rural continues to see overall higher levels of satisfaction than most. However, more needs to be done to improve how satisfied resident are especially with some areas of the service provided to them such as reactive repairs and ground maintenance. The outcome of the TSMs and the views of residents has informed the new Business Strategy.

In summary, the year reported on was a mixed one. English Rural has a great deal to be proud of from the achievements that were made, but also work to do to be even better. The association remains confident moving forward, in the knowledge that its work in rural communities provides a critical lifeline for those who live in them. Already the recalibration of investment priorities and return to a more stable external financial environment is aiding the associations work and forward plans. These plans focussed on growing through a sustainable development programme, whilst prioritising investing in homes and service provided to residents.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

English Rural's eight Strategic Ambitions are:



Strategic ambition one - Deliver quality services to residents in a way that is accountable, transparent, and guided by their voice and needs

Close collaboration with residents continued, building on the former years as an early adopter of Together with Tenants and the formal Tenants Charter. Listening and acting on resident views emerged as an area in need of improvement from the Tenant Satisfaction Measures - plans were consulted on and launched to deliver these improvements. For a smaller housing association with dispersed and often remote housing, traditional models for engaging and involving residents are not a ready solution. Working with residents, innovative ways are being developed instead that make the most of technology, accommodate the limited time and capacity from many residents to actively engage and prioritise themes that residents have identified as most critical to them. There is also a drive from services staff to build on the customer orientated approach developed over more recent years, specifically increasing visibility.

A comprehensive stock condition survey was completed during the year, and this provided reassurance that homes were safe and well-maintained. The financial forecasts from this survey have also been used to update investment forecasts within the 30-year financial business plan. Through the pro-active plan of surveying moving forward, data will now be secured for 100% of homes over coming years. New software introduced has also allowed for better modelling and use of property data, enhancing the approach to planned investment in homes and strategic asset management.





There was an intentional pause this year on plans to upgrade the environmental credentials of older homes. This pause allowing for the success of prior activity to be appraised and modelling to be explored what approach will be most impactful in the future. Significant financial provision has been made for future investment in environmental upgrading homes. Doing so a central feature of the emerging Sustainability Strategy.

For the first time 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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

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. Feedback from these measures has been reported back on transparently along with an outline of what steps will now be taken. These views of residents also informing the planned update to Business Strategy.

Achievements made during the year

-  ***Evolution of resident engagement and involvement activity***
-  ***Better understanding of resident viewpoint from TSMs***
-  ***Enhanced intelligence on most effective environmental upgrades***
-  ***Updated and expanding data on properties and related software***

Lessons learnt during the year

- *Residents want to have a stronger voice and to be able to do so in a way that works effectively for them, whilst at the same time having sight of what English Rural delivers in response to this.*
- *Although good progress has been made in collecting data, both on homes and the residents that live in them, this work needs to continue to fully understand how best to deliver services.*
- *Unique solutions will be needed to achieve the ambition to have all homes achieving an EPC C rating by 2029 (agreed target).*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
% Satisfied with Service	74	>85			↓
Number of complaints	17	<10			↓
Ratio of responsive and planned maintenance investment	0.4	<0.4			↑

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

Because of the concertina effect of delivering both new and stalled developments English Rural was onsite building more homes than at any other time during the past decade. This scale of delivery will secure significant value for the communities and people aided by the new homes built. However, it compounded business challenges given the level of borrowing needed to pay for works at a time when debt costs peaked due to increased interest rates. At the same time, the cost of materials and labour was driven higher than expected due to inflationary pressures reflecting the unsettled macro and micro economic situation.

Because of changes to build costs, as well as increased quality and design costs a review of development viability appraisals was completed during the year. This established an updated model within which development opportunities can be appraised and enabled, identifying grant or cross-subsidy needs at an earlier stage so that the feasibility of this can be explored with partners. Moving forward, development opportunities will need to demonstrate clear financial viability on a standalone basis as there is less capacity to allocate internal resource to support those where the cost of building is beyond the self-financing ability of the development project. A sustainable development programme

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

of around 25-35 homes each year is now planned for, which on average is consistent with historic growth.

The Development Strategy has been updated to reflect these changes, whilst also embedding enhanced quality, design and build credentials. This update to strategy also seeking to prioritise the progression of Rural Exception Sites, which has always been the mainstay of English Rural's growth. However, in doing so focussing staff energy and associations resources not only where there is a need for affordable homes, but where local partners step up to encourage, support and promote the work that we - maximising the opportunity for success and safeguarding against more speculative losses.

Achievements during the year

- ✓ **Homes in development pipeline 110 and new affordable homes and 32 handed over for resident to live in.**
- ✓ **Review of development viability and strategy to establish longer term sustainable growth plan.**
- ✓ **First A rated environmental homes completed.**
- ✓ **Established working relationship in key new districts.**

Lessons learnt during the year

- *Continued monitoring the level of homes contracted and financial performance of those homes is important.*
- *To deliver some homes in certain areas it is essential for local and national partners to step-up to create the policy and funding environment that will make building them possible.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
Homes started within year	0	>40			↓
Homes completed in year	32	>16			↑
Homes in development programme	110	>100			↓

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

English Rural continues to maintain an influential position and brand within the social 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 convener 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.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

Achievements during the year

- ✓ **Conducted award-winning, innovative research on rural homelessness, garnering national recognition.**
- ✓ **Nurturing and support of the Rural Homelessness Counts Coalition.**
- ✓ **Maintained position as expert and one of influence at local and national level.**

Lessons learnt during the year

- *By leveraging networks and relationships around aligned objectives, English Rural has a powerful role to play as convener.*
- *The association's role as an initiator, enabler, and deliverer is crucial in promoting the value of affordable rural homes; however, the risk of over-relying on a modest organisation must be mitigated.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
% Spend on advocacy	3.0%	>3			↔

Strategic ambition four - Invest in and deliver good governance

A key outcome for the year was the completion of an external board effectiveness review. This review examining the structure and approach to governance, identifying both strengths and weaknesses. In relation to the latter, these were reported back as a series of recommendations that have or are currently being implemented. Overall, the independent review validated strong governance credentials and is borne out by the retained G1 grading for governance from the Regulator of Social Housing. There is though no room for complacency and governance continues to evolve in response to the regulatory and risk environment. Recommendations emerging from the independent review included ongoing management of board and committee succession to attract and maintain the right skills. Developing the approach to individual and collective board appraisal has also been acted on. Greater input from residents was felt to be important, especially following the departure during the year of the resident board member. A common theme running through work was also the need to evolve equity, diversity and inclusion plans to achieve the progress hoped for. The review validated the strong performance of both the Board and Committees, whilst recognising the competency of documented infrastructure and approach to managing risks.

During the year work continued to consolidate subsidiaries within the Group by way of transferring them into English Rural as parent. This making governance simpler, as well as securing longer term efficiencies that will aid value for money and deliver more effective services to residents. This consolidation is now complete, with only ER Homes remaining as a subsidiary to support development activity through the provision of market homes and plots. The activity of ER Homes is now lessened to reflect a prudent approach to development risk.

Although not formally agreed until April 2024, a review of Business Strategy was started during the year reported on. This review was planned, but timely given the material changes to the operational environment and need to reflect on these through business ambitions and activity. Notable outcomes from this review included a reshaped development programme and greater emphasis on working with residents that reflected their input. The updated strategy also evolved to consider the V2 regulatory

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

regrading and prioritisation of financial resources, importantly to be invested in a way felt to secure greatest value and impact against agreed purpose. Themes that featured more prominently than before were environmental enhancements and sustainability.

Achievements during the year

- ✓ **Independent board effectiveness review completed, and recommendations acted on.**
- ✓ **Further consolidation of subsidiaries to achieve business efficiencies**
- ✓ **Maintained highest regulatory grading of G1.**
- ✓ **Continued to attract high-calibre board and committee members consistent with succession plans.**

Lessons learnt during the year

- *As English Rural becomes more complex and the regulatory and compliance around it becomes increasingly burdensome, relying on its reputation alone to attract Board and Committee Members is likely to become more challenging.*
- *Securing effective resident voice at board level will need to rely on a broader framework than before and is likely to present a challenge given the limited appetite for board level engagement from the current resident base.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
% Board attendance	79	>90			↓
% Committee attendance	80	>85			↓
% Training attendance	60	>90			↓

Strategic ambition five – Invest in securing and keeping the best talent





A comprehensive staff survey was completed during the year, supported by retained people and culture advisors. The staff survey showed high levels of staff satisfaction generally with 96% of staff recommending English Rural as an employer. A review of the survey and further engagement with staff did identify areas for improvement, this prioritised as better communication internally between different areas of the business and overall plans, as well as a developed approach to staff appraisals. Work is already underway to deliver on both matters.

As well as striving to be an attractive and good employer, where staff talent is nurtured and rewarded, English Rural has always seen the value in investing in staff development. Many of the staff team have been with the association for long periods of time having progressed roles, usually following a training and development route. This approach to investing in staff, supporting them to secure professional qualifications where these are beneficial will support English Rural as it now embarks on meeting additional regulatory competency standards. A full audit of the staff team has been completed to establish what further training and development will be necessary, with plans worked on to achieve these.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

Through the equity, diversity and inclusion work that has been underway over recent years, English Rural has audited and improved its approach to being an inclusive organisation. This important not just for the staff and Board, but for the partners we work with and critically the residents who receive services. This work will continue and to make sure that change is delivered where change is needed, an externally supported review has been commissioned to inform new and impactful recommendations.

