# Annual Report & Financial Statements 2022

Better Futures

Better
Homes
Communities
Business

B3living.org.uk

Our mission is to make **a sustainable, positive change to the housing crisis for our customers and communities**



# Contents

# Highlights

# Chair's welcome

This was my first full year as Chair, and it was also the first year of delivering our Better Futures strategy. Whilst the operating environment during the continuing pandemic has been very challenging, I have been immensely proud of our colleagues' unwavering commitment to deliver for our customers and communities.

The Better Futures strategy includes some very ambitious targets, including delivering 500 new affordable homes over the three years, a 10% increase in our stock, but with our enthusiasm, innovation and aptitude we are making good progress towards meeting this and our other corporate objectives. In particular I would like to recognise the strides we are making in our net-zero journey and to become an even more diverse and inclusive organisation.

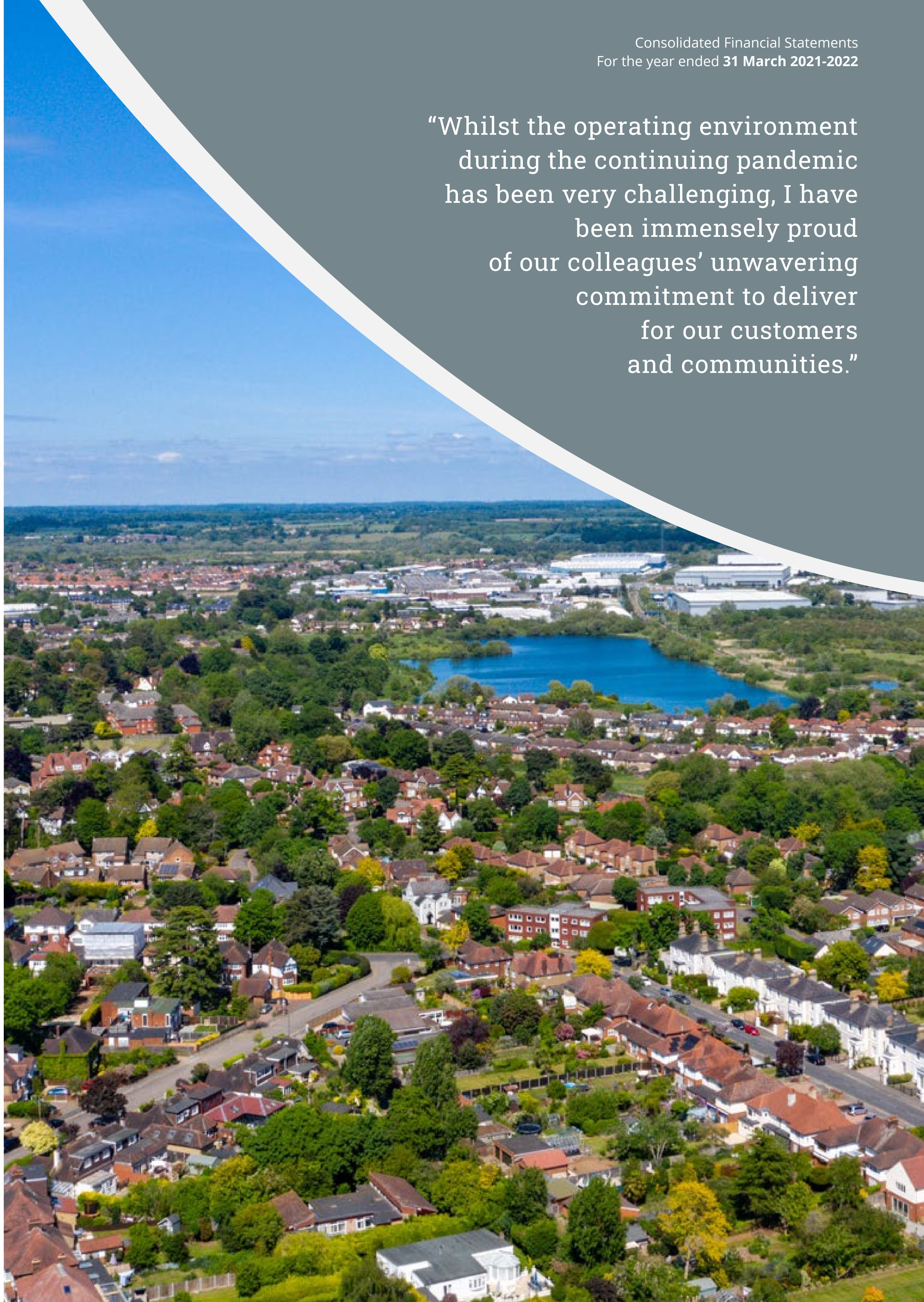
During this time of rising inflation and pressure on household incomes, the role of a social housing provider is more important than ever. Last year we saved our customers around £23m of rent against market rates. However, low rents do not need to mean low standards. Around 88% of our customers believe our rent and service charges offer good value for money, which is because we are working even more closely with our customers to ensure we invest in the right areas. For example, we recently decided to enhance our voids standard to offer re-let homes more in tune with the new ones we are building.

Our initial experience is that our customers hugely appreciate this (90% satisfaction ratings) and that it creates a home that customers are proud to live in from day one, rather than worrying about how they are going to afford to fit new flooring, for example.

To enable the delivery of the Better Futures strategy and to improve our customer experience, it is important that the Board has the right experience and skills to support the Executive team. This year we have seen a number of changes to our Board, and we were delighted to welcome two new non-executive directors to the Board: Vipul Thacker, and Caroline Abomeli, who both bring with them a wealth and breadth of experience. We also said goodbye to two long-serving and valued Board members, Chris Fawcett and Nicci Statham, whom we would like to thank for their dedication and commitment to B3Living.

The ongoing pandemic and the inflationary environment we are operating in continue to put our business under pressure, but I am confident we have the right team in place to weather this storm and achieve our strategic goals and to also deliver for our customers.

**David Biggs**
B3Living Chair



"Whilst the operating environment during the continuing pandemic has been very challenging, I have been immensely proud of our colleagues' unwavering commitment to deliver for our customers and communities."

# Statement from the Chair and Chief Executive

This year represented the first year of delivering our "Better Futures" strategy, and our team continued to respond magnificently to the pandemic and the changing ways of working.

**£5m** invested in improving our existing homes

**£40m** invested in providing new homes

**£65m** additional funding secured for new homes

**£23m** our customers saved against market rents

Whilst hopefully the worst of this is now behind us, the economic costs of Covid-19, particularly the significantly higher inflation (which is being further exacerbated by the conflict in Ukraine), matched with the 54% increase in the energy price cap will result in a cost-of-living squeeze. We know these pressures will impact our customer base disproportionally. Thus, our strategy of providing support to sustain tenancies and to improve the energy efficiency of our customers' homes has never been more important. By working collaboratively with our partners such as Broxbourne Council, Citizens Advice or the Money Advice Unit and lending our backing to grassroots initiatives, such as the Food Pantry we have been able to help with fuel and food costs for those most in need.

Throughout the year, we invested around £5m in improving our existing homes and continued our significant spending on customer and building safety. Against the backdrop of the pandemic, and its associated disruption, it was particularly pleasing to note that we managed to maintain our customer satisfaction level at 86%. We significantly improved our approach to customer engagement, and 2021-22 saw us provide more opportunities for our customers to influence our decisions, such as on the rent increase and our approach to decarbonisation.

To fund our strategy, we successfully secured £65m of additional long-term financing from bLEND and ARA Venn. The latter, which is the funding vehicle for the new Affordable Homes Guarantee Scheme was achieved at just 38 basis points over the gilt and an all-in cost of borrowing rate of 1.527%. B3Living, along with two other housing associations, were the first in the country to take advantage of this exceptionally low rate.

The delivery of much-needed new homes was impacted by the pandemic and associated lockdowns and material shortages. However, we invested around £40m in the provision of new affordable homes, successfully completed 119 new homes in the year, and our ambition to deliver 500 new homes by 2024 remains. We are an organisation committed to providing new homes for local people, homes that our customers are proud to live in and so we were immensely proud to deliver our 5,000th home on our Oaklands development, in our home borough of Broxbourne. Our fully funded business plan and "Better Futures" strategy cements this ambition and commitment.

> We are an organisation committed to providing new homes for local people, homes that our customers are proud to live in.

We continued our journey to become a net-zero carbon organisation and achieved a Silver rating in our sustainability assessment, moving 12 places forward in the rankings amongst our peers. Recently we have created even more momentum by employing a joint resource, shared with our neighbouring housing associations, settle and Watford Community Housing. We believe it is a great advert for the sector that three outward-looking providers have come together to make a real difference in Hertfordshire and achieve more by working collaboratively.

It was excellent to note continuing confidence from the Regulator of Social Housing and our Credit Rating agency, Moody's, in the management and direction of the business. In March 2022 the Regulator via an in-depth assessment, awarded us with the highest ratings of G1 and V1. Furthermore, in March 2022 Moody's maintained our credit rating of A3, as well as assigning a new ESG credit impact score to us of 2 (neutral to low).

We have delivered a huge amount over the last year and are proud that the organisation ends the year even stronger than we started. We are confident that even more will be delivered during 2022-23 and beyond.

**David Biggs**
B3Living Chair

**Steve Woodcock**
B3Living Chief Executive

# 2021-22: our year in numbers

Through our work, we support more than 12,000 people every year. Maintaining a healthy financial position and strong regulatory ratings gives us the platform to provide secure, high-quality homes and great customer services.

## Key financials

**£10m**
Surplus
(£10m 2020-21)

**202%**
Interest coverage
(221% 2020-21)

**48%**
Gearing
(52% 2020-21)

**G1 V1**
Regulator ratings
(G1V1 2020-21)

**A3**
Moody's rating
(A3 2020-21)

## Operational performance

**86%**
Customer satisfaction
(86% 2020-21)

**5,095**
Total homes
(owned and managed)
(4,985 2020-21)

**102.0%**
Rent collected
(101.9% 2020-21)

**99.1%**
Occupancy
(99.2% 2020-21)

## Property performance

**14.1%**
Reinvestment
(17.1% 2020-21)

**119**
New homes supplied
(97 (1.4%) 2020-21)

**0.73**
Proportion of responsive to planned repairs (0.82 2020-21)

**100%**
Gas and electrical safety compliance
(100% 2020-21)

## Value for money highlights

**£4,185**
Social housing cost per unit
(£3,944 2020-21)

**45.2%**
Operating margin
(social letting)
(44.9% 2020-21)

**4.6%**
Return on capital employed (5.2% 2020-21)

**88.1%**
Customers who think their rent is value for money

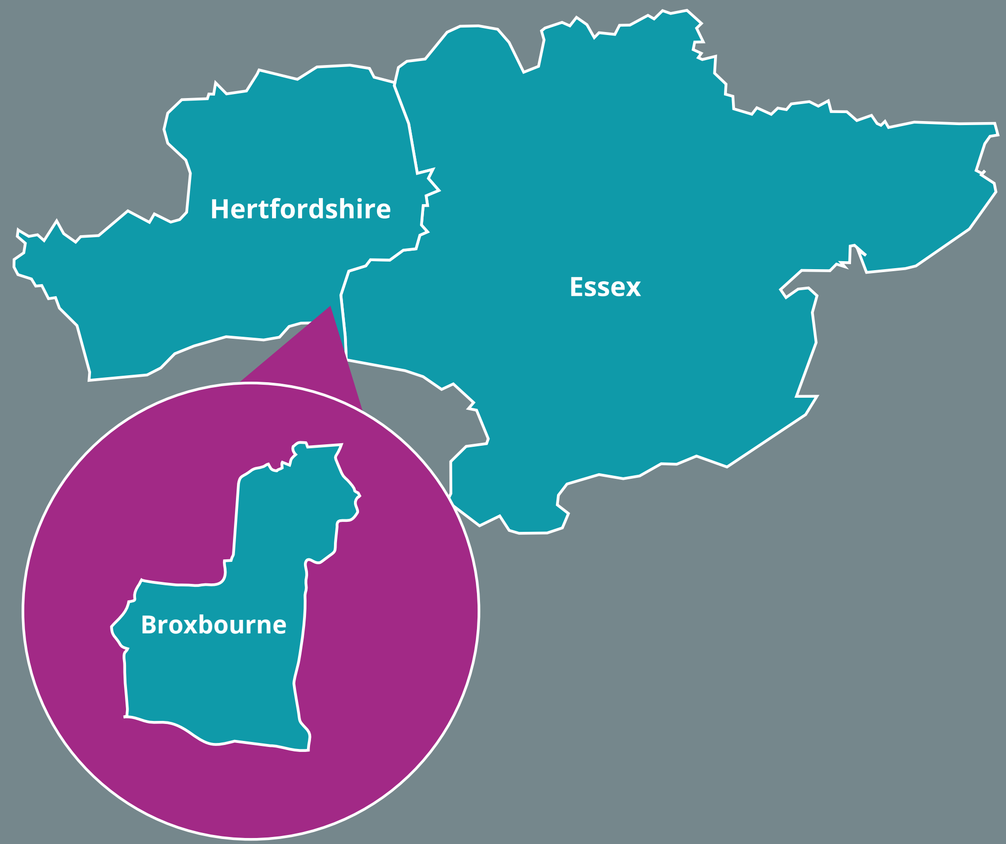
# About us

B3Living stands for better homes, communities and business. We work to create better futures for local people by providing safe, warm and affordable homes and excellent customer services.

## Who we are

We're a local, not-for-profit housing provider operating chiefly in Broxbourne, south-east Hertfordshire, and the surrounding areas. Established in 2006 following a large-scale voluntary transfer from the Borough of Broxbourne Council, we have since grown our stock to over 5,000 homes and our team to 180 colleagues, many of whom live in the area.

We're a social business and, given our focused geographical footprint, we enjoy close ties to the community where we work to make a significant and sustainable difference.




## What we do

In our area, the housing market is out of reach to many. Our research found that average house prices are 11 times greater than average earnings and market rents typically exceed local housing allowance. To tackle this crisis, we build, own and manage a wide range of below-market housing, helping local people to rent or buy a home they can call their own. In 2021-22, our customer base saved £23m by renting through B3Living rather than through the private market.

Providing a home is our core purpose, but a home is more than bricks and mortar and so are we. We are a customer-centric business offering services to help our customers live comfortably in their homes: we look after our buildings and estates and have an in-house repairs service, and we support people when life changes - for example, when money gets tight or as they adjust to retirement.

Every penny of our surplus, and much more, is invested in improving our homes, building new much-needed affordable homes and in our communities. We are driven by our charitable and social purpose and our values.

**180** colleagues | **5,000** homes | **12,000** customers




## Values and customer ethos

Our values underpin everything we do, from how we work with customers, partners and each other on a day-to-day basis, to how we make long-term strategic decisions.

Stemming from our values is our 'Customer Ethos'. We have developed these standards to communicate the importance we place on offering our customers an excellent experience when they engage with our services. Our aim is to promote a culture of listening, accountability and respect, which aligns with the aims set out in the Charter for Social Housing Residents. Our Customer Ethos puts our values into action and lets our customers know what they can expect from us.

### Values

| Open | Adaptable | One team | Innovative | Commercial |
|---|---|---|---|---|
| Communicating and listening inclusively | Continuously changing to improve the way we work | Working together to achieve our goals | Proactively challenging to maximise opportunities | Creating value and understanding costs |

### Our customer ethos

| Open | Adaptable | One team | Innovative | Commercial |
|---|---|---|---|---|
| Always honest | Deliver a personalised and inclusive service | Take ownership of every contact | Find better ways to do things | Actively listen |



## Key priorities

In 2021, the average property in Broxbourne sold for more than £485,000, more than 11 times the average earnings locally. Thus, activities that support our core purpose, such as building affordable homes and delivering our Customer Strategy, remain priorities.

However, our Better Futures strategy recognises the broader role housing providers play in today's social, economic and environmental context. One year into this strategy, we have mobilised the resources we will need to deliver against our ambitions, and we can already report early achievements against our targets for cutting our carbon footprint, building safety and improving the diversity of our workforce.

## Better futures strategy, 2021-24

Our three-year Better Futures strategy was approved by our Board in March 2021 and included seven themes developed in response to our research and knowledge of the local area. These themes (below) describe how we plan to make the biggest impact for our customers and community. Our Strategic Report tracks the progress made against these goals in the last year and our priorities for the years ahead.

- **Excellent customer experiences**
- **Support when life changes**
- **Safe, good quality homes and estates**
- **Cutting carbon**
- **Building locally**
- **A great, inclusive place to work**
- **Responsible business**

# Strategic review

# Excellent customer experiences

Providing affordable landlord services is the bedrock of what we do, and the needs of our customers are at the forefront of our Better Futures strategy. Yet to offer excellent customer experiences we must keep pace with changing expectations, which means embracing our values around innovation and value for money while keeping the personal touch that our colleagues and customers continue to cite as our key strength.

## New, existing and returning services

This year we continued to expand our digital offer, launching a live chat / chatbot feature, a new website with integrated accessibility tools and a direct-booking app for our repairs service. As a local provider, where many of our customers are on first-name terms with "their caretaker", we welcomed the return of face-to-face contact with our customers, particularly as 119 new homes came into management.

Our customer satisfaction scores strengthened in 2021-22, with customers feeding back that they felt we were easier to deal with and listening to their views more.

At the same time, we have improved on our previous year's sector-leading arrears performance. To achieve these results following a year of a pandemic-related eviction ban and unprecedented financial pressure is a testament to the relationships our teams form with our customers and their principle of "collecting with care".





Customers satisfied that we are easy to deal with **88%**

2022 target (84%)

Customers satisfied that we listen to their views and act on them **75%**

2022 target (74%)

**130**
members of our Customer Community (2020-21: 65)

**1.01%**
Total current tenant arrears (2020-21: 1.26%)

## Customer voice

Similarly, we are pleased to have further expanded our customer involvement activities, which have been consolidated into a Customer Influence Framework.

In the spirit of the Charter for Social Housing Residents, this framework includes two interconnected strands: listening and response. To ensure customer insights drive meaningful action, we have launched a Customer Experience Group and embedded the customer voice into our governance processes.

Membership of our engaged customer network, our 'Customer Community', has doubled. This has allowed us to consult customers on a range of important topics, including the rent increase, and to explore co-production, such as through our re-let pilot. In 2022-23 we plan to cast our net wider and reach out to those customers who would not normally engage with us, to ensure we are listening to a customer voice that is as diverse and representative as possible.

One of our rent setting customer consultation sessions

"I'm disabled and Sarah [B3Living Rents Manager] has gone out of her way to always accommodate me. She always makes time for even the little things, and I know if I call there's always a friendly welcoming voice on the end of the phone."

B3Living customer

# Support when life changes

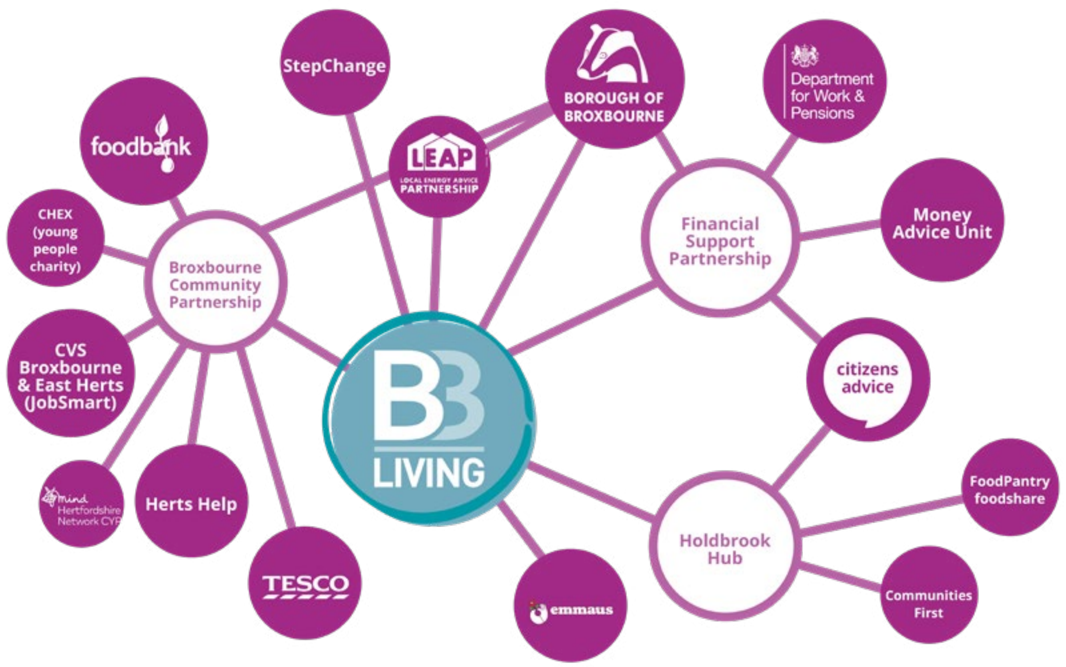
Tenancy sustainment is a key theme of our strategy because through research, we identified that our area has higher levels of deprivation and lower average wages compared with other areas in Hertfordshire. Therefore, our customers may be more exposed when faced with changes or challenges in their lives.

For us, tenancy sustainment is about good partnerships. Excellent services exist within our community so B3Living's strategy is, to build a close local network which allows us to maximise resources, bridge gaps, and best support our customers to navigate and access what is available. This year, as we come out of the pandemic our main priority will be supporting our customers, with our partners, through the emerging cost-of-living crisis which could see inflation reaching double figures.

Our partnership working generates shared benefits: our customers can access financial support, advice and donations and we have been able to give back to our community by offering:

- **Accommodation**: in 2021, through our Holdbrook Hub we hosted Community First volunteers (coordinating the local vaccination plan) and set up a Community Fridge, addressing a gap by offering people in hardship access to fresh food.
- **Funding**: We have provided donations to grassroots charities, e.g. the Foodbank, Food Pantry, CHEX and Wyld Edges, and we fund fast-track support options for our customers, such as with Citizens Advice and the Money Advice Unit.
- **Coordination**: this year, our Community Development team continued to chair the Broxbourne Financial Support Group. We have also supported our local authority partners to access the Energy Redress Scheme to enable our whole community, customers and non-B3Living residents, to benefit.

Our partners will have a demanding year ahead and we have already begun to see their resources coming under pressure: for example, fuel grants being fully spent within hours, and foodshare donations adversely affected by supply chain challenges.




As part of our Better Futures strategy, we have also looked internally for better ways to support our customers:

- Our re-let standards pilot sought to address furniture poverty, as well as customer satisfaction, by giving customers a better start in their new home.
- Following our rent increase consultation in November, we have created a support fund to help those struggling with increasing rent and bills.
- In addition, we have appointed a dedicated Customer Coach to bring these internal and external resources together to help our customers stay in their homes.

## Introducing our Customer Coach

Our new Customer Coach will offer an intensive, 12-week support service for customers struggling to maintain their tenancy or who have complex needs. To meet their long-term needs, they will work with families to put together a support plan and connect them to the right agencies



# Case Study



## Community heroes: Meet Amanda

Mum of four, Amanda, represents local charity, Hearts Helping Herts, which is part of our local community network. After years of volunteering and graduating in event management, she noticed lockdown-related bulk buying had led to more food waste increasing and decided to set up a food service to support local people.

The Food Pantry now feeds almost 200 people and is a direct-access service, which means that, rather than facing protocols that some customers struggle with, people can just visit and get food and essentials. Amanda estimates that more than half of the people she supports are in full time work.

She has been a B3Living customer since 2001 and thinks this is part of the reason why her support is in high demand:

> I think I'm approachable because I am just a regular B3Living tenant, people can relate to me because I've been in a similar situation to them. [....] There have been times when I have been vulnerable myself and B3Living has been amazing in helping me to maintain my home and support me as a resident.


# Safe, good quality homes and estates

We are committed to investing in the improvement of our homes at sector upper quartile levels. The quality of a home and neighbourhood has a significant role to play in the quality of life our customers can enjoy. Although this year has not been without challenge, with Covid-19 lockdowns stretching into the initial months of the 2021-22 year and the supply and cost of materials becoming a national concern, we are proud that our core repair and maintenance services continue to perform well. For example, post-job satisfaction with our responsive repairs service stayed consistently positive, closing the year at a 92% average.

## Customer and building safety

The safety of our homes has, and always will be, a priority for B3Living. Over several years we have placed a focus on developing even more robust structures for safety-related checks, reporting and compliance. Our Customer and Building Safety Action Plan, which responds to the Grenfell Inquiry findings/Hackitt Review as well as the new Building Safety Act, has moved on to its second phase. In 2021 we also developed a comprehensive new Fire Risk Management System to formalise and consolidate our whole approach to fire safety in line with British Standards.

We have made substantial investments to pre-empt the Building Safety Act requirements, ensure customer safety, and take action in the interests of customers wellbeing, in line with our values. We have completed our first phase of external wall cladding surveys across priority blocks and launched our largest-ever fire door upgrade programme.

As we establish a "golden thread" of building safety information throughout our organisation, we feel it is crucial that this extends all the way to our customer base. We have engaged with customers on customer-friendly formats for publishing fire risk assessments and on registering for personal emergency evacuation plans. As with our voids standards pilot (see page 61), our colleagues in our Independent Living schemes have noted that involving customers in their monthly health and safety checks not only offers reassurance to the residents but also gives them valuable insights. We believe that raising awareness and empowering those living in our buildings with the knowledge to act as extra 'eyes' makes our risk management response more effective.

Customers satisfied that their home is safe and secure

**88%**

2022 target (83%)

**100%**

Completed:
Fire risk assessments
Gas safety checks
Asbestos safety checks

**200**

Personal emergency evacuation plans registered in partnership with customers

# Cutting carbon

Housing represents 25% of all UK carbon emissions. Therefore, it is clear that social landlords like B3Living cannot only seek to adapt to a low carbon future; we must be a key player in delivering it. We seek initiatives which reduce our environmental impact but also shield our customers from rising energy costs, a need that the emerging cost-of-living crisis has brought into even sharper relief.

B3Living's Better Futures strategy sets bold targets for reducing our carbon footprint, but we proceed from an encouraging position. We achieved a Silver accreditation in our second SHIFT sustainability assessment and raising our ranking against our peers up to 20th, an improvement of 12 places on last year. Similarly, our ESG credit impact score from Moody's placed B3Living among only 10 housing providers with an environmental risk score of 2 (neutral to low).

| SHIFT rating: **Silver** Up 12 places (SHIFT SILVER) | Moody's credit impact score: 2 (Moody's Investors Service) |
|---|---|
| Top SAP rating (74.8. 'Better Futures' 2022 target: 75) | Environmental Issuer Profile: 2 (neutral to low) |
| -Top 3 for homes with EPC C + (85.4%, 'Better Futures' 2022 target: 77%) | |




That said, we expect to gather even more momentum in the coming year. In 2021, we concentrated on bringing people together, both from within and outside the organisation, to help us realise our ambitions around sustainability. Our ongoing collaboration with neighbouring providers came together via the appointment of a joint sustainability lead, and we have already started translating our shared vision into tangible projects.

Alongside these wider partnerships, we have maintained our commitment internally via a dedicated Net-Zero Carbon working group, whose action plan is also set to enter its second year. Through their efforts we have invested in a variety of changes, big and small, to our homes, materials and working practices: these include a new hybrid vehicle fleet, recycling and water saving devices in our re-let homes, new procurement process with sustainability standards, and a large-scale window and door replacement programme.

Shrinking our carbon footprint is also about a cultural shift towards more environmentally-conscious working practices and thinking ahead. We are using activities like our 'Greenest Driver' award to bring our colleagues with us and we are upskilling our trade teams in preparation for the more sustainable homes we develop in the future; by training our electricians in solar PV maintenance, for example.


## Coming soon Cheshunt Lakeside:

**1%** skip waste gone to landfill (out of 572.246 tonnes)

**19%** local labour

**40** electric vehicle charging points

Landlord electricity **= solar PV**

Electric boilers **= heating and hot water**

Recycled Hardcore

Cheshunt Lakeside, 195 new homes

# Building locally

Through our Better Futures strategy, we will increase the supply of affordable homes in Broxbourne and the surrounding areas significantly. Historically, these areas experienced slow levels of development and the stock profile includes a comparatively small proportion of rented homes. Our ambition is to deliver true additionality in our area, so we have developed several land-led schemes to supplement the Section 106 opportunities created via the commercial market. We were proud to see some of these projects finished and occupied in 2021-22. In the year ahead, we will be exploring further options to maximise our assets and generate new opportunities and expect to deliver a further 381 new homes by March 2024.

Among the 119 new homes we completed in 2021-22, we saw the completion of two of the four B3Living-led projects in our hometown of Hoddesdon: namely, our Beech Walk and Brewery Road sites, both offering homes for people over 55. The latter received the Judges Award at the 2021 Herts Building and Construction Awards in recognition of its sophisticated design, which includes aesthetic details recalling the area's industrial heritage and adaptation-ready features to help customers to stay in these homes even if their needs change.

Also among this year's handovers was B3Living's 5,000th home, delivered with the first phase of our Oaklands site, also in Hoddesdon. This milestone is evidence of the investments we have made to mobilise and grow our development activities in recent years. Our commercial subsidiary, Everlea Homes, also completed its sole active joint venture at Farnham Road, Bishops Stortford.

The socio-economic context in 2021-22 has been even more challenging than anticipated, with multiple factors affecting the availability of materials and labour (including Brexit, Covid-19, storms and the conflict in Ukraine) causing backlogs at key agencies, such as Land Registry and utility companies. Although this has an impact on our development outturn in 2021-22, we will continue to work with and support our partners and particularly considering the pace of progress at our flagship project at Cheshunt Lakeside, we remain confident of hitting our 500 new affordable home target by 2024.

**119** new homes completed

**Homes built in the Borough of Broxbourne** **84%**

2022 target (70%)

**73m** **Funding secured for future development**

**119** **Affordable tenures**
(60 affordable rent, 16 social rent, 43 shared ownership)

## Funding

Grant and loan funding allows B3Living to tailor schemes according to local need. This year we were able to tap into new sources of funding, securing £35m through bLEND as well as a further £30m via the Affordable Homes Guarantee Scheme, where we were amongst the first recipients of the fund. We also continue in our close, positive working relationship with Homes England. Alongside our strong performance in our Homes England audit, we received £8.9m in grant funding during 2021-22 and secured additional funding for future sites. Of the funding received this year, £7.8m was from successful bids to the new Affordable Housing Programme 2021-26 relating to our schemes at Cheshunt Lakeside (149 homes) and Newgatestreet Road (8 homes).

