ENGLISH RURAL HOUSING ASSOCIATION LIMITED

Value for Money Update
2025

Approach to Value for Money (VfM)

The Board and Management of English Rural continue to acknowledge and respond to the challenges impacting the association and wider affordable housing sector, such as high inflation, viability pressures in development growth or the increasing need to invest in environmental and safety measures. To achieve Value for Money (VfM) aims when responding to these challenges requires the association to be effective and efficient with all available resources. The association's core objectives work together to deliver agreed purpose of '*The provision and management of affordable housing for local people in rural villages in England and to be an advocate for affordable rural housing*.' In doing so, VfM is supported through a separate Strategy which is overseen by the Board and considers how bast value will be achieved across all those objectives, which are illustrated below: -

Whilst determining how to maximise the value from its activities, English Rural needs to balance conflicting pressures across the business, accepting trade-offs in pursuit of an approach that delivers on both financial and social value. A fundamental of English Rural's business model is ensuring that services to existing homes and residents are fully funded whilst maintaining a sustainable approach to growth through building new affordable homes. From a current and future residents' perspective and the wider rural communities in which they live, English Rural's approach to delivering VfM is based on the following guiding principles:

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

More broadly, English Rural's wider VfM Strategy is intended to provide assurance to other stakeholders, including the Regulator of Social Housing and Funders in addition to residents and communities. Full VfM Strategy document is available externally on request.

Challenges to delivering VfM

- English Rural only builds and manages homes in smaller rural communities where construction costs are typically more due to higher infrastructure costs such as utilities and drainage. This has been exacerbated by the recent inflationary pressures and amongst other challenges, limits the volume of new homes we alone can build.

- Although English Rural has excellent relationships with the local authorities and parishes in areas where it operates, there is often local resistance to homes being built in small rural villages, responding to this and taking our community focused approach requires significant staff time, which attracts proportionally higher upfront costs per property which are at risk of being abortive if a development does not progress.

- Although relatively small, English Rural operates in many local authority areas across the country, making efficient delivery of services in some instances more challenging because of scale and sparsity.

Opportunities for delivering VfM

- English Rurals core objective is the delivery and management of rural housing. As a specialist, English Rural will often build and manage homes in locations that other housing associations would dismiss as too difficult or too small. This is a key differentiator for English Rural, and the social value of helping to sustain thriving communities, where otherwise individuals and families might be unable to remain, is difficult to quantify. But these relatively small developments hugely enrich the rural communities where they are cited.

- As an active advocate for rural communities, English Rural's actions are aimed at influencing policies at a local and central government level. This can have real benefit to current and future residents by protecting and promoting the investment in rural housing and services; securing or directing funding from which English Rural benefits. It also supports a positive policy framework for English Rural and others like us to operate within.

- English Rural has been very successful in collaborating and sharing expertise with smaller like-minded partners, helping them deliver affordable rural homes and services. For English Rural, this helps bring in useful income to help spread overheads and create further capacity to invest in our strategic ambitions. Over recent years English Rural has welcomed a number of smaller rurally focused housing providers through mergers and transfers. This has achieved greater economies and efficiencies to enhance VfM principles. Where these transfers have happened a strong business case has existed and the changes secured have both endowed English Rural with more assets, as well as securing the long-term sustainability of rural social housing which can be more challenging for smaller providers to deliver in the current economic environment. English Rural remains open to exploring future operating models and organisation structures where these will improve value for our stakeholders.

- Ongoing analysis of responses to the tenancy satisfaction survey feedback and tenancy satisfaction metrics will continue to inform a focus on improving value as viewed by residents. For example, satisfaction levels have been influenced by dissatisfaction with elements of the Grounds Maintenance service and a key focus during 2024/25 has been to reflect these concerns in the procurement of this service.