Achievements during the year

-  **Staff satisfaction rating of 96%.**
-  **Maintained updated people and culture policies.**
-  **Staff led project to review approach to appraisals and internal communications.**
-  **Invested even more in training and development to help staff achieve aspirations and qualifications.**

Lessons learnt during the year

- *Staff value to opportunity to come together, to share updates and better understand each area of the associations business activity. In addition to building in opportunities for greater interaction, improving the flow of information by better internal communications is valued.*
- *As a smaller and specialist association work to improve openness and inclusivity has not always happened to the extent and pace that is aspired to. Lack of dedicated resources and insight has at times held back progress and because of this external advice and support are needed.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
% Staff who would recommend English Rural as a good place to work	96	>90			↑
% Annual appraisals overdue	6	<10			→

Strategic ambition six – Actively seek partnership opportunities with other smaller rural housing associations


English Rural is culturally a conveyor of others. It recognises the potential of partnerships and has had great success by forging these both inside and outside the social housing sector. However, a conscious decision was taken during the year to less actively seek partnership opportunities so that those recently achieved through the transfers of Gloucestershire Rural Housing Association, The Cambridgeshire Cottage Housing Society and New Forest Villages Housing Association could be fully embedded within operations. The associations approach to growth through mergers and transfer has never been seen as growth for growths sake, but instead embarked on when purposes and values align, securing better services for residents and communities, as well as operational efficiencies.

The increasing level of change in the sector, particularly that driven by financial pressures, the heightened risk environment and growing regulatory burden is leading to consolidation of housing associations at an ever-increasing rate. Where this means that smaller rural housing association seek a partner to consolidate with, English Rural's strategic position has remained open to these approaches on the basis that an alignment will safeguard affordable rural homes within an association

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

who will respect and protect the rural nature of the homes, recognising the unique relationships with local partners and residents.

Achievements during the year

- 
Continued consolidation internally to deliver better value to communities and residents, whilst also embedding in external transfers that have also recently happened.

Lessons learnt during the year

- *Reflecting on the pace of change within the sector and challenges facing smaller rural housing associations, English Rural needs to develop a clear offer for future potential partners. This hopeful offer can use previous examples of transfers and mergers to evidence how values and purposes aligned to ensure rural affordable homes have been sustained as originally intended in the longer term.*
- *Through a process of self-reflection on mergers and transfers that have already happened, a series of lessons have been noted that will make managing future opportunities better. Within the new Business Strategy, the Board have also articulated more clearly about what an ideal alignment would be.*

Key related business health metrics at year end

Performance Indicator	Actual	Target	2023/24 Rating	2022/23 Rating	Direction
Active partnerships	2	>5			↓
£000 Partnership income*	£0	>15			↓

Strategic ambition seven – Use assets effectively and support sound financial health

Downward financial pressures have continued to impact all housing associations and English Rural has not been immune to these. Inflationary pressures have meant that the cost of building new homes and maintaining existing ones is higher than previously forecast. Specifically for English Rural the extent of contracted new development activity meant that large amounts of borrowing were being drawn down at a time when interest rates were higher than they had been for many years. These higher interest costs compounded by a below inflationary rent review, which was designed to safeguard residents already facing a cost-of-living crisis. Sound financial stewardship in preceding years and during the year reported on meant that English Rural deftly navigated the financial challenges, albeit with tighter internal financial comfort than prior years. The V2 regrading from the Regulator of Social Housing highlighting this fact, along with many other housing associations who faced similar challenges.

Critically, English Rural's lenders remain comfortable that financial plans are sound and well managed. The more regular updating on the long-term financial business plan during the year has helped to map what this changed financial environment might mean in the future and the review of Business Strategy has been forged accordingly. The updated financial business plan has been informed by refreshed treasury plans, where internal cash from across the group is put to good use to manage down borrowing needs, at the same time as pacing development spend. A review of how development opportunities are financially modelled and agreed has also taken place, reflecting the new environment in which homes are to be built. Importantly, the stock condition survey completed during the year has

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

been used to inform investment levels needed to maintain existing homes in the future, as well as ensuring provision for improvements to environmental performance for older properties.

The review of development modelling referenced has resulted from English Rural's approach to value for money, where not only does the association seek to work more efficiently, but the effectiveness of how money is spent is also monitored and improved on. The next phase of this approach will be to review procurement and contract management for repairs and maintenance work, which is the second biggest item of expenditure after development.

Through the IT transformation project, English Rural continues to improve the way that it works to save time, by improving systems and process. The second stage of the IT project was fully completed during the year, moving all activity onto Microsoft 365 arrangements. An additional benefit secured by this change is greater protection against cyber incidents. Progress was also made with the third stage of the project, with detailed mapping and consultation undertaken to inform the tender of management software used across the business.

Achievements during the year

- ✓ **Successful stewardship of finances within an uncertain economic environment, maintain key covenants within internally agreed parameters.**
- ✓ **Further implementation of the Value for Money Strategy through the review of development financial appraisals to agree updated viability modelling.**
- ✓ **Planning for and using cash within the business to enhance treasury management and mitigate the higher cost of borrowing.**
- ✓ **Delivery of second IT project phase in a managed and positive way.**

Lessons learnt during the year

- *The dispersed and sparse nature of the associations homes means that contractor coverage for repairs and maintenance work can, lack scale and attract a premium compared to sector averages. It is felt though that improvements can and should be made by reviewing the approach to procurement and contract managements.*
- *Although better using cash across the association has overall reduced anticipated borrowing costs, a consequence has been an alignment of refinancing of new debt with a small proportion of existing debt. The approach to this will need to be well planned and work should begin to prepare for this sooner rather than later.*

Key related business health metrics at year end

Performance Indicator	Actual	Threshold	2023/24 Rating	2022/23 Rating	Direction
% Fixed to variable rate debt	65	>60			↓
% EBITDA (MRI) exc sales: interest cover	130%	>110			↓
Liquidity	>36 months	>18 months			→

Strategic ambition eight – Develop homes, services and operations in a sustainable and environmentally responsible way

Historically, the approach to sustainability has been looked at through the lens of specific areas, mostly development and maintenance activity. There have been multiple drivers for sustainability progress, such as regulatory or legal expectations to achieve certain standards, and aspirations to lower environmental impact and reduce energy usage for residents. Part of the work undertaken to develop the new Business Strategy included focussing on sustainability, identifying what needs to be done alongside what should be done based on values and aspirations. Because of this work, the Board agreed this as a wholly new strategic ambition and that as a theme it should cut across all other ambitions.

English Rural is starting from a good position, it has already completed two successful retrofit projects across its housing stock replacing older electrical heating with air-source heat pumps. The review of the Development Strategy during the year went further than before in the approach to apply fabric-first principles to new home building and achieve as a minimum a high-level B energy rating. However, up until now no stand-alone sustainability strategy has existed to guide the approach taken or clear metrics agreed to identify what progress is made.

Achievements during the year

- ✓ ***Updated Development Strategy produced and agreed that set even higher environmental standards for all new homes.***
- ✓ ***A small pilot completed to appraise older homes and identify the most impactful approach to investing money that will achieve environmental improvement to older homes.***
- ✓ ***The landscape for understanding and delivering sustainability gains explored as part of the review of Business Strategy and isolated out into a stand-alone business ambition to be advanced and reported on.***

Lessons learnt during the year

- *To deliver the impact hoped for a Sustainability Strategy is needed and aligning this with wider sector accepted ESG principles will allow for future external reporting and comparison with others.*
- *Improved data on homes and residents will make sure that the approach embarked on will deliver best value for money.*

Risk Management & Assurance

The housing association sector continues to face high levels of uncertainty whilst dealing with the legacy of recent economic upheaval which for the main part has made both development of new properties and the management of existing stock financially more challenging. These issues, compounded by a lack of certainty with regards long term government rental and grant policies highlight the ongoing of a strong focus on risk management along with flexible and responsive risk mitigation strategies for the housing association sector generally and especially the likes of English Rural who are actively pursuing an ambitious business strategy.

The pursuit and management of risk is governed by the Risk Management and Assurance Framework, which is regularly appraised and referenced in decision making by Board and overseen through the work

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

of the Group Audit and Risk Committee. Risk is dynamically mapped and managed at all levels of activity and decision making. Ultimately strategic risks are documented and appraised within the Group Strategic Risk Register, which is also informed and evaluated each year against the Sector Risk Profile issued by the Regulator of Social Housing.

Pivotal to the approach taken to risk management is the role of the Group Audit & Risk Committee. The detailed focus of the Committee provides useful assurances to the Board. Alongside the traditional role of agreeing and considering an annual plan of risk based internal audits, encompassing a range of operational risks, the Committee has continued its programme of strategic risk oversight, including determining the range of stress scenarios against which the financial business plan is tested. The range of scenarios applied this year was extensive, reflecting the continued volatile economic operating environment, and as in previous years encompassing scenarios that 'broke' the financial business plan in order to reflect upon mitigation strategies. At the same time as stress testing the financial business plan in this way, the Recovery Plan was also reviewed and updated. Ultimately should external financial circumstances deteriorate to a level which threatens English Rural's finances the Recovery Plan would be deployed to safeguard against this. The Recovery Plan includes cost reduction and deferral options and recognises the importance of maintaining a flexible level of development commitments compared to the overall programme; with the proportion of external development expenditure within the existing plan which is currently at contracting stage making up less than 35% of the programme total and less than 20% currently actually contracted.

The highest-level risks, are reflected in the extract below. These have been extracted from the Group Strategic Risk Register considered by the Board at their meeting in April 2024.