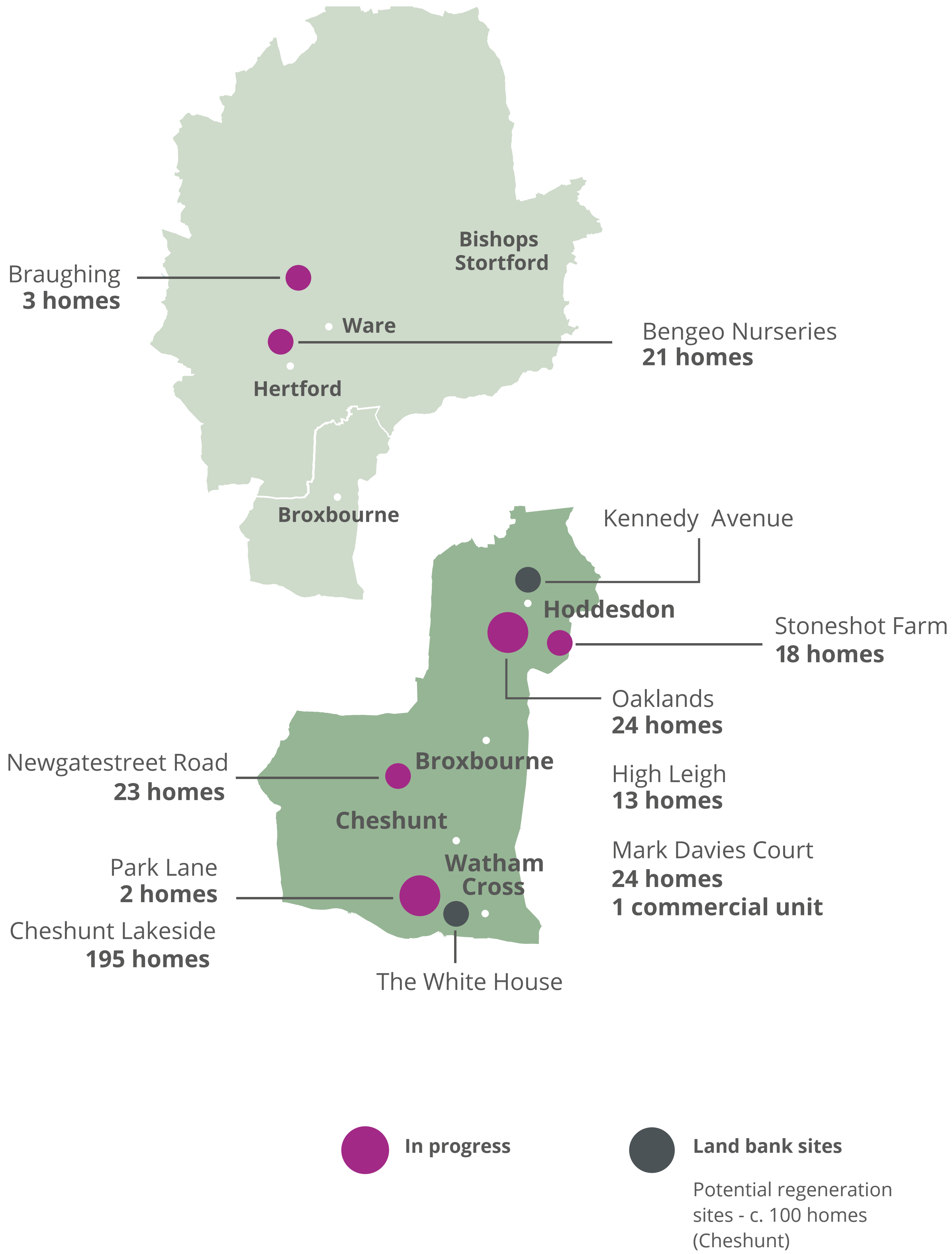
## Sales

B3Living was able to generate a further £4.2m in income through shared ownership sales. Speaking to our social purpose, most of our 23 new homeowners are local people who have finally been able to get on the property ladder without being forced to move away from where they currently live or work. We have seen a healthy appetite for the shared ownership product as well as a recognition of the quality of homes we provide. One example of this was at our Oaklands site, where all sales in the first phase were reserved during the launch weekend. Excluding the homes handed over in March 2022, we closed the financial year with all seven of our customer-ready shared ownership homes under offer or reserved.

Oaklands development, Hoddesdon – 60 homes


Cllr Monaghan (Portfolio Holder for Housing), Cllr Cocking (Leader of Borough of Broxbourne Council), Charles Walker MP and David Biggs (Chair of B3Living) opening our 5,000th home

## Our development pipeline, as at 31 March 2022



# A great, inclusive place to work

We embrace an intersectional approach to equality, diversity and inclusion (EDI) through breaking down barriers, eliminating discrimination and making sure that we offer equal opportunities. We want to be known as a place where people are appreciated and valued for their own unique contribution and aren't constrained by their own identity or circumstances.

Our new EDI Strategy and Action Plan (published on our website) places our commitments into three themes: to develop, building on what we have already achieved thus far; to advance, with a focus on recruiting a diverse workforce; and, lastly, to embed EDI thinking in all our decision-making.

This strategy was approved by our Board towards the end of 2021-22, and we only possess modest resources in this space, yet we were still able to take significant steps during the year to foster a more inclusive working environment.

Our EDI Manager and group of EDI Champions coordinated several internal campaigns to encourage transparent conversations around sensitive topics, such as pronoun use. We have updated our Equality Impact Assessment (EIA) process, while National Inclusion Week gave our teams an opportunity to come together to celebrate and discuss diversity openly as part of our 'What inclusion means to me' video. We also engaged with mentors from Disability Connect to make sure our recruitment practices are "disability positive" and are raising awareness of hidden disabilities by distributing free hidden disability sunflower lanyards to our customers and community.



# Responsible business

Our values and culture provide the foundation for our commitment to corporate responsibility, which we refer to with the maxim 'responsible business, responsible employer'. It goes without saying that we will act within our regulatory framework and ensure that the business continues to operate within its Financial Golden Rules but our approach is much wider than that.

We see responsible business as putting our values into practice and maintaining the trust of our customers and partners. It impacts all we do and, as such, the contents of this Combined Annual Report and Financial Statements speak to our commitments and achievements in this area.

However, we're pleased to report that against, our strategic targets, we have:

- **Maintained our G1/V1 regulatory ratings with the Regulator of Social Housing following an in-depth assessment at the beginning of 2022.**
- **Adopted and are fully compliant with the National Housing Federation's Code of Governance 2020, ahead of our target to be compliant by 2023.**

# Environmental, social, and corporate governance

# Environmental, social, and corporate governance

For B3Living environmental, social and governance (ESG) reporting is not simply about accessing cheaper sources of new finance but about doing our part in the push for a society that is more considerate towards its community and environment.

This year (2021-22) represents our second year of ESG reporting, for which we have opted to follow the Good Economy's Sustainability Reporting Standard for Social Housing, which establishes a common standard for the sector and examines the role of social landlords in the context of the UN's 17 Sustainable Development Goals.

We publish a full, supplementary ESG report which documents B3Living's positive contributions against 12 themes, as well as areas where we plan to learn in order to improve our performance and reduce our carbon footprint. We were pleased with the positive response to our inaugural report in our credit impact assessment by Moody's. Alongside an overall risk score of 2 (neutral to low), B3Living was among only 10 housing providers with an environmental risk score of 2.

As a housing provider, we recognise our potential but also where our reach and impact have limits. Being closest to our operations, we will have the greatest direct impact on the lives of our customers whereas, as we extend into our community and environment, we become more reliant on the cooperation of other like-minded people and businesses.

We also recognise that our ESG ambitions are interconnected, increasingly so with new technologies and in the current political context. For example, our work to alleviate fuel poverty, or to engage in placemaking for our customers and community, can go hand in hand with our efforts to lessen our environmental impact and vice versa.

The following summary of our 2021-22 ESG Report highlights some of the actions we have taken to mobilise like-minded people and businesses and to build momentum so that we achieve real and sustainable change.





**Top:** homes with EPC C+

**Top 3:** SAP ratings

## Environment

In this area most, collaboration has been a key theme in our achievements. We have built working partnerships with neighbouring landlords, sustainable businesses, and our customers which will allow us to start delivering against our net-zero carbon ambitions.

Standing alone, our position is favourable: our stock profile includes high SAP ratings for energy efficiency and a relatively high proportion of homes rated EPC C or above, placing us top and top three, respectively, among our peers in the SHIFT sustainability assessment. We have also started to take meaningful steps to reduce the carbon footprint of our wider operations, such as through:

- **Investment in our homes. This year we invested £1m in roofing upgrades and have made a further provision of £50m for future carbon reduction measures.**
- **Incorporating sustainability criteria into our framework agreements and contracts which has, for example, led us to switch to a new cleaning material supplier who uses 100% renewable energy and with their own carbon offsetting schemes.**
- **Expanding our existing partnerships with wildlife planting charity Wyld Edges, who supported us to open a volunteer-run community garden in Cheshunt.**
- **Reducing our central office's annual waste by two tonnes.**

Yet we recognised that we could still achieve much more by combining our energies with other like-minded landlords in our area. So we have formed a partnership with neighbouring Hertfordshire housing associations, settle and Watford Community Housing.

## Greener Herts

In 2021 we launched the Greener Herts partnership, bringing the three organisations together behind the shared aim of building an innovative delivery plan which will move our combined 20,000 homes towards net-zero carbon in the shortest timescale. We believe this approach offers advantages of scale; shared expertise, costs, technical ideas and learning; combined customer and colleague initiatives; and joint procurement: all of which can only happen in a truly collaborative environment. 'Action' is the underlying principle of our shared net-zero carbon strategy.

Our first step was to appoint a shared Sustainability Lead in November 2021, who coordinates carbon reduction initiatives flexibly across all three partners. Following a research and discovery phase, our Sustainability Lead has begun to map out a collection of pilot projects for the year ahead, all designed to alleviate fuel poverty as well as to address our carbon output.


### Homes to EPC C and above: The WarmFront project

Greener Herts is already part-way through its first project with energy-saving specialists, WarmFront. They have conducted a thermal-imaging survey of all 20,000 homes across the county to identify where properties could be better insulated. In the next phase of the project, WarmFront will work with each partner to access ECO (Energy Company Obligation) funding to help pay for and install the recommended property improvements.

Through this project, we now have an action plan to better insulate 480 of our homes (approx. 10% of our total stock), which will make a big difference in getting us to 100% homes with EPC ratings of C and above.

### Bringing customers together across Herts: The Green Panel

Greener Herts was set up around shared values. All partners appreciate that we must bring our customers with us as we move forward and that insights and engagement will be key to our success. As Greener Herts, we agreed to establish a "Green Panel" including customer representatives from all three organisations.

We are following the principles of coproduction, so our customers have started by setting out their expectations and priorities and helping to plan the future direction of our cutting-carbon activities.


**We believe it is a great advert for the sector that three outward-looking providers have come together to make a real difference in Hertfordshire.**

## Social

Our net-zero carbon strategies recognise the wider ESG agenda and connect with several activities that fall into the 'social' element of our ESG reporting. This strand of ESG is closest to our core operations, and strong social values are part of B3Living's DNA as an organisation. However, we have sought to go further and our ESG report notes the work we have done to ensure our customers safety, offer more stability and support, and to further empower our customers.

Our core offer is substantially different to what is available in the private housing market, which many in our area struggle to access. In 2021-22 B3Living's rents collectively saved our customers over £23.1m compared with the private market. In addition, to offer our customers more security and peace of mind, in 2021 we transferred all remaining fixed-term tenancies to assured tenancies, helping those households to plan for the future.

We recognise that instability in our customers' lives can be driven by external factors, which is why our service is broader than purely the offer of a home. Our close network of local partners gives us an effective way to connect people to support agencies and yields tangible dividends for our customers: examples of this include £31k secured for customers through our partnership with Citizens Advice; £17k in fuel vouchers distributed to people struggling with their energy bills; and 60 people connected to training courses with local CVS project, JobSmart. We have a focused geographical footprint which helps us to stay embedded within our community and contribute as a placeshaper. This positioning enables us to achieve more, as apparent through a variety projects completed this year, such as our adaptable homes at Brewery Road, our new community garden in Cheshunt and our Safer Streets project in collaboration with the police and local authority.

£23m **saved on rent**
**(compared with market rents)**





## Governance

As described elsewhere in this annual report, we continue to strive to practice good corporate governance and robust risk management. Among our activities this year were the achievement of compliance with the NHF Code of Governance 2020, to maintain our G1/V1 regulatory ratings, and to implement our new Risk Management Strategy, which had been approved in 2020-21.

Although we have a longstanding commitment around paying our colleagues a fair wage, this year we were formally accredited as a Living Wage Employer. This accreditation recognises that we also have a plan in place to ensure that those working in our homes but employed via our third-party contractors also receive the Real Living Wage, as part of our efforts to build ESG considerations into our wider supply chain.

Improving awareness, culture and good practice around diversity and inclusion is a core workstream for us. We have seen an improvement in diversity at Board level.

We were keen to make the ethnicity profile of our Board more representative of the community in which we work.

Exploring non-traditional routes for recruitment and being being candid about our current position generated a very positive response from a wider pool of applicants, and we were delighted to welcome two new Board members at our September AGM.

B3Living's full ESG report is available via our website, please visit:

**https://www.b3living.org.uk/about-us/publications/**

We are a Living Wage Employer

# Financial review




# Five-year analytical review

B3Living saw another year of strong financial performance delivering a healthy surplus of just over £10m and increasing our net assets to around £90.6m, as at March 2022. This is a remarkable achievement especially during these economically challenging times, with labour and material shortages following disruptions in the supply chain as we emerge from a global pandemic, and the after-effects of Brexit.

Our healthy surplus will enable us to continue investing at sector upper-quartile levels in the maintenance of our existing homes and in the provision of new much-needed affordable homes within our local geography, whilst managing our gearing and debt per unit position, which continue to fall within the sector's highest decile.

During the year, the Group generated an operating surplus of £14.9m (2021: £14.8m). This surplus was underpinned by the following factors:

- An increase in the profitability for our core rental business contributing £13.3m (2021: £12.5m).
- Shared ownership first tranche sales surplus of £0.8m (2021: £1.5m).
- Surplus from property disposals of £0.8m (2021: £0.8m).

## Statement of comprehensive income for the last five years

| For the year ended 31 March | March 2022 £000 | March 2021 £000 | March 2020 £000 | March 2019 £000 | March 2018 £000 |
|---|---|---|---|---|---|
| Turnover | 34,535 | 33,336 | 34,561 | 34,664 | 27,781 |
| Cost of sales | (3,873) | (3,310) | (4,725) | (4,865) | (1,033) |
| Operating expenditure | (16,552) | (15,988) | (16,085) | (14,261) | (13,816) |
| Disposal of housing property | 790 | 843 | 502 | 912 | 1,054 |
| **Operating surplus** | **14,900** | **14,881** | **14,253** | **16,450** | **13,986** |
| Share of joint venture profits | - | - | 8,193 | (206) | 927 |
| Net financing costs | (4,940) | (4,744) | (4,980) | (4,969) | (4,858) |
| Increase/decrease in valuation of investment properties | 65 | 91 | (35) | (10) | (120) |
| **Surplus/(deficit) before tax** | **10,025** | **10,228** | **17,431** | **11,265** | **9,935** |
| Taxation | - | - | 1 | (2) | - |
| **Surplus/(deficit) for the year** | **10,025** | **10,228** | **17,432** | **11,263** | **9,935** |
| Actuarial (loss)/gain in respect of pension schemes | 1,680 | (1,297) | 2,037 | (1,018) | 422 |
| **Total comprehensive income for the year** | **11,705** | **8,931** | **19,469** | **10,245** | **10,357** |

Over the last five years, we have delivered surpluses of around £10m per annum consistently, and in 2021-22 we did so again. We understand the importance our surplus has on our ability to make significant investments in new and existing homes and in protecting the business against a range of adverse scenarios.

Our turnover has remained consistent in recent years, with rented social housing lettings turnover increasing from £28m in 2020-21 to £29m in 2021-22, and shared ownership sales falling marginally from £4.8m to £4.5m over the same period. Our business plan forecasts that turnover will exceed £44m in 2022-23 and £45m in 2023-24, as we experience significant shared ownership sales of around £10m per year over this period.

This year we achieved rental and service charge income of £28.9m against prior year performance of £27.8m. This increase is due to an increase of 1.5% on all social and affordable rents in 2021-22 as per the rent settlement, where registered providers are allowed to increase social and affordable rents by CPI plus 1%. Another driver behind the increase in rental income is the rent generated by the 119 new homes delivered in the year from our development programme.

First tranche shared ownership sales income reduced marginally from £4.8m in 2020-21 to £4.5m in 2021-22; this equates to 14% and 13% of turnover, respectively. In the year we sold 24 shared ownership homes compared to 27 during 2020-21. We had budgeted for 40 shared ownership homes to be sold in the year; however, due to the delays in unit handovers as a result of the shortages in material and labour, we were not able to achieve the sales budget, although demand for our available homes has been strong.

Our Board view shared ownership as an important and affordable way for people to get on the housing ladder and thus to tackle the housing crisis in our geography. Therefore, it is our intention to keep, opportunities permitting, shared ownership sales within our development programme but also ensure that sales revenues do not exceed 30% of our turnover. In 2022-23 we are expecting around £11m of shared ownership income, this is largely due to the sales expected from our flagship 195-unit development, Cheshunt Lakeside.

Operating costs have increased from £15.9m in 2020-21 to £16.7m in 2021-22. During the year, there was a significant increase in expenditure of £1.4m on repairs and maintenance as the organisation continued to focus on customer and building safety. The increase in these costs has also been driven by the inflationary rises caused by the labour and material supply challenges. The additional expenditure in the year has been offset by the unwinding of the profit on our design and build sales, and the writeback depreciation and amortisation resulting from the changes in the depreciation estimation policy on our housing assets for flats from 75 years to 100 years. Managing costs is a key focus for us, as this directly impacts on our capacity to invest in new and existing homes.

Net interest costs for the year were c. £4.9m, which is comparable to the past five years. Interest payments remained the same between 2020-21 and 2021-22; however, an uptick in our investment in new homes has increased the amount of interest we capitalised from c. £1.3m to c. £2.1m. During the year we raised an additional £65m of new long-term debt to support the delivery of our business plan, and this will lead to an additional c. £1.5m of interest costs per year from 2022-23.

Our pension liability decreased by £1.68m to £1.04m (2021: £2.79m). The change in B3Living's pension liability is assessed by Hymans Robertson LLP, and this decrease reflects a rise in our asset values within the pension fund against that of the liabilities.

# Statement of financial position for the last five years

The table below presents the statements of financial position of the Group over the last five years. It demonstrates a significant increase in our financial strength between 2017-18 and 2021-22. The increased strength shown in the financial position demonstrates a financial resilience to overcome adverse events and a capacity to capitalise on new suitable opportunities to grow the business, as demonstrated by our Cheshunt Lakeside scheme.

| | March 2022 £000 | March 2021 £000 | March 2020 £000 | March 2019 £000 | Restated March 2018 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Housing properties | 295,582 | 258,486 | 217,861 | 204,630 | 186,596 |
| Other fixed assets | 3,881 | 4,054 | 4,070 | 3,458 | 3,178 |
| Investment properties | 3,160 | 4,304 | 4,721 | 3,230 | 3,240 |
| Investments in joint ventures | - | 730 | 949 | 3,533 | 3,605 |
| **Tangible fixed assets** | **302,623** | **267,574** | **227,601** | **214,851** | **196,619** |
| **Current assets** | | | | | |
| Stock | 15,289 | 12,007 | 6,335 | 10,586 | 8,052 |
| Trade and other debtors | 15,862 | 14,559 | 10,211 | 6,798 | 6,256 |
| Agreement to improve existing properties | 1,469 | 1,537 | 1,622 | 5,427 | 8,614 |
| Cash and cash equivalents | 3,335 | 3,039 | 13,696 | 5,472 | 1,257 |
| | **35,955** | **31,142** | **31,864** | **28,283** | **24,179** |
| Less: Creditors: amounts falling due within one year | (12,639) | (10,715) | (8,232) | (7,559) | (7,877) |
| **Net current assets** | **23,316** | **20,427** | **23,632** | **20,724** | **16,302** |
| **Total assets less current liabilities** | **325,939** | **288,001** | **251,233** | **235,575** | **212,921** |
| Creditors: amounts falling due after more than one year | (232,870) | (204,818) | (177,816) | (175,677) | (160,839) |
| Provisions for liabilities (including pensions) | (2,504) | (4,326) | (3,488) | (9,438) | (11,867) |
| **Total net assets** | **90,565** | **78,860** | **69,929** | **50,460** | **40,215** |
| **Reserves** | **90,565** | **78,860** | **69,929** | **50,460** | **40,215** |

At the reporting date the Group had tangible fixed assets with a carrying value of c. £303m (2021: c. £268m) reflecting the continuing trend over the last five years. Our improved financial strength was recognised by Moody's in July 2018 when they increased our credit rating from Baa1 to A3 with a stable outlook. This credit rating was reaffirmed in March 2022.

Over the last five years, the Group's tangible fixed assets carrying value has increased by c. £106m (54%). The increase in tangible fixed assets reflects the successful delivery on our commitment to make sector upper quartile levels of investment in our existing properties and to provide new affordable and social rent and shared ownership homes for our communities. In 2021-22 we invested £39.3m (2020-21: £40.6m) in the provision of new homes and £4.8m (2020-21: £4.2m) in improving our existing homes. In 2022-23 we expect our investment in the provision of new homes to continue at the 2021-22 level.

At the reporting date we, via our commercial subsidiary Everlea Homes, had no active joint ventures. In 2021-22 our last active joint venture, Farnham Road LLP, sold the last of its homes. The joint venture was set up to deliver 35 new homes (23 for private sale and 12 affordable homes) and will be formally wound up and closed in 2022-23.

Stock represents the first tranche element of shared ownership homes for sale; this has increased in the year, from £12.0m in 2020-21 to £15.3m in 2021-22. This is expected to continue to increase until the shared ownership homes from our flagship development scheme, Cheshunt Lakeside, are all sold.

| Financial Golden Rules | Internal limit | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **Financial Covenant Performance** | | | | | | |
| Gearing (**covenant 80%**) | **< 65%** | 48% | 52% | 50% | 53% | 53% |
| EBITDA MRI Interest Cover (**covenant 110%**) | **>160%** | 202% | 240% | 267% | 237% | 203% |
| **Managing credit profile** | | | | | | |
| Social Housing Letting Interest Coverage | **>150%** | 200% | 214% | 215% | 203% | 202% |
| *Operating margin | **> 35%** | 40% | 42% | 40% | 45% | 47% |
| Development sales as a % of turnover | **< 30%** | 13% | 14% | 19% | 22% | 7% |
| % of HA net asset invested in Everlea Homes | **< 10%** | 0% | 8% | 1% | 9% | 6% |

***excludes existing asset sales surpluses**

In November 2018, the Group Board agreed to monitor financial performance via a suite of Financial Golden Rules (FGRs). As part of good governance, these FGRs were reviewed by the Board in January 2021. The FGRs are designed to promote financial performance from core activities, maintain appropriate headroom against covenants, manage exposure to the housing market, and retain capacity to protect our social assets in a range of adverse scenarios.

Over the period, operating margins have remained over 40% despite strong economic headwinds, helped in part by the rent settlement and the reduction in the amount of shared ownership sales, which tend to have much tighter margins. Our operating margins and interest coverage remain above the sector's upper quartile, which helps to increase our financial resilience and capacity to build more much-needed homes in our local geography.

The sharp increase in development expenditure over the last couple of years and in the next two years will see a greater proportion of B3Living's turnover coming from shared ownership sales receipts. This is expected to peak in 2023-24 when sales will make up c. 26% of the Association's turnover. The Board view shared ownership as an important way to assist people onto the housing ladder, but they acknowledge that exposure must be managed. The FGRs place a limit of 30% of our turnover coming from development sales.

# Treasury review

We have a robust a comprehensive Treasury Policy and Treasury Strategy in place which are annually reviewed by our Executive team, our treasury advisors, Savills, the Treasury Committee and the Group Board. The Board receives a comprehensive quarterly treasury report that details our treasury facilities, security and liquidity positions, on-lending agreements, treasury policy compliance as well as an economic and lending market review.

We benefit from having a simple treasury portfolio which contains four long-term fixed debt loans and three short-term revolving credit facilities, which all share similar terms, and no interest rate swaps. During 2018-19 we successfully renegotiated the terms within our bank finance agreements to make them less onerous and focused on the Association rather than the Group. These changes all help to ring fence the risks inherent with market-facing activities undertaken by our commercial subsidiary, Everlea Homes Ltd, away from the Association and its social assets.

In the year we raised £65m of new long-term debt to support the delivery of our business plan, increase liquidity, and rebalance the proportion of variable and fixed debt within our treasury portfolio. In October 2021, we raised £35m, deferred for one year, with a sector debt aggregator, bLEND, a subsidiary of The Housing Finance Corporation. bLEND is an A2 Moody's rated lender, who predominantly deals with borrowers who are A2 rated or above. Our credit rating is A3; however, after completing the application process their credit committee agreed to provide funding to us. As bLEND are A2 rated and have a comprehensive track record of raising debt, we were able to access funding at an effective rate of 2.60%, which is significantly cheaper than what we could have achieved raising debt in our own name. On 31 March 2022, the loan had a mark-to-market value of +ve £1.44m.

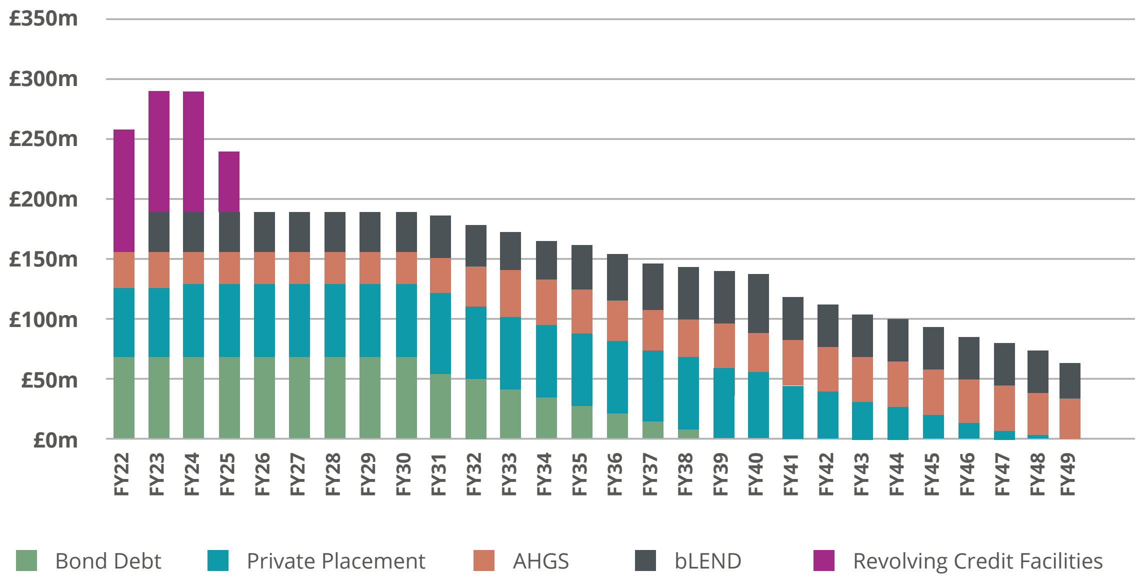
Furthermore, we were within the first group of housing associations to take advantage of the government-backed lending scheme run by ARA Venn called the Affordable Housing Guarantee Scheme (**AHGS**). The AHGS allows borrowers, registered providers only, to take advantage of the Government's lower cost of borrowing in order to deliver new affordable homes. In November 2021, we raised £30m of new long-term debt via the AHGS at an all-in rate of 1.527%. This loan had a mark-to-market value of + ve £4.38m on 31 March 2022.

In June 2021 we opted to enact our final one-year extension option available on our £20m revolving credit facility with Barclays, the maturity date is now June 2024. This event provided both parties with an opportunity to convert the interest rate use for the loan from LIBOR to SONIA; therefore, we do not have any LIBOR linked debt within our debt portfolio.

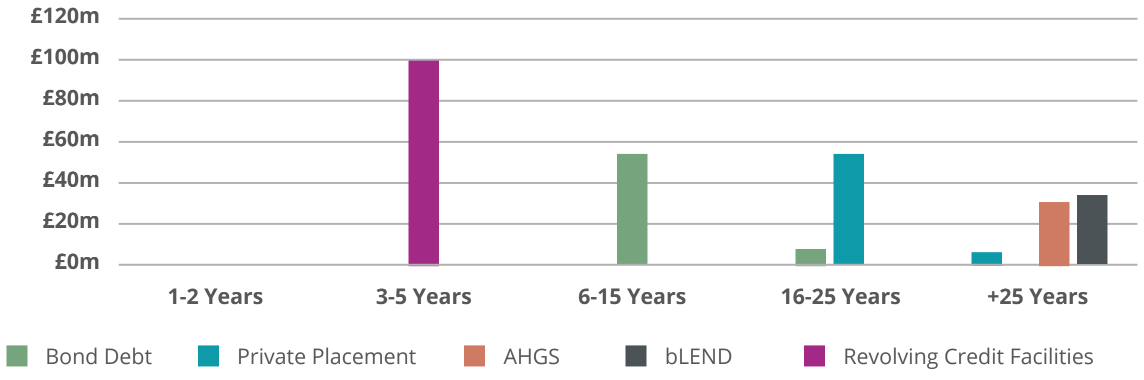
## Debt and liquidity

As at 31 March 2022, our total drawn debt was £205m (2021: £185m) and our total loan facilities totalled £255m (2021: £225m), leaving a facilities headroom of £50m (2021: £40m); this position will improve further when our £35m bLEND loan is drawn during the next financial year. Of our drawn debt, £155m or 76% (2021: £125m or 68%) is at fixed interest rates via a long-term bond (£68m), private placement (£57m) and the AHGS loan (£30m). We have three revolving credit facilities, two with Lloyds of £30m and £50m, which mature in May 2024 and February 2026, respectively, and one with Barclays of £20m, which matures in June 2024. As of 31 March 2022, we had drawn £50m from these facilities and this debt has a variable interest rate.