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

The Regulator for Social Housing (RSH) requires publication in the Financial Statements of performance against nine headline VfM Metrics, which allows comparison across the housing association sector. Targets are set for future years and measures identified to improve performance where needed. Details of performance against these regulatory metrics are included from page 22 within our published financial statements here.

The RSH recognised that the overall value delivered by individual providers cannot be expressed solely by these metrics and that bespoke VfM metrics help further demonstrate how an organisation is delivering and improving value against its long-term strategic objectives. Our overarching VfM Strategy includes references to metrics which assess how we are performing in terms of value for money across all our objectives. As this document is intended as a 'public facing' statement, the focus of the performance tables below includes focus on areas we believe are particularly relevant to our residents and the communities of which they form part.

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

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

Metric	English Rural 22/23	English Rural 23/24	English Rural 24/25	Target 24/25	Target 25/26	5-Year Target	Median RP's < 2,500 units*	Median All RP's > 1,000 units*
Regulatory VFM Metrics:								
Reinvestment %	7.3%	8.2%	4.4%	8.2%	10.8%	7.0%	4.1%	7.7%

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. Over the course of the year over £4m was invested in new homes development and over £1m in works to existing homes. The work on existing properties was broadly in line with the plans which contributed to the target. However, delays in planning agreements resulted in £3.7m delayed expenditure on new homes and consequently the variance overall. The planned expenditure has been carried forward into future years. The expectation that the investment delayed in 2024/25 will proceed in future years reflects the amber performance rating.
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Plans to help deliver strategic target:

- The latest financial business plan includes delivery of 146 new affordable homes over the next five years, from over £36m in gross expenditure, including the 'catch up' from 2024/25.
- Following a third-party stock condition survey completed in 2023, a minimum of 20% annual cyclical internal surveys are being undertaken, to provide assurance that investment is appropriately targeted and funded within the annual business plan and inform long term investment policy. During 2025/26 this has been accelerated with an additional role created, the aim is to have 100% of properties with a stock condition survey of <5 years old by 31st March 2026.

New supply delivered %:	1.3%	2.1%	2.0%	2.0%	1.0%	2.0%	0.3%	1.4%

Despite challenging economic conditions and the delays in starts on site, English Rural delivered 31 much needed affordable homes during the year including seven shared ownership properties and the ongoing commitment to new homes delivery continues to be prioritised in the strategic objectives outlined by the Board. English Rural have agreed to target average unit growth equivalent to 2% over the next five years and a provision for this has been made in the latest revision of the financial business plan.

Plans to meet strategic target:

- The Board has maintained the commitment to 2% organic unit growth in the financial business plan approved in May 2025.
- Existing pipeline of 37 units on site or in contract with a further 49 homes from named and targeted areas and funding provision in the latest financial business plan for an additional 60 by 2030.

- English Rural is committed to developing homes in rural locations where all too often market prices are beyond the resources of residents. As a part of this commitment, and with the support of Homes England grant, we are focused on delivering social rent wherever possible and have set a target delivery of >50 % social rented homes as a part of our 2025 review of the wider value for money strategy.

Operating Margin (social housing lettings)	21.4%	24.3%	25.9%	24.7%	22.0%	>27%	22%	20.4%

Social housing margins have increased from last year and exceeded budgeted target on the back of improved rental performance and despite increased void costs arising from delayed void repairs and subsequent re-lets. Optimising relet times continue to be the focus of the resident services team. Challenges including investment in IT infrastructure and increases in insurance cost will hold performance back in the short term but with social housing operating margin projected to average 27% over the next five years, overall performance continues to present positively compared to peers.

Plans to meet strategic target:

- Regular review of procurement policy for repairs and maintenance.
- Continued openness to opportunities to grow through partnerships with like-minded organisations to increase underlying efficiency.
- Strong budget management and cost control.