Risk Event or Activity	Potential Impacts	Key Controls & Mitigation Options (extract)
General deterioration in UK economic conditions. Including the of the housing market impacts viability	Impacts ability to manage debt, cashflow & funders covenants and increases cost and income exposure.	<ul style="list-style-type: none"> • Treasury Strategy • Robust budget process • Financial Business Plan stress testing – with 'tested' Recovery Plan • Regular review of Business Strategy • Robust rent collection processes • Regular re-evaluation of scheme viability and property values.
Failure of Health and Safety related processes	Detrimental impact on individuals. Breach of requirements leading to regulatory intervention.	<ul style="list-style-type: none"> • Key controls checks within Internal Audit programme • Landlord H&S procedure in place • Corporate H&S policy • Retained advisors • Regular reporting through to Audit & Risk Committee and Board.
Failure to comply with key regulatory requirement leading to serious breach	Regulatory intervention damaging reputation and impacting corporate capacity and delivery.	<ul style="list-style-type: none"> • Internal audit programme • Regular board effectiveness reviews and skills audits, complimented by third party advice • Proactive and responsive communication with RSH • Self-assessment reporting.
Failure to maintain quality of homes or key service	Significant asset failure leading to increased	<ul style="list-style-type: none"> • Updated stock condition survey (2023) and ongoing programme of enhancing asset data

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

	expenditure, reduced value and / or adverse publicity	<ul style="list-style-type: none"> • Asset management strategy • Residents scrutiny group and compliance with TSM reporting • Documented service standards • Key metric reporting to Board and Audit & Risk Committee.
Failure to respond to climate change risks and related regulatory requirements	Lack of risk prevention or awareness leading to additional expenditure. Adverse impacts on cost and amenity on residents. A lack of preparedness or investment impacting perception of key stakeholders.	<ul style="list-style-type: none"> • Development of Sustainability Strategy • Asset management and development policies. • Provision in financial business plan for EPC and Carbon Neutrality compliance. • Key metric reporting to Board.
Exposure to cyber-attack or other significant data management failure.	A lack of access to or adequate management of key data caused by malicious or unintended actions.	<ul style="list-style-type: none"> • Cyber risk management and reporting through service provider • Mandatory staff training on risk awareness and policies (including GDPR) • Cyber security support through insurance arrangements • Cyber incident and recovery plans
Failure to engage in public policy shift or to influence where opportunity exists.	Public policy develops in an adverse way, particularly with regards rural stock issues.	<ul style="list-style-type: none"> • Advocacy and influencing investment and activities • Board skills, selection and awareness • Relationship management through Chief Executive and Development Team • Communications Strategy, media policy and engagement programme
Multiple Risk Events impacting simultaneously	Operating and / or economic environment shifts in multiple ways resulting in increased pressure on service delivery and financial capacity.	<ul style="list-style-type: none"> • Robust and multi variate stress tested financial business plan • Balanced dashboard reporting to Board • Trigger points referenced for recovery planning with multiple options for cost deferral • Highly flexible development strategy with significant uncommitted element.
Failure to achieve and demonstrate financial value	A failure to optimise leads to unnecessary waste and potential degradation of service provided or development capacity.	<ul style="list-style-type: none"> • Regular reporting to Board • Diligent approach to transfers and mergers • VFM metric reporting and annual VFM report • Procurement policy with standing SOFR. • Updated development appraisal process • Contractor management process • Robust budgeting process

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

BOARD REPORT

Underperformance or failure of subsidiary	Failure to maintain corporate structure controls leading to underperformance of subsidiary or financial exposure to parent.	<ul style="list-style-type: none"> • Proactive and simplifying approach to corporate structure, merging and transferring when appropriate • Board oversight of subsidiary activity and financial planning and performance • Risk appetite expressed at group level and applied to all subsidiaries • Commercial subsidiary risk profile regularly reviewed by Group Board. • Formal structures to intra-group agreements including Loans and Management Charges
Failure to invest adequately in Staff & Board Members	Impacting risk of loss of key staff members or Board Members, reduced capacity, service failure and potential lack of knowledge relating to regulatory environment.	<ul style="list-style-type: none"> • Investment in professional training • Regular staff survey • Retained people and culture expertise. • Board and Staff appraisal processes • Recruitment and succession policies.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

Financial performance

Group Accounts highlights, five-year summary:

For the year ended 31 March

	2024 £000's	2023 £000's	2022 £000's	2021 £000's	2020 £000's
Comprehensive Income Statement					
Total turnover:	10,224	8,975	8,451	8,571	6,828
Income from social housing lettings	8,893	7,275	6,539	6,325	5,803
Operating surplus	2,654	2,449	1,756	2,181	1,811
Gain on acquisition	-	-	-	-	2,639
Surplus for the year	8,687	1,258	709	1,070	3,333
Other comprehensive income	(27)	(103)	96	(164)	130
Total comprehensive income transferred to reserves	<u>8,660</u>	<u>1,155</u>	<u>805</u>	<u>906</u>	<u>3,463</u>
Statement of Financial Position					
Housing properties net of depreciation	114,484	97,856	90,194	87,599	87,793
Financial assets	427	407	399	398	396
Other fixed assets	41	56	62	63	66
Net current assets	<u>1,918</u>	<u>1,668</u>	<u>703</u>	<u>810</u>	<u>1,441</u>
Total assets less current liabilities	<u>116,870</u>	<u>99,987</u>	<u>91,358</u>	<u>88,870</u>	<u>89,696</u>
Creditors (greater than one year)	<u>(85,389)</u>	<u>(77,325)</u>	<u>(72,778)</u>	<u>(71,095)</u>	<u>(72,827)</u>
Net Assets	<u><u>31,481</u></u>	<u><u>22,662</u></u>	<u><u>18,580</u></u>	<u><u>17,775</u></u>	<u><u>16,869</u></u>
Reserves	<u><u>31,481</u></u>	<u><u>22,662</u></u>	<u><u>18,580</u></u>	<u><u>17,775</u></u>	<u><u>16,869</u></u>
Housing properties owned at year end:					
Social housing	1,530	1,343	1,262	1,255	1,236
Statistics:					
Operating margin	25.96%	27.30%	20.80%	25.5%	26.5%
Rent losses (voids and bad debts as a % of rent and service charges receivable)	0.86%	0.70%	0.90%	0.7%	0.6%
Rent arrears (gross arrears as % of rent and service charges receivable)	2.48%	1.45%	1.40%	1.5%	1.3%
Historic Cost Gearing (loans less cash as % historic cost of completed properties)	32%	31%	29.50%	30.3%	31.4%
Interest cover (operating surplus as % of net interest payable) *	164.38%	203.20%	167.70%	196.3%	162.1%

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

BOARD REPORT

* This interest cover definition used above 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 23.

The Board reports a surplus for the year of £8,687k (2023: £1,258k). The increased surplus reflects the expansion of the Group and in particular the transfer of engagements of the Gloucestershire Rural Housing Association.

Treasury management

Undrawn, fully secured, borrowing facilities of £21m are available through Santander via a £32m facility that runs to July 2027, by which point it is anticipated that up to £28m would have been drawn down. At the present time, security capacity, beyond that required for existing drawn and undrawn facilities is estimated at £47m presenting a potential basis for refinancing of existing or arrangements in the event that business and treasury strategy reviews indicate such action would be beneficial. The latest revision to the financial business plan has further increased assumptions relating to long term average reference rates from 3% to 3.75%.

Performance against the interest cover loan covenant, as shown below, has reduced this year in line with expectations but remains comfortably in excess of covenant requirements. Gearing has increased only slightly, reflecting the increase in gross debt during the year being largely offset by completion of schemes and the benefit to English Rural cash balances at the point of the transfer of interests of The Cambridgeshire Cottage Housing Association. The calculation of these metrics reflects funders requirements and differ from values outlined under RSH value for money performance metrics.

English Rural Housing Association Only:

Covenant Definition	Tightest Covenant	2023/24	2022/23
Interest cover – adjusted for major repairs, capitalised interest and excluding surpluses/deficits on sale of assets	Greater than 110%	129%	140%
Gearing – net borrowings / historic cost of completed properties,	Less than 50%	31.6%	31.2%

Cash flows are shown in the Statement of Cash Flows on page 39. This shows that £2.5m (2023: £3.8m) of cash was generated from operations, and £8m of new borrowing was drawn (2023: £4.6m), with net borrowing increasing by £4.2m. Operating cash surpluses and new loans were used to fund investments in new homes and new components of £8.5m (2023: £6.9m) and interest payments of £2.0m (2023: £1.2m). At 31 March 2024, cash balances were £3.8m (2023: £4.7m), and £21m in undrawn, but available loan facilities were in place (2023 £29m).

There are 666 properties that are currently unsecured and available for charging with a minimum security value of around £47m.

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 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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

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 2024 financial business plan, approved by the Board, assumes 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 continued 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. Increased costs in recent years, including providing for investment in improving energy efficiency mean that any internal subsidy to support future developments from existing stock surpluses is much reduced and an updated appraisal model for new developments has been introduced in 2023 to reflect this.

During the year, the Boards of ERHA and TCCHS agreed that now was an appropriate time to transfer engagements in full to the parent company; this has had an immediate treasury benefit from the pooling of cash balances and will over time help to ensure that economies of scale in areas such as management procurement, reporting and IT systems are optimised. In addition, the Gloucestershire Rural Housing Association (GRHA) transferred all engagements directly into ERHA at 01 April. Over the coming year a detailed review of asset management procurement activities will be undertaken to help ensure remaining benefits of the rapid non organic growth experienced since 2020 are realised.

To deliver VfM, English Rural will continue to innovate and seek commercial opportunities to enhance surpluses whilst recognising the risk balancing of different operating models. During the year ERHA received £417k of gift aid from its commercial subsidiary ER Homes Ltd currently projects to receive a further £250k over the next three years. These funds further help subsidise the development and management of social homes.

Given the shift in the economic and political environment over recent years, English Rural, like other housing providers faces greater constraints on what it can achieve than it may have had historically and must make difficult decisions on how resources are deployed. However the consolidations with other organisations over recent years have helped create an overall leaner cost base and stronger balance sheet for the combined entity and the Board remains open to considering similar activity in future years where value can be enhanced. This will also further support delivery of new much needed homes, which remains a key strategic ambition.

As a Group, English Rural supports the strategy of phased disposal and replacement of the aged, economically unviable stock which was acquired through the integration of TCCHS and these actions are reflected in the latest financial business plan.

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. Continued inflationary pressures are exacerbating these issues, along with increased variable borrowing costs.
- 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 five and 10 years from start to finish, requiring significant staff time to deliver each project and a need to carefully manage the point of contractual commitments to retain flexibility in the event of economic shock.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

BOARD REPORT

- Although increasing in scale overall, 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 continues to compare well to the Sector as a whole.