**The chart below shows B3Living's sources of finance:**



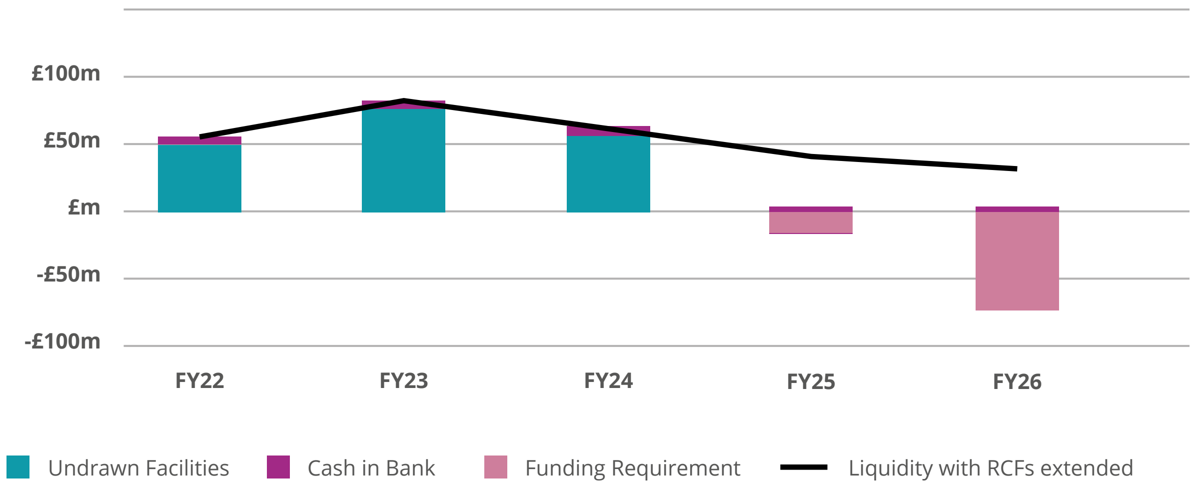

**The chart below shows B3Living's debt repayment profile:**




The chart shows that we do not have any immediate refinancing risk, however we will need to either extend or replace our current revolving credit facilities when they mature to maintain good liquidity levels. We will work closely with our treasury advisors to source the most economic route to refinance our revolving credit facilities as they mature in Q1 2024-25 (£20m Barclays and £30m Lloyds) and Q4 2025-26 (£50m Lloyds).

# Forecast liquidity

The chart below shows our mid-term forecast available liquidity. It shows that the new finance raised in the year will provide us with sufficient funding to deliver our investment aspirations within our business plan, providing our revolving credit facilities are extended beyond their current terms. The March 2022 Board-approved Treasury Strategy outlines our requirement to agree extensions to the Barclays and Lloyds loans or to source alternative funding from new lenders.




In line with our prudent approach to treasury management, our Treasury Policy contains a rigorous liquidity policy to safeguard the business against economic, housing or funding uncertainty or disruption. The Treasury Policy has two key liquidity requirements:

1) We will ensure that adequate unencumbered security (or cash or unsecured facilities) is available to secure all of our borrowing requirements and that the aggregate value of charged property assets (90% of total EUV-SH stock and 80% total of MV-STT stock) is at all times 10% greater than the Group's business plan's peak debt.

2) In line with the Regulator of Social Housing guidance, we will have sufficient funding in place to cover our business plan requirements for the following 18 months. In accordance with that guideline, the Group's policy is that it will either comply, or be able to explain, that its planned funding arrangements are justifiably well advanced.

# Financial covenants

The Group has three key loan covenants which it comfortably complies with, and these are set out below:

- EBITDA-MRI – we have two measures of EBITDA-MRI. The tightest definition measures the number of times our financing costs can be paid by our operating profit before depreciation for the year but including the costs of major repairs. For the year ending 31 March 2022, the interest cover was 1.76 times (2021: 2.21 times). The loan covenant is 1.1 times.
- Gearing – this is a measure of our indebtedness, relative to the EUV-SH of completed housing properties. EUV-SH is a proxy for the market values of our homes, and it reflects that the properties are used for social housing. As of 31 March 2022, the gearing ratio (gearing covenant) was 48% (2021: 52%) against a covenant limit of 80%.
- Asset cover – this is a measure of the percentage coverage of our EUV-SH of completed assets over our current debt. As of 31 March 2022, the tightest asset cover ratio was 115% (2021: 126%). The asset cover covenant is 110%.

# Value for money

# Value for money

For B3Living, value for money (**VFM**) is best achieved by aiming to realise the optimum balance between cost, quality, and performance across all the services we provide, whilst ensuring the business's finite resources are being utilised as effectively as possible and protecting our financial resilience. We, like all housing associations, have limited resources at our disposal. So, when additional resources are allocated to meet a key priority, such as carbon reduction, there is a subsequent trade-off, such as a reduction in the investment in new homes.

The Executive team works closely with the Board to ensure our resources are allocated in accordance with their shared priorities; for example, recently the Board undertook a "dials exercise" which allowed each individual Board member to score each of the key demands on the business between 1 (low) to 5 (high), the results of this process helped shape the Better Futures strategy and the assumptions within the long-term financial plan.

The Board fully understands the importance of our business and the services we provide within our community and to our customers. As we are a locally focused housing association, we play a key role within our community through building much-needed new homes which help to tackle the housing crisis locally; maintaining our existing homes to a good quality so they are safe, warm and secure; enabling customers to sustain their tenancies; along with leading and supporting community-based initiatives. We believe our Value for Money Strategy reflects this understanding, and its delivery will help maximise our impact for existing and future customers as well as the wider community.

## Our approach

As we have stated, our approach to value for money is centred on achieving the optimum balance between cost, quality, and performance in every aspect of the business to enable us to deliver more for our community and improve our offering to our customers. Value for money is a focal consideration in how we run the business. It informs and underpins our budgetary and financial planning processes, and it shapes our relationship with our customers, suppliers, and other stakeholders. B3Living's strategic approach is to improve our customer experience and invest in new and existing homes at sector upper-quartile levels whilst trying to manage our costs to sector median levels. We focus on efficient cost management, improving performance, challenging our spending, and identifying new investment opportunities and ways of working.

In 2020, we implemented our current Value for Money Strategy with the intention of not only meeting our compliance obligation with the Regulator of Social Housing to achieve value for money, but to embed value for money within the culture of the business.

The Value for Money Strategy outlines a nuanced approach to value for money which is designed to:

- Improve customer satisfaction.
- Improve the quality of our existing homes and secure their long-term viability.
- Promote a cost aware culture across the business.
- Maintain our financial strength and growth capacity.
- Deliver against the Strategy's value for money metrics.

The Value for Money Strategy supports the achievement of our new Better Futures Strategy by challenging us to achieve a cost/quality/performance balance across every area of the business. The delivery of the Value for Money Strategy will be supported by our new Customer Strategy, which provides a comprehensive framework to enable us to best understand, from a customer's perspective, what the optimal balance looks like. By better understanding our customers we can deliver upon the Value for Money Strategy's objective to encourage a better customer journey and experience and thus improve customer satisfaction levels to sector upper-quartile levels.



## Case Study

# The Great Start project: changing our void standard

This year we reviewed our standards for re-let properties to see how we could help our customers to have a great start in their new homes. We followed a flexible co-production model, consulting our involved customer network at the outset of the project (pre-pilot) and engaging with customers in our pilot and control groups as we went along.

We found that expanding our offer to include flooring, full redecoration, and a sparkle clean and offering choice at the viewing stage brought satisfaction up to 90% and gave a big boost to team morale. Those experiencing furniture poverty were better supported, as many new customers moving into their first home of their own struggle to afford flooring and decorating.

Although these changes naturally incurred an increase in cost, we did not see a significant impact on turnaround times with our relet time still comfortably below the sector median (52 days). However, we were also able to use customer insights to achieve a cost/quality/performance balance, as per our Value for Money Strategy. Through the project, we were also able to identify which upgrades were having less of an impact on customer satisfaction.

> It feels like a brand-new property
>
> **B3Living customer in the pilot group**

# Achievements this year

Throughout 2021-22 we have continued to promote and embed our Value for Money Strategy with the help of our Value for Money ambassadors and our procurement function. We also sought to utilise our group structure to save VAT (£250k in 2021-22) and tax (£160k in 2021-22) and ensure that value for money is a key consideration within our governance and decision-making processes.

Our Value for Money ambassadors group represent all areas of the organisation. They serve to identify and investigate value for money opportunities across the business and to provide a service which looks to embed our value for money values through training colleagues, promotion and communication. During the year, the Value for Money ambassadors carried out deep dive value for money investigations, which included:

**Heating charges** – the Value for Money group initiated a study to find out why some of our customers have high heating charges and what could be done to resolve any issues.

**Estates and grounds maintenance** – the Value for Money group investigated the reasons for customer dissatisfaction regarding our estate services and concluded that the core issues relate to the performance of our ground's maintenance contractor. This service will be reprocured in 2022-23 with higher standards included.

**Voids** - the ambassadors looked at the rental income lost through voids and on why repair costs associated with void properties are high. Investigative work was delegated to colleagues in Finance, IT, Business Improvement and Asset Management who worked collaboratively to glean an understanding of the key cost drivers, which can then be targeted to achieve value for money.

# Board ownership

The Board takes ownership of the Value for Money Strategy by:

- Setting the business' risk appetite and Financial Golden Rules to provide operating parameters.
- Setting objectives and targets via the corporate plan.
- Approving the annual budget and business plan which aims to deliver the Value for Money Strategy.
- Setting a robust Investment Policy, Asset Management Strategy and Value for Money Strategy.
- Incorporating value for money into all decision-making processes.
- Monitoring performance and results.

Setting challenging value for money targets increases our capacity to deliver on our strategic objectives, namely to:

- Ensure that our customers receive an excellent service.
- Prioritise investment in our homes.
- Support our customers to sustain their tenancies.
- Take a significant step towards becoming carbon neutral.
- Provide new homes to our customers.
- Use our values and culture as a foundation for our commitment to corporate responsibility.

# Value for money performance

As outlined in the April 2018 Value for Money Standard and subsequent technical guidance issued by the Regulator, we have measured our performance against the Regulator's value for money metrics, our peers, the sector median and the highest performing sector quartile for each metric (Global Accounts 2021).

The value for money metrics and definitions have been provided by the Regulator and, therefore, sometimes differ from measures and covenants stated elsewhere in the Financial Statements.

To ensure our peer group offers a good comparison, we selected large scale voluntary transfer (LSVT) housing associations of a similar size, local to our area, which have a low supported service exposure.

The peer group includes:

Chelmer Housing Partnership Limited
Cross Keys Homes Limited
Eastlight Community Homes Limited
Thrive Homes Limited
Watford Community Housing Trust

The table below summarises our performance against our peers and the sector's median and upper quartile for each metric:

| | Peers* 2020-21 Actual | B3Living 2020-21 Actual | B3Living 2021-22 Actual | B3Living 2022-23 Forecast | B3Living 2023-24 Forecast | Sector Median 2020-21 | Upper Quartile 2020-21 | Board VFM Target |
|---|---|---|---|---|---|---|---|---|
| Value For Money Metrics | | | | | | | | |
| Reinvestment | 10.2% | 17.1% | **14.1%** | 11.3% | 11.5% | 5.8% | **8.2%** | **Upper quartile** |
| New supply (social) | 2.2% | 2.0% | **2.4%** | 3.9% | 2.7% | 1.3% | **2.0%** | **Upper quartile** |
| New supply (non-social) | 0.0% | 0.0% | **0.0%** | 0.0% | 0.0% | 0.0% | 0.1% | **Lower quartile** |
| Gearing** | 57.3% | 69.7% | **67.4%** | 64.2% | 63.3% | 43.9% | **53.3%** | **Upper quartile** |
| EBITDA MRI Interest Rate Cover** | 182.8% | 223.0% | **183.5%** | 206.7% | 201.8% | **182.5%** | 248.0% | **Median** |
| Headline social housing cost per unit (£k) | 3.68 | 3.98 | **4.19** | 4.16 | 4.39 | **3.73** | 4.76 | **Median** |
| Operating margin (SHL) | 28.7% | 44.9% | **45.2%** | 41.7% | 41.5% | 26.3% | **32.6%** | **Upper quartile** |
| Operating margin (overall) | 28.2% | 42.1% | **40.9%** | 35.0% | 36.3% | 23.9% | **28.2%** | **Upper quartile** |
| ROCE | 3.5% | 5.2% | **4.6%** | 4.7% | 4.6% | 3.3% | **4.2%** | **Upper quartile** |

*The average performance of our peers **The Regulator's gearing and EBITDA MRI interest covers calculations are different to B3Living's loan covenant.

Our mission is to deliver a positive, sustainable change to the housing crisis for our customers and communities. We are committed to tackling the housing crisis within our communities by building more much-needed affordable homes, which is clearly seen in our reinvestment performance (14.1%), which is much greater than the sector upper quartile (8.2%) and our peers average (10.2%). We aim to ensure this investment is sustainable by generating sector upper quartile operating margins and to manage our cost per unit to sector median levels. These objectives will allow us to produce strong interest coverage and Return on Capital Employed (ROCE) performance.

Our gearing position continues to be one of the highest in the sector at 67.4%, albeit it has improved substantially over recent years (77% in 2019). This is, however, a conscious decision that we continue to do all we can to tackle the housing crisis locally by using our financial strength. The table shows that we expect our gearing performance to stabilise at around 65% over the coming years. Into the mid- to long-term, B3Living will continue to target surpluses of around £10m to help manage our gearing whilst making significant investments in new and existing homes. Our funder gearing covenant is based on security value and our performance is 48% (2021: 52%) against a covenant limit of 80% and our internal Financial Golden Rule limit of 65%.

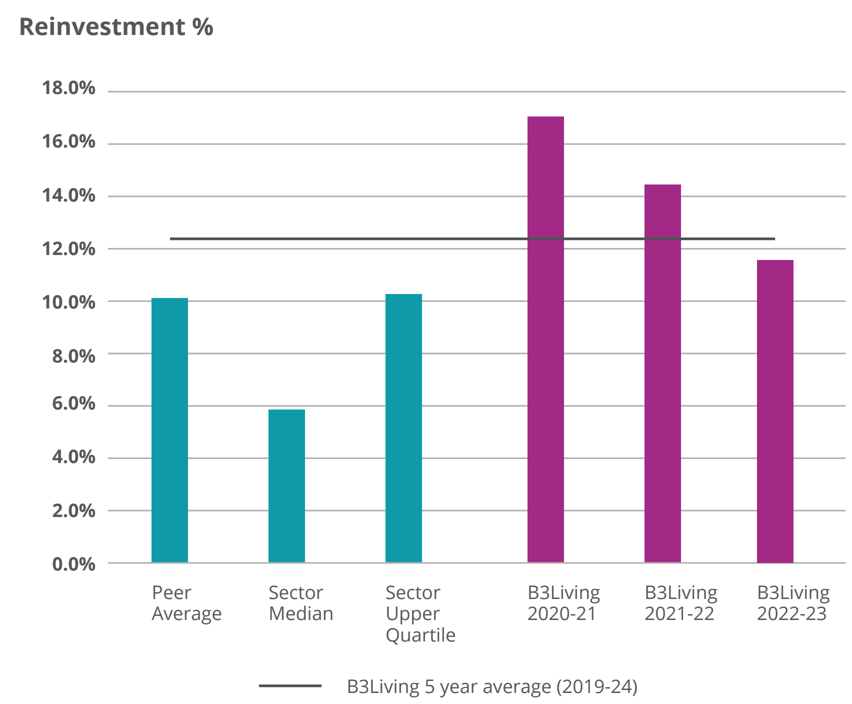





# Detailed review of value for money performance

The charts below compare historic and future performance against our peers, the sector median, and upper quartile from the 2021 global accounts.

Each chart also includes B3Living's rolling five-year average, which covers the period April 2019-March 2024 to provide greater context by blending historic and forecast performance, and lessens the impact of annual fluctuations on performance, which is generally caused by the ebbs and flows of the development programme.



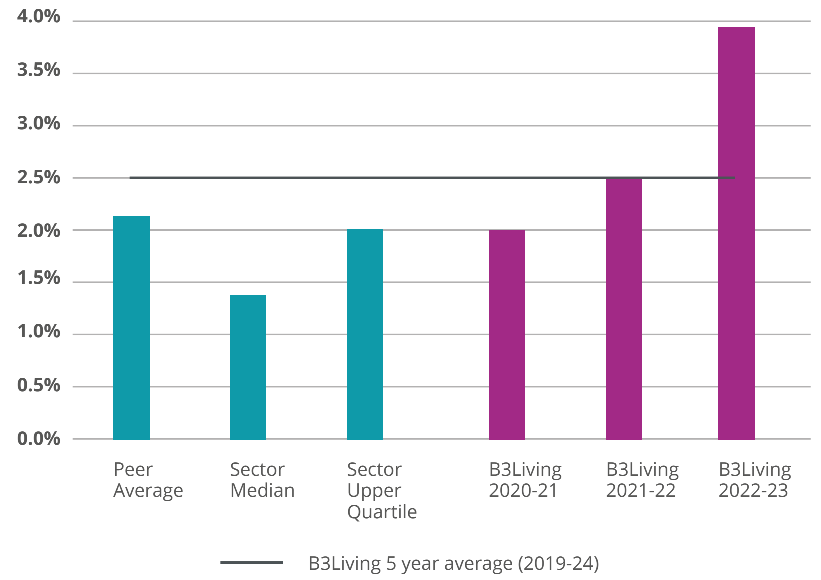

## B3Living's commitment to delivering more affordable homes within our local geography is reflected in recent and forecast reinvestment performance

B3Living's commitment to delivering more affordable homes within our local geography is reflected in recent and forecast reinvestment performance. The Board have set an sector upper quartile value for money target (8.2%). Over the five-year period between 2019-2024, our average reinvestment performance will be four percentage points greater than this target at 12.5%. Our performance is helped by the decision to build out our land-bank sites and the delivery of our largest affordable housing scheme in Cheshunt, Broxbourne (195 homes).

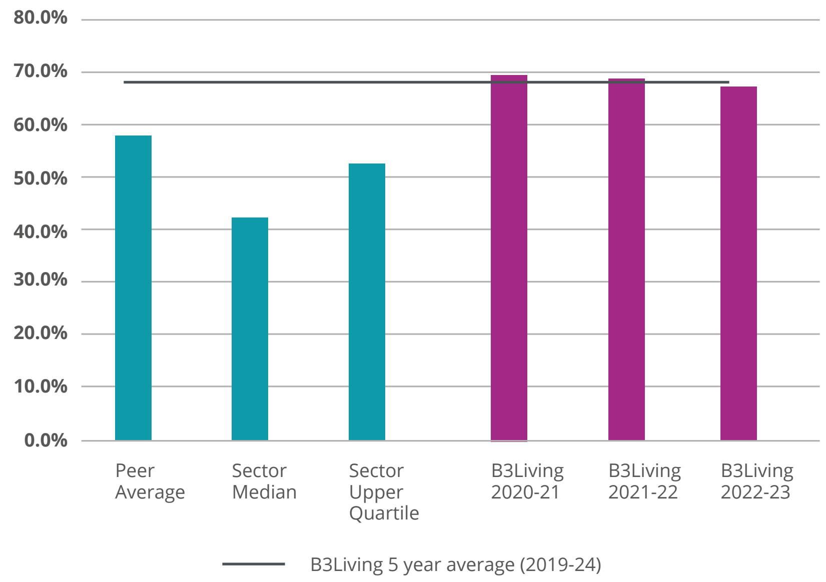
Generating efficiency savings in our general operations and the treasury refinancing in 2015 have created the capacity to build more homes whilst maintaining financial resilience. In 2021-22 the Group invested over £41.0m (£38.6m fixed assets) in new and over £4.8m in existing homes.

The Group has delivered, and plans to continue delivering, sector upper quartile performance as per our Board's ambition.

**New supply of Social Housing Units %**




**Gearing %**




## B3Living's reinvestment performance directly impacts on development outputs.

In 2021-22 we did not complete as many homes as we planned due to construction delays caused by material and labour shortages. These delays are expected to generate a bow wave effect in 2022-23 as growth is expected to reach nearly 4%. With a vast majority of these homes set to be delivered in our heartland of Broxbourne, this delivery will make a significant contribution to tackling the housing crisis locally.

In 2021-22 we completed 119 new homes, of which 76 were rented and 43 shared ownership. Currently, we are the only housing association actively building homes in our local area, which means it is essential that we continue to build new homes to alleviate the impact of Broxbourne's housing shortage and meet our objective of making a difference to our community.

With the impact of the anticipated 2022-23 bow wave on handovers, we expect to deliver an average increase in the supply of new affordable homes of c. 2.5% per annum between 2019-24, which is greater than our Board's value for money target and more than our peers.

## During the year, the gearing ratio (the relationship between debt and social housing assets) stabilised at just under 70%.

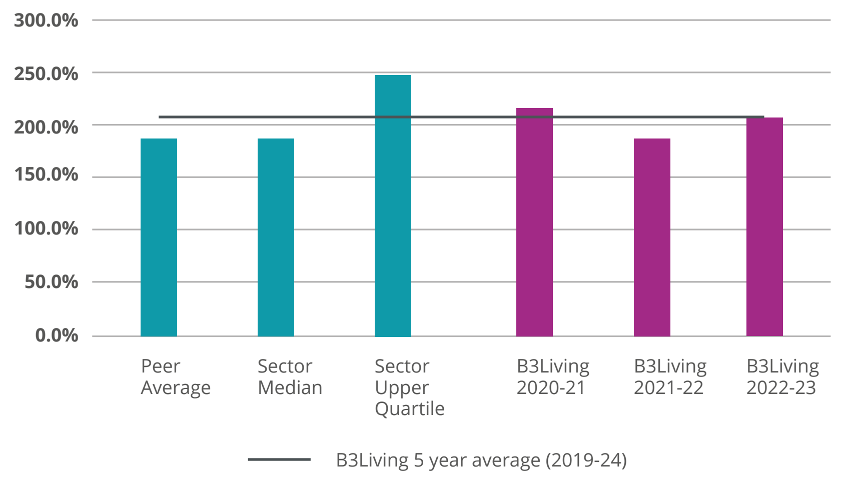
The pressure on our gearing is directly related to our corporate objective of building more affordable homes within our local area.

In the year our debt increased from £185m to £205m (10.8%) as we invested c.£41.0m in the provision of new homes and c.£4.8m, or over £1,100 per home, in the improvement of our existing homes.

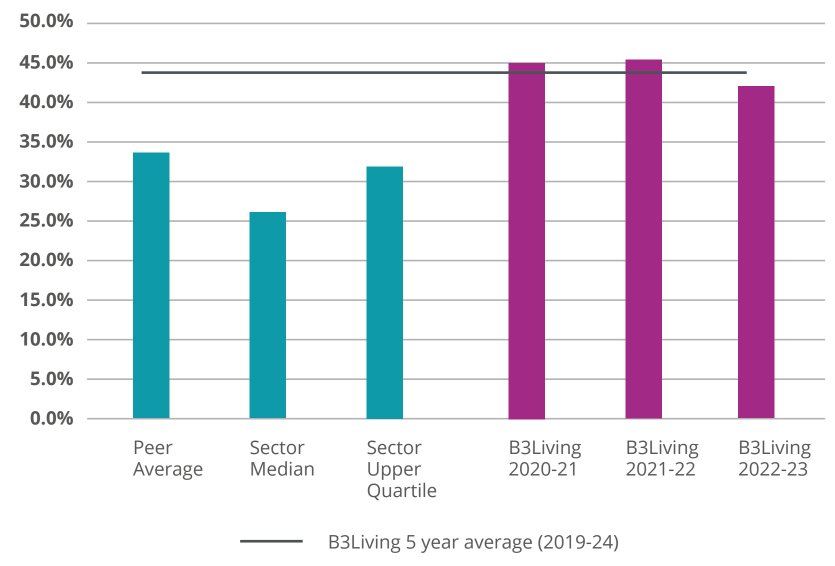
The Board understands that we are operating in the highest sector decile of gearing, but as a social housing provider, it is important that we continue to play our part in the delivery of new affordable homes. We will continue to manage our gearing position and investment capacity by ensuring that we keep generating surpluses of around £10m a year as well as working with Homes England to secure grant funding.

Moreover, in the year we began investigating all available routes help increase investment in new affordable homes in Broxbourne, whilst ensuring our gearing stays stable between 60%-65%.

**EBITDA MRI interest coverage %**




**Social housing operating margin %**




## EBITDA MRI (Earnings Before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover interest commitments from the cash flows generated by the core business.

EBITDA MRI in 2021-22 was 184%, which is down from 2020-21 (223%) as we have:

- Increased our revenue costs, especially around building and customer safety.
- Increased capital costs by investing more in the improvement of our existing homes, which is up to £4.9m from £4.2m in 2020-21, equating to a c. 12% rise.
- Increased our debt servicing costs, as our borrowing increased by a further £20m in 2021-22 to £205m.

Even with these pressures on our EBITDA MRI, our performance is in line with our Board's value for money target of sector median and is comparable to our peers. Our performance is driven predominately by two key factors. Firstly, in 2015 we took the decision to restructure our debt portfolio, which removed our expensive and restrictive loans from the treasury portfolio. Secondly, we have a larger proportion of affordable rented homes within our stock than most housing associations and all of our peers.

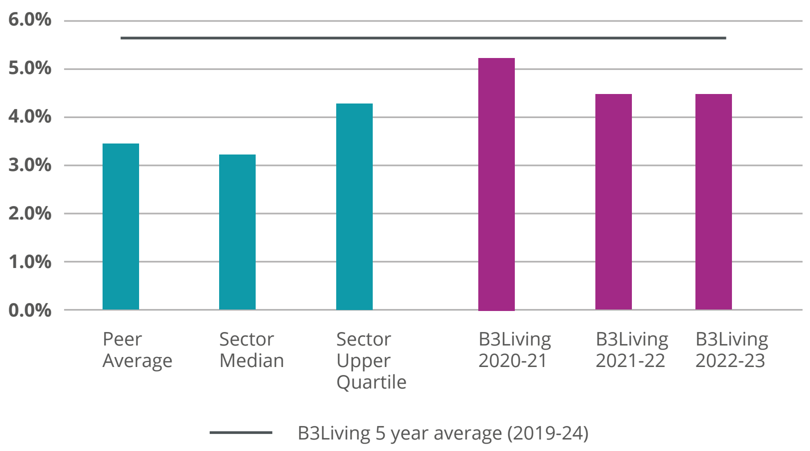
## Social Housing operating margins increased slightly from 44.9% in 2020-21 to 45.2% in 2021-22. This is despite an increase (c. 13%) in our revenue repairs and maintenance costs.

The significant increase in repairs and maintenance costs was driven by two key factors. Firstly, we experienced a sharp increase in the cost of materials for our direct labour organisation (DLO). Secondly, we have seen another increase in our building and customer safety costs, for example in fire risk assessments; albeit, we feel these costs have now peaked.

We are comfortably outperforming our peers and the sector's upper quartile, which reflects our strong operating cost control but also the amount of affordable rented homes in our stock.

Performance is in line with Board expectations and margins are forecast to remain strong.

**Return On Capital Employed %**

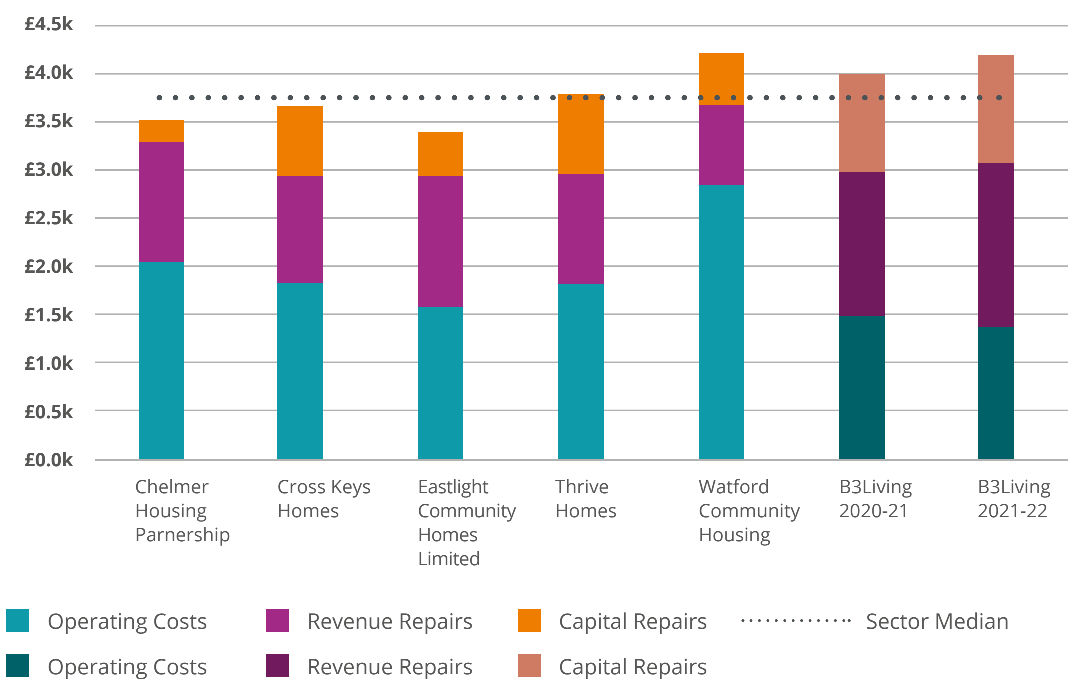



## We are currently outperforming our peers and the sector's upper quartile.

The five-year average has been significantly skewed by our performance in 2019-20, where two of our commercial joint ventures - especially a land promotion joint venture which generated c. £11m of profits for the Group – matured.