Bespoke VFM Metrics	**English Rural 22/23**	**English Rural 23/24**	**English Rural 24/25**	**Target 24/25**	**Target 25/26**	**5-Year Target**	**Benchmark (where available)**
% of homes at EPC C or above	69%	69%%	69%	73%	>73%	100%	73% **

There is an expectation on English Rural to secure a C or above rating on all homes by 2030, unless specific exemptions apply. Although there has been limited change during the year in terms of score; a significant amount of work has been completed in planning and procuring for a major push over the coming three years and English Rural have been allocated over £1.3m of Warm Homes grant to be drawn down over the next three years to make this a reality. Over 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 also increases the likelihood of condensation and damp and mould issues, leading to higher management and maintenance costs. This is also a key target in support of strategic objective 8, to; “Develop homes, services and operations in a sustainable and environmentally responsible way.”

Plans to meet strategic target:

- Roll out of three-year programme of works, supported by Warm Home Fund grant
- Continued alignment to Board sponsored sustainability strategy to ensure progress is made.
- Embedded within Asset Management Strategy, including post cyclical survey prioritisations.
- Financial provision within financial business plan.

% Spend of advocacy	3.0%	3.3%	3.2%	>3%	>3%	>3%	N/A

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 significant engagement with politicians and senior government officials, which has been particularly important given the Governments declared intentions regarding significant investment in new homes. 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 measure references the proportion of overhead costs which can be associated with advocacy related activities.

Plans to meet strategic target:

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

The presence and commitment of English Rural continues to encourage and may facilitate further merger opportunities which ultimately has the potential to release further capacity and sustainability for rural housing.

Number of complaints	12	16	17				N/A

This metric reflects the number of stage one complaints received in the year and has been used historically as an indicator of the underlying English Rural's performance against resident expectations. A detailed report is available on the website which confirms over 90% of complaints received in calendar year 2024 were resolved at stage one. No business likes to receive complaints, but when they happen an outcome that delivers value is to learn from them. The introduction of Tenancy Satisfaction Metrics (TSM's) has supported a broader assessment of resident feedback, and these results are also reported on the website. Complaint volumes, which increased slightly from 16 in 2023/24 to 17 for the reported year; however, overall resident satisfaction increased from 74% to 77% and repairs and maintenance satisfaction increased from 70% to 79%. These examples reflect the focus English Rural places on resident feedback regarding service value and our efforts to convert this into actions which make a difference. Although repairs satisfaction itself improved, the main cause of dissatisfaction remains time taken to complete a repair and this is now a key focus of the resident services team. Broader details of TSM performance are available on the English Rural's website.

Plans to meet strategic target:

- Continual review of improvement opportunities in the responsiveness of repairs providers and potential expansion of contracts.
- 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.

* Source: Regulator of Social Housing – Value for money metrics report 2023 - Global Accounts 2024
** Acuity – South West Benchmarking Group Median 2024.

Business Health Dashboard used to drive performance

The Board has in place a Business Health Dashboard to regularly review a variety of key indicators and drive improvements in business performance. These are aligned to English Rural's eight Strategic Ambitions. A cross section of metrics and relative performance for the year 2024/25 is shown below. Further reflection on performance against our Strategic Ambitions is included in the board report from page 4 within the Financial Statements here.

Performance Indicator	Actual	Target	2024/25 Rating	2023/24 Score	Direction of Performance
Strategic ambition one - Work with residents and deliver services in an accountable way					
% Satisfied with Service	77	>85		74	↑
Number of complaints	17			16	↑
% Routine repairs completed in target	93	>100		76	↑
% Emergency repairs completed in target	82	>85		85	↓
% Satisfied with last completed repair	83	>85		88	↓
Strategic ambition two - Grow by building new homes in partnership with rural communities					
Homes completed in year	31	30		20	↑
Homes in development programme	86	80		110	↓
Strategic ambition three - Play a leading and influential role nationally within the rural housing sector					
% Spend on advocacy	3.2%	>3		3.3	↓
Strategic ambition four - Invest in and deliver good governance					
% Board attendance	92	>90		79	↑
% Committee attendance	89	>85		80	↑
% Training attendance	71	>80		60	↑
Strategic ambition five - Invest in securing and keeping the best talent					
% Staff who would recommend English Rural as a good place to work	96	>90		96	⟺
% Annual appraisals overdue	0	<10		6	↑
Strategic ambition six - Actively seek partnership opportunities with other smaller rural housing associations					
Active partnerships	1	>5		2	↓
Strategic ambition seven - Use assets effectively and support sound financial health					
% Fixed to variable rate debt	67	>60		65	↑
% EBITDA (MRI) exc. sales and interest cover	154%	>130		129	↑
Liquidity	27 months	>18 months		>36	↓