Opportunities to delivering VfM

- As a specialist in affordable 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. ERHA's Chief Executive was recently appointed as an advisory member of the NHF Board, presenting further opportunity to promote the rural housing sector.
- English Rural continues to work with and support smaller like-minded housing associations, sharing best practice through the Acuity South West Benchmarking Club and where opportunities arise; helping them deliver homes and services. Historically, such engagements have facilitated ultimate mergers and ERHA remains open to these growth opportunities. Formal mergers and transfers are only considered where there is a strong financial business case that enhance underlying performance, better deliver purpose and strategic ambitions. And safeguard the interests of the smaller rural providers and their residents within an organisation with shared culture and values.

English Rural's VfM Strategy can be summarised as the ability to effectively mobilise and prioritise investment to 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," and this is reported on monthly and reviewed at each board meeting. 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 ambitions.

VFM Standard

The Value for Money (VfM) required outcomes by the Regulatory Standards are that housing association providers registered with the Regulator of Social Housing (RSH) must:

- Clearly articulate their strategic objectives;
- 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;
- Through the strategic objectives to articulate the Board's strategy for delivering homes that meet a range of needs;
- 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 report on the range of measures defined by the RSH. These, along with association bespoke metrics and relevant commentary on the relative performance to peers and internal targets assists stakeholders in understanding the overall efficiency and effectiveness of the specific association in delivering to its strategic objectives. A number of metrics have been referenced in the strategic report above and others are reported upon in the table below along with the measures outlined in the regulatory standard.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

The table includes sector wide figures for all English providers with over 1,000 units as reported by the RSH. Also included for comparison are results from providers with up to 2,500 units, where those are primarily general needs homes ; where those providers have a minimum of 75% 'General Needs' properties. This is intended to exclude providers which have a greater emphasis on support or other specialist services and therefore tend to have higher costs as a result. In addition, English Rural participates in the South West Benchmarking Group, which whilst it includes a number of smaller associations does share many of the rural challenges and strategic ambitions of English Rural. All RSH comparatives reflect the reporting year to March 2023.

English Rural's strategic approach to VfM is evidenced in the Business Strategy 2021-26. 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. The lack of affordable rural housing continues to be a huge problem and with rising living costs, demand for affordable homes is only likely to increase. English Rural remains committed to using its resources in both the direct delivery and the promotion and support to others to deliver affordable housing development across rural communities.

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

A key indicator of English Rural's underlying efficiency and ability to support debt levels. Margin growth over time shows that residents' rent payments are being used efficiently and sufficient funds are available for longer term investment 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. In addition to internal efficiencies, English Rural has sought over recent years to expand its operations through partnering and transferring the interests of smaller rural housing associations. Although elements of this activity have suppressed margins due to increases in short term integration costs; the Board has assessed that longer term efficiencies should be achievable.

- **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 of the importance of this investment and providing them with value. The inflationary impact on component costs over recent periods along with the need to improve carbon efficiency ratings of existing homes has resulted in increased provision for investment being included in the latest financial business plan.

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

Linked to the above; 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. English Rural has made good progress through several successive programmes of

retrofit activity. Moving forward, improved data now being captured will help to inform value for money gains associated with this even more.

- **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. English Rural promotes the complaints process to residents, seeing this exchange as a way of securing helpful insights into how improvements can be learnt. Over recent years the Group Audit & Risk Committee have also played a role in monitoring complaints, and through them the Board has direct line of sight into complaints and complaints handling. English Rural is committed to publishing the new Tenancy Satisfaction metrics in line with Regulatory expectations and in the medium term views that data as becoming more meaningful than a basic complaints volume metric.

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

English Rural has developed a brand and profile which continues to position it at the fore of conversations around affordable rural housing. The strategic commitment to fulfilling this advocacy role based on the positive outcomes secured that aid wider strategic delivery, and that of others with aligned purpose. Independently and increasingly through collaboration, English Rural has ensured that the voice of rural housing associations and broader rural interest group is heard. Positive opportunities have emerged, including better access to grant, investment in local enabling and direct opportunities that have supported growth. e.g. merger, transfers and development. This adding value and creating an environment in which it can act on agreed business ambitions confidently and efficiently. The Board continue to recognise and support the positive and impactful value for the sector and residents achieved by the role it plays.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

Value for Money Metrics (Group)

Metric	English Rural 21/22	English Rural 22/23	English Rural 23/24	Target 23/24	Target 24/25	Longer Term Target (5 Years)	Median RP's < 2,500 units*	Median All RP's > 1,000 units*
Regulatory VFM Metrics:								
Reinvestment %	5.2%	7.3%	8.2%	9.9%	8.2%	6.5%	3.5%	6.7%
New supply delivered %:								
A. New supply delivered (Social Housing)	0.60%	1.3%	2.1%	1.3%	2.0%	2.0%	1.1%	1.3%
B. New supply delivered (Non-Social Housing)	0%	0%	0.1%	0.1%	0%	0%	0%	0%
Gearing %	35.8%	34.7%	36.7%	35.0%	35.4%	38.0%	34.7%	45.3%
EBITDA MRI Interest Cover	216%	184%	132%	137%	169%	143%	177%	128%
Headline social housing cost per unit	£3,082	£3,644	£3,825	£3,813	£4,189	£4,992	£4,655	£4,586
Operating Margin %:								
Operating Margin (social housing lettings only)	22.9%	21.4%	24.3%	26.5%	23.6%	29.1%	21.4%	19.8%
Operating Margin (overall)	20.8%	22.1%	20.9%	23.4%	23.9%	29.1%	21.1%	18.2%
Return on capital employed	1.9%	2.4%	2.3%	3.2%	3.3%	3.0%	2.4%	2.8%
Bespoke VFM Metrics							Benchmark (where available)	
% of homes above EPC C	70%	69%	69%	73%	73%	90%	73%**	
% Spend of advocacy	3.10%	3.00%	3.3%	>3%	>3%	>3%	N/A	
Number of complaints	12	12	17	<10	Future customer "VFM" tracking to be considered in alignment with TSM metric reporting			
* benchmarks reflect VFM metrics for year ending 2022/23, per global accounts data								
* maximum units < 2500 with minimum GN of 75% (27 Providers)								
** South West Benchmarking Club Median								

Commentary - Regulatory VFM Metrics

The table above includes benchmark median references to registered providers in the sector with over 1000 units as a whole as well as providers with more than 2500 properties where greater than 75% of these are general needs. As a small-medium provider with a relatively broad geographical spread, it is challenging to find a peer group which truly suits, however these comparatives do provide some context to how English rural performance trends in relation to the sector, but should also be considered in the context of the variation to targets that are set as part of ERHA's own strategic objective setting.

Re-investment (Efficiency) – 8.2% versus 3.5% benchmark* (23/24 Target 9.9%)

Green

This measure combines both investment in existing homes, to ensure they remain safe and comfortable places to live, as well as providing capital for the development of much needed new homes. The shifting assumptions on longer term interest rates have resulted in a reassessment of the development program with regards pace and in the levels of work in progress that can be prudently accommodated and this has resulted in a degree of 'smoothing'. The changes have also driven some difficult decisions relating to scheme selection and appraisal. The lower than original target performance reflects this. During 2023 a full stock condition survey was reported by Rand and the updated plan for the future investment in existing stock has also been included within the latest financial business plan.

Plans to meet strategic target:

- The latest financial business plan includes delivery of over 140 new affordable homes over the next five years.
- Detailed stock condition survey completed in 2023, to refresh and inform long term investment policy in existing stock and enhanced by improved Asset Management planning software.

New supply delivered (Effectiveness) – 2.1% versus 1.1% benchmark (23/24 Target 1.3%)

Green

English Rural delivered 32 much needed affordable homes during the year including four shared ownership properties. During the year, two homes were built by the subsidiary ER Homes Ltd for private sale; the surpluses from which will further subsidise the development of new affordable homes. Having considered the economic outlook as well as its own risk appetite and ERHA's financial capacity, the Board have agreed to target average unit growth equivalent to 2% over the next five years and provision for this has been made in the latest revision to the financial business plan.

Plans to meet strategic target:

- Existing pipeline of 62 units on site or in contract with a further 51 homes from named and targeted areas.
- Leveraging expanded Group Structure to increase geographic spread of opportunities whilst maintaining engagement at existing regional and local level to promote our work to parish and district councils.

Gearing (Efficiency) – 36.7% versus 34.7% benchmark (23/24 Target – 35 %)

Green

The current gearing of 36.7% is above the median for English Rural's size and reflects the commitment to an active development programme, supported by our financial and security capacity. A 2022/23 financial year end impairment adjustment for aged TCCHS properties was not assumed at the targeting phase for last year and has contributed to the variance. Over the next five years, ERHA will continue to appropriately leverage its strong asset base assets with gearing ratio projected to average 38% over that period. Within the latest iteration of the financial business plan, debt per unit is projected to increase

to £34k by 2029. Performance continues to be flagged as green as this remains well within capacity and covenant cap of 50%

**EBITDA MRI Interest Cover (Efficiency) – 132% versus 177% benchmark
(23/24 Target 137%)**

Amber

The 2023/24 interest cover has reduced year on year, reflecting the increased borrowing levels to fund pipeline development, along with higher underlying rates, but remains broadly in line with plan. Given continual economic uncertainties, Board have defined a target for planning purposes which includes a 20% buffer to covenant, but still facilitates ambitious use of resources to drive growth and service investment. The average for the coming five years is projected to be 143%.

Plans to meet strategic target:

- Review procurement opportunities post integration of ERHA, TCCHS and GRHA.
- Continue to look for opportunities to grow through partnerships to increase underlying efficiency.
- Ongoing review of development programme to ensure viability and the maintenance of a high degree of uncommitted expenditure during higher interest rate periods.
- Respond to financial performance risks by deploying mitigations outlined in the business plan stress mitigations plan where there is a threat to covenant or underlying performance.