With our strong operating margins we expect performance to continue between 4%-5%, which aligns with the Board's value for money target of sector upper quartile level.

Cost per unit




Our approach to cost control and our value for money ethos have resulted in solid cost per unit performance, albeit slightly more than our peers. Operating costs are forecast to continue to remain comparable to the best of our peers at c. £1,500 per unit. As a result of the rent cuts, we made significant operational cost savings by reducing our head count and investing in new IT to increase productivity; savings in these back-office have allowed the business to protect our core repairs service.

The Board's commitment to providing safe, secure and warm homes means that we spend around £300-£400 per unit more on revenue repairs than our peers, and £400-£500 per unit on capital repairs. A majority of this additional revenue spend has been driven by expenditure on customer and building safety over the last two years. Whilst we feel that this unforeseen expenditure has now peaked and will start to fall, we expect these annual cost savings along with additional funding will be needed in future years to help us deliver on our cutting carbon ambitions.

Capital repairs spend in 2021-22 was around £1,100 per home, which is in line with our priority around investing in the improvement of our homes over sector upper quartile levels (£700 per home). Our capital investment programme is informed by our stock condition data, our Asset Management Strategy and our mid- to long-term objective to tackle our carbon footprint.

Our total social housing operating cost per unit is currently greater than the sector median and our peers. However, we will continue to review how we spend our money to ensure we are maximising the impact of every pound spent. We will also, via our new Sustainability Lead, investigate ways to access government, local authority and/or third-party grants to deliver our carbon ambitions.

We will explore the possibility of working with for-profit registered providers or local authorities to manage homes on their behalf, to help spread our fixed costs across a greater number of homes. We will also continue to increase our stock by delivering new much-needed affordable homes at sector upper quartile levels, and we will work with registered providers with stock in our heartland of Broxbourne to try to generate some inorganic growth to help improve cost efficiency.

Overall, as a relatively small housing association, we ultimately have fewer homes to spread our fixed costs across than most of our peers, and as we are committed to investing heavily in providing good quality homes for our customers, it will be challenging, but not impossible, for us align our cost per unit with our peers and the sector's median.

# How we deliver value for money – procurement

In November 2020 we introduced a specialist procurement resource into the business with the aim of maximising value for money gains through the tendering process, increasing consistency across the business and to deliver the cashable savings assumed within our financial plan.

Since the launch of the procurement function within the business, we have introduced and embedded new procurement strategy, policy and procedures and have updated our financial regulations to reflect the UK's procurement legislation since leaving the European Union.

We also undertook a comprehensive review of our spend for the period January 2019 - December 2020 to help us prioritise our procurement activity and to better understand our supplier base. The exercise identified 111 separate categories of spend that require contracts delivered via 645 suppliers. Following a principle of one contractor for each area of spend we sought to rationalise our list of approved contractors.

Of the 111 separate cost areas that need contracts we have programmed them into a comprehensive four-year procurement plan. As at 31 March 2022, around 88% or £154m of our future spend is covered by contracts, either via using third party frameworks (68% or £119m) or direct contract/frameworks with us (20% or £35m); these cover 10 and 47 areas of spend respectively. Of the 47 contracts agreed since the introduction of the procurement resource we are forecasting cost savings of c. £3m over the next four years, which is significantly more than the assumption in the financial plan of c. £250k pa. Around £11m (7%) of spend is scheduled to be procured in 2022-23 and the remaining c. £9m (5%) in 2023-24, which will cover 20 and 34 areas of spend respectively.

To ensure procurement is embedded within our culture we have regular procurement meetings with budget holders across the business. The aim of these it to share the information gained through our spend analysis review and to train colleagues so they understand their obligations under the UK Government's procurement legislation, how to best utilise the procurement guidelines, and how to promote our value for money principles of cost, quality and performance.

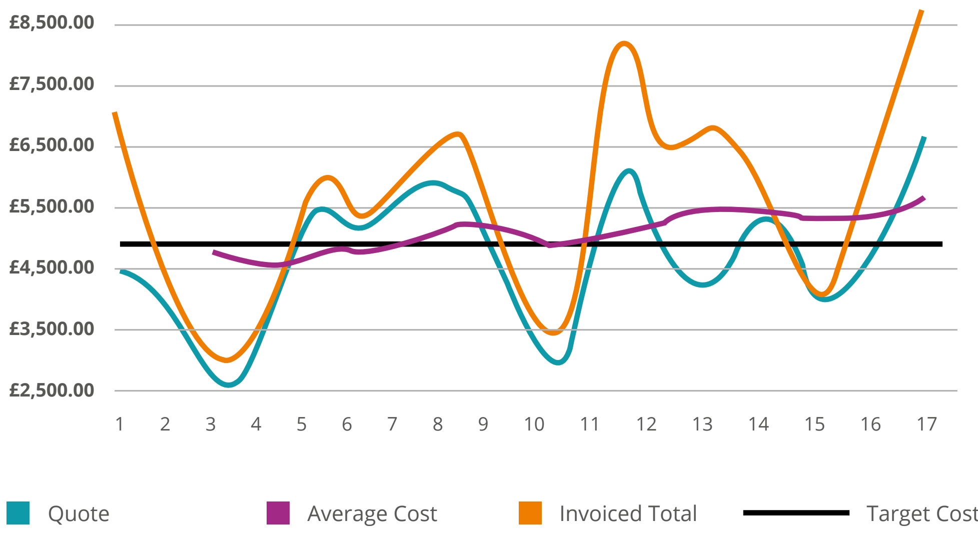
# Cost, quality and performance

The procurement process is an excellent opportunity for the business to take stock of what it requires from a contractor in order to improve the services that we provide to our customers and the performance of the business. Therefore, we have instilled a discipline within the business of spending time crafting our tender/contract specifications, so they reflect the needs of the business as well as the expectations of our customers, who are the ultimate recipients of what we do and procure. To this end, where necessary, we are involving our customers within the procurement process so their opinions can be employed to ensure the right contractor is selected.

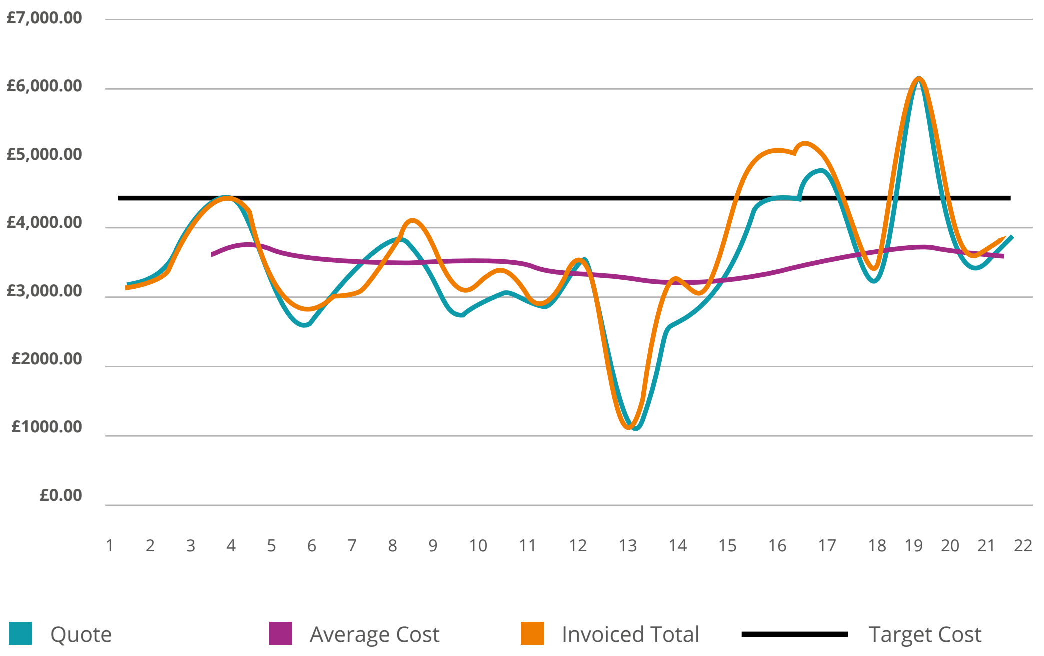
In line with our cost, quality and performance principles, we vary the balance of weighting for cost and quality within our tenders to ensure we achieve the optimum balance on each tender. To promote performance, we specify clear and measurable performance indicators as well as having regular contractor performance meetings. We also tailor our tenders to favour businesses who are local to our community, who share our social values, e.g. employ apprentices, invest in our community or local charities, and those who are proactively reducing their carbon footprint.

Below is an example of how we monitor and manage our contractors. The charts below show how we track the quotes and invoices we receive from our framework agreements. All quotes and invoices significantly over our target costs are challenged with the contractor with a view of understanding the cost drivers and where possible renegotiating contracts to bring the costs down to achieve efficiency. the charts below track the cumulative average cost against our target cost and this allows us to understand if we are realising the cost savings forecast at the start of the framework.

### Kitchens Quote v Invoiced v Average Cost




### Bathrooms Quote v Invoiced v Average Cost




By selecting the right contractors and accessing the highest quality of service available with the most cost-effective supply base, we can increase customer satisfaction levels, a key Value for Money Strategy outcome. Moreover, we can also maximise internal efficiency by effectively managing the performance levels of our contractors to ensure they are working in the way that reduces our own resource requirements. This is best achieved by being clear on expectation at the onset.

## Creating value and investment capacity

As we have finite resources it is essential that we maximise the value from every pound we spend. A major area of spend for us is on the upkeep of our homes, for example, replacing kitchens, bathrooms, heating systems, roofs, doors and windows. By fully utilising the procurement process we can access the quality we need for our customers at the best possible price, the more cost savings we can generate the more we can do.

In order to ensure that any potential cost savings are realised, the procurement function is working with various teams to manage suppliers from a cost perspective. In relation to bathrooms, kitchens, and replacement heating and hot water systems, a total value of £9m was tendered with advised cost savings of £1.37m (15.2% of tender value). To date these cost savings have been gained, but with the continuing work it is hoped that these savings will be increased to £1.5m, or 16.7% of the amount tendered.





## Case Study

# Procurement in action: putting the customer first

In a recent tender project looking at a new alarm call system for our independent living schemes, we took the opportunity to collaborate with our customers and make sure our processes put them first.

Colleagues from customer-facing teams and our procurement function worked together to reflect customers' requirements in the tender specification and selection process.

This involved visiting our independent living schemes to canvas their needs, live interactive demonstrations from shortlisted suppliers, and asking our customers to vote for the system that they found the most intuitive to use and the best fit for their requirements. By bringing our customers along with us during the procurement journey, they became an intergral influence in the selection of the winning supplier.

This is not a one-off approach; we are planning to work closely with our customers when we procure our grounds maintenance service in mid-2022 onwards.

# Our value for money metrics

Along with the Regulator's metrics, our Board also monitors its own value for money performance indicators (see the table below). The metrics are designed to ensure the Group is delivering upon its customers' expectations, using its assets effectively, and employing its finite resources in the right areas. The forecast value for money metrics were reviewed and agreed by the Board in March 2022 as part of our budget setting and business planning process.

| | B3Living 2019-20 Actual | B3Living 2020-21 Actual | B3Living 2021-22 Actual | B3Living 2022-23 Forecast | Sector median | Upper quartile | Board VFM target |
|---|---|---|---|---|---|---|---|
| **Value For money Metrics** | | | | | | | |
| Customer satisfaction - B3Living Services | 87.5% | 86.0% | 86.3% | 90.0% | 86.0% | 90.8% | **Upper quartile** |
| Customer satisfaction - quality of home | 85.6% | 81.5% | 83.0% | 84.0% | 83.0% | 88.0% | **Upper quartile** |
| Customer satisfaction - repairs service | 89.9% | 81.5% | 81.8% | 82.0% | 78.0% | 83.0% | **Upper quartile** |
| Customer satisfaction with their rent | 87.4% | 86.6% | 88.1% | 88.0% | 85.0% | 89.0% | **Upper quartile** |
| Occupancy | 99.7% | 99.3% | 99.1% | 99.7% | 97.3% | 99.1% | **Upper quartile** |
| Rent collected as a % rent due | 100.4% | 98.3% | 102.0% | 99.9% | 100.0% | 100.6% | **Median** |
| Overheads as % of turnover | 13.1% | 15.2% | 13.2% | 12.4% | 13.4% | 10.5% | **Median** |
| Responsive to planned repairs ratio | 0.64 | 0.82 | 0.77 | 0.65 | 0.71 | 0.51 | **Median** |

We strive to generate genuine cash savings across the business whilst providing an excellent service for our customers. The cashable savings generated by tackling ineffective expenditure, increasing productivity and maximising procurement gains are reinvested into activities that directly improve our frontline services and/or on new and existing homes. These principles are central to our Value for Money Strategy.

Since 2019-20 we have embarked on a journey to better understand our customers and their expectations of us as a landlord and the services we provide. This learning has enabled us to evolve our thinking, which in turn helped to reshape and launch our new Customer Strategy in 2021-22. The changes made in our approach in 2019-20 made an immediate impact with customer satisfaction with our services increasing by 3.5 percentage points to 87.5% from 2018-19. During the pandemic when services were limited, we were happy to have maintained performance around 86%, but we know that we need to push on over the last two years of the Better Futures strategy to achieve our value for money target of sector upper quartile performance. To help us achieve upper quartile performance, our Board put "excellent customer experiences" as a central theme of the Better Futures strategy. We have taken a number of steps to ensure that our customers' voices are being heard and that they are central to our decision-making process such as developing a network of engaged customers, improving our complaints handling process, and investing in our customer insight capabilities.

We are committed to understanding our customers better, ensuring our services meet expected standards, responding efficiently to complaints, utilising technology to improve communications, and tackling any negative stereotypes in our community around social housing. With these actions, along with embedding our Customer Strategy and Customer Ethos we aim to meet our customer satisfaction target of 91% by March 2024 – a very challenging target.

In the 2019-20 budget our Board approved a step increase in our investment in frontline services, customer and building safety, and the maintenance of our existing homes – and this has continued in 2020-21 and 2021-22. This strategy has increased our cost base and adversely impacted on some of our value for money metrics, such as operating margins, cost per unit, interest coverage and return on capital employed. However, the increase in our cost base has been viewed by the Board as an acceptable trade off in the pursuit of enhanced customer satisfaction.

The Board understands the importance of the business and its social assets to our community. Therefore, we were pleased to maintain our occupancy performance at over 99% for the third year in a row, aligning ourselves with the sector's upper quartile. Rent collection performance has also been exceptional with 100.2% of rent due collected in the year, which is marginally exceeding our value for money target of sector median. Tenancy sustainment is an important theme within the Better Futures strategy with over £100k per anum ring-fenced to help our customers maintain their rent accounts, this investment has supported the recruitment of a customer coach and the introduction of new technology to help us identify struggling customers early. As at March 2022, our rent arrears were at sector-leading levels at 1.27%.

Our approach of reinvesting our savings into frontline services, coupled with the continued growth of business has helped us align our overheads as a percentage of turnover to our value for money target of sector median. As a small housing association, it is difficult for us to outperform our sector median target as we do not have as many homes to spread our fixed costs over. The Board's ambition of delivering over 500 new much-needed affordable homes over the next three years will boost turnover and performance, we are also looking at opportunities to either work with, or buy homes from, other associations in our community to increase the number of homes we manage and our income.

Responsive : planned works ratio continues to be marginally over the Board's target, although performance is progressively getting better since the peak in 2021-22. The increased number of compliance checks and fire risk assessments has resulted in more responsive repairs. However, once we have completed a few more cycles of our improved and thorough approach to customer and building compliance the amount of responsive works arising from this workstream should fall and move us towards our sector median target.

# Value for money into the future

The 2021-22 financial results reflect our commitment to value for money with our core operating margins over 40% and healthy interest coverage. Our Better Futures strategy recognises that further large cuts could adversely impact on service provision; therefore we are not expecting to make overall cost per unit savings. That said, we will aim to increase efficiency to generate costs savings, but we expect these savings to be reinvested in improving frontline services and existing homes. We expect to deliver savings through:

Challenging how we work to improve performance and reduce wastage.

Utilising IT to improve services, data quality and communication.

The delivery of our new Asset Management Strategy, including potential disposals.

The delivery of our improved approach to procurement.

The provision of new homes and seeking to manage homes for others.

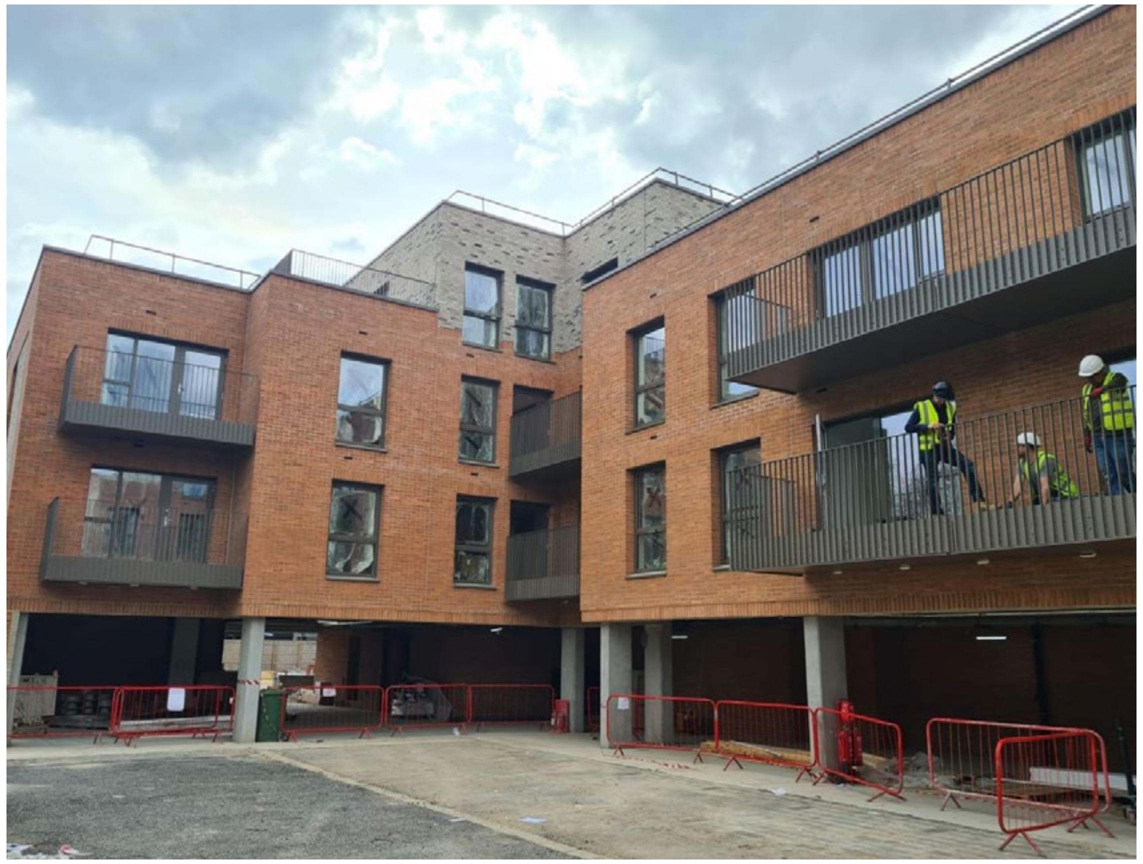
The table below shows B3Living's performance against the Regulator's value for money metrics with a comparison with our peers. The table shows the Group is forecast to perform well against our peers especially in terms of reinvestment, supply of new affordable housing, operating margin and ROCE. Between April 2022 to March 2025, we plan to invest c. £120m on the provision of new homes. The sharp uptick in shared ownership in the next two years, coupled with the strength of our core business means that gearing is expected improve over the period to under 65% in the mid-term.

| | Peer average 2020-21 | Sector median 2020-21 | Sector upper quartile | Board VFM target | B3Living 2021-22 Actual | B3Living 2022-23 Forecast | B3Living 2023-24 Forecast | B3Living 2024-25 Forecast |
|---|---|---|---|---|---|---|---|---|
| **Value for money metrics** | | | | | | | | |
| Reinvestment | 10.2% | 5.8% | 8.2% | **Upper Quartile** | 14.9% | 11.3% | 11.5% | 10.5% |
| New Supply (Social) | 2.2% | 1.3% | 2.0% | **Upper Quartile** | 2.4% | 3.9% | 2.7% | 3.7% |
| Gearing | 57.3% | 43.9% | 53.3% | **Upper Quartile** | 67.4% | 64.2% | 63.3% | 63.7% |
| EBITDA MRI Interest Rate Cover | 182.8% | 182.5% | 248.0% | **Median** | 183.5% | 206.7% | 201.8% | 179.6% |
| Headline Social Housing Cost per unit (£k) | 3.68 | 3.73 | 4.76 | **Median** | 4.19 | 4.16 | 4.39 | 4.41 |
| Operating Margin (SHL) | 28.7% | 26.3% | 32.6% | **Upper Quartile** | 45.2% | 41.7% | 41.5% | 42.5% |
| Operating Margin (Overall) | 28.2% | 23.9% | 28.2% | **Upper Quartile** | 40.9% | 35.0% | 36.3% | 37.1% |
| ROCE | 3.5% | 3.3% | 4.2% | **Upper Quartile** | 4.6% | 4.7% | 4.6% | 4.3% |

A key efficiency metric is operating cost per unit. The table shows the cost per unit gradually increasing from c. £4,185 per unit in 2021-22 to c £4,410 per unit in 2024-25. The chart below shows the breakdown of the three main cost per unit elements over time when adjusted for the cost growth assumption in the financial plan (CPI+0.5%). The chart shows that operating costs will remain stable, and revenue and capital repairs cost marginally will fall as we deliver over 650 new homes over the four-year period to spread our costs across. To improve performance further we will also look carefully at existing stock acquisitions from other housing associations and local authorities, should they generate value for money and align with our growth ambitions.

# Governance and controls



# Responsibilities of the Board

The Board is responsible for preparing the Report and Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of B3Living at the end of the year and of the surplus of the Group and Association for the year then ended.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and then 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.

Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association, to enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Cooperative 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. It has general responsibility for taking reasonable steps to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the current Statement of Recommended Practice: "Accounting by Registered Social Landlords".

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Board certify that there is no relevant audit information of which the auditors are unaware, and the Directors have taken all steps that 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.

## Annual General Meeting

The Annual General Meeting will be held on **13 September 2022** at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS

The report of the Board was approved by the Board on 5 July 2022 and signed on its behalf by:
**David Biggs**
**Chair of the Board of B3 Living Ltd**
**Dated: 5 July 2022**
Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R).

Registered with the Regulator of Social Housing (Number L4455).

# Internal controls

## Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining a sound system of internal controls and reviewing their effectiveness. The Board delegates the ongoing review of controls to the Audit and Risk Committee (**ARC**) but will receive an annual report from the Audit and Risk Committee prior to the publication of the Financial Statements.

## Internal controls review process

The Board conducts an annual review of the effectiveness of the systems of internal controls following a more detailed examination by the Audit and Risk Committee.
The system of internal control is designed to manage and mitigate, rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or financial loss. This provides reasonable assurance about the preparation and reliability of financial and operational information and of the safeguarding of the Group's assets and interests.

The review of internal controls covers our approach to risk management, which includes its approach to setting its risk appetite, identifying and managing risks, governance, and the internal control environment. The review covers our key strategic risks and how they are managed, and the internal and external audit functions.

# Risk management at B3Living

B3Living is a social housing provider that is focused on building more much-needed affordable homes, managing our existing homes and providing excellent services to our customers. All of these activities, including those that support them happening, i.e. treasury management, data management, staff management, etc, all carry inherent levels of risk, be it reputational, financial or regulatory.

Therefore to effectively manage the business's risk, we maintain a robust risk management framework to enable us to identify, evaluate and manage the risks the business faces in order to deliver upon our objectives.

The Board has overall responsibility for establishing and maintaining a sound system of risk management and internal controls and reviewing their effectiveness. To this end, in the financial year the Board recently approved a new risk management strategy to help it manage risk effectively in an evolving and changing external environment.

The Strategy aligns with the expectations of the Regulator of Social Housing's (**RSH**) Governance and Financial Viability Standard (2015), which states that Registered Providers (**RP**) shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner – these include, but are not limited to:

- Safeguarding taxpayers' interests and the reputation of the sector.
- Having an effective risk management and internal controls assurance framework.
- Protecting social housing assets.

We had an in-depth assessment by the regulator in March 2022 and our gradings of G1/V1 were confirmed. As a provider of homes to some of society's most vulnerable people we have a duty to understand and manage our risks effectively to ensure the long-term availability of our much-needed homes for our community. Failure to understand or manage risk effectively could result in a regulatory downgrade, financial loss and/or putting our customers at risk, all of which would cause reputational damage and undermine the confidence of our key stakeholders, such as funders, local authorities, partners etc.

## Risk management framework at B3Living

Our risk management framework can be broken down into five distinct elements:
**Risk appetite** - categorisation of key risk areas to the business and consideration of the amount and type of risk that the organisation is willing to accept to meet its strategic objectives and tolerance levels.

**Identifying and recording risk** - categorisation and identification of significant individual risks to the organisation.

**Evaluating and managing** – identification of procedures for evaluating risks.

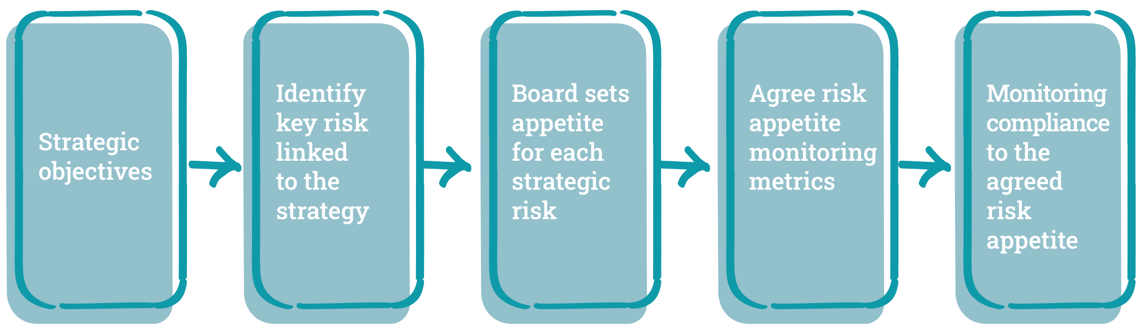
**Governance** – roles, responsibilities and processes for effective monitoring.

**Risk management culture** – ways the organisation ensures that risk management thinking is embedded at all levels.

## Risk appetite

The Board is responsible for setting the risk appetite of the Group, e.g. the nature and level of risks that the Board are willing to accept and expose the business to, in order to achieve its objectives. On occasion it may be appropriate to conclude that a high level of risk is acceptable to achieve greater rewards, the "risk and reward" concept, with the reward being financial and/or social. The flow chart below provides an overview of the risk appetite process.
The risk appetite is an important exercise as it helps set the tone of an organisation. For example, we have a low risk tolerance in regards to health and safety compliance but are more willing to take risks in other areas of the business, i.e. the development of new affordable homes or how we reduce our carbon footprint.

Further to the risk appetite exercise, the Board set a suite of Financial Golden Rules for the business to operate within. These financial parameters reflect the Board's risk appetite in terms of financial performance tolerance in order to achieve its objectives and are then used when defining the business's capacity.



## Identifying and recording risk

The Executive and Board members are recruited based on the skill needs of the business; therefore this broad spectrum of experience provides a robust route to help us identify new or emerging corporate risks. To support the existing skill set, B3Living ensures:

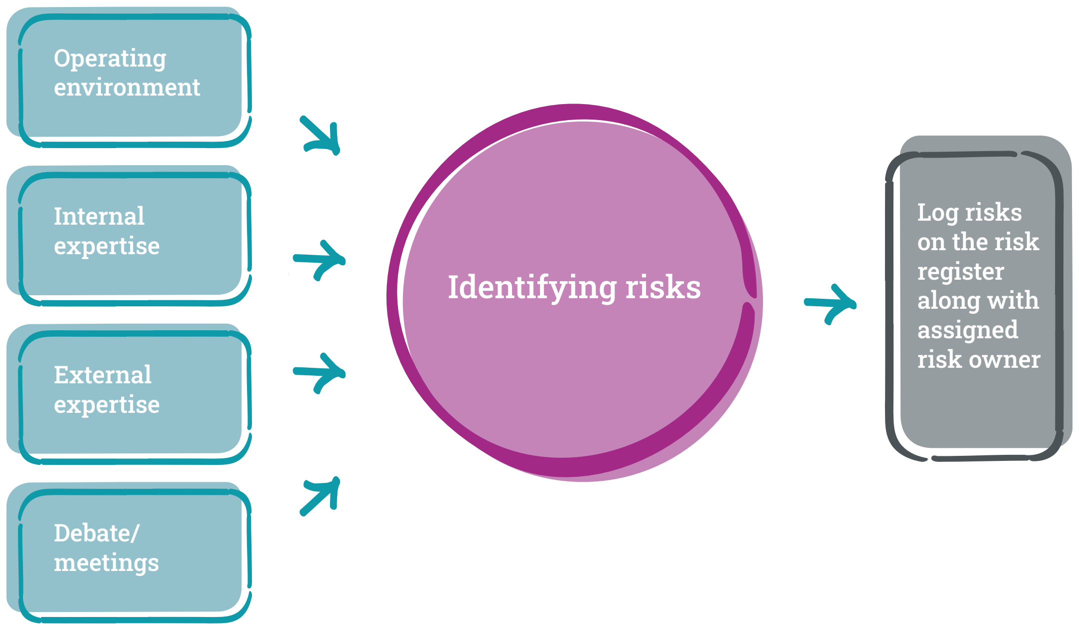
- Time is set aside for the Executive and Board to debate and brainstorm risk.
- The Regulator's sector risk profile is analysed and shared with members.

The Asset and Liability Register is maintained and presented annually to the Board.

Staff/Board members attend sector conferences and read sector publications.

All identified risks are logged on the corporate risk register to be evaluated and managed.