Strategic ambition eight – Develop homes, services and operations in a sustainable and environmentally responsible way					
% of homes with EPC C or above	69	>75		68	↑

For residents, it is the performance against of the measures of ambition one which are often most visible and important on day-to-day basis, and we continue to strive to improve performance and perception against these. Whilst not yet at target, the proportion of residents satisfied with overall service and the delivery of routine repairs have both shown improvement year on year, with repairs supported by ongoing reviews of key contractors. These are results for the full year and although the annual result for emergency repairs was below target, achievement improved month by month in the final quarter and this continues to be an area or focus.

As noted in the 'Bespoke Metric' section above, we have plans for a major push over the coming three years and expect to be reporting good progress going forward.

Benchmarking

To assist in setting ambitious targets and for VfM benchmarking purposes, English Rural uses the sector financial metric medians provided as part of the annual Global Accounts review by the RSH. In addition, English Rural also subscribes to Acuity services, a regional benchmarking service for similar housing associations, which allows comparison across the range of VfM metrics as well as more customer focused indicators as well as providing a forum for discussion on wider rural housing issues. Whilst participation provides some useful comparisons, it can also be problematic achieving a like for like assessment, given that English Rural is one of the biggest in the group and is also an active developer. As such, English Rural feels the sector median for registered providers above 1,000 homes is a better benchmark and is, therefore, included for reporting purposes.

Key Focus Activities 2025/26

- Retendering of key contracts includes Insurance and aims to challenge existing and potential providers to ensure best value for money.
- Building on the 2024/25 review of procurement framework relating to property repairs and maintenance to ensure the best value
- Implementation of new core software for housing management and financial reporting to ensure processes are efficient and continue to meet the needs of English Rural and its residents.
- Preparing the next phase of digital transformation by agreeing a new Strategy and including in this progressive improvements using advances in artificial intelligence.
- English Rural has recently been awarded £1.3million grant from the Warm Homes Fund, which will be match funded by English Rural to deliver a £2.6million investment over the next three-years in enhancing the energy efficiency and environmental sustainability of homes and delivering the minimum EPC C target by 2029.
- English Rural will continue to learn from the feedback from the newly published Tenancy Satisfaction Metrics to develop strategies which ensure resident voice can be demonstrably heard and acted upon. Our focus on this has already helped improve headline satisfaction scores from 74% to 77%. Further details of our Tenancy Satisfaction Metric performance can be found on our website.
- As a part of the resident focused VfM reporting, examples of specific social impact experiences on communities and individuals will be highlighted annually
- English Rural is in the process of renewing its financing facilities and as part of this expects to reshape facilities and save up to an equivalent of £100k per annum on like for like interest costs compared to recent years.

- The efficiency actions above, along with others to be defined as a part of a continuous improvement agenda, form part of a target to demonstrate a minimum of £1.0 million of tangible cost savings over the next five years. Progress on this will be reported annually to Board.

Delivering transfer of engagement and improvements to group structure

Over the past five years English Rural have completed inward transfers of engagement from four smaller Housing Associations. English Rural remains open to future transfers and mergers where these contribute to improved overall value whilst protecting the interests of residents.