**Headline social housing cost per unit (Economy) - £3,825 versus £4,655 benchmark
(23/24 Target £3,813)**

Green

When looked at as a comparative figure, English Rural continues to perform well in this area when compared to sector and peers. However, also key is how the underlying figure reflects planned expenditure and investment capacity. Over the next five years, with more kitchens and bathrooms requiring replacing and increased expenditure on improving environmental credentials, we anticipate average cost per unit to increase and longer term underlying costs include the outputs from the 2023 stock condition survey. The overall headline cost for the year includes £788 per unit for management costs, this compares to £818 per unit in 2022/23. Whilst these costs have come under pressure in recent years from sustained inflation and integration costs, as the impact of recent mergers and future development moves forward, we are targeting to maintain management costs per unit below £800 through until 2029.

Operating Margin % (Efficiency)

Social housing – 24.3% versus 21.4% benchmark (23/24 Target 26.5%)

Amber

Social housing margins have increased from last year, but these have not reached the target level. During the year some higher one off void costs and additional integration costs contributed to higher overall expenditure, however whilst we anticipate similar overall performance in 2024/25; beyond this the rental income from properties currently on site are expected to help contribute to improvements, with social housing operating margin projected to average 27% over the next five years. Performance continues to present positively compared to peers and overall sector.

Plans to meet strategic target:

- Focus on realizing economies of scale through integration of GRHA and TCCHS.
- Procurement policy and strategy review.
- Continue to look for opportunities to grow through partnerships.
- Continued strong budget management and cost control.

Overall – 20.9% versus 21.1% benchmark (23/24 Target 23.4%)

Amber

Overall margin has similarly been impacted by the additional costs outlined above. More significantly, a provision for pension debt cessation of £124k was made in year relating to TCCHS integration and a review of development program has resulted in higher non capitalised development costs. The latest iteration of the financial business plan envisages continued reduced proportion of non-social lettings activity in the Group; contributing to this metric increasingly mirroring social lettings performance. Generally, overall margins are lower where these include business activities which have lower return and recent income generated from development for sale activities have had lower margins than social housing.

Return on capital employed (Efficiency) – 2.3% versus 2.4% benchmark (23/24 Target 3.2%)

Amber

The headline Return on Capital Employed (ROCE) is marginally below the 22/23 figure (2.4%) This metric remains subject to significant swings in asset disposal values which are included in the return side of this metric and there were less disposal in 23/24 than reflected in the target.

More generally and despite being broadly in line with sector levels, English Rural's relatively low baseline ROCE is influenced by 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. The impact of this reduces the overall return by circa 0.5%.

Although we expect an average of 3% over the coming five years, this may well remain slightly lower than the sector median. Factors contributing towards the relative performance include that the majority of English Rural's being built on Rural Exception Sites, with build costs significantly higher than average due to the need to put in place services and infrastructure and no corresponding increase in rent that can be charged. English Rural will however continue to prioritise its delivery of Rural Exception Sites as these are important for achieving agreed purpose and business.

Plans to meet strategic target:

- Some underlying improvement will arise from the introduction of more contemporary shared ownership lease modes for new schemes and a review of policy applied to support existing shared ownership homes.

Commentary - Other strategic Value for Money measures

The value of reporting on VfM targets annually is that it allows English Rural to be open about the progress it has made, as well as the lessons that have been learnt and how these have impeded planned for targets. Alongside publishing a separate VfM Statement and sector standard metrics, bespoke VfM metrics are also considered relating to agreed business strategy and purpose. Striving towards delivering these VfM aims 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. The separate annual VfM Statement report is available to view on English Rural's website [[insert link when live](#)]. This provides more detail 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) – 69% versus 73% 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 Business Strategy sets a target of moving from the current level to 90% by 2026. 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. Over more recent years the value in delivering this ambition has been increasingly beneficial, not only for the environment, but for residents facing higher energy costs, cost-of-living pressures and negative outcomes emerging from poorly heated and ventilated homes. This inability to afford to heat homes can also increase the probability of condensation and poor living conditions, creating damp and mould issues. Combined this typically leads to higher maintenance costs and response to damp and mould reporting. 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:

- Reviewing opportunities for programme of ‘whole house approach’ with key partners for 2024.
- Alignment to Board Sponsored sustainability strategy to ensure progress is made.
- Ambitions embedded within Asset Management Strategy.
- Financial provision within financial business plan.

% spend on advocacy (Effectiveness) – 3.3% (Target >3%) no benchmark

Green

Through the Business Strategy the Board continue to support the ambition that English Rural plays a leading and influential role in the sector. In response to this ambition English Rural has developed a brand and profile beyond what would typically be expected for an organisation of its type and size. During the current year some notable achievements have been secured, with significant engagement with politicians and senior government officials. It is hoped that these interactions will secure further benefit and value for English Rural and its peers through a more positive environment in which to deliver affordable rural homes. There is no easy benchmark to compare this measure against given its bespoke nature. The percentage is lower than last year’s, reflecting a proportionately higher overall operating cost base.

Plans to meet strategic target:

- Continue to deliver Communications Strategy, mobilising internal resources, whilst making these go further through effectively collaboration with others.

Number of complaints (Efficiency) – 17 (Target <10) no benchmark

Amber

No business likes to receive complaints, but when they happen an outcome that delivers value is to learn from them. English Rural proactively promotes its complaints process, so that when residents are dissatisfied with a service, they can highlight this and where lessons can be learnt, they are. There continues to be a focus on enhancing customer services, through further evolution of the customer service team, and their systems and skills. Securing a stronger resident voice through effective channels

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

and mechanisms will also add value, the desire to advance residents voice is driven from all levels of the business, with a focus on co-creation.

Plans to meet strategic target:

- Oversight of all complaints by Audit and Risk Committee (ARC), review and reporting of Tenancy Satisfaction Metrics to ARC and main Board.
- Delivery of Resident Engagement Strategy and renewed focus initiated at board level through facilitated awayday discussion.
- Continued development of customer services team, now boosted by capacity review to optimise performance, skills, 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. Separately, the Board establishes ad-hoc Task & Finish Panels when they are necessary, during the year these were established to support merger and transfer opportunities, as well as the external board effectiveness review.

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 .

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 (SOFs) that provide a formal, structured framework for decision-making. The SOFs are regularly updated, including a comprehensive update completed during the current year. Committees have been strengthened through independent specialist membership and 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) (2020). 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 English Rural circumstances.

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:

- In respect of English Rural Housing Association, from 1 April 2022, the adoption of the NHF revised Code of Conduct and Code of Governance (2020); with an annual review of compliance. As a commercial entity and not a Registered Provider, the Code is not considered appropriate by ER Homes Ltd Board, although in accordance with Group Board Membership Policy which covers fundamentals embedded within the Code, ER Homes is expected to adopt a proportionate approach.
- An effective Board committed to the principles of good governance, with regularly external appraisals to advise on and validate board performance;
- Regular 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 articulated through an agreed Recovery Plan prepared in readiness were there to be a need to take corrective financial actions;
- The use of "Golden Rules" and Covenant 'Buffers' to act as early warning signs for any corrective 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 risk based programme of internal audit;
- A published confidential reporting arrangements accessible to all Board and staff;
- Control over the strategy of commercial subsidiary, ER Homes Ltd, 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, reported on annually;
- A fraud register and declarations of interest 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 Group Audit & Risk Committee and reported on to the Board;
- An agreed Investment Policy that is regularly updated.

The Board notes that English Rural's Regulatory Assessments of G1 (for Governance) and V2 (for Financial Viability) were renewed during the year, with V2 being a regrade from V1. 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 compliance with the Governance and Viability standard

Going concern

The Board has considered, and continues to review the impact of economic and political uncertainties. The latest financial business plan assumptions were approved by the Board in April 2024 to include provision for ongoing cost inflation, revised stock maintenance costs and longer term higher interest rates. It was thoroughly stress tested and is considered to demonstrate that the Association remains financially viable.

The Association has sufficient resources (including £21 m of undrawn committed facilities and £3.8m of cash as at 31 March 2024) 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). The organisation had deployed cyber risk protection tools within its IT infrastructure and maintains a cyber response plan

Appointment of external auditors

A resolution to reappoint Forvis 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.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

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 Group 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 and the Group Audit and Risk Committee 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 2024 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.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD REPORT

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 Group 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 24th July 2024 and signed on its behalf by order of the Board:

Chairman



Date: 13-Aug-2024

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of English Rural Housing Association Limited (the 'Parent Association') and its subsidiary, ER Homes Limited (the 'Group') for the year ended 31 March 2024 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 2024 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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

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 30 and 31, 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 activities, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements, tax legislation, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud and money laundering.

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:

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

- Inquiring of management and, where appropriate, those charged with governance, as to whether the 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 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, 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 and the Companies Act 2006.