Below is a flow chart showing our B3Living's risks are identified:

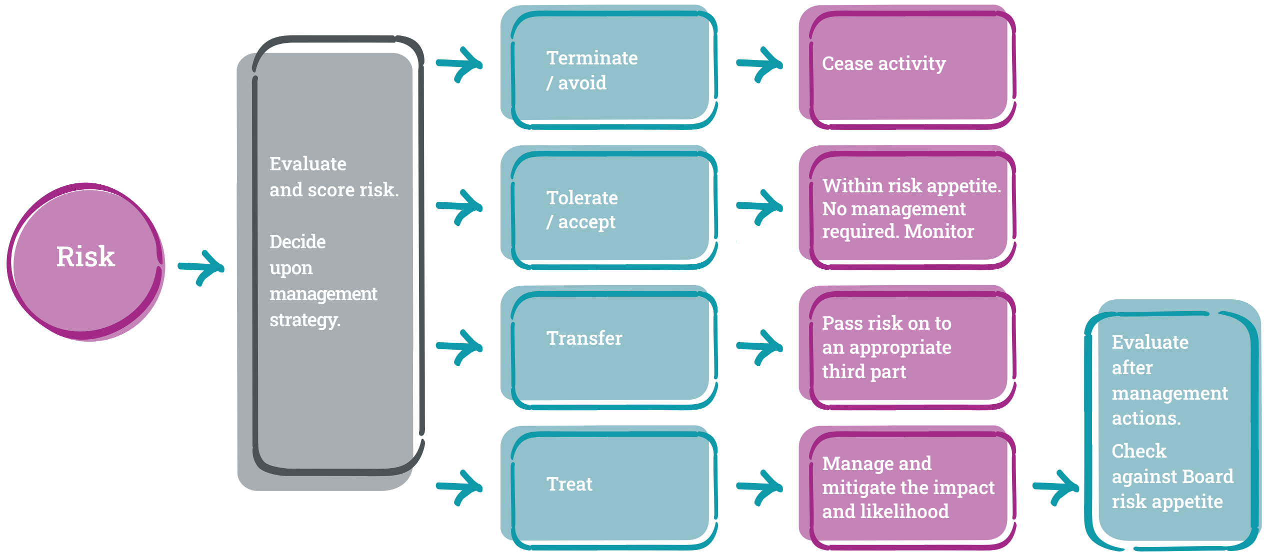



## Evaluating and managing risk

All risks logged on the risk register, either existing or new risks, are evaluated in terms of the likelihood of the risk crystalising and the potential impact if it does. All identified risks are assessed twice. The initial assessment evaluates the uncontrolled risk i.e. the risk the organisation would be exposed to if it did not put any controls in place. Secondly, the 'residual' risk assessment determines the exposure after action(s) have been taken to manage/mitigate it.

Each risk is carefully considered in terms of how, if at all, the risk should be managed, i.e. do nothing and accept it, take actions to reduce the likelihood or impact of the risk crystalising, transfer to a third party, or avoid it.

The flow chart below provides an overview of our evaluation/assessment and risk management process:




## Governance

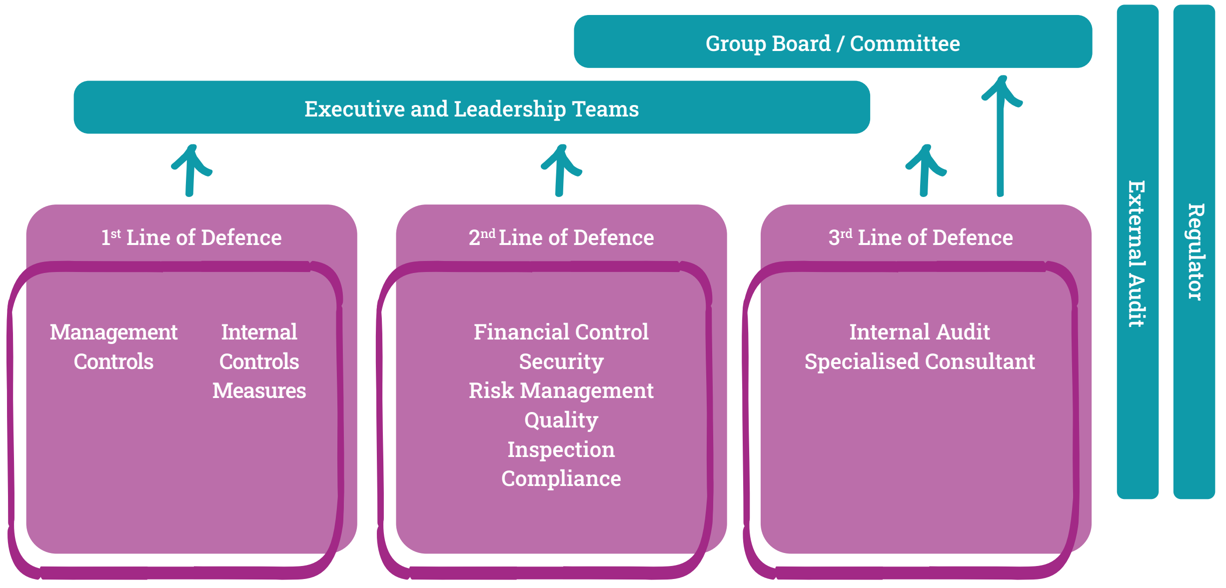
The Board is responsible for overseeing the framework of delegation and systems of internal control, including risk appetite and strategic risks. The Board reserves certain matters to itself, including determining the long-term business objectives of the Group and any material decisions. The Board has delegated to the Audit and Risk Committee the responsibility for reviewing the risk management systems, monitoring the integrity of the Financial Statements, providing oversight of the internal and external audit processes, and reporting their findings to the Board. The Audit and Risk Committee is required to meet four times a year and once during the year, usually before the approval and publication of the Financial Statements, they meet with the external and internal auditors without the presence of staff. Delegation of authority and financial regulations set a framework for Board subcommittees, the Chief Executive and the Executive team. Board subcommittees provide assurance to the Board on key areas of activity such as safeguarding or custodianship of assets, the effectiveness of the finance and treasury functions, and the delivery of quality services. As part of the system of internal control, the Board has a policy on fraud. This policy covers prevention, detection and reporting of fraud and the recovery of assets, and it is designed to meet the Regulator of Social Housing's requirements.

The Board is responsible for ensuring that the business maintains an appropriate risk register. To retain strategic focus at board meetings, members are presented with strategic risks with a residual score, based on the multiple of the likelihood/probability score (1-5) and impact score (1-5), of 12 or more, the entire risk register is made available at each board meeting. As the Board focuses on strategic risks it has delegated the responsibility to the Audit and Risk Committee to review the whole risk register (strategic and operational) at each meeting.

## Internal controls environment

To support the delivery of the risk management framework we have, and continue to improve its internal controls environment and framework. A key element of our internal control environment is the need to review, monitor, learn and improve. To this end we:

- Regularly review the corporate risk register, and sources of assurance are updated on a periodic basis. This process is led by the Business Improvement Manager under the supervision of the Executive Director (Finance).
- Regularly review our staff's attitudes to risk management and how well it is embedded across the business. This review considers staff at all levels throughout the organisation and includes, but is not limited to, surveys, interviews, a working group, documented knowledge, etc.
- Maintain a "three lines of defence" assurance framework which segregates sources of assurance into three distinct categories:
  - The first line is the information received directly from management to indicate how effectively our controls are operating (such as policies and procedures, management reports, etc).
  - The second line is information provided from independent internal sources (such as independently validated KPIs, internal quality checks, etc).
  - The third line of assurance is external bodies which assess the effectiveness of controls in place. This assurance is often provided by internal audits but can include regulatory reviews or specialist consultants.
- Annually review the effectiveness of our three lines of defence and present the result to the Audit and Risk Committee to help identify any gaps within the framework. Where gaps in assurance are identified, this is escalated to the relevant executive director and new sources of assurance, such as management reports, performance figures, or third-party assurance, are added.
- Annually review the effectiveness of the internal audit function and present the result to the Audit and Risk Committee. When approving the annual internal audit plan, the Audit and Risk Committee considers any potential risks/audits where specialist third-party assurance would be more suitable than the internal auditors.
- Review the effectiveness of the metrics used to measure compliance with the Board's stated strategic risk appetite for each risk.
- Carry out an Annual Risk Maturity review which is presented to the Audit and Risk Committee to assess the robustness of the risk management process. The review aids members and the Executive to understand which areas of the risk management framework are working well and which areas need improvement: e.g. is risk management within the culture of B3Living? Are staff suitably skilled to carry out the process?
- Conduct deep dive presentations. The Audit and Risk Committee can request deep dive presentations from staff about any area of the business where they feel they would like additional assurance. During the year, the Audit and Risk Committee received deep dive presentations on our approach to dealing with cyber threats, procurement, the risk monitoring system, asset management and treasury management.
- Conduct control and risk self-assessments. The Executive team carry out annual assessments which support the Group's arrangements for monitoring its control environment. The assessment covers a range of control areas such as financial control, regulatory compliance, risk management, policies, and procedures, etc. The results of the self-assessments are shared with the Audit and Risk Committee.



# Strategic risks

The key strategic risks and how they are mitigated are summarised below.

| Strategic risk | Mitigations |
|---|---|
| Deteriorating economic conditions – Covid-19 and/or post Brexit implications could impact on economic, funding, housing, and trading environments. | • We have increased our liquidity position by recently securing £65m of new long-term funding.<br>• We have a suite of robust Financial Golden Rules in place to ensure we operate within the risk appetite of the Board.<br>• We have a comprehensive approach to stress testing and recovery planning.<br>• We have a robust Investment Policy that seeks to deliver value for money whilst ensuring we can deliver much-needed new affordable homes.<br>• We monitor the credit profile of key contractors weekly.<br>• We present a comprehensive economic and housing reports to the Board twice a year. |
| Housing market downturn leading to reduced sales values and/or significant sales delays. | • We maintain sufficient financial capacity to switch the tenure types (e.g. shared ownership to affordable rent).<br>• We ensure our financial plan has been modelled correctly by conducting annual third-party reviews.<br>• We closely monitor the housing market via regular housing market reports.<br>• Our Financial Golden Rules are designed to manage our exposure to the housing market in any one year.<br>• We ensure we have sufficient liquidity in place at any moment in time to overcome any sudden shortfalls in sales income. |
| B3Living not having a robust approach to asset management caused by data quality and/or knowledge/resource. | • We have a comprehensive and robust Asset Management Strategy in place.<br>• We have an internal audit on stock condition data scheduled for 2022-23.<br>• We have a programme in place to survey 20% of our homes annually. |
| Changes in government policy impacting on B3Living's operating environment and ability to achieve its business objectives. | • We run a suite of severe stress tests to pre-empt the impact of a change in government policy on the business, this includes changes to policy impacting how we set rents.<br>• We ensure we have sufficient liquidity in place to overcome a sudden shock to our forecast income.<br>• We maintain a prudent approach to business planning to ensure we can deliver the key business objectives in a range of different operating environments.<br>• We have a robust suite of mitigating actions available to the business to either increase investment capacity or protect our long-term viability.<br>• We report on a semi-annual basis on changes within our operating environment, this includes government policy changes. |
| Everlea Homes' commercial activities – increased exposure to the housing market and to third parties. A collapse in the housing market or partner failure could result in loss making joint ventures. | • Everlea Homes has its own assets, which means it is not wholly reliant on the Association to fund its activities.<br>• We have completed a comprehensive review with the assistance of consultants to ensure all new joint ventures are set up in the best possible way and risks and rewards are balanced between partners.<br>• We have strengthened the Everlea Homes Board with new members and clarified its terms of reference.<br>• A new Everlea Homes prospectus and strategy have been adopted by Board. |

| Strategic risk | Mitigations |
|---|---|
| New homes compliance and potential changes to Building Regulations (fire). | • We ensure our current new home building regulations and specifications exceed the required level where possible.<br>• We provide additional contingency within our specifications and components to ensure non-combustible balconies and materials are included.<br>• We work with specialists to identify likely requirements or changes to the regulations. |
| Compliance (asbestos, gas, fire, water, electric) approach is either not robust enough or reporting/data is not of sufficient quality to highlight areas of concern. | • Our Health and Safety (H&S) Compliance control regime is in place and includes policies, procedures, H&S compliance, and clear roles and responsibilities.<br>• We complete regular and in-depth reporting to the Board (quarterly) and the Executive (monthly).<br>• We hold annual internal audits covering elements of the six key compliance areas.<br>• We have completed the first phase of our comprehensive Customer and Building Safety Action Plan, and started to deliver the second phase, so we can align ourselves with sector best practice where possible.<br>• We have commissioned a secondary review of our approach to customer and building safety compliance to provide a third line of assurance on this key area. |
| B3Living is developing its understanding around its approach to net-zero carbon. | • We have amended our Asset Management Strategy to reflect our approach to achieving our net-zero carbon ambitions.<br>• We undertake annual SHIFT carbon footprint analysis to allow us to monitor progress.<br>• We seek to verify our Independent Zero Carbon Footprint audits.<br>• Based on the findings within our external carbon footprint reviews we have made prudent assumptions within the business plan to allow for the delivery of our net-zero carbon ambitions.<br>• We have appointed a strategic expert to work with us and two other housing associations (Watford Community Housing and settle) to inform next year's Net-Zero Carbon Plan and to help us access government grants. |

Audit and Risk Committee received the Chief Executive's Annual Report on the effectiveness of the systems of internal control and the annual report of the internal auditor and has reported its findings to the Board.

## Internal audit

We outsource our internal audit function to Mazars to ensure there is sufficient independence. Internal auditors report directly to the Audit and Risk Committee and regular meetings are held between the Chair and Mazars, as well as a closed session available for members and Mazars to discuss the effectiveness of the process at each meeting.

Mazars work closely with the Group to ensure that a risk-based approach to the monitoring of the control environment is maintained and is effective. In the year our internal audit programme covered our core financial systems, rent collection, electrical surveys, development project management and sales, and payroll. The programme was supplemented with two short compliance audits, which tested most areas of the business. The internal audit programme across the main audits highlighted ten minor and four significant recommended improvements.

The internal auditors, report directly to the Audit and Risk Committee and they concluded that we have an appropriate framework for identifying, evaluating and managing the significant risks faced by the organisation. Moreover, Mazars concluded that we have an adequate, effective and reliable framework of internal control in addition to effective risk management and governance processes which provide reasonable assurance regarding the effective and efficient achievement of the organisation's objectives. Therefore, we have no known weaknesses in our controls which have resulted in material losses, contingencies or uncertainties requiring disclosure in the financial accounts.

## External audit

The Financial Statements for the year ended 31 March 2022 were audited by Beever and Struthers. Their audit report is unqualified, and they presented the management letter which contains no material issues of concern to the Audit and Risk Committee. The management letter highlights that they found that the Group's systems and internal financial controls were, overall, operating effectively.

To support the Audit and Risk Committee role of reviewing the validity and accuracy of the annual financial statements, they are provided with an opportunity to have a closed session with the external auditors annually to discuss the audit process and any issues they may have identified.

## Fraud

During the year, there was one successful fraud relating to petrol theft (c. £120) which was recorded in the Fraud Register. There were two unsuccessful fraud attempts which were detected by our preventive internal controls. The Whistleblowing Policy, Anti-Fraud Policy, Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy were reviewed by the Board during 2019-20, and are due for re-approval in 2022-23, and external training is provided to the Board and key staff.

## Going concern

After making enquiries, the Board has a reasonable expectation that the Group and Association have adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. The Board approved a long-term business plan that satisfies lender and investor covenants and demonstrates B3Living's ability to repay all debt in accordance with contractual commitment. For these reasons, the Group and Association continues to adopt the going concern basis in preparing financial statements.

# Statements of compliance with the Regulator's Governance and Financial Viability Standard

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2018 Housing SORP for registered social landlords. B3Living has undertaken an assessment of compliance with the Regulator's Governance and Financial Viability Standard for the year ended March 2022, as required by the Accounting Direction for Social Housing in England 2019.

The Board can confirm that during the year in question, B3Living has complied with the Governance and Financial Viability Standard.

## Governance and viability compliance

This report sets out the structure of the organisation and demonstrates our commitment to strong and effective governance aligned with regulatory standards.

During the 2021-22 financial year, B3Living has maintained the top governance and viability ratings of G1 and V1 respectively, awarded in March 2022 following a Regulatory In-Depth Assessment (IDA).

## Governance

B3 Living Limited (the Association) is a public benefit entity registered with the Regulator of Social Housing (RSH) as a housing association, a registered provider of social housing. The Association's principal activities relate to the development, acquisition, and management of affordable general needs, sheltered, low-cost home ownership, and supported social housing for those in need, as well as investment in the community.

The Group Board (Board) for the Association and its subsidiaries ordinarily consists of up to twelve members, drawn from wide backgrounds to bring together professional, commercial, and local experience, who are remunerated.

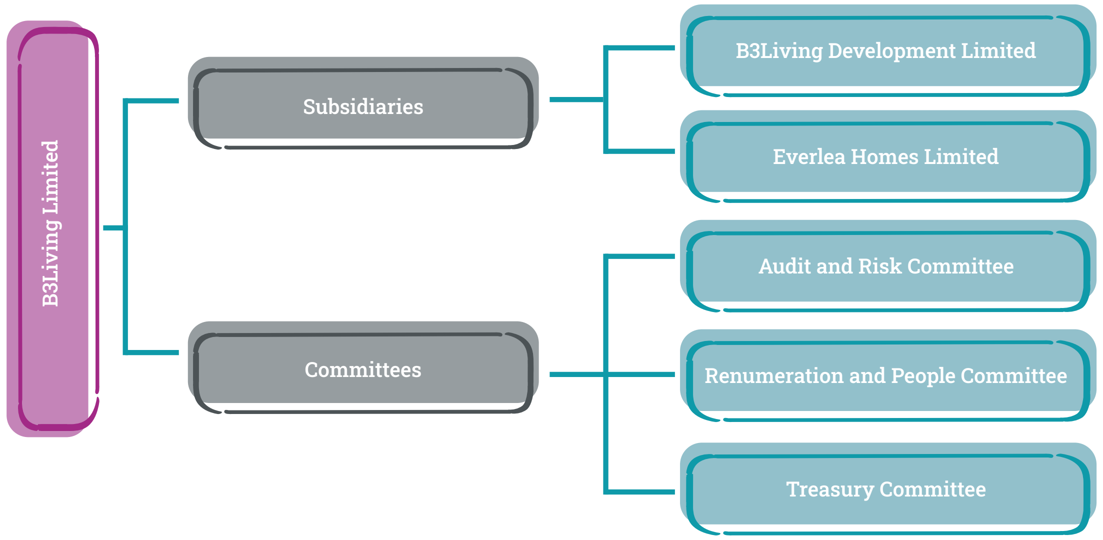
Board member appointments are made via an assessment of their skills, knowledge, and experience against the skills matrix of the Board in order to support succession planning or to support future business and commercial activities.

Our Board has an agreed skills statement against which we regularly assess our current board members' skills and attributes and address any gaps through recruitment, succession planning and bringing in external expertise, if required. Our Board is made up of members with a wide range of expertise and backgrounds, including banking, governance, property, tax, social housing and real estate. Individual details are included on the Board member profiles on our website (https://b3living.org.uk/board/).

The Board meets at least seven times per financial year and is responsible for the overall strategy, direction, and control of the Group. Board members and Executive Directors currently in post are set out on page 162.

The organisation annually publishes information about the appointment of new Board members and about the diversity, skills, and attributes of all the Board members. The information about the appointment of Board members is set out on pages 162 and 97.

The Board has delegated certain responsibilities to three main subcommittees: The Audit and Risk Committee, which meets four times a year, the Remuneration and People Committee, Treasury Committee, which meet at least once a year. There are also two subsidiary companies (B3 Living Development Limited and Everlea Homes Limited) with their own boards, which meet four times a year. The Board has delegated approvals of small schemes to B3 Living Development Limited.




## Governance and financial viability standards

Registered providers are required by the regulator, the Regulator of Social Housing, to certify their compliance with the Governance and Financial Viability Standards. The Board confirms that B3Living complies in all material respects with these standards.

Following an In-Depth Assessment, in March 2022, B3Living was awarded with the highest rating for governance (G1) and for financial viability (V1), maintaining existing regulatory ratings.

In May 2021, B3Living completed an internal review of its performance against the Regulator's Governance and Viability Standards. This was reported to the Board, which confirmed that B3Living remained compliant with these standards.

## National Housing Federation (NHF) Code of Governance

B3Living followed the National Housing Federation Code of Governance 2020 for 2021-22. B3Living is signed up to the NHF Code for Mergers, Group Structures and Partnerships.
In May 2022, B3Living completed an internal review of its performance against the NHF Code of Governance 2020, which confirmed that B3Living was compliant with all elements within this code.

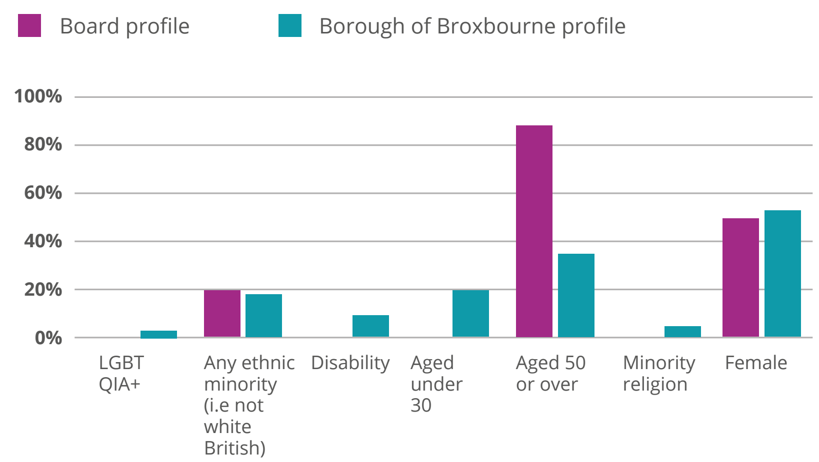
## Executive team

The Executive team comprises the Chief Executive and four executive directors, who hold no shareholding interest in the Association and act as executives within the authority delegated by the Board.

The Chief Executive and the Executive Team have service contracts with notice periods ranging from three to six months.

Insurance policies indemnify board members and officers against liability when acting for the Association and its subsidiaries. Details of executive director remuneration packages are included in note 9 to the Financial Statements.

**Board diversity profile**



# Independent auditor's report

**Opinion**

We have audited the financial statements of B3 Living Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2022 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Equity, the consolidated Statement of Cash Flows and the 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's and of the Association's affairs as at 31 March 2022 and of the Group's surplus and the 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 Cooperative and Community Benefit Societies Act 2014, the Cooperative 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor of B3 Living Limited by the Board for the period ending 31 March 2007. The period of total uninterrupted engagement for the Group is for 16 financial years ending 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Association in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

**Our Application of Materiality and an Overview of the Scope of the Audit**

Materiality for the Group financial statements as a whole was set at £690,700, determined with reference to a benchmark of Group turnover (of which it represents 2%). We consider group turnover to be the most appropriate benchmark, and more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation that reinvests all surpluses generated from its activities within the Group and does not make any distributions of profit to external parties.

Materiality for the parent Association financial statements as a whole was set at £690,700, determined with reference to a benchmark of Association turnover (of which it represents 2%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £34,535, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's three reporting components, we subjected all three to full scope audits for group purposes. The work on all components including the audit of the parent Association, was performed by the Group team. We do not audit the Group's 50% owned joint venture, Farnham Road LLP, but we have audited material balances and transactions with the joint venture.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Financial Performance, Treasury Management and Loan Covenants

<u>The risk – significant risk high value</u>

The Group posted a full year surplus of £10.0m before actuarial gains on pension schemes (refer to pages 114 to 161 (accounting policies) and pages 110 to 113 (financial disclosures)). At 31 March 2022 the Group had borrowings of £205m (refer to pages 114 to 161 (accounting policies) and pages 110 to 113 (financial disclosures)).

<u>Our response</u>

Our procedures included the following:

**Assessment of ability to service and repay the debt:** Reviewed the Group and Association's 2022-23 budget and longer term financial forecasts, and the underlying assumptions, to assess the Group's ability to service and repay the debt.

**Confirmation of value:** Agreed loan balances to the accounting records and to external confirmation from the funders.

**Test of detail:** Tested the detailed calculations for loan covenant compliance prepared by management, both for the year ended 31 March 2022 and projected future performance.

<u>Our results</u>

Our audit work concluded that all loan covenants were comfortably met at 31 March 2022. Forecast performance at 31 March 2023 shows a similar position, with gearing and interest cover forecast to be 55% and 197% respectively, against covenant limits of 80% and 110% respectively. Across a range of stress testing scenarios, including those linked to macro-economic conditions, the Group remains comfortably within its funding covenants. The Group has £50m of undrawn existing loan facilities.

Housing Properties – capitalisation of new build development costs

<u>The risk – significant risk high value</u>

The parent Association capitalised new build development costs of £34.7m (2021: £39.6m). Refer to pages 67 to 116 (accounting policies) and pages 63 to 66 (financial disclosures).

<u>Our response</u>

Our procedures included the following tests of detail:

**Test of detail:** We agreed a sample of development additions in the year to invoice or certificate.

**Test of detail:** We reviewed and agreed workings for capitalised interest in the year. This included a review of the Association's weighted average interest rate applied versus the actual paid for its borrowing and to ensure that capitalisation of interest ends when a development reaches practical completion.

**Test of detail:** We reviewed the Association's policy on overhead capitalisation and that the costs directly related to the development programme. We note that the majority of costs in this regard are the salaries of the development team.

**Test of detail:** We reviewed amounts capitalised in our sample testing to confirm the treatment adopted accords with guidance in FRS 102 and the SORP 2018.

<u>Our results</u>

Based on the audit procedures performed, we found the capitalisation of new build development costs to be acceptable.

Sales risk and exposure to the property market

<u>The risk – significant risk medium value</u>

The Group recorded turnover from properties developed for first tranche shared ownership sale of £4.5m (2021: £4.8m). Other property sales (such as staircasing, RTB and asset disposals) generated a further surplus of £790k

(2021: £843k). At 31 March 2022, the balance of work in progress relating to completed unsold properties was £3.5m (2021: £0.4m), with a further £11.8m (2021: £11.6m) of work in progress relating to properties for sale under construction. The Group has stress tested a range of scenarios, including no sales being generated in 2023-24, and having to convert all shared ownership properties in development to affordable rent, and in both scenarios the Group remained able to meet all funders' covenants.

Refer to page 114 (accounting policies) and page 126 and 141 (financial disclosures).

Our response

Our procedures included the following tests of detail:

**Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period**.**

**Assessment of recoverability:** Reviewed the carrying value of the Group's work-in-progress at the year-end to ensure it is stated at its selling price less costs to complete and sell. This included an assessment of the profitability on the current schemes.

Our results

We found that of 27 completed properties at year end, 8 have been sold and 12 reserved, at values exceeding their carrying value. The remaining 7 were all handed over on or after 28 February 2022. We found no evidence that the year end balance of stock is overstated at the year end. We found no errors in the calculation of surplus on sale of properties. We reviewed a sample of additions to work in progress and found that they had been capitalised appropriately. We also reviewed the latest forecast costs for each development and found that there were no significant cost overruns to the approved budgets and no indication that the carrying value of the properties is overstated at the year end.

Accounting Treatment of debt due from Joint Ventures

The risk – significant risk medium value

At 31 March 2022 the Group had a debtor relating to the disposal of Wheat Quarter Limited in 2019-20. The recovery of the debtor relating to Wheat Quarter Limited is dependent upon the satisfactory completion of the agreed development projects.

Refer to pages 114 to 161 (accounting policies and pages 110 to 113 (financial disclosures).

Our response

Our procedures included the following tests of detail:

**Wheat Quarter**: We reviewed the accounting treatment and disclosures of the debtor, and obtained a copy of a Red Book valuation report for the land to gain assurance as to recoverability of the debt, and evidence of the Group's security over the land. Independent valuers Colliers have valued the land at in excess of the totals debt finance of Wheat Quarter Limited;

**Farnham Road LLP:** We confirmed that all units were sold in the year, and that the Group received back its investment in the joint venture and the loan was repaid, and agreed balances to the accounting records. We reviewed the carrying value of the joint venture, and considered the justification of these amounts and the adequacy of disclosures in relation to the arrangement.

Our results

Based on the audit procedures performed, we are satisfied that the balances and transactions in relation to the Group's joint venture activity are not materially misstated and are adequately disclosed within the financial statements.

**Conclusions relating to going concern**

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the Report of the Board including Strategic Report, other than the financial statements and our Auditor's report thereon. The Board is responsible for the other information. 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.

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

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Board including Strategic Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with accounting records and returns; 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 Board's Responsibilities set out on pages 86 to 87, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.

We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.

We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.

We enquired of the Board about actual and potential litigation and claims.

We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

**Use of our Report**

This report is made solely to the Group and Association's members, as a body, in accordance with section 87 of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

**Beever and Struthers**
**Chartered Accountants and Statutory Auditors**
**St George's House**
**15 Bunhill Row**
**London**
**EC1Y 8LP**
**Date:**

# Financial statements

# Statement of comprehensive income

**For the year ended 31 March 2022**

| | Notes | GROUP March 2022 | GROUP March 2021 | ASSOCIATION March 2022 | ASSOCIATION March 2021 |
|---|---|---|---|---|---|
| | | **£000** | **£000** | **£000** | **£000** |
| Turnover | 3 | 34,535 | 33,336 | 34,535 | 33,336 |
| Cost of sales | 3 | (3,701) | (3,310) | (3,873) | (3,310) |
| Operating expenditure | 3 | (16,724) | (15,988) | (16,877) | (15,898) |
| Gains on disposal of housing properties | 3 | 790 | 843 | 790 | 843 |
| **Operating surplus** | **5** | **14,900** | **14,881** | **14,575** | **14,971** |
| Share of surplus from joint ventures | | - | - | - | - |
| Gift aid | | - | - | 917 | 195 |
| Interest receivable | 6 | 2 | 490 | 138 | 335 |
| Interest and financing costs | 7 | (4,942) | (5,234) | (4,942) | (5,234) |
| Changes in valuation of investment properties | 10c | 65 | 91 | 65 | 91 |
| **Surplus/(deficit) before tax** | | **10,025** | **10,228** | **10,753** | **10,358** |
| Taxation | | - | - | - | - |
| **Surplus/(deficit) for the year** | | 10,025 | 10,228 | 10,753 | 10,358 |
| Initial recognition of multi-employer defined benefit scheme | 27 | - | - | - | - |
| Actuarial (losses)/gains in respect of pension schemes | 27 | 1,680 | (1,297) | 1,680 | (1,297) |
| **Comprehensive income for the year** | | **11,705** | **8,931** | **12,433** | **9,061** |

The Financial Statements were approved and authorised for issue by the Board on 5 July 2022 and were signed on its behalf by:

| David Biggs | Trudi Kleanthous | Paul Tyrrell | Claire Howe |
|---|---|---|---|
| **Chair of Board** | **Board Member** | **Board Member** | **Company Secretary** |

The notes on pages 114 to 161 form an integral part of the Financial Statements.

Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R).

Registered with the Regulator of Social Housing (Number L4455).



# Statement of financial position

**As at 31 March 2022**

| | Notes | GROUP March 2022 | GROUP March 2021 | ASSOCIATION March 2022 | ASSOCIATION March 2021 |
|---|---|---|---|---|---|
| | | **£000** | **£000** | **£000** | **£000** |
| **Fixed assets** | | | | | |
| Housing properties at costs | 10a | 295,582 | 258,487 | 296,431 | 259,331 |
| Other fixed assets | 10b | 3,881 | 4,054 | 3,881 | 4,054 |
| Investment properties | 10c | 3,160 | 4,304 | 3,160 | 4,304 |
| Investment in subsidiaries | 10d | - | - | - | - |
| Investment in joint ventures | 10e | - | 730 | - | - |
| Tangible fixed assets | | **302,623** | **267,575** | **303,472** | **267,689** |
| **Current assets** | | | | | |
| Stock | 11 | 15,289 | 12,007 | 15,563 | 12,007 |
| Trade and other debtors | 12 | 15,862 | 14,561 | 9,509 | 6,573 |
| Agreement to improve existing properties | 25 | 1,469 | 1,537 | 1,469 | 1,537 |
| Cash and cash equivalents | 13 | 3,335 | 3,039 | 706 | 2,367 |
| | | **35,955** | **31,144** | **27,247** | **22,484** |
| Less: Creditors falling due within one year | 14 | (12,639) | (10,715) | (11,048) | (9,165) |
| **Net current assets** | | **23,316** | **20,429** | **16,199** | **13,319** |
| **Total assets less current liabilities** | | **325,939** | **288,004** | **319,671** | **281,008** |
| Creditors falling due after more than one year | 15 | (232,870) | (204,818) | (232,870) | (204,818) |
| **Provisions for liabilities** | | | | | |
| Agreement to improve existing properties | 25 | (1,465) | (1,537) | (1,465) | (1,537) |
| Pension provision | 29 | (1,039) | (2,787) | (1,039) | (2,787) |
| Other provision | 30 | - | (2) | - | (2) |
| | | (2,504) | (4,326) | (2,504) | (4,326) |
| **Total net assets** | | **90,565** | **78,860** | **84,297** | **71,864** |
| **Reserves** | | | | | |
| Non-equity share capital | 26 | - | - | - | - |
| Income and expenditure reserve | | 90,565 | 78,860 | 84,297 | 71,864 |
| **Total reserves** | | **90,565** | **78,860** | **84,297** | **71,864** |

The Financial Statements were approved and authorised for issue by the Board on 5 July 2022 and were signed on its behalf by:

| David Biggs | Trudi Kleanthous | Paul Tyrrell | Claire Howe |
|---|---|---|---|
| **Chair of Board** | **Board Member** | **Board Member** | **Company Secretary** |

The notes on pages 114 to 161 form an integral part of the Financial Statements.

Registered with the Mutuals Public Register of the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (Number 29876R).

Registered with the Regulator of Social Housing (Number L4455).

# Statement of changes in equity

**As at 31 March 2022**

| | Share Capital* | Income and Expenditure | Share Capital* | Income & Expenditure |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance as at 1 April 2020** | - | 69,929 | - | 62,803 |
| Surplus for the year | - | 10,228 | - | 10,358 |
| Actuarial (losses)/gains in respect of pension schemes | - | (1,297) | - | (1,297) |
| **Balance as at 31 March 2021** | - | **78,860** | - | **71,864** |
| Surplus for the year | - | 10,025 | - | 10,752 |
| Actuarial loss in respect of pension schemes | - | 1,680 | - | 1,680 |
| **Balance as at 31 March 2022** | **-** | **90,565** | **-** | **84,297** |

*The Group and Association have issued share capital of £9 (2021: £9).

The Group and Association had equity at the reporting date of £90,565k (2021: £78,860k) and £84,297k (2021: £71,864k) respectively.

The notes on pages 114 to 161 form an integral part of the Financial Statements.

# Consolidated statement of cash flows

**For the year ending 31 March 2021**

| | March 2022 | March 2021 |
|---|---|---|
| | £000 | £000 |
| **Net cash generated from operating activities (see note 21)** | **21,484** | **7,670** |
| **Cash flow from investing activities** | | |
| Purchase of tangible fixed assets (social housing) | (39,026) | (44,190) |
| Purchase of other fixed assets | (578) | (106) |
| Purchase of other investment properties | 1,209 | 508 |
| Proceeds from sale of tangible fixed assets | 2,904 | 2,791 |
| Grants received | 1,364 | 4,316 |
| Investments in joint ventures | 730 | - |
| Investment income received | 2 | 2 |
| | **(33,395)** | **(36,679)** |
| Taxation | - | - |
| **Cash flow from financing activities** | | |
| Interest paid | (7,076) | (6,648) |
| Financing costs | (717) | - |
| New secured loans | 50,000 | 25,000 |
| Repayments of borrowings | (30,000) | - |
| | **12,207** | **18,352** |
| **Net change in cash and cash equivalents** | **296** | **(10,657)** |
| Cash and cash equivalents at beginning of the year | 3,039 | 13,696 |
| Cash and cash equivalents at end of the year | 3,335 | 3,039 |
| | **296** | **(10,657)** |

The notes on pages 114 to 161 form an integral part of the Consolidated Financial Statements.

# Legal status, accounting policies, and notes to the Financial Statements

## 1. Legal status

B3Living is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 with the registration number 29876R and is also registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing with the registration number L4455. B3Living's registered office is 17 Amwell Street, Hoddesdon, EN11 8TS.

The Group is a public benefit entity as defined in FRS 102, section 34.

## 2. (a) Principal accounting policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with Regulator of Social Housing with effect from 1 April 2012 as a registered provider of social housing.

**Basis of accounting**

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102"); the Statement of Recommended Practice: Accounting by Registered Social Landlords 2018 Update (SORP); and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared on the historical cost basis of accounting as modified by valuation of investment properties and are presented in £'000, except where specifically stated otherwise. The Group and Association meet the definition of a public benefit entity (PBE).

**Basis of consolidation**

The Group Consolidated Financial Statements include the financial statements of the Association, all its subsidiary undertakings, and its joint ventures. A subsidiary is an entity controlled by the Group. Control is construed as the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The Financial Statements have been prepared using the line-by-line consolidation for subsidiaries and the equity method for joint venture entities as appropriate. Group entities are detailed within note 28 to the Financial Statements. The results of joint ventures have been incorporated into the Financial Statements, consolidated from management accounts, as they do not share the same reporting date with the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Exemptions for qualifying entities under FRS 102**

The Association has elected to apply the following reduced disclosures, which are permitted in accordance with FRS 102:

- The exemption to not disclose a separate cash-flow statement in accordance with FRS 102 1.12(b) as the Association is a qualifying entity and the Group prepares a consolidated cash-flow statement.
- The exemption under FRS 102 Paragraph 33.1A to not disclose the details of related party transactions with wholly-owned subsidiaries.

**Turnover and revenue recognition**

Turnover represents rental income receivable, service charge receivable income, amortised capital grants from government sources, revenue grants from local authorities and Homes England, income from the sale of the first tranche of low-cost home ownership, outright property sales, and other income. Turnover is recognised in relation to the period when the goods or services have been supplied and when the risks and rewards of ownership have transferred from B3Living to the counterparty.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

**Value Added Tax**

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The Financial Statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

The Association operates a VAT shelter arrangement on 91 properties which are part of the stock transfer from the London Borough of Haringey. This was agreed with HM Revenue and Customs and this facilitates the full recovery of VAT on expenditure falling within the agreed definition of "improvements" to the properties.

At the reporting date only the VAT shelter that was agreed in 2013, and relates to the refurbishment of properties acquired from London Borough of Haringey, was in operation. The Association retains the full VAT recoveries from this VAT shelter agreement.

**Related party transactions**

The Group and Association have taken advantage of the exemptions in FRS 102 and have decided not to disclose transactions between regulated entities or between non-regulated entities, except as required by the Accounting Direction 2019. Disclosure requirements for transactions between regulated entities and non-regulated entities are provided in note 28.

**Tangible fixed assets**

Tangible fixed assets are made up of housing properties held for social housing, housing and commercial properties classified as investment properties, and other fixed assets such as leasehold offices, freehold offices, furniture, fixtures and fittings, IT and office equipment, motor vehicles, and plant and equipment.

Tangible fixed assets other than investment properties are stated at cost, less accumulated depreciation, less impairment where applicable. Investment properties are carried at their fair value at the reporting date.

Other than investment properties which are not depreciated, tangible fixed assets are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles, and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## 2. (a) Principal accounting policies

**Housing properties**

Housing properties are principally properties available for rent and low-cost home ownership. They are held for social benefit purposes and are stated at net historic cost after accumulated depreciation and accumulated impairment. Historic costs are made up of the acquisition costs of the housing assets, plus unavoidable costs of acquisition when the asset is bought outright by B3Living. Where B3Living develops the property, costs include the cost of acquiring land and buildings, construction costs, capitalised interest charges incurred during the development period, and directly attributable development overhead costs.

Any subsequent major repairs or capital expenditure to existing properties, which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced, the cost and related depreciation are derecognised from the housing assets. Economic benefits are enhanced if the work performed results in an increase in rental income, a reduction in future maintenance costs or a significant extension to the useful economic life of a property and its components.

Improvements are works which either fall within the definition of the VAT shelter works or result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Low-cost home ownership properties are split between current and tangible fixed assets based on the anticipated first tranche sale proportion. The first tranche proportion is recognised in the current assets as stock. The remaining fixed asset proportion of low-cost home ownership properties is included in housing properties at cost, less any accumulated impairment. Low-cost home ownership properties are not depreciated.

**Impairment of housing properties**

Housing properties and other assets are subject to impairment reviews, when a potential trigger for impairment has occurred. Where there are no impairment triggers, no impairment is recognised. Any impairment will be recognised in the Statement of Comprehensive Income in the year it materialises.

Where there is evidence of impairment, the fixed assets are written down to their recoverable amount. Any such write down is charged to the operating surplus. The recoverable amount is the higher of the fair value or value in use (VIU) or value in use – service potential (VIU-SP). The fair value for social housing units is the existing use value for social housing (EUV-SH). VIU is the discounted future cash flow from the housing asset. B3Living assesses VIU-SP as the amount it will cost to replace the housing asset. Impairment is assessed at income generating unit, and B3Living has judged the scheme level to be its income generating unit level.

**Capitalisation of interest and administration costs**

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Interest is capitalised based on the weighted average cost of capital and the costs incurred until practical completion. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.



**Depreciation of housing properties**

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group and Association depreciate freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories. Useful economic lives for identified components are as follows:

| | Years |
|---|---|
| Structure – houses | 100 |
| Structure – flats | 100 |
| Roofs | 60 |
| Windows and doors | 30 |
| Bathrooms | 30 |
| Electrics | 30 |
| Lift | 30 |
| Adaptations | 15 |
| Kitchens | 20 |
| Heating | 15 |
| Other | 15 |

Land is not depreciated.

The Group and Association depreciate housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

**Other fixed tangible assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. A full year's depreciation is charged in the year of acquisition of the asset. No depreciation is charged in the year of disposal. The principal annual rates used for other assets are:

| | Years |
|---|---|
| Freehold offices | 30 |
| Furniture, fixtures and fittings | 10 |
| Plant and equipment | 10 |
| IT and office equipment | 5 |
| Motor vehicles | 5 |

**Long leasehold properties**

Long leasehold properties are depreciated over the life of the lease.

**Investment properties**

The Group and the Association have properties that have been classified within the scope of FRS 102, section 16, such as market rented properties and commercial buildings. These are carried in the Statement of Financial Position at their fair values, with the changes in fair value being recognised in the Statement of Comprehensive Income, if they are completed properties.

Where investment properties are work in progress, they are carried at cost less impairment. Cost includes the purchase price plus any other acquisition costs, construction costs to date, plus directly attributable development overheads and capitalised interest.

The Group and Association engage an independent valuer to determine the fair value at each reporting date. The independent valuer uses a valuation technique based on a discounted cash-flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 10c.

## 2. (a) Principal accounting policies

**Donated land**

Donated land from government sources, such as local authorities, is included in the cost at the valuation on donation, which reflects how the land will be used, with the donation treated as a capital grant. Land donated for social housing is valued on donation at the EUV-SH and land donated for non-social housing purposes is valued at the open market value. In the case of Section 106 land, the valuation takes into account all the conditions of sale imposed by the local authority and its value in use to the Association. Where land is donated by a non-government source, it is recognised as income using the performance approach.

When housing properties are to be transferred to another registered provider, the net costs, after Social Housing Grant (SHG), are dealt with in the current assets. In this instance, the SHG follows the property to the association said property is being transferred to.

**Social housing and other government grants**

Where developments have been financed wholly or partly by Social Housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.

SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover. The grant amortisation only commences when the housing asset is practically complete; therefore, grants relating to properties under construction are not amortised.

The accumulated amortised government grants recognised through the Statement of Comprehensive Income Statement represent contingent liabilities to the Group and Association and the contingent grant liability materialises when the relevant property to which the amortised grant relates to ceases to be used for social housing purposes. This is usually due to the disposal of the housing asset change in use of the asset from social housing to open market activity. If the property is disposed of or there is a change in use, the grant for the asset needs to be recycled.

**Recycled Capital Grant Fund (RCGF)**

RCGF arises when a property funded or part funded by SHG, or a property from a stock transfer which was grant funded, ceases to be used for social housing purposes.

Where SHG is recycled, it is credited to a fund which appears as a creditor until it is used to fund the acquisition or construction of new properties. Where recycled grant is known to be repayable, it is shown as a creditor within one year.

**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 and thus accrued at the year-end date.

**Pensions**

The Group and Association participate in two funded multi-employer defined benefit schemes: The Social Housing Pension Scheme (SHPS) and the Hertfordshire County Council Pension Fund (HCCPF). HCCPF is a local government pension scheme. The Group and Association also participate in two defined contribution schemes: The Social Housing Pension Scheme (SHPS) and the Group Personal Pension Scheme (GPPS).

The management's estimates relating to the defined benefit schemes are based on a number of critical underlying assumptions, such as standard rates of inflation, mortality, discount rate and the anticipation of future salaries. Variation in these assumptions may impact the defined benefit obligation and annual expense significantly, as shown in this note. These assumptions and calculations are prepared by an independent actuary.

Under Defined Benefit Accounting, the current service cost, and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net-defined benefit liability. Re-measurements are reported in other comprehensive income.

With the defined contribution pension scheme the Group and Association do not have further future obligations falling due within one year which are paid a month following deductions on each payroll processing, other than those disclosed in the Statement of Financial Position within the creditors.

**The Pensions Trust Social Housing Pension Scheme (SHPS)**

In 2019 it was confirmed that it is possible to disaggregate the share of the Group and Association's asset and liabilities; therefore, the Group commenced accounting for the closed SHPS scheme as a defined benefit scheme.

The accounting information is based on the present value as at 31 March 2022, as provided by the Pension Trust.

**Hertfordshire County Council Pension Fund (HCCPF)**

For the HCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any other changes in fair value of the assets and liabilities are recognised in the accounting period in which they arise.

The operating costs, finance costs, expected return on assets, and any other changes in fair value of assets and liabilities are recognised in the Statement of Comprehensive Income.

**Supported housing managed by agencies**

Income and expenditure in respect of supported housing projects depend on the nature of the partnership arrangements between the Group and Association, and any managing agents, and on whether the Group and Association carry the financial risk. Where the Group and Association carry the financial risk, these transactions are recognised in the Statement of Comprehensive Income.

The assets and associated liabilities are included in the Group and Association's Statement of Financial Position.

**Property managed by agents**

Where the Group and Association carry the majority of the financial risk on property managed by agents, all the income and expenditure arising from that property is included in the Statement of Comprehensive Income.

The assets and associated liabilities are included in the Group and Association's Statement of Financial Position.

**Service charges**

The Association operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with its customers. Where variable service charges are used, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents through a reduced charge, and a deficit being recovered via a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

**Support income and costs, including Supporting People income and costs**

Supporting People (SP) contract income received from any administering local authorities is accounted for as SP income in the turnover, note 3. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings, note 3, and matched against the relevant costs.

**Interest receivable and similar income**

Interest receivable income is recognised on an accrual basis in the period it relates to using the effective interest rate method. It is included as income in the Statement of Comprehensive Income.

**Interest payable and similar charges**

Interest payable is recognised on an accrual basis using the effective interest method. It is included as an expense in the Statement of Comprehensive Income. The Association has elected to capitalise interest on developments under construction.

## 2. (a) Principal accounting policies

**Financial instruments**

FRS 102 provides for three accounting choices for accounting for financial instruments. The Association has elected to use the option to apply the requirements of FRS 102, sections 11 and 12 when accounting for financial instruments. FRS 102 classifies financial instruments into two classes: basic financial instruments and other financial instruments.

Basic financial instruments are recognised at the transaction price plus transaction costs on initial recognition and subsequently they are accounted at carrying value, which is the amortised cost. Other financial instruments are recognised at the transaction price plus transaction costs on initial recognition and subsequently at their fair value at each reporting date. The Association's financial instruments are classified into either financial assets or financial liabilities.

The Association recognises financial instruments when it becomes party to them and when the risks and rewards of the financial instruments transfer to the Association. Financial instruments are derecognised when an extinguishment event occurs. An extinguishment event occurs when the Association is no longer party to the financial instruments and ceases to have risks or rewards associated with the financial instrument or when there are significant changes to the terms of the financial instrument. Below are the Association's accounting policies for accounting for the following financial instruments:

## Basic financial instruments

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash balances and short-term investments, which can be liquidated at short notice with no loss of capital. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management, are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

The Association has identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use. These investments have been classified as cash equivalents.

**Trade debtors, other debtors, trade creditors and other creditors**

Trade debtors, including rent arrears and other debtors, are recognised initially at their transaction price less transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method, less any impairment losses.

In the case of debtors where any arrangement constitutes a financing transaction that ceases to be a normal trading transaction, for example, if a payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors are recognised initially at their transaction price plus transaction costs. Subsequent to initial recognition these financial instruments are measured at an amortised cost.

The Group also assessed the fair value on its on lending to the Wheat Quarter Ltd, an entity with which it used to be a joint venture partner. The Group has on lend £5.5m and has accrued interest of £1.04m. The on lending is secured against the land and the land values demonstrate there is headroom in this security. The Group has also taken an additional measure to mitigate against any remote possibility of impairment by not recognising any interest income for the year from this on-lending activity.

**Impairment of debtors**

A provision for doubtful bad debt is made for the impairment of current rent debtors based on the average age profile of the relevant rent arrears. The bad debts provision is calculated to reflect the risk of default of the relative tenant arrears or trade debtor. The longer the amount remains due, the higher the provision will be made for the amount owed.

**Bond issues and housing loans**

Bond issues and other interest-bearing borrowings, such as housing loans from lenders, are recognised initially at the transaction price less transaction costs. Subsequent to initial recognition, bond issues and housing loans are stated at the amortised cost using the effective interest method, less any impairment losses where applicable.

**Concessionary loans**

The Association is party to interest-free arrangements or financing arrangements that are not subject to paying or receiving market interest rates: for example, with some customers who are over the normal payment terms, or where the Association is party to a joint arrangement agreement with a development partner.

Where an entity is a public entity member such as the Association, it can elect, in line with FRS 102, section 34, to account for transactions that are not at market interest rates as concessionary loans. The Association has accounted for some tenant arrears and the interest-free loan in the joint arrangement as concessionary loans, and these are, therefore, being carried in the Statement of Financial Position at amortised cost.

**Liquid resources**

Liquid resources are readily disposable current asset investments. This policy is defined in the Treasury Policy. Liquid resources are accounted under FRS 102, section 11 at an amortised cost less transaction costs using an effective interest rate.

**Other financial instruments**

Other financial instruments are financial instruments that do not meet the definition of basic financial instruments in FRS 102, section 11 and are recognised initially at a transaction price less their transaction costs. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised through the Statement of Comprehensive Income. At the reporting date all of the Association's financial assets and financial liabilities met the definition of basic financial instruments under FRS 102, section 11.

**Loan finance issue costs**

The costs relating to the raising of finance are written off evenly over the life of the related debt financial instrument, such as a bond issue or housing loan. Debt financial instruments are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts of the issue costs written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

**Corporation taxation**

B3 Living Limited has charitable status and provides services that are exempt from corporation tax; therefore, it has no taxation liability for corporation tax. The subsidiaries are non-charitable and, as such, are subject to corporation tax.

The subsidiaries sometimes elect to gift aid to the charitable parent. When that happens, gift aid is not accrued in the financial year but in the year when the cash is actually paid to the parent; however, the corporation tax implications are recognised in the year the subsidiary elects to gift aid.

**Stock – properties for sale**

Stock – properties for sale include the first tranche element of low-cost home ownership units and properties developed for outright sale. These are accounted for as current assets in the Statement of Financial Position and they are stated at the lower of cost and fair value, less costs to complete and sell. Costs include the cost of land, construction costs, directly attributable costs, capitalised interest and direct overheads. Fair value reflects the market value of the stock at the reporting date.

Under the terms of the transfer agreement with the Borough of Broxbourne Council, proceeds from right to buy and low-cost home ownership staircasing sales are shared with the Borough of Broxbourne Council. On completion of a right to buy or relevant low-cost home ownership sale contract, only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

## 2. (a) Principal accounting policies

**Agreements to improve existing properties**

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at their gross values unless the right of net settlement exists.

**Joint arrangements that are not entities**

The Association is party to a joint arrangement with a development partner. The joint arrangement is for the sharing of risks, income and development costs incurred in regard to a development of a scheme. Under FRS 102, where the Association is party to a joint arrangement which is not an entity, the Association's Financial Statements should directly reflect its share of income and expenditure, assets, liabilities and cash flows.

**Joint ventures**

A joint venture is a contractual arrangement whereby the Group and Association undertake an economic activity, mainly the development of properties with development partners, such as private developers or a local authority, that is subject to joint control with those third parties. Those third parties, together with the Group and Association, have rights to the net assets of the joint venture. The Association's interest in the joint venture is accounted for as an investment; however, the Group accounts for joint ventures under the equity method of accounting at cost. Under the equity method, the Association's share of profits, after taxation or losses, are included in the Statement of Comprehensive Income and its interest in net assets is included as an investment in the Statement of Financial Position.

**Provisions**

Provisions are recognised when the Group and Association have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources from the Association will be required to settle the obligation, and the amount of the obligation can be estimated reliably at the reporting date.

**Segmental reporting**

As the Group has issued a listed bond debt which is publicly traded, it is required to disclose information about its operating segments in accordance with IFRS 8. The Chief Operating Decision Makers (CODM) have been identified as the Executive Directors.

The Executive Directors have identified the operating segments as: general needs, sheltered housing, low-cost home ownership, and other, reflecting the way in which the organisation is operated and managed. As the Group has no activities outside of the UK, segment reporting is not required by geographical region.

**General needs and sheltered housing** segments incorporate all of the Group's social rented housing provision activities, including both social rent and affordable rent properties. Income is derived primarily from rental income and service charges.

**Low-cost home ownership** is comprised of those properties where the Group has sold a proportion of the equity share to the occupier, while retaining the remaining equity and the freehold of the property. Income is derived from the service charges in respect of the properties and from rent charged on the unsold equity element of the properties.

**Other** incorporates all income and costs from overhead departments, one commercial property and market rented properties.

The analysis of the Statement of Comprehensive Income by segment is provided in note 3c to these Financial Statements. The management reporting structure does not require analysis of assets and liabilities by segment, and these are, therefore, not included in the analysis of segmental reporting.



## 2. (b) Principal accounting policies, judgements, and accounting estimates

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the Financial Statements.

**i) Critical judgements in applying the Association's accounting policies**

The following are the significant management judgements made in applying the accounting policies of the Association which have the most significant effect on the Financial Statements:

**Classification of housing properties (notes 10a and 10c)**

The Association has undertaken a detailed review of the intended use of its housing property portfolio. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. Where the Association has determined that its housing portfolio is held for social benefit purposes, it has been accounted for under the requirements of FRS 102, section 17. Where the Association has deemed that the properties are not held for social benefit purposes, these properties have been classified as investment properties and therefore have been accounted for under FRS 102, section 16.

**Capitalisation of property development costs (notes 10a and 10c)**

Distinguishing the point at which a project is considered to be more likely to continue and therefore recognised as an asset, thus allowing capitalisation of development costs, requires judgement. After capitalisation, management monitors the project and considers whether events indicate that an impairment review is required. Where a project is considered not to continue and therefore is aborted, the costs relating to that project are expensed within the Statement of Comprehensive Income.

**Determining whether an impairment review is required (notes 10a and 10e)**

Indicators of impairment are applied in determining whether there is impairment in respect of an asset, or association of assets, owned by the Association. Indicators include: changes in government policy, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, obsolescence of a property, or contamination of a site. Impairment is tested at income generating unit (IGU) level, which is at scheme level.

Impairment on housing properties is assessed by comparing the carrying value of the asset against its recoverable amount. The recoverable amount is the higher of value in use or fair value as represented by existing use value social housing (EUV-SH), value in use (VIU) or value in use service potential (VIU-SP). Determining the EUV-SH, VIU and VIU-SP to be used requires management judgement.

Impairment on joint ventures is assessed by comparing the carrying value against the recoverable amount. The recoverable amount is the expected cash flows and returns that are expected to accrue from the joint venture. Where the recoverable amount is lower, the joint venture is carried at cost less impairment.

**Determining whether a debt instrument satisfies the requirement to be treated as basic (note 15)**

Judgement is required to determine whether a debt instrument satisfies the requirements in FRS 102, paragraph 11.9 to be treated as basic. For debt instruments to be classified as basic financial instruments, the interest must be a positive amount or positive rate, at market rates. They should not be index linked, excluding RPI, and the lender cannot unilaterally amend interest rates. Debt instruments are used to provide long-term funding for the Association's operations and not used for speculative trading. Facilities with two-way break clauses are judged to be basic. The capital structure of the Association includes bond and loan funding from lenders which are judged to be basic financial instruments.

## 2. (b) Principal accounting policies, judgements, and accounting estimates

**Determining the fair value of other debt instruments (note 15)**

Financial instruments that do not meet the definition of being basic under FRS 102 have to be measured at fair value using a hierarchy of estimates which prioritises quoted prices in an active market, then recent transactions of identical assets and finally the use of valuation techniques. In applying this hierarchy, management has to apply a significant amount of judgement and,

where applicable, deem the best estimate of fair value of any one debt instrument to be the exit prices quoted by the respective counterparty.

**ii) Key accounting estimates and assumptions**

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Housing property impairment**

Housing properties are reviewed for impairment to determine whether an impairment trigger is deemed to have occurred. Where there is an impairment trigger and evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to the operating surplus. Impairment is assessed by comparing the carrying value to the recoverable amount.

The recoverable amount is the higher of fair value less costs to sell as represented by EUV-SH, VIU, and VIU-SP. If the carrying value is greater than the recoverable amount, then an impairment charge is made. VIU and VIU-SP require management estimates of the timing of cash flows, discount rate and life of the asset and EUV-SH is underpinned by judgements and estimates made by independent valuers (see note 10a).

Components of housing properties are depreciated over their useful economic life, which is determined by the length of time the individual component will be used before it is replaced. Management judges the estimates of the economic lives of components based on the historic replacement cycles and the historic component performance. Components are determined by management using the largest elements of the properties by cost which can be separately identified as assets in their own right (see note 10a).

**Housing property cost allocation**

Where a scheme under construction is a mixed tenure scheme, the total costs of the scheme are split using a suitable method, such as floor area or rental yield between the various elements, which may include tangible housing asset, invest property and stock. The allocation of the cost of low-cost home ownership schemes under construction between stock and housing properties is determined by looking at the predicted amount to be sold as a first tranche sale. This predicted amount is based on the likely demand for the scheme (see note 10a).

**Investment properties fair value estimation**

The independent valuer uses a valuation technique based on a discounted cash-flow model to ascertain the fair value. The fair value of the investment property is sensitive to annual inflation rates, the level of rent increases, the estimated yield, and long-term vacancy rates. This means that there is a level of volatility in both the carrying amounts disclosed in Statement of Financial Position and the fair value gains or losses disclosed in the Statement of Comprehensive Income. The key assumptions used to determine the fair value of investment property are further explained (see note 10c).

**Joint ventures impairment**

Investments in joint ventures properties are reviewed to determine whether an impairment trigger has occurred. Where there is an impairment trigger and evidence of impairment, the joint ventures are written down to their recoverable amount.

Any write down is disclosed within the share of profits joint venture item in the Statement of Comprehensive Income. Impairment is assessed by comparing the carrying value to the recoverable amount.

Management is required to make estimates of cash flows, costs of exiting the joint venture and finance costs. A judgement has been made that the recoverable amount is higher than the carrying amount disclosed in the accounts. During the current year the Group received back its investment from joint ventures therefore the obiligations are now limited to remedying any defects identified on the units sold. At the reporting date the group had a deferred balance of c. £200k to meet any future defects abligations. In the prior year various scenario analyses were undertaken to confirm that the joint venture could cope with significant decreases in sales and increases in costs without getting into an impaired position.