In addition, we evaluated the Board 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, in particular in relation to income 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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

the Group and Parent Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Forvis Mazars LLP

Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
6 Sutton Plaza
Sutton Court Road
Sutton
Surrey
SM1 4FS
Date 18-Sep-2024

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2024

	Notes	Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
Turnover	3	10,224	8,975	9,156	7,434
Cost of sales	3	(1,052)	(1,117)	(411)	(307)
Operating expenditure	3	(7,035)	(5,873)	(6,638)	(5,551)
Gain on disposal of housing properties		517	464	-	116
Operating surplus		2,654	2,449	2,107	1,692
Gift Aid		-	-	418	168
Fair Value gain on Acquisition		3,875		3,875	
Gain On Acquisition at Cost		3,720		3,720	
Interest receivable and similar income	5	34	14	52	16
Interest payable and similar charges	6	(1,596)	(1,205)	(1,596)	(1,205)
Surplus before tax	8	8,687	1,258	8,576	671
Taxation	9	-	-	-	-
Surplus for the year after tax		8,687	1,258	8,576	671
Other comprehensive income:					
Actuarial loss in respect of pension scheme	20	(27)	(103)	(27)	(26)
Total comprehensive income for the financial year		8,660	1,155	8,549	645

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

The notes on pages 41 to 66 form part of these financial statements.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2024

	Notes	Group		Association	
		Revenue reserves	Total	Revenue reserves	Total
		£'000	£'000	£'000	£'000
Balance as at 31 March 2023		22,662	22,662	18,052	18,052
Adjustments and alignment arising from changes to Group Structures		159	159	4,820	4,820
Surplus from statement of comprehensive income for the year		8,687	8,687	8,576	8,576
Other comprehensive income:					
Actuarial loss in respect of pension scheme	20	(27)	(27)	(27)	(27)
Balance as at 31 March 2024		<u>31,481</u>	<u>31,481</u>	<u>31,421</u>	<u>31,421</u>

The notes on pages 41 to 66 form part of these financial statements.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
as at 31st March 2024

	Notes	Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
Fixed assets					
Social housing properties	10	114,484	97,856	114,484	95,785
Office equipment and leasehold improvements	11 (a)	20	31	20	25
Intangible assets	11 (b)	-	4	-	4
Financial assets	25	427	407	427	407
Long-term debtor	13	21	21	463	9
		<u>114,952</u>	<u>98,319</u>	<u>115,394</u>	<u>96,230</u>
Current assets					
Stock	12	1,640	592	1,095	307
Inter-company debtor	13	-	-	-	-
Trade and other debtors	13	882	535	884	505
Cash and cash equivalents		3,817	4,674	3,784	3,352
		<u>6,339</u>	<u>5,801</u>	<u>5,763</u>	<u>4,164</u>
Less: Creditors: amounts falling due within one year	14	(4,421)	(4,133)	(4,347)	(3,904)
Net current assets		<u>1,918</u>	<u>1,668</u>	<u>1,416</u>	<u>260</u>
Total assets less current liabilities		<u>116,870</u>	<u>99,987</u>	<u>116,810</u>	<u>96,490</u>
Creditors: amounts falling due after more than one year	15	(85,389)	(77,325)	(85,389)	(78,438)
Total net assets		<u>31,481</u>	<u>22,662</u>	<u>31,421</u>	<u>18,052</u>
Capital and reserves					
Non-equity share capital	16	-	-	-	-
Revenue Reserve		31,481	22,662	31,421	18,052
		<u>31,481</u>	<u>22,662</u>	<u>31,421</u>	<u>18,052</u>

The notes on pages 41 to 66 form part of these financial statements.

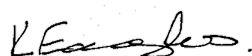
These financial statements were approved by the Board on 12th August 2024 and signed on its behalf by:



Mark Pragnell (Chair)



Rob Glendinning (Board Member / Chair of Group Audit & Risk Committee)



Karen Eagles (Company Secretary)

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

GROUP AND ASSOCIATION STATEMENT OF CASH FLOWS
for the year ended 31st March 2024

	Notes	Group 2024	2023	Association 2024	2023
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	19	2,481	3,775	3,368	2,815
Cash flow from investing activities					
Property expenditure		(8,523)	(6,934)	(8,451)	(6,611)
Capital grants received		1,058	1,624	1,058	1,624
Office equipment purchases		-	8	-	8
Investment in subsidiary		-	-	(454)	337
Proceeds from sale of tangible fixed assets		595	551	0	133
Cash gained on acquisition		770	503	2,162	842
Interest received		14	2	3	2
Net cash outflow from investing activities		(6,086)	(4,246)	(5,682)	(3,665)
Cash flow from financing activities					
Finance charges		(1,477)	(1,215)	(1,479)	(1,197)
Loan issue costs		-	(198)	-	(198)
Loans received		8,000	4,553	8,000	4,553
Loans repaid		(3,774)	(473)	(3,774)	(473)
Transfer (to)/from short term deposit		-	603	-	-
Net cash inflow from financing activities		2,747	3,270	2,747	2,685
Net change in cash and cash equivalents		(857)	2,799	433	1,835
Cash and cash equivalents at beginning of year		4,674	1,875	3,351	1,517
Cash and cash equivalents at end of year		3,817	4,674	3,784	3,352

The notes on pages 41 to 66 form part of these financial statements.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2024

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 subsidiary, ER Homes 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 £280,035 (2023: £305,621).

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.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

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

Estimation uncertainty

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

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

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

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

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

(e) Turnover and revenue recognition

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

(f) Service charges

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

(g) Housing properties and depreciation

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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(i) **Government and other grants**

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

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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

(j) Financial instruments

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

(k) Properties held for disposal

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

(l) Works to existing properties

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

(m) Taxation

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

(n) Value added tax

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

(o) Apportionment of management expenses

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

(p) Pension costs**Defined Benefit Pension Schemes**

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

The following are charged to operating profit:

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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

- 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.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

	Note	----- 2024 -----				----- 2023 -----			
		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		8,440	-	(6,066)	2,374	6,855	-	(5,098)	1,757
Shared ownership accommodation		453	-	(664)	(211)	420	-	(617)	(197)
		<u>8,893</u>	<u>-</u>	<u>(6,730)</u>	<u>2,163</u>	<u>7,275</u>	<u>-</u>	<u>(5,715)</u>	<u>1,560</u>
Other Social Housing Activities:									
1st tranche shared ownership sales		160	(102)	(22)	36	-	-	-	-
Discounted local sales		308	(309)	-	(1)	307	(307)	-	-
Other income		98	-	(15)	83	143	-	(105)	38
Non-capitalised development costs		-	-	(127)	(127)	-	-	(46)	(46)
Other Costs		-	-	(124)	(124)	-	-	-	-
Non-Social Housing Activities:									
Market Sale – ER Homes Limited		765	(641)	(17)	107	1,250	(810)	(7)	433
		<u>1,331</u>	<u>(1,052)</u>	<u>(305)</u>	<u>(26)</u>	<u>1,700</u>	<u>(1,117)</u>	<u>(158)</u>	<u>425</u>
		<u>10,224</u>	<u>(1,052)</u>	<u>(7,035)</u>	<u>2,137</u>	<u>8,975</u>	<u>(1,117)</u>	<u>(5,873)</u>	<u>1,985</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

Note	----- 2024 -----				----- 2023 -----			
	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:								
General needs housing	8,071	-	(5,767)	2,304	6,326	-	(4,769)	1,557
Shared ownership accommodation	454	-	(671)	(217)	420	-	(592)	(172)
	<u>8,525</u>	<u>-</u>	<u>(6,438)</u>	<u>2,087</u>	<u>6,746</u>	<u>-</u>	<u>(5,361)</u>	<u>1,385</u>
Other Social Housing Activities:								
1st tranche shared ownership sales	160	(102)	(23)	35	-	-	-	-
Discounted local sales	308	(309)	-	(1)	307	(307)	-	-
Other income	163	-	(50)	113	381	-	(143)	238
Non-capitalised development costs	-	-	(127)	(127)	-	-	(46)	(46)
	<u>631</u>	<u>(411)</u>	<u>(200)</u>	<u>20</u>	<u>688</u>	<u>(307)</u>	<u>(189)</u>	<u>192</u>
	<u>9,156</u>	<u>(411)</u>	<u>(6,638)</u>	<u>2,107</u>	<u>7,434</u>	<u>(307)</u>	<u>(5,550)</u>	<u>1,577</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

	----- 2024 -----			----- 2023 -----		
	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000	General Needs Housing £'000	Shared Ownership Accommodation £'000	Total £'000
Rent receivable net of identifiable service charges	7,834	258	8,092	6,247	222	6,469
Service charges receivable	237	93	330	229	95	324
Grants released from deferred income	369	103	471	379	103	482
Turnover from Social Housing Lettings	8,440	453	8,893	6,855	420	7,275
Housing Management	954	251	1,205	868	231	1,099
Housing services	614	299	913	489	271	760
Routine maintenance	971	-	971	807	-	807
Planned maintenance	629	-	629	576	-	576
Major repairs	988	-	988	699	-	699
Bad debts	24	-	24	4	-	4
Depreciation of housing properties	1,886	114	2,000	1,655	115	1,770
Operating costs on social housing lettings	6,066	664	6,730	5,098	617	5,715
Operating surplus on social housing lettings	2,374	(211)	2,163	1,757	(197)	1,560
Void Losses	70	-	70	44	-	44

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

	----- 2024 -----			----- 2023 -----		
	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	7,465	258	7,723	5,745	222	5,967
Service charges receivable	237	94	331	212	95	307
Grants released from deferred income	369	102	471	369	103	472
Turnover from Social Housing Lettings	8,071	454	8,525	6,326	420	6,746
Housing Management	838	258	1,096	767	222	989
Housing services	613	299	912	464	258	722
Routine maintenance	918	-	918	744	-	744
Planned maintenance	597	-	597	557	-	557
Major repairs	924	-	924	660	-	660
Bad debts	23	-	23	3	-	3
Depreciation of housing properties	1,854	114	1,968	1,574	112	1,686
Operating costs on social housing lettings	5,767	671	6,438	4,769	592	5,361
Operating surplus / (deficit) on social housing lettings	2,304	(217)	2,087	1,557	(172)	1,385
Void Losses	64	-	64	42	-	42

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Interest Receivable on Bank Deposit Accounts	34	14	52	16

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Interest on loans	1,984	1,249	1,984	1,232
Non-Utilisation and Other Fees	127	152	127	151
Amortisation of loan issue costs & bond proceeds premium	13	6	13	6
Fair value adjustment	(189)	(49)	(189)	(30)
Net interest charge pension scheme	6	5	6	4
Interest capitalised	(345)	(158)	(345)	(158)
	<u>1,596</u>	<u>1,205</u>	<u>1,596</u>	<u>1,205</u>

7. EMOLUMENTS AND EXPENSES

a) Directors' Emoluments and Expenses

	2024 £'000	2023 £'000
Total Emoluments	<u>456</u>	<u>443</u>
Emoluments of highest paid director excluding pension contribution	<u>133</u>	<u>132</u>

The Chief Executive has a stakeholder pension plan. The total contribution amounts to 9.6% of pensionable salary, amounting to £13,550.

Total expenses reimbursed to the directors and not chargeable to United Kingdom taxation	<u>11</u>	<u>12</u>
	No.	No.

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

£150,000 - £159,999	1	-
£140,000 - £149,999	-	1
£130,000 - £139,999	-	-
£120,000 - £129,999	-	-
£120,000 - £129,999	-	-
£110,000 - £119,999	1	-
£100,000 - £109,999	1	1
£ 90,000 - £ 99,999	-	1
£ 80,000 - £ 89,999	1	-
£ 70,000 - £ 79,999	1	2
£ 60,000 - £ 69,999	<u>-</u>	<u>1</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
b) Employee Costs				
Salaries	1,480	1,273	1,431	1,273
Social security costs	165	142	160	142
Pension costs	317	165	172	165
Less: capitalised staff costs	(280)	(306)	(280)	(306)
	<u>1,682</u>	<u>1,274</u>	<u>1,483</u>	<u>1,274</u>
Average weekly number of employees (expressed as full-time equivalent and including the Executive Management Team)	29	24	29	24

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Auditor's remuneration including VAT:				
In their capacity as auditors	50	34	41	18
For other services	0	5	0	2
Depreciation:				
Housing Properties	2,000	1,655	1,968	1,686
Office Equipment and Leasehold Improvements	5	20	5	16
	<u>2,055</u>	<u>1,714</u>	<u>1,978</u>	<u>1,714</u>

9. TAXATION

English Rural Housing Association Limited is an exempt charity registered with the Regulator for Social Housing and is exempt from liability to taxation on its income and capital gains.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

10. FIXED ASSETS (PROPERTIES) – GROUP

	Completed Properties for Letting	Completed Shared Owned Properties	Properties in Development	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 st April 2023	99,025	11,175	7,358	117,558
Addition: New properties	0	0	8,451	8,451
Addition: ToE	10,754	315	369	11,438
Works to existing properties	908	0	0	908
Components written off	(383)	0	0	(383)
Fair value adjustment	(1,038)	0	0	(1,038)
Aborted development scheme costs	0	0	(21)	(21)
Transferred to cost of sales	0	0	(101)	(101)
Transferred to stock	(11)	0	(996)	(1,007)
Transferred to completed schemes	7,941	795	(8,736)	0
At 31 st March 2024	117,196	12,285	6,324	135,805
Depreciation				
At 1 st April 2023	17,703	2,000	0	19,703
Charge for year	1,886	114	0	2,000
Released on disposal	(382)	0	0	(382)
At 31 st March 2024	19,207	2,114	0	21,321
Net Book Value				
At 31 st March 2024	97,989	10,171	6,324	114,484
At 31 st March 2023	81,323	9,175	7,358	97,856

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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 2023	97,936	11,175	7,357	116,468
Addition: New properties	0	0	8,451	8,451
Addition: ToE	10,754	315	369	11,438
Addition: Transferred from Group	2,169	0	0	2,169
Works to existing properties	857	0	0	857
Components written off	(353)	0	0	(353)
Fair value adjustment	(2,108)	0	0	(2,108)
Aborted development scheme costs	0	0	(21)	(21)
Transferred to cost of sales	0	0	(101)	(101)
Transferred to stock	0	0	(995)	(995)
Transferred to completed schemes	7,941	795	(8,736)	0
At 31st March 2024	117,196	12,285	6,324	135,805
Depreciation				
At 1st April 2023	18,685	1,999	0	20,684
Charge for Year	1,854	114	0	1,968
Transferred from Group (TCCHS)	17	0	0	17
Fair value adjustment	(943)	0	0	(943)
Amortisation of Fair value adjustment	(53)	0	0	(53)
Released on Disposal	(352)	0	0	(352)
At 31st March 2024	19,208	2,113	0	21,321
Net Book Value				
At 31st March 2024	97,988	10,172	6,324	114,484
At 31st March 2023	79,252	9,176	7,357	95,785

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

11 (a) OTHER FIXED ASSETS – GROUP AND ASSOCIATION

	Leasehold Offices	Office Equipment	Total
	£'000	£'000	£'000
Cost			
At 1st April 2023	50	80	130
Written off in year	(17)	(3)	(20)
At 31st March 2024	33	77	110
Depreciation			
At 1st April 2023	(22)	(77)	(99)
Written off in year	11	3	14
Charged in year	(3)	(2)	(5)
At 31st March 2024	(14)	(76)	(90)
Net book value			
At 31st March 2024	19	1	20
At 31st March 2023	28	3	31

11 (b) INTANGIBLE ASSETS – GROUP AND ASSOCIATION

	Computer Software	Total
	£000	£000
Cost		
At 1st April 2023	39	39
Written off in year	0	0
Additions at Cost	0	0
At 31st March 2024	39	39
Depreciation		
At 1st April 2023	(35)	(35)
Written off in year	0	0
Charged in year	(4)	(4)
At 31st March 2024	(39)	(39)
Net book value		
At 31st March 2024	(0)	(0)
At 31st March 2023	4	4

12. STOCK

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
At 1 st April	591	1,073	307	403
Expenditure during the year	1,970	695	1,095	211
Transferred to cost of sales	(921)	(1,177)	(307)	(307)
At 31 st March	1,640	591	1,095	307

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

13. DEBTORS

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Trade and other debtors:				
Arrears of rent and service charges	250	123	250	111
Provision for doubtful debts	-67	-22	-67	-17
	<u>183</u>	<u>101</u>	<u>183</u>	<u>94</u>
Recharges-tenants	11	10	11	10
Other recharges	52	120	52	120
Amounts due from subsidiaries	0	0	1	1
Insurance recharges	0	1	0	1
VAT recoverable	0	1	0	1
Deposit for highway works	35	21	26	21
Sundry debtors and prepayments	601	281	611	257
	<u>882</u>	<u>535</u>	<u>884</u>	<u>505</u>
Long-term debtors:				
Inter-company loan	0	0	454	0
Other long-term debtor	21	21	9	9
	<u>21</u>	<u>21</u>	<u>9</u>	<u>9</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Sinking fund	877	777	877	777
Other creditors and accruals	1,522	1,110	1,486	1,006
Amounts owed to subsidiaries	-	-	-	-
Recycled capital grant fund (see below)	111	111	111	14
Employee benefits – annual leave carried forward	20	19	20	19
Deferred income – capital grants	477	500	477	523
Building retentions	250	223	212	223
Building creditors	35	455	35	423
Housing loans	1,129	938	1,129	919
	<u>4,421</u>	<u>4,133</u>	<u>4,347</u>	<u>3,904</u>

Recycled Capital Grant Fund:

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 April	14	14	14	14
Grants recycled	97	97	97	-
Interest accrued	-	-	-	-
As at 31 March	<u>111</u>	<u>111</u>	<u>111</u>	<u>14</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

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

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Housing loans	44,683	37,685	44,683	37,232
Deferred income – capital grants	40,352	39,408	40,352	41,061
Pension provision (Note 20)	354	232	354	145
	<u>85,389</u>	<u>77,325</u>	<u>85,389</u>	<u>78,438</u>

Housing Loans

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Due in less than 1 year	1,129	938	1,129	919
Due between 1 and 2 years	1,135	1,123	1,135	1,123
Due between 2 and 5 years	14,726	3,670	14,726	3,670
Due after 5 years	28,822	32,892	28,822	32,439
Due after more than 1 year	44,683	37,685	44,683	37,232
Total	<u>45,812</u>	<u>38,623</u>	<u>45,812</u>	<u>38,151</u>

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 2.00% to 12.13% per annum (2023: 2.00% to 12.13%). The average rate at the end of the year was 4.48% (2023: 3.90%), reflecting planned utilisation of a Santander RCF. 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 31st March 2024 were £21.0m (2023: £29m). Issue costs and premiums incurred or received across the portfolio are amortised to the statement of comprehensive income over the period of loans to which these relate.

Loan balances were as follows:

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Debt by Lender:				
Barclays Bank	3,315	3,706	3,315	3,706
Triodos Bank	20,079	20,425	20,079	20,425
Santander	11,000	3,000	11,000	3,000
AHF plc	10,000	10,000	10,000	10,000
Orchardbrook	319	217	319	217
Total debt	<u>44,713</u>	<u>37,348</u>	<u>44,713</u>	<u>37,348</u>
Related amounts:				
Premium on AHF loan	1,232	1,283	1,232	1,283
Fair value on Orchardbrook loans	283	471	283	
Issue costs	-416	-480	-416	-480
Total	<u>45,812</u>	<u>38,622</u>	<u>45,812</u>	<u>38,151</u>

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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

Deferred income – capital grants

	Group 2024 £'000	Association 2024 £'000
At 1st April 2023	47,344	49,667
Grant received during the year	1,058	1,058
Grant addition: ToE GRHA	333	333
Fair value adjustment	-9	-2,332
Grant recycled during the year	0	0
At 31st March 2024	<u>48,726</u>	<u>48,726</u>
Less grant amortisation		
At 1st April 2023	7,436	8,083
Grant amortised for year	471	471
Fair value adjustment	-9	-656
At 31st March 2024	<u>7,898</u>	<u>7,898</u>
Net deferred income at 31st March 2024	<u>40,828</u>	<u>40,828</u>
Net deferred income at 31st March 2023	<u>39,908</u>	<u>41,584</u>

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Amount due to be released in less than one year	477	500	477	500
Amount due to be released in more than one year	<u>40,351</u>	<u>39,408</u>	<u>40,351</u>	<u>41,084</u>
	<u>40,828</u>	<u>39,908</u>	<u>40,828</u>	<u>41,584</u>