The analysis showed that a break-even could still be achieved even when sales reduced by 13.75% and costs increased by 13.75%. This level of change in both sales and costs was not anticipated as the biggest decline in a month during the Covid-19 pandemic in June 2020 was by c. 1%, the peak month while the economy was shut down. We also anticipate future corporation tax reliefs to accrue from prior periods of capital losses. This means that there was suffieceint headroom; therefore, the joint venture were neither impaired nor viewed as onerous contracts (see note 10e).

**Other fixed assets**

Other fixed assets are depreciated over their useful economic lives, which are determined by the length of time the asset is expected to be in use (see note 10b).

**Stock – properties for sale**

Stock is carried in the Statement of Financial Position at the lower of cost and fair value less costs to complete and sell. Fair value less costs to sell is based on the estimated selling price, less selling costs such as marketing. Estimated selling prices are based on estimates of similar properties in the same location and traded in an optimum market where demand and supply assume perfect market conditions.

## 3. (a) Group turnover, cost of sales, operating costs, and operating surplus

| | | | | | Group |
|---|---|---|---|---|---|
| | Turnover | Cost of sales | Operating expenditure | Operating surplus 2022 | Operating surplus 2021 |
| | £000 | £000 | £000 | £000 | £000 |
| Social housing lettings (note 3c) | 29,349 | - | (16,090) | **13,259** | 12,554 |
| **Other social housing activities:** | | | | | |
| First tranche home ownership sales | 4,494 | (3,701) | - | **793** | 1,479 |
| Supporting people | 90 | - | (90) | **-** | - |
| Leaseholders | 348 | - | (396) | **(48)** | 20 |
| Development costs not capitalised | - | - | (1) | **(1)** | (26) |
| Community services | 18 | - | (127) | **(109)** | (119) |
| Total other social housing activities | 34,299 | (3,701) | (16,704) | 13,894 | 13,908 |
| **Activities other than social housing** | | | | | |
| Commercial rent | 28 | - | - | **28** | 58 |
| Market rent | 56 | - | (7) | **49** | 47 |
| Other | 152 | - | (13) | **139** | 25 |
| Total non-social housing activities | **236** | - | **(20)** | **216** | **130** |
| **Total** | **34,535** | **(3,701)** | **(16,724)** | **14,110** | **14,038** |
| Gains on disposal of housing properties | | | | 790 | 843 |
| Total | **34,535** | **(3,701)** | **(16,724)** | **14,900** | **14,881** |

## 3. (b) Association turnover, cost of sales, operating costs, and operating surplus

| | | | | | Association |
|---|---|---|---|---|---|
| | Turnover | Cost of sales | Operating expenditure | Operating surplus 2022 | Operating surplus 2021 |
| | £000 | £000 | £000 | £000 | £000 |
| Social housing lettings (note 3c) | 29,349 | - | (16,237) | **13,112** | 12,554 |
| **Other social housing activities:** | | | | | |
| First tranche home ownership sales | 4,494 | (3,873) | - | **621** | 1,479 |
| Supporting people | 90 | - | (90) | - | - |
| Leaseholders | 348 | - | (406) | **(58)** | 20 |
| Development costs not capitalised | - | - | (9) | **(9)** | 8 |
| Resident involvement | 18 | - | (128) | **(110)** | (119) |
| **Total social housing activities** | **34,299** | **(3,873)** | **(16,870)** | **13,556** | **13,942** |
| **Activities other than social housing** | | | | | |
| Commercial rent | 28 | - | - | **28** | 58 |
| Market rent | 56 | - | (7) | **49** | 47 |
| Other | 152 | - | - | **152** | 81 |
| **Total non-social housing activities** | **236** | - | **(7)** | **229** | **186** |
| | 34,535 | (3,873) | (16,877) | 13,785 | 14,128 |
| Gains on disposal of housing properties | | | | 790 | 843 |
| **Operating surplus** | **34,535** | **(3,873)** | **(16,877)** | **14,575** | **14,971** |

## 3. (c) Income and expenditure from social housing lettings – Group and Association

| Particulars of income and expenditure | General housing | Sheltered housing | Low-cost home ownership | Group and Association Total 2022 | Group and Association Total 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Income** | | | | | |
| Rent receivable net of identifiable service charge | 24,996 | 1,606 | 1,226 | **27,828** | 26,700 |
| Service charge income | 679 | 404 | - | **1,083** | 1,097 |
| Net rental income | **25,675** | **2,010** | **1,226** | **28,911** | **27,797** |
| Amortised government grants | 417 | - | 21 | **438** | 169 |
| Turnover | **26,092** | **2,010** | **1,247** | **29,349** | **27,966** |
| **Operating expenditure** | | | | | |
| Management costs | (2,767) | (629) | (74) | **(3,470)** | (3,713) |
| Service charge costs | (1,187) | (336) | (72) | **(1,595)** | (1,790) |
| Responsive | (4,757) | (358) | - | **(5,115)** | (4,742) |
| Planned cyclical maintenance | (2,070) | (159) | - | **(2,229)** | (1,550) |
| Bad debts | 23 | (2) | - | **21** | 545 |
| Depreciation | (3,338) | (243) | - | **(3,581)** | (4,018) |
| Other costs | (119) | (1) | (1) | **(121)** | (144) |
| Operating expenditure | **(14,215)** | **(1,728)** | **(147)** | **(16,090)** | **(15,412)** |
| **Operating surplus** | **11,877** | **282** | **1,100** | **13,259** | **12,554** |
| **Prior period operating surplus** | **11,572** | **57** | **925** | **12,554** | |
| ***Voids*** | ***(253)*** | ***(11)*** | ***-*** | ***(264)*** | ***(309)*** |

## 3. (d) Group segmental reporting

| Particulars of income and expenditure | General Housing | Sheltered Housing | Low cost Home ownership | Other | Group and Association Total 2022 | Group and Association Total 2021 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Income** | | | | | | |
| Rent receivable net of service charges | 24,996 | 1,606 | 1,226 | - | 27,828 | 26,700 |
| Service charge income | 679 | 404 | - | - | **1,083** | 1,097 |
| **Net rental income** | **25,675** | **2,010** | **1,226** | **-** | **28,911** | **27,797** |
| Amortised government grants | 417 | - | 21 | - | **438** | 169 |
| Commercial rent | - | - | - | 28 | **28** | 59 |
| Market rent | - | - | - | 56 | **56** | 55 |
| Management fees | - | - | - | 170 | **170** | 81 |
| Supporting people income | - | - | - | 90 | **90** | 97 |
| Leaseholders | - | - | - | 348 | **348** | 289 |
| First tranche home ownership sales | - | - | 4,494 | - | **4,494** | 4,789 |
| **Turnover** | **26,092** | **2,010** | **5,741** | **692** | **34,535** | **33,337** |
| **Operating expenditure** | | | | | | |
| Cost of sales - stock | - | - | (3,701) | - | **(3,701)** | (3,310) |
| Management costs | (2,767) | (629) | (74) | (13) | **(3,483)** | (3,769) |
| Service charge costs | (1,187) | (336) | (72) | - | **(1,595)** | (1,790) |
| Responsive | (4,757) | (358) | - | - | **(5,115)** | (4,742) |
| Planned cyclical maintenance | (2,070) | (159) | - | - | **(2,229)** | (1,550) |
| Bad debts | 23 | (2) | - | - | **21** | 545 |
| Depreciation | (3,338) | (243) | - | - | **(3,581)** | (4,018) |
| Supporting people costs | - | - | - | (90) | **(90)** | (97) |
| Development costs not capitalised | - | - | - | (1) | **(1)** | (26) |
| **Other costs** | **(119)** | **(1)** | **(1)** | **(530)** | **(651)** | **(541)** |
| **Operating expenditure** | **(14,215)** | **(1,728)** | **(3,848)** | **(634)** | **(20,425)** | **(19,298)** |
| Gains on disposal of housing properties | 309 | - | 481 | - | **790** | 843 |
| **Segmental operating surplus** | **12,186** | **282** | **2,374** | **58** | **14,900** | **14,881** |
| Share of surplus from joint ventures | - | - | - | - | **-** | - |
| Interest receivable | - | - | - | 2 | **2** | 490 |
| Interest and financing costs | (3,836) | (300) | (806) | - | **(4,942)** | (5,234) |
| Increase/(decrease) in valuation of investment properties | - | - | - | 65 | **65** | 91 |
| **Operating surplus** | **8,350** | **(18)** | **1,568** | **125** | **10,025** | **10,228** |
| Social housing properties | 229,441 | 17,962 | 48,179 | - | **295,582** | 258,487 |
| Other fixed assets | 2,981 | 233 | 626 | 41 | **3,881** | 4,054 |
| Investment properties | - | - | - | 3,160 | **3,160** | 4,304 |
| Investment in subsidiaries | - | - | - | - | **-** | - |
| Investment in joint ventures | - | - | - | - | **-** | 730 |
| | **232,422** | **18,195** | **48,805** | **3,201** | **302,623** | **267,575** |

## 3. (e) Accommodation owned and in management

At the end of the year accommodation in management for each class of accommodation for both Group and Association was as follows:

| | 31 March 2021 | Units acquired or developed | Units sold / demolished | Other movements | 31 March 2022 |
|---|---|---|---|---|---|
| **Social housing units** | | | | | |
| General needs | 2,647 | 16 | (8) | 32 | 2,687 |
| Affordable rental tenure | 897 | 60 | - | (30) | 927 |
| Supported housing | 284 | - | - | - | 284 |
| Intermediate rent | 13 | - | - | (2) | 11 |
| Social - managed by others | 49 | - | - | - | 49 |
| Low-cost home ownership | 293 | 43 | (4) | - | 332 |
| Leaseholders (social managed) | 638 | - | - | 3 | 641 |
| **Total social housing units owned and /or managed** | **4,821** | **119** | **(12)** | **3** | **4,931** |
| Leased to others - associations | 56 | - | - | - | 56 |
| **Total social housing units** | **4,877** | **119** | **(12)** | **3** | **4,987** |
| Leaseholders (non-social) | 104 | - | - | - | 104 |
| Market rented | 4 | - | - | - | 4 |
| Commercial units | - | 2 | - | - | 2 |
| **Total non-social units** | **108** | **2** | **-** | **-** | **110** |
| **Total** | **4,985** | **121** | **(12)** | **3** | **5,097** |

## 4. Gains on disposals of property, plant and equipment

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | March 2022 | March 2021 |
| | **£000** | **£000** |
| **Right to buy and acquire** | | |
| Proceeds | 1,840 | 1,334 |
| Cost of sales | (1,570) | (952) |
| **Surplus** | **270** | **382** |
| **Staircasing** | | |
| Proceeds | 965 | 1,305 |
| Cost of sales | (484) | (902) |
| **Surplus** | **481** | **403** |
| **Other disposals** | | |
| Proceeds | 39 | 154 |
| Cost of sales | - | (96) |
| **Surplus** | **39** | **58** |
| **Total surplus** | **790** | **843** |

## 5. Operating surplus

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | **£000** | **£000** | **£000** | **£000** |
| **Operating surplus is stated after charging/(crediting):** | | | | |
| Auditors' remuneration (excluding VAT): | | | | |
| In their capacity as auditors | 59 | 56 | 49 | 52 |
| Operating lease payments | 214 | 265 | 214 | 265 |
| Depreciation: | | | | |
| Tangible fixed assets - housing properties | 3,426 | 3,896 | 3,426 | 3,896 |
| Accelerated depreciation on component | 155 | 121 | 155 | 121 |
| Other fixed assets | 521 | 154 | 521 | 134 |
| Impairment | - | - | - | - |
| Amortisation of grant funding | 438 | 169 | 438 | 169 |
| Surplus on sale of fixed assets | 790 | 843 | 790 | 843 |

## 6. Interest receivable and similar income

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Interest receivable and similar income | 2 | 490 | 138 | 335 |

Interest receivable is from on lending to both joint venture and joint arrangement partners. On-lending activities have been classified as basic financial instruments and are accounted under FRS 102, section 11 and FRS 34.87 to 34.97.

## 7. Interest and financing costs

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| On loans repayable in more than five years | 6,694 | 6,204 | 6,694 | 6,204 |
| Costs associated with financing | 326 | 324 | 326 | 324 |
| Less: Interest capitalised*** | (2,134) | (1,330) | (2,134) | (1,330) |
| | **4,886** | **5,198** | **4,886** | **5,198** |
| **Deferred benefit pension charge (note 29)** | | | | |
| Interest on pension scheme liabilities | - | - | - | - |
| Expected return on employer assets | 56 | 36 | 56 | 36 |
| | 56 | 36 | 56 | 36 |
| **Total interest payable and similar charges** | **4,942** | **5,234** | **4,942** | **5,234** |

***The weighted average interest on borrowing of 3.5% (2021: 3.6%) was used for calculating capitalised interest.

## 8. Tax on surplus

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| **(a) Analysis of tax charge in year** | | | | |
| UK corporation tax on surplus | - | - | - | - |
| **(b) Factors affecting tax charge for the year** | | | | |
| **Surplus before tax** | **10,025** | **10,228** | **10,753** | **10,358** |
| Surplus multiplied by corporation tax rate in the UK of 25% (2021: 19%) | 2,506 | 1,943 | 2,688 | 1,968 |
| **Effects of:** | | | | |
| Non-taxable charitable activities | (2,506) | (1,943) | (2,688) | (1,968) |
| **Total tax charge** | **-** | **-** | **-** | **-** |

## 9. (a) Employee information

Average monthly number of employees expressed in full time equivalents of 37 hours per week:

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | No. | No. |
| Executive team | 5 | 5 |
| Development and sales | 5 | 7 |
| Finance | 8 | 7 |
| Corporate services | 24 | 20 |
| Service delivery | 120 | 115 |
| | **162** | **153** |

| | GROUP AND ASSOCIATION | |
|---|---|---|
| **Employee costs** | 2022 | 2021 |
| | No. | No. |
| Wages and salaries | 5,869 | 5,555 |
| Social security costs | 572 | 556 |
| Pension costs | 531 | 465 |
| Termination payment | 13 | 17 |
| Less: capitalised salaries | (1,096) | (1,152) |
| | **5,889** | **5,441** |

The Association's employees are members of the various pension schemes as detailed in note 29.

**Aggregate number of full-time equivalent staff whose remuneration exceeded £60k (including pension)**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| **Employee costs** | 2022 | 2021 |
| | No. | No. |
| £60k to £70k | 2 | 2 |
| £70k to £80k | 2 | 2 |
| £80k to £90k | 1 | 1 |
| £110k to £120k | 1 | 2 |
| £120k to £130k | 2 | 1 |
| £130k to £140k | 2 | 2 |
| £160k to £170k | 1 | 1 |
| | **11** | **11** |

## 9. (b) Board members and Executive Directors

**Key management personnel remuneration**

Key management personnel comprise the Executive and Non-executive Directors. Total remuneration amounted to £738k (2021: £726k).

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Wages and salaries (including performance related pay for period) | 628 | 607 |
| Expense allowances | - | - |
| Pension contributions | 66 | 66 |
| **Total emoluments paid to executive officers** | **694** | **673** |

Non-executive Board member remuneration for the year ended 31 March 2022

| | | GROUP AND ASSOCIATION | |
|---|---|---|---|
| **Non-executive Board member** | | 2022 | 2021 |
| | | £000 | £000 |
| David Biggs | Chair | 10 | 7 |
| Anne Shearman | Chair (Resigned 15 September 2020) | - | 5 |
| Chris Fawcett | (Resigned 15 October 2021) | 2 | 7 |
| Chris Herbert | (Resigned 15 September 2020) | - | 2 |
| Jaine Cresser | | 4 | 4 |
| Nicci Statham | (Resigned 14 September 2021) | 2 | 4 |
| Rosalind Rowe | | 4 | 4 |
| Trudi Kleanthous | | 6 | 4 |
| Paul Tyrrell | | 6 | 6 |
| Rebecca Lewis | | 4 | 4 |
| Steve Nunn | | 6 | 6 |
| Caroline Abomeli | (Appointed 14 September 2021) | 2 | - |
| Vipul Thacker | (Appointed 14 September 2021) | 2 | - |
| | | **44** | **53** |

Steve Woodcock who, as the Chief Executive, is the highest paid director and his remuneration amounted to £149k (2021: £144k) excluding pension contributions.

The Chief Executive is a member of the Group Personal Pension Plan. He is an ordinary member of the pension scheme, and no enhanced or special terms apply. The Association did not make any further contribution to an individual pension arrangement for the previous or current Chief Executive.

## 10. (a) Tangible fixed assets - housing properties - Group

| | Completed Social housing properties held for letting | Social housing properties under construction | Shared ownership properties under construction | Completed Shared ownership housing properties | Total 2022 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost** | | | | | |
| **At 1 April 2021** | 212,978 | 34,949 | 15,716 | 22,799 | **286,442** |
| Additions during year | - | 25,082 | 9,602 | | **34,684** |
| Improvements | 4,792 | - | - | - | **4,792** |
| Interest capitalised | - | 1,521 | 612 | - | **2,134** |
| Schemes completed in year | 19,195 | (19,195) | (7,302) | 7,302 | **-** |
| Transfers | (199) | - | - | 199 | **-** |
| Disposals | (229) | - | - | (749) | **(978)** |
| Component Disposals | (306) | - | - | - | **(306)** |
| **At 31 March 2022** | **236,231** | **42,357** | **18,628** | **29,551** | **326,767** |
| | | | | | |
| **Depreciation & impairment** | | | | | |
| **At 1 April 2021** | **(27,955)** | **-** | **-** | **-** | **(27,955)** |
| Charged in year | (3,426) | - | - | - | **(3,426)** |
| Component Disposals | 150 | - | - | - | **150** |
| Disposals | 47 | - | - | - | **47** |
| **At 31 March 2022** | **(31,184)** | **-** | **-** | **-** | **(31,185)** |
| | | | | | |
| **Net book value** | | | | | |
| **At 31 March 2022** | **205,047** | **42,357** | **18,628** | **29,551** | **295,582** |
| **At 31 March 2021** | **185,023** | **34,949** | **15,716** | **22,799** | **258,487** |

Additions to the Group's housing properties during the year include capitalised interest of £2,134k (2021: £1,330k) and capitalised administration costs of £497k (2021: £400k).

### Existing Use Value - Social Housing

As at 31 March 2022, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) is £427m (2021: £357m). The carrying amount of these social housing properties is £423m (2021: £350m). The EUV-SH valuation includes £3.7m (2021: £7.6m) for garages.

**Below is an analysis of the expenditure on works to existing properties:**

| Expenditure on works to existing properties | 2022 | 2021 |
|---|---|---|
| | **£000** | **£000** |
| Amounts capitalised | 4,772 | 4,189 |
| Amounts charged to income and expenditure account | 7,377 | 6,292 |
| **Total** | **12,149** | **10,481** |



## 10. (a) Tangible fixed assets - housing properties - Association

| | Completed Social housing properties held for letting | Social housing properties under construction | Shared ownership properties under construction | Completed Shared ownership housing properties | Total 2022 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost** | | | | | |
| **At 1 April 2021** | 212,978 | 35,793 | 15,716 | 22,799 | **287,286** |
| Additions during year | - | 25,630 | 9,054 | - | **34,684** |
| Improvements | 4,792 | - | - | - | **4,792** |
| Interest capitalised | - | 1,521 | 612 | - | **2,134** |
| Schemes completed in year | 19,195 | (19,195) | (7,302) | 7,302 | **-** |
| Transfers | (199) | - | - | 199 | **-** |
| Disposals | (229) | - | - | (749) | **(978)** |
| Component Disposals | (306) | - | - | - | **(306)** |
| **At 31 March 2022** | **236,231** | **43,749** | **18,080** | **29,551** | **327,613** |
| | | | | | |
| **Depreciation and impairment** | | | | | |
| **At 1 April 2021** | (27,955) | - | - | - | **(27,955)** |
| Charged in year | (3,426) | - | - | - | **(3,426)** |
| Component Disposals | 150 | - | - | - | **150** |
| Disposals | 47 | - | - | - | **47** |
| **At 31 March 2022** | **(31,184)** | **-** | **-** | **-** | **(31,182)** |
| | | | | | |
| **Net book value** | | | | | |
| **At 31 March 2022** | **205,047** | **43,749** | **18,080** | **29,551** | **296,431** |
| **At 31 March 2021** | **185,023** | **35,793** | **15,716** | **22,799** | **259,331** |

Additions to the Group's housing properties during the year include capitalised interest of £2,134k (2021: £1,330k) and capitalised administration costs of £497k (2021: £400k).

### Existing Use Value - Social Housing

As at 31 March 2022, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) basis is £427m (2021: £357m). The carrying amount of these social housing properties is £423m (2021: £350m). The EUV-SH valuation includes £3.7m (2021: £7.6m) for garages.

**Below is an analysis of the expenditure on works to existing properties:**

| Expenditure on works to existing properties | 2022 | 2021 |
|---|---|---|
| | **£000** | **£000** |
| Amounts capitalised | 4,772 | 4,189 |
| Amounts charged to income and expenditure account | 7,377 | 6,292 |
| **Total** | **12,149** | **10,481** |

## 10. (b) Tangible fixed assets – other fixed assets - Group and Association

| | Freehold Offices | Furniture, Fixtures and Fittings | IT and Office Equipment | Motor vehicles | Plant and Equipment | Total 2022 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost** | | | | | | |
| **At 1 April 2021** | **2,652** | **318** | **2,498** | **60** | **95** | **5,623** |
| Additions during year | - | - | 231 | 13 | 104 | **348** |
| Disposals | - | - | - | (60) | - | **(60)** |
| At 31 March 2022 | **2,652** | **318** | **2,729** | **13** | **199** | **5,911** |
| **Depreciation & impairment** | | | | | | |
| At 1 April 2021 | (264) | (310) | (898) | (60) | (37) | **(1,569)** |
| Charged in year | (44) | (4) | (452) | (2) | (19) | **(521)** |
| Disposals | - | - | - | 60 | - | **60** |
| **At 31 March 2022** | **(307)** | **(314)** | **(1,350)** | **(2)** | **(56)** | **(2,030)** |
| **Net book value** | | | | | | |
| **At 31 March 2022** | **2,345** | **3** | **1,379** | **11** | **143** | **3,881** |
| **At 31 March 2021** | **2,388** | **7** | **1,600** | **-** | **12** | **4,054** |

## 10. (c) Fixed assets – investment properties - Group and Association

| | Market rented properties completed | Commercial property | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **At 1 April 2021** | **1,695** | **2,609** | **4,304** |
| Additions during year | - | (1,209) | **(1,209)** |
| Fair value movements | 65 | - | **65** |
| **At 31 March 2022** | **1,760** | **1,400** | **3,160** |

**Market rented**

At the reporting date, market rented properties under construction were carried at their costs to date in line with the Association's accounting policy of carrying work-in-progress investment properties at their development costs to date. Completed investment properties are annually revalued to their fair values by independent valuers. In the current year a fair value gain of £65k (2021: £91k) was recognised and charged to the Statement of Comprehensive Income. The carrying at fair value of investment properties causes volatility to both the carrying value of the investment property and the amount charged to the Statement of Comprehensive Income.

The completed market rented properties were transferred from social housing assets and were valued at year end by independent external valuers. Completed market rented properties were valued by Derrick Wade Waters Chartered Surveyors, in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards.

The market valuations have been prepared using the comparative method of valuation, which is a market-based method. This approach is consistent with the market approach stated in IVS 230. The market-based approach used relies firstly on identification of transactional evidence in the market, that is the sales and lettings; secondly, on an interpretation of that evidence; and thirdly, on an application of that evidence, with suitable adjustment per the valuer's judgement in the valuation of the property.

**Commercial properties**

Commercial properties under construction are being held at the cost of developing these properties. These properties will be carried at fair value when construction has been completed. Two recently completed commercial units are also being carried at cost for prudence reasons as they are still void and rental arrangements are not yet finalised. These units are not impaired as the fair valuations undertaken at the reporting date were higher than the reported carrying amounts.

## 10. (d) Investment in subsidiaries

The Group and Association have two 100% owned subsidiaries: Everlea Homes Limited and B3 Living Development Limited, both non-regulated bodies. The results of these subsidiaries have been consolidated in the Group accounts. The Group's and the Association's investment into these two subsidiaries are set out below:

| Expenditure on works to existing properties | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Everlea Homes Limited | 2 | 2 |
| B3 Living Development Limited | 2 | 2 |
| | **4** | **4** |

## 10. (e) Investments in joint ventures

At the reporting the Group's subsidiary, Everlea Homes had an investment in a joint venture, Farnham Road LLP, a limited liability partnership incorporated in England and Wales.

Farnham Road LLP is not regulated by the Regulator of Social Housing. The Group and its subsidiary own 50% of the net assets in the joint ventures and do not control the strategic direction of the company but have joint influence in appointing directors for the company.

During the year Everlea Homes received back its investment in Farnham Road LLP. The joint venture will be formally wound up and closed in the next two years once the defects period for the properties constructed and sold to third parties has expired.

Below is an analysis of the investment and performance of joint ventures at the reporting date:

| Joint venture entity | Partner | Group interest | Nature of business |
|---|---|---|---|
| Farnham Road LLP | Bellis Homes Ltd | 50% owned by Everlea Homes | Develops and sell properties |

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Share of turnover | 6,563 | 3,735 | - | - |
| Share of cost of sales | (6,563) | (3,735) | - | - |
| **Share joint venture of net assets** | | | | |
| **At start of the year** | **730** | **949** | - | - |
| Repayment of investment | (730) | - | - | - |
| Additions/ (net interest forgone) | - | (219) | - | - |
| **At end of the year** | - | **730** | - | - |

**Analysis of investment by each joint venture**

| | Wheat Quarter Ltd | Farnham Road LLP | 2022 Total | 2021 Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 April | - | 730 | 730 | 949 |
| Additions/ (net interest forgone) | - | - | - | (219) |
| Repayment of investment | - | (730) | (730) | - |
| **At 31 March** | **-** | **-** | **-** | **730** |

| | Wheat Quarter Ltd | Farnham Road LLP | 2022 Total | 2021 Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Share of turnover | - | 6,563 | 6,563 | 3,735 |
| Cost of sales | - | (6,563) | (6,563) | (3,735) |
| **At 31 March** | **-** | **-** | **-** | **-** |

At the reporting date, Farnham Road LLP is now ordinarily a dormant entity since all construction has ceased and all properties are now sold.

There were no joint venture activities in the Association both in the current year and prior year.

## 11. Stock – properties for sale

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Shared ownership – completed | 3,461 | 426 | 3,461 | 426 |
| Shared ownership – under construction | 11,828 | 11,581 | 12,102 | 11,581 |
| | **15,289** | **12,007** | **15,563** | **12,007** |

Stock recognised in cost of sales as an expense was £3,701k (2021: £3,310k) and £3,701k (2021: £3,310k) in the Group and Association respectively.

An impairment charge of £nil (2021: £nil) has been recognised during the year.

None of the stock is pledged as collateral against borrowing (2021: £nil).

## 12. Trade debtors and debtors

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Rent arrears | 1,224 | 1,418 | 1,224 | 1,418 |
| Less: provision for bad debts | (258) | (351) | (258) | (351) |
| | **966** | **1,067** | **966** | **1,067** |
| Prepayment and accrued income | 7,903 | 544 | 7,903 | 544 |
| Other debtors | 451 | 835 | 640 | 826 |
| Intercompany debtors | - | - | - | 4,136 |
| | **9,320** | **2,446** | **9,509** | **6,573** |
| **Long-term debtors** | | | | |
| Loan to joint venture or joint arrangement | 6,542 | 12,115 | - | - |
| | **15,862** | **14,561** | **9,509** | **6,573** |

On lending is to joint arrangements and this is secured against land. The interest on lending to joint arrangements is at market rates. During the prior year, the Group stepped in to be the senior lender in the joint venture with Farnham Road LLP when the original senior lender stepped down as a lender. The on lending to Farnham Road LLP has now been fully repaid. For reasons of prudence the Group elected to forego recognising interest income from the Wheat Quarter in the current year and the Farnham Road LLP joint venture in the prior year.

## 13. Cash and cash equivalents

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Cash in hand and at bank | 3,234 | 2,945 | 605 | 2,273 |
| Cash held for leaseholders and low cost home ownership | 101 | 94 | 101 | 94 |
| | **3,335** | **3,039** | **706** | **2,367** |

Of the £3,335k (2021: £3,039k) cash and cash equivalents, £101k (2021: £94k) is not available for general use because it is held for leaseholders' future major repairs and Epping Council's share of the open market low-cost home ownership units £32k (2021: £19k). None of the cash is held as collateral against the borrowing by the Association and the Group.

## 14. Creditors: Amounts falling due within one year

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Trade creditors | 443 | 2,455 | 409 | 1,223 |
| Rent and service charges received in advance | 1,562 | 1,454 | 1,562 | 1,454 |
| Taxation and social security | 153 | 155 | 153 | 155 |
| Accruals and deferred income | 10,026 | 5,796 | 5,592 | 3,214 |
| Deferred grants due to be released in 1 year (note 17) | 203 | 238 | 203 | 238 |
| Recycled grants due to be released in 1 year (note 18) | - | 370 | - | 370 |
| Intercompany creditors | - | - | 2,877 | 2,263 |
| Other creditors | 252 | 247 | 252 | 248 |
| | **12,639** | **10,715** | **11,048** | **9,165** |

## 15. Creditors: Amounts falling due after more than one year - Group and Association

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | March 2022 | March 2021 |
| | £000 | £000 |
| Debt (note 16) | 205,000 | 185,000 |
| Less issue costs | (2,513) | (1,796) |
| | **202,488** | **183,204** |
| Deferred capital grant (note 17) | 30,383 | 21,550 |
| Recycled capital grant fund (note 18) | - | 64 |
| | **232,870** | **204,818** |

The Group and Association have £100m (2021: £100m) revolving credit facilities. At year end, the facilities had an undrawn balance of £50m (2021: £40m). The Group also has £35m undrawn bond facility (2021: nil). During the year, the Group and Association had a net drawdown of £20m (2021: £25m).