16. CALLED UP SHARE CAPITAL

	Group		Association	
	2024 £	2023 £	2024 £	2023 £
Shares of £1 each – allotted, issued and fully paid at 31st March 2023	45	49	45	49
Issued during the year	4	1	4	1
Cancelled during the year	<u>(7)</u>	<u>(5)</u>	<u>(7)</u>	<u>(5)</u>
Shares of £1 each – allotted, issued and fully paid at 31st March 2024	<u>42</u>	<u>45</u>	<u>42</u>	<u>45</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

17. CAPITAL COMMITMENTS

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	3,126	9,365	3,126	8,618
Capital expenditure authorised by the Board but has not yet been contracted	<u>20,907</u>	<u>19,255</u>	<u>20,617</u>	<u>18,461</u>
Total	<u>24,033</u>	<u>28,620</u>	<u>23,743</u>	<u>27,079</u>
Proposed financing of above expenditure:				
Grants	6,313	6,448	6,313	6,448
Loans & Cash	14,451	20,631	14,451	19,009
Property sales	<u>3,269</u>	<u>1,541</u>	<u>2,979</u>	<u>1,622</u>
	<u>24,033</u>	<u>28,620</u>	<u>23,743</u>	<u>27,079</u>

18. HOUSING STOCK

In ownership and management

The number of units of housing accommodation under development and in management at 31st March 2023 and 31st March 2024 were:

	Group			
	Units in Development		Units in Management	
	2024 No.	2023 No.	2024 No.	2023 No.
General needs housing - social rent	14	19	880	762
General needs housing - affordable rent	76	94	251	191
General needs housing – intermediate rent	-	-	11	11
Affordable home ownership	<u>23</u>	<u>16</u>	<u>388</u>	<u>379</u>
Total units owned or in development	<u>113</u>	<u>129</u>	<u>1,530</u>	<u>1,343</u>
Units managed on behalf of other registered providers			<u>4</u>	<u>4</u>
	<u>113</u>	<u>129</u>	<u>1,534</u>	<u>1,347</u>

	Association			
	Units in Development		Units in Management	
	2024 No.	2023 No.	2024 No.	2023 No.
General needs housing - social rent	14	19	880	698
General needs housing - affordable rent	76	94	251	191
General needs housing – intermediate rent	-	-	11	11
Affordable home ownership	<u>23</u>	<u>16</u>	<u>388</u>	<u>379</u>
Total units owned or in development	<u>113</u>	<u>129</u>	<u>1,530</u>	<u>1,279</u>
Units managed on behalf of other registered providers			<u>4</u>	<u>68</u>
	<u>113</u>	<u>129</u>	<u>1,534</u>	<u>1,347</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

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

Group

	At 31 st Mar 2023	Additions	Disposals	Amalgamations	Conversions	Other	At 31st Mar 2024
Units owned:							
Social housing							
Owned general needs - social rent	762	119	-1				880
Owned general needs - affordable rent	191	60					251
Owned general needs - intermediate rent	11						11
Affordable home ownership	379	10	-1				388
	1,343	189	-2	0	0	0	1,530
Non-Social housing	0						0
Total owned	1,343	189	-2	0	0	0	1,530
Units managed							
Managed units general needs	4						4

Association

	At 31st Mar 2023	Additions	Disposals	Amalgamations	Conversions	Other	At 31st Mar 2024
Units owned:							
Social housing							
Owned general needs - social rent	698	119		63			880
Owned general needs - affordable rent	191	60					251
Owned general needs - intermediate rent	11						11
Affordable home ownership	379	10	-1				388
	1,279	189	-1	63	0	0	1,530
Non-Social housing							0
Total owned	1,279	189	-1	63	0	0	1,530
Units managed							
Managed units general needs	68		-1	-63			4

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

19. CASH FLOW FROM OPERATING ACTIVITIES

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Surplus for the year	8,687	1,258	8,576	671
Adjustments for non-cash items:				
Depreciation and assets written off	2,030	1,803	1,998	1,702
Amortisation of fair value adjustment	-	(16)	-	-
(Increase) in trade and other debtors	(702)	(27)	(378)	(156)
Increase/ (decrease) in trade and other creditors	481	112	564	(72)
(Decrease)/ Increase in provisions	333	56	209	(5)
(Increase)/ decrease in properties developed for sale	(1,007)	302	(788)	96
Other comprehensive income	(27)	(103)	(27)	(26)
Gain on acquisition and fair value adjustment	(7,784)	-	(7,784)	-
Profit on disposal of fixed assets	(517)	(464)	-	(116)
Government grants utilised during the year	(472)	(499)	(472)	(472)
Interest receivable	(34)	(14)	(23)	(11)
Interest payable	1,493	1,367	1,493	1,204
Net Cash Inflow from Operating Activities	2,481	3,775	3,368	2,815

Analysis of change in net debt

Group

	At 31 st March 2023 £'000	Cashflows £'000	Other Changes £'000	At 31 st March 2024 £'000
Cash at bank and in hand	4,674	(857)		3,817
Short-term deposits	-	-		-
Overdrafts	-	-		-
	4,674	(857)		3,817
Debt due within one year	(938)	(191)		(1,129)
Debt due after more than one year	(37,685)	(7,017)		(44,702)
Current asset investments	-	-		-
Net debt	(33,949)	(8,065)	-	(42,014)

Association

	At 31 st March 2023 £'000	Cashflows £'000	Other Changes £'000	At 31 st March 2024 £'000
Cash at bank and in hand	3,351	433		3,784
Overdrafts	-	-		-
	3,352	432		3,784
Debt due within one year	(919)	(210)		(1,129)
Debt due after more than one year	(37,232)	(7,470)		(44,702)
Current asset investments	-	-		-
Net debt	(34,799)	(7,248)	-	(42,047)

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 DB Scheme 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 2024	31 March 2023
	(£000s)	(£000s)
Fair value of plan assets	615	689
Present value of defined benefit obligation	758	834
Surplus (deficit) in plan	(143)	(145)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(143)	(145)

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED
BENEFIT OBLIGATION

	Period from 31 March 2023 to 31 March 2024 (£000s)
Defined benefit obligation at start of period	834
Current service cost Expenses	-
	2
Interest expense	40
Member contributions	-
Actuarial losses (gains) due to scheme experience	(68)
Actuarial losses (gains) due to changes in demographic assumptions	(9)
Actuarial losses (gains) due to changes in financial assumptions	(3)
Benefits paid and expenses	(38)
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	758

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

	Period from 31 March 2023 to 31 March 2024 (£000s)
Fair value of plan assets at start of period	689
Interest income	34
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(107)
Employer contributions	37
Member contributions	-
Benefits paid and expenses	(38)

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	615

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2023 to 31 March 2024 was (£73,000).

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

	Period from 31 March 2023 to 31 March 2024 (£000s)
Current service cost	-
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)	8

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2023 to 31 March 2024 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(107)
Experience gains and losses arising on the plan liabilities - gain (loss)	68
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	9

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(27)
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)	(27)

ASSETS

	31 March 2024 (£000s)	31 March 2023 (£000s)
Global Equity	61	13
Absolute Return	24	7
Distressed Opportunities	22	21
Credit Relative Value	20	26
Alternative Risk Premia	20	1
Fund of Hedge Funds	8	4
Emerging Markets Debt	36	51
Risk Sharing	3	17
Insurance-Linked Securities	25	30
Property	62	79
Infrastructure	1	-
Private Debt	24	31
Opportunistic Illiquid Credit	24	29
High Yield	-	2
Opportunistic Credit	-	-
Cash	12	5
Corporate Bond Fund	-	-
Liquid Credit	-	-
Long Lease Property	4	21
Secured Income	18	32
Liability Driven Investment	250	317
Currency Hedging	-	1
Net Current Assets	1	2
Total assets	615	689

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

KEY ASSUMPTIONS

	31 March 2024 % per annum	31 March 2023 % per annum
Discount Rate	4.91%	4.87%
Inflation (RPI)	3.14%	3.19%
Inflation (CPI)	2.78%	2.75%
Salary Growth	3.78%	3.75%

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance
---	--------------------------	--------------------------

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	20.5
Female retiring in 2022	23.0
Male retiring in 2042	21.8
Female retiring in 2042	24.4

21. CONTINGENT LIABILITIES

Pensions : 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 £303,515 as at 30th September 2023 (£471,191 as at 30th September 2022).

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 21 members of staff who are active members of SHPS DC scheme.

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 was one resident on the Board at the beginning of the year. They resigned April in 2023. Their transactions with the Association continued to be on the same terms as for other residents. The Board have confirmed that there are no other related party transactions.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

23. OPERATING LEASE COMMITMENTS

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

Operating lease payments are as follows:

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Land & Buildings				
Due in less than 1 year	30	30	30	30
Due between 2 and 5 years	164	15	164	15
Due after 5 years	-	-	-	-
Other				
Due in less than 1 year	-	-	-	-
Due between 2 and 5 years	-	-	-	-
Due after 5 years	-	-	-	-
As at 31 March	<u>194</u>	<u>45</u>	<u>194</u>	<u>45</u>

The operating lease expense for the year was £30k.

24. SUBSIDIARIES

English Rural Housing Association is parent company to one subsidiary. 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 The Granary, Greenway Studios, Lower Eashing, Godalming, Surrey GU7 2QF.

ER Homes Limited purpose is to build and sell properties on the open market. ER Homes Limited commenced trading on 29th November 2018.

During the year, on 31 March 2024, The Cambridgeshire Cottage Housing Society ceased to be an independent wholly controlled subsidiary of English Rural Housing Association and all interests were transferred into the English Rural Housing Association.

25. FINANCIAL ASSETS

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Liquidity reserve fund	<u>427</u>	<u>407</u>	<u>427</u>	<u>407</u>
	<u>427</u>	<u>407</u>	<u>427</u>	<u>407</u>

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

26. POST BALANCE SHEET EVENT

No material events have occurred prior to signing these statements which would be considered to have a material impact on interpretation of these statements.