## 16. Debt analysis – Group and Association

| | GROUP AND ASSOCIATION | |
|---|---|---|
| **Analysis of debt (note 15)** | March 2022 | March 2021 |
| | £000 | £000 |
| Bond and note purchase agreement | 155,000 | 125,000 |
| Revolving credit facility | 50,000 | 60,000 |
| | **205,000** | **185,000** |

## 16. Debt analysis – Group and Association

The Group and Association have a £68m amortising bond issued at 4.823% in January 2013 and a £57m amortising note purchase agreement issued at 3.778% in February 2015. The £68m bond will start to amortise from January 2029 and the £57m note purchase agreement will start to amortise from April 2039. During the year, the Group and Association raised two bonds with bLEND sector debtor aggregators for £35m at 3.072% and ARA Venn via the Affordable Housing Guarantee Scheme for £30m at 1.527%. As bLEND are an A2 Moody's rated lender rated and have a comprehensive track record of raising debt, we were able to access funding at an effective rate of 2.60%, which is significantly cheaper than what we could have achieved raising debt in our own name.The ARA Venn facility has been fully drawn down and the bLEND facility has not yet been drawn down. The bonds will amortise on a straight-line basis.

The Group and Association have three revolving credit facility (RCF) agreements: two RCFs with Lloyds Plc of £30m and £50m, and one RCF with Barclays £20m. At the reporting date, £30m (2021: £40m) of the Lloyds facilities were undrawn at the year end. The Barclays loan was repaid during the year and is currently undrawn (2021: £nil was undrawn). All loan financial instruments are secured against individual properties of the Association and all fall within the scope of FRS 102, section 11; therefore, they are all basic financial instruments. Basic financial instruments are carried at amortised cost.

**At 31 March 2022**

| | Effective interest rate | Total carrying amount | Within 1 | 2 | 1-2 | 2-3 | 3-4 | 4-5 | Over 5 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Year | Year | Year | Year | Year | Year | Year |
| | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **RCFs** | | | | | | | | | |
| Lloyds | 1.643 | 50,000 | - | - | - | 18,000 | 32,000 | - | - |
| Barclays | 1.643 | - | - | - | - | - | - | - | - |
| **Bond stock** | | | | | | | | | |
| Fixed rate | 4.823 | 68,000 | - | - | - | - | - | - | 68,000 |
| Fixed rate | 3.778 | 57,000 | - | - | - | - | - | - | 57,000 |
| Fixed rate | 3.072 | - | - | - | - | - | - | - | - |
| Fixed rate | 1.527 | 30,000 | - | - | - | - | - | - | 30,000 |
| | | **205,000** | **-** | **-** | **-** | **18,000** | **32,000** | **-** | **155,000** |

**At 31 March 2021**

| | Effective interest rate | Total carrying amount | Within 1 | 2 | 1-2 | 2-3 | 3-4 | 4-5 | Over 5 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Year | Year | Year | Year | Year | Year | Year |
| | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **RCFs** | | | | | | | | | |
| Lloyds | 1.643 | 40,000 | - | - | - | - | 30,000 | 10,000 | - |
| Barclays | 1.643 | 20,000 | - | - | - | - | 20,000 | - | - |
| **Bond stock** | | | | | | | | | |
| Fixed rate | 4.823 | 68,000 | - | - | - | - | - | - | 68,000 |
| Fixed rate | 3.778 | 57,000 | - | - | - | - | - | - | 57,000 |
| | | **185,000** | **-** | **-** | **-** | **-** | **50,000** | **10,000** | **125,000** |

## 17. Deferred capital grant – Group and Association

As at 31 March 2022, £439k of capital grants had been amortised (2021: £168k) in the year.

| | GROUP AND ASSOCIATION | |
|---|---|---|
| **Analysis of debt (note 15)** | **March 2022** | **March 2021** |
| | **£000** | **£000** |
| **At 1 April** | **21,788** | **19,538** |
| Received during the year | 8,846 | 2,712 |
| RCGF utilised during the year | 390 | - |
| Recycled to RCGF | - | (67) |
| Amortised during the year | (438) | (168) |
| Other repayment | - | (228) |
| **At 31 March** | **30,586** | **21,788** |
| | | |
| To be released in 1 year | 203 | 237 |
| To be released after 1 year | 30,383 | 21,550 |
| | **30,586** | **21,788** |

## 18. Recycled capital grant fund – Group and Association

| | GROUP AND ASSOCIATION | |
|---|---|---|
| **At start of the year** | **March 2022** | **March 2021** |
| | **£000** | **£000** |
| **Inputs to RCGF:** | | |
| Grants recycled during the year | - | 68 |
| Utilised during the year | (390) | - |
| Other | (44) | - |
| **At the end of the year** | **-** | **434** |
| | | |
| Amount due to be released < 1 year (note 14) | - | 364 |
| Amount due to be released > 1 year (note 15) | - | 70 |

None of the RCGF was due for repayment (2021: £nil)

## 19. Capital commitments – Group and Association

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | March 2022 | March 2021 |
| | £000 | £000 |
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 34,840 | 54,161 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | 7,663 | 8,906 |
| | **42,503** | **63,067** |
| The Association expects these commitments to be financed by: | | |
| Social Housing Grant | 7,847 | 10,570 |
| Proceeds from the sales of properties | 22,487 | 25,497 |
| Committed loan facilities | 12,169 | 27,000 |
| | **42,503** | **63,067** |

The expenditure authorised by the Board but not contracted is in respect of new build housing. The Group and Association expect that these commitments will be financed internally from cash generated from trading and grant funding, with the balance coming from the revolving credit facility. The Group and Association had undrawn loan facilities of £50m (2021: £40m); therefore the Group and Association have sufficient funding headroom to meet all obligations and commitments.

## 20. Operating leases – Group and Association

The Group and Association have commitments of future minimum lease payments as follows:

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | £000 | £000 | £000 | £000 |
| Land and buildings | | | | |
| Within one year | 5 | 5 | 5 | 5 |
| Within two to five years | 5 | 5 | 5 | 5 |
| In five years or more | - | - | - | - |
| | **10** | **10** | **10** | **10** |
| **Other** | | | | |
| Within one year | 211 | 101 | 211 | 101 |
| Within two to five years | 727 | 984 | 727 | 984 |
| In five years or more | - | - | - | - |
| | **938** | **1,085** | **938** | **1,085** |
| | **948** | **1,095** | **948** | **1,095** |

The lease on buildings relates to Holdbrook Court and the other operating leases relate to vans. None of the leases are for 5 years or more.

## 21. Net cash generated from operating activities

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | March 2022 | March 2021 |
| | £000 | £000 |
| **Comprehensive income for the year** | **11,705** | **8,931** |
| **Adjustment for non-cash items** | | |
| Depreciation of tangible fixed assets | 4,258 | 4,139 |
| Depreciation write-off | (155) | (121) |
| Government grants utilised in the year | (438) | (169) |
| (Increase) in stock | (3,282) | (5,672) |
| Decrease / (Increase) in trade and other debtors | 8,462 | (3,212) |
| (Increase) in trade and other creditors | (1,401) | (952) |
| Decrease) in provisions | (2) | (244) |
| Pension gains and losses | (68) | (130) |
| Surpluses from the sales of fixed assets | (790) | (843) |
| Fair value changes - investment properties | (65) | (91) |
| Interest payable | 4,942 | 5,227 |
| Interest received | (2) | (490) |
| Actuarial (gains)/losses in respect of pension schemes | (1,680) | 1,297 |
| **Net cash generated from operating activities** | **21,484** | **7,670** |

## 22. Reconciliation of net cash flow to movement in net debt

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | March 2022 | March 2021 |
| | £000 | £000 |
| Increase/decrease in cash | 296 | (10,657) |
| Cash inflow from increase in net debt and lease finance | (20,000) | (25,000) |
| **Increase in net debt from cash flows** | **(19,704)** | **(35,657)** |
| **Total changes in net debt for the period:** | | |
| Net debt at 1 April 2021 | (181,961) | (146,304) |
| **Net debt at 31 March 2022** | **(201,665)** | **(181,961)** |

## 23. Analysis of net debt - Group and Association

| | 01-Apr 2021 | Cash flow | 31-Mar 2022 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 3,039 | 296 | **3,335** |
| Bank overdraft | - | - | **-** |
| **Changes in cash** | **3,039** | **296** | **3,335** |
| | | | |
| Bond issue | (125,000) | - | **(125,000)** |
| Housing loans | (60,000) | (20,000) | **(80,000)** |
| **Changes in debt** | **(185,000)** | **(20,000)** | **(205,000)** |
| | | | |
| **Net debt** | **(181,961)** | **(19,704)** | **(201,665)** |

## 24. Financial liabilities

**Borrowing facilities**

The facilities available at 31 March 2022 were as follows:

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Expiring in one year or less | - | - | - | - |
| Expiring in more than one year but not more than two years | - | - | - | - |
| Expiring in more than two years | 205,000 | 185,000 | 205,000 | 185,000 |
| | **205,000** | **185,000** | **205,000** | **185,000** |

At the reporting date, the Group's loan drawn down facilities and bond issued were £205m (2021: £185m). This is made up of £68m bond raised in January 2013, £57m note purchase agreement raised in February 2015, £30m ARA Venn (AHGS) bond raised in November 2021 and £50m revolving credit facility drawn down. The Group had £50m unused revolving credit facility at the year-end (2021: £40m). The group also has agreed a new lending facility with bLEND of £35m which will be drawndown in the next financial year.

## 25. Group VAT development agreement

The Group and Association was party to a transfer of 91 of housing properties from London Borough of Haringey on 25 March 2013, with an obligation to carry out works pursuant to the agreement. At the point of the transfer of the properties the Group the gross values of the balance of £3,581k had been recognised as both an asset and liability in the Statement of Financial Position. At 31 March 2022, the gross values of the balance has been reduced to £1,469k (2021: £1,537k) with VAT arising on the works during the period totalling £68k (March 2021: £12k).

## 26. Share capital

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | No. | No. | No. | No. |
| **Shares of £1 each issued and fully paid** | | | | |
| At start of year | 9 | 11 | 9 | 11 |
| Issued during year | 2 | - | 2 | - |
| Redeemed | (2) | (2) | (2) | (2) |
| **At end of year** | **9** | **9** | **9** | **9** |

The shares do not have a right to dividend or distribution in a winding up. Each share has full voting rights. No shares were issued post the reporting period (2021: 2).

## 27. Income and expenditure reserves

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| | No. | No. | No. | No. |
| At start of year | 78,860 | 69,929 | 71,864 | 62,803 |
| Surplus during the year | 10,025 | 10,228 | 10,752 | 10,358 |
| Actuarial (losses)/gains | 1,680 | (1,297) | 1,680 | (1,297) |
| **At end of year** | **90,565** | **78,860** | **84,297** | **71,864** |

## 28. Subsidiaries, related undertakings, related party transactions and transactions between regulated and non-regulated entities

All the subsidies and joint venture entities are non-regulated bodies. The only regulated body in the Group is the parent entity B3 Living Limited. The related undertakings, whose results or financial performance principally affect the figures shown in the Consolidated Financial Statements, are as follows:

| Name of subsidiary undertaking | Principal activity | Interest | Legal status |
|---|---|---|---|
| **B3 Living Development Limited** | A company with non-charitable status undertaking design and build on behalf of B3 Living Ltd and its subsidiaries | Wholly owned subsidiary | Company registered by shares and incorporated in England and Wales |
| **Everlea Homes Limited** | A company with non-charitable status undertaking market rent and outright sales activities | Wholly owned subsidiary | Company registered by shares and incorporated in England and Wales. |
| **Farnham Road LLP** | A partnership building social and outright sale housing | Joint venture 50% | Limited Liability Partnership incorporated in England and Wales |

The Association provides management services, professional services and loans at an arm's length to its subsidiaries. The Association waived its fees to both B3 Living Development Ltd and Everlea Homes Ltd. Details of transactions between the Association and the non-regulated entities are outlined below.

B3Living has provided on-lending facilities to intra-group entities. These receivables are repayable on demand and no guarantees are in place on either loan. Interest is payable on the loan balances.

| Entity Granting Loan | Entity Receiving Loan | 01 April 2021 | Movement | 31 March 2022 |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| B3 Living Limited | Everlea Homes Ltd | 6,011 | (6,011) | - |
| B3 Living Limited | B3 Living Development Limited | - | - | - |
| | | **6,011** | **(6,011)** | **-** |

B3 Living Ltd charged interest of £136k (2021: £332k) and £nil (2021: £120) to Everlea Homes Ltd and B3 Living Development Ltd respectively for the intercompany loans.

At the reporting date, Everlea Homes had provided on-lending facilities of £5.5m (2021: £5.5m) to the Wheat Quarter Ltd. The on-lending facilities accrue interest at market rates; however, for reasons of prudence, Everlea Homes did not recognise or capitalise any interest from this arrangement in the Financial Statements to reflect the impact of the potential challenging market and also the potential risk emanating from the impact of geopolitical and war in Ukraine. At the end of the reporting date, the total accrued interest of £1.04m (2021: £1.04m) was capitalised and forms a total on-lending of £6.5m (2021: £6.5m).

At the reporting date Everlea Homes, had no active joint ventures aside from Farnham Road LLP. In 2021-22 our last active joint venture, Farnham Road LLP, sold the last of its homes. Farnham Road LLP has technically become dormant since construction ceased due to completion of properties. The joint venture was set up to deliver 35 new homes (23 for private sale and 12 affordable homes). The joint venture will be formally be wound up and closed in 2022-23.

The Farnham Road joint venture has a 100% owned subsidiary called Foll Ltd. Foll Ltd owns land which Farnham Road LLP has been granted a licence to occupy and develop – the ownership of this land has now transferred to the customers who bought the properties. All house sales took place through Foll Ltd. In 2020 B3 Living bought 12 units from the Farnham Road LLP joint venture for £2,638k and these are being shown on B3 Living's balance sheet. The remainder of the properties were sold on the open market. During the year Everlea Homes received back its investment from the joint venture and the on-lending facility it had provided to the joint venture. Construction at the site is now complete; therefore, the joint venture will be wound up in 2022-23, once the defects period for units sold has expired.

At the reporting date both Everlea Homes and B3 Living Development Ltd elected to pay gift aid of £nil (2021: £76k) and £660k (2021: £842k) respectively to the parent entity B3 Living Limited. None of the gift aid has been accrued in the accounts in line with the requirements of FRED 68: Payments by subsidiaries to their charitable parents that qualify for gift aid. The amounts of £76k and £842k which Everlea Homes and B3 Living Development Ltd had elected to pay in the prior financial year were paid in December 2021.

B3 Living Development Ltd provided design and build services to B3 Living Ltd, the parent entity. During the year B3 Living Development Ltd generated £34.2m (2021: £43.5m) from design and build services to the parent. At the end of the reporting period, B3Living owed B3 Living Development Ltd £2,877k (2021: £3,971k) in un-invoiced design and build works. These were accrued as income in B3 Living Development Ltd's accounts and as housing properties or stock on B3Living statement of financial position.

The aggregate emoluments paid to key management personnel are disclosed in note 9.

The Board had no tenant members during the year (2021: nil).

## 29. Pensions

### Group and Association

The Group and Association participate in two funded multi-employer defined benefit schemes: The Social Housing Pension Scheme (SHPS) and the Hertfordshire County Council Pension Fund (HCCPF). The Group and Association also participate in the Group Personal Pension Scheme, which is a defined contribution scheme.

### Social Housing Pension Scheme (SHPS)

B3 Living Limited participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and contracted out of the State Pension scheme. In previous years it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. This ceased to be the case in 2019 therefore it is accounted for as a defined benefit scheme. This scheme is no longer offered to new employees to B3Living. Below is the net pension provision provided in the Statement of Financial Position.

**Analysis of the net pension liabilities**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Fair value of plan assets | 2,284 | 2,015 |
| Present value of defined benefit obligation | (2,584) | (2,744) |
| **Net pension surplus (deficit)** | **(300)** | **(729)** |

**Analysis of the amount charged to the Statement of Comprehensive Income**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Current service cost | (26) | (25) |
| Expenses | (3) | (3) |
| Past service cost | - | - |
| **Total operating charge** | **(29)** | **(28)** |

**Analysis of net interest charged to the Statement of Comprehensive Income**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Expected return on pension scheme assets | 44 | 41 |
| Interest on pension liabilities | (60) | (48) |
| **Net interest charge** | **(16)** | **(7)** |

**Analysis of the amounts recognised in Other Comprehensive Income**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Actuarial gains/(losses) on pension scheme assets | 228 | 189 |
| Actuarial gains/(losses) on scheme liabilities | 178 | (635) |
| **Actuarial gain/(loss) recognised in Other Comprehensive Income** | **406** | **(446)** |

**Movement in surplus/(deficit) during the year**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Association's share of scheme deficit at beginning of year | (729) | (314) |
| Current service cost | (26) | (25) |
| Past service cost (including curtailments) | - | - |
| Employer contributions | 68 | 66 |
| Expenses | (3) | (3) |
| Net interest charge | (16) | (7) |
| Actuarial losses/(gains) | 406 | (446) |
| **Association's share of scheme deficit at end of year** | **(300)** | **(729)** |

**Changes in present value of defined benefit obligation are as follows**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Defined benefit obligation at start of period | 2,744 | 2,037 |
| Current service cost | 26 | 25 |
| Past service cost | - | - |
| Interest cost | 60 | 48 |
| Expenses | 3 | 3 |
| Employee contributions | 13 | 15 |
| Actuarial losses/(gains) | (178) | 635 |
| Benefits paid | (84) | (19) |
| **Closing defined benefit obligation** | **2,584** | **2,744** |

**Changes in the fair value of plan assets are as follows**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| Fair value of plan assets at start of period | 2,015 | 1,723 |
| Expected return on assets | 44 | 41 |
| Contributions by members | 13 | 15 |
| Contributions by employer | 68 | 66 |
| Actuarial losses/(gains) | 228 | 189 |
| Benefits paid | (84) | (19) |
| **Closing fair value of plan assets** | **2,284** | **2,015** |

## 29. Pensions

**Assets**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Global equity | 438 | 322 |
| Absolute return | 92 | 111 |
| Distressed opportunities | 82 | 58 |
| Credit relative value | 76 | 63 |
| Alternative risk premia | 75 | 76 |
| Emerging markets debt | 66 | 81 |
| Risk sharing | 75 | 73 |
| Insurance-linked securities | 53 | 48 |
| Property | 62 | 42 |
| Infrastructure | 163 | 135 |
| Private debt | 59 | 48 |
| Opportunistic illiquid credit | 77 | 51 |
| High yield | 20 | 60 |
| Opportunistic credit | 8 | 55 |
| Cash | 8 | - |
| Corporate bond fund | 152 | 119 |
| Liquid credit | - | 24 |
| Long lease property | 59 | 40 |
| Secured income | 85 | 84 |
| Liability driven investment | 637 | 513 |
| Currency hedging | (9) | - |
| Net current assets | 6 | 12 |
| **Total assets** | **2,284** | **2,015** |

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

**Key assumptions**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | **2022** | **2021** |
| Discount rate | 2.78% | 2.21% |
| Inflation (RPI) | 3.44% | 3.22% |
| Inflation (CPI) | 3.13% | 2.87% |
| Salary growth | 4.13% | 3.87% |
| Maximum allowance for commutation of pension for cash at retirement | 75% | 75% |

**Life expectancy at age 65**

| | **(Years)** |
|---|---|
| Male retiring in 2022 | 21.1 |
| Female retiring in 2022 | 23.7 |
| Male retiring in 2042 | 22.4 |
| Female retiring in 2042 | 25.2 |

### Hertfordshire County Council Pension Fund (HCCPF)

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

B3 Living Limited participates in the LGPS. This scheme is no longer offered to new B3Living employees. Below are the net pension provisions provided in the Statement of Financial Position.

**Analysis of the net pension liabilities**

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Present value of defined benefit obligation | (17,617) | (18,670) |
| Fair value of scheme assets | 16,878 | 16,612 |
| **Net pension surplus (deficit)** | **(739)** | **(2,058)** |

**Financial assumptions**

| | **2022** | **2021** |
|---|---|---|
| | **% p.a** | **% p.a** |
| Pension Increase Rate (CPI) | 3.20% | 2.85% |
| Salary increase rate | 3.60% | 3.25% |
| Discount rate | 2.70% | 2.00% |

**Mortality assumptions**

| | **Males** | **Females** |
|---|---|---|
| Current pensioners | 21.9 years | 24.4 years |
| Future pensioners* | 22.9 years | 26.0 years |

*Figures assume members aged 45 as at the last formal valuation date.

## 29. Pensions

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| **Change in assumptions at 31 March 2022** | **Approximate % increase to Defined Benefit Obligation** | **Approximate monetary amount £000** |
|---|---|---|
| 0.1% decrease in Real Discount Rate | 2% | 295 |
| 1 year increase in member life expectancy | 4% | 705 |
| 0.1% increase in the salary increase rate | 0% | 20 |
| 0.1% increase in the Pension Increase Rate (CPI) | 2% | 273 |

| **Actual return on plan assets** | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Interest income on plan assets | 330 | 317 |
| Return on plan assets excluding amounts included in net interest | 128 | 2,589 |
| Actual return on plan assets | **458** | **2,906** |

**The major categories of plan assets as a percentage of total plan assets**

| | **2022** | **2021** |
|---|---|---|
| | **£000** | **£000** |
| Equities | 55% | 59% |
| Bonds | 25% | 26% |
| Property | 13% | 11% |
| Cash | 7% | 4% |

**Analysis of the amount charged to the SOCI**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Current service cost | 157 | 191 |
| Past service cost (including curtailments) | - | - |
| Total operating charge | **157** | **191** |

**Analysis of net interest charged to the Statement of Comprehensive Income**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Expected return on pension scheme assets | 330 | 317 |
| Interest on pension liabilities | (370) | (346) |
| **Net interest charge** | **(40)** | **(29)** |

**Analysis of the amounts recognised in other comprehensive income**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Actuarial gains/(losses) on pension scheme assets | (128) | (2,589) |
| Actuarial gains/(losses) on scheme liabilities | (1,146) | 3,440 |
| **Actuarial gain/(loss) recognised in OCI** | **(1,274)** | **851** |

**Movement in surplus/(deficit) during the year**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Association's share of scheme deficit at beginning of year | (2,058) | (1,306) |
| Current service cost | (157) | (118) |
| Employer contributions | 242 | 246 |
| Net interest charge | (40) | (29) |
| Actuarial losses/(gains) | 1,274 | (851) |
| **Association's share of scheme deficit at end of year** | **(739)** | **(2,058)** |

**Changes in present value of defined benefit obligation are as follows:**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Opening defined benefit obligation | 18,670 | 15,184 |
| Current service cost | 157 | 118 |
| Interest cost | 370 | 346 |
| Employee contributions | 21 | 22 |
| Actuarial losses/(gains) | (1,146) | 3,440 |
| Benefits paid | (455) | (440) |
| **Closing defined benefit obligation** | **17,617** | **18,670** |

**Changes in the fair value of plan assets are as follows:**

| | **GROUP AND ASSOCIATION** | |
|---|---|---|
| | **2022** | **2021** |
| | **£000** | **£000** |
| Opening fair value of plan assets | 16,612 | 13,878 |
| Expected return on assets | 330 | 317 |
| Contributions by members | 21 | 22 |
| Contributions by employer | 242 | 246 |
| Actuarial losses/(gains) | 128 | 2,589 |
| Benefits paid | (455) | (440) |
| Closing fair value of plan assets | **16,878** | **16,612** |

The above figures are for funded obligations only and do not include any unfunded pension liabilities. The durations are as they stood at formal valuation at 31 March 2022.

## 30. Other provisions

At the reporting date, the Group and Association have no other provisions for liabilities.

| | GROUP AND ASSOCIATION | |
|---|---|---|
| | 2022 | 2021 |
| | £000 | £000 |
| At the start of the year | 2 | 246 |
| Provided during the year | - | - |
| Released during the year | (2) | (244) |
| At the end of the year | - | 2 |

The Group and Association had a contract in the prior year that was expected to generate the economic benefits that had been anticipated at the inception of the lease agreement.

## 31. Contingent liabilities

The Group and Association has contingent liabilities arising from amortisation of government grants. The Group and Association receive financial assistance from Homes England and the Borough of Broxbourne Council, in the form of government grants.

These government grants are accounted for as deferred income and as long-term liabilities in the Statement of Financial Position and are amortised annually to the Statement of Comprehensive Income, based on the life of the build structure or building fabric that they relate to. The amount amortised represents a contingent liability to the Group and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes. Below is the analysis of the assistance from government sources in the form of government grants:

| | March 2022 | March 2021 |
|---|---|---|
| | £000 | £000 |
| Government funding received to date | 32,282 | 23,046 |
| Grant amortised to date (contingent liabilities) | (1,696) | (1,258) |
| Grants via stock transfer from another registered provider | 2,500 | 2,500 |
| Contingent grants via stock transfer | (2,500) | (2,500) |
| **At 31 March** | **30,586** | **21,788** |

The Group and Association do not have financial assets and liabilities that are measured at fair value, as all financial instruments meet the definition of basic financial instruments as per FRS 102, section 11.

**Financial management**

The Group and Association's treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed in accordance with the board-approved Treasury Policy. The risks related to the Group and Association are detailed in the Report of the Board.

## 32. Financial instruments and financial management

The Group and Association transact in financial instruments (both financial assets and financial liabilities) and as a result of transacting in these financial instruments there are some inherent risks associated with the transactions. These risks have both upside and downside implications to the Group and Association.

The financial instruments are set out below:

| | GROUP | | ASSOCIATION | |
|---|---|---|---|---|
| | March 2022 | March 2021 | March 2022 | March 2021 |
| **Financial assets measured at amortised cost** | **£000** | **£000** | **£000** | **£000** |
| Cash and cash equivalents (note 13) | 3,335 | 3,039 | 706 | 2,367 |
| Rent arrears (note 12) | 966 | 1,067 | 966 | 1,067 |
| Loan to joint arrangement (note 12) | 6,542 | 12,115 | - | - |
| Other debtors (note 12) | 451 | 835 | 640 | 826 |
| Prepayment and accrued income (note 12) | 7,507 | 111 | 7,507 | 111 |
| **Total financial assets measured at amortised cost** | **15,466** | **14,128** | **9,113** | **2,004** |
| **Total financial assets** | **18,801** | **17,167** | **9,819** | **4,371** |
| **Financial liabilities measured at amortised costs** | | | | |
| Trade creditors (note 14) | 443 | 2,455 | 409 | 1,223 |
| Rent and services charges received in advance (note 14) | 1,562 | 1,454 | 1,562 | 1,454 |
| Other Creditors | 252 | 246 | 252 | 248 |
| Accruals and deferred income (note14) | 10,026 | 5,796 | 5,592 | 3,215 |
| Recycled capital grant fund (note 18) | - | 434 | - | 434 |
| Disposal Proceeds fund | - | - | - | - |
| Debt (note 15) | 202,487 | 183,204 | 202,487 | 183,204 |
| Total financial liabilities measured at amortised costs | **214,770** | **193,589** | **210,302** | **189,778** |
| **Total financial liabilities** | **214,770** | **193,589** | **210,302** | **189,778** |

## 32. Financial instruments and financial management

The Group and Association actively manage the risks arising from financial instruments and the main risks from these financial instruments are:

- Interest rate risk
- Liquidity risk
- Counterparty risk
- Customer credit exposure

**Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument, such as a loan, will fluctuate due to changes in market interest rates.

The Association borrows from bond holders or lenders using long-term financial instruments, such as the use of bond issues or housing loans. The borrowing is undertaken based on the Association's long-term business plans and the Board's assessment of both current and future macro-economic environments: for instance, the Board's view of the future direction of interest rate, future direction of the costs of running the business, assessment of demand, and assessment of the political and legal environment.

To mitigate against interest risk exposure, the Association ensures it has the right balance between fixed and variable loans in its debt portfolio. The Association has also removed some of the variability in interest rates by employing bond finance as part of the capital structure. As a result of this, the Association is not heavily exposed to fluctuations in interest rates, as the loans and bond finance are currently on a fixed rate of interest.

**Liquidity risk**

The purpose of managing liquidity risk is to ensure that the Group and Association have sufficient cash resources to meet their financial obligations as and when they fall due; to meet the contracted development commitments; and also to ensure the Group and Association do not forgo attractive business opportunities due to a lack of liquid resources or cash headroom. As part of liquidity management, the Group and Association ensure there is enough cash headroom, in line with the Treasury Policy, to fund financial obligations and to take advantage of opportunities when they arise.

The Group and Association meet financial obligations through cash flows from operating activities, such as the underlying cash from rental income streams, grants from government sources and through long-term borrowing from lenders and bond issues. The Group and Association have a Treasury Policy which is updated annually and approved by the Board. The Treasury Policy addresses issues such as funding, gearing, liquidity risk, covenant compliance and investment policy.

Cash flows are monitored on a routine basis and remedial action is taken well in advance of adverse events occurring.

**Counterparty risk**

The Group and Association's Treasury Policy sets minimum credit ratings for counterparties on investments to reduce loss from counterparty risk of default. The Group and Association use the primary banker Lloyds, investment counterparties or money market funds. The Treasury Policy is reviewed annually by the Board.

The Group and Association are exposed to counterparty risk from the potential risk of default by our development partners or joint arrangement or joint venture partners. The Group and Association have a Procurement Policy and strict investment limits, and use development arrangements which mitigate this risk. The Group and Association also conducts due diligence exercises on joint arrangement and joint venture partners.

**Customer credit exposure**

The Group and Association are exposed to the possibility of some of its tenants not paying their rents in time or defaulting altogether. To mitigate this risk, the Group and Association monitor arrears on a monthly basis and engages with tenants. The Group and Association also collect deposits from tenants when they take out their tenancy agreements to mitigate this exposure.

## 33. Changes in estimation

During the year the Group and Association changed the estimation policy on depreciating housing properties. The Group and Association have historically applied two different depreciation rates for flats and buildings of 75 years and 100 years respectively. Following a benchmarking exercise with the peers in the sector, it was noted that the Group and Association were an outlier, so we elected to have one useful economic life for both flats and buildings to enable compatibility with peers. Generally the sector depreciates these over 100 years. In line with FRS 102, the impact of this change has been made prospectively.

As a result of this change the Group also automatically re-aligned the amortisation policy of government grants allocated to the build component to 100 years. In line with FRS 102 paragraph 10.18, Below are the impacts of the changes on the current year's reported results in the following primary financial statements:

- Depreciation – the change led depreciation reported in the Statement of Comprehensive Income to reduce by £590k and to an increase in the reported operating surplus. The change also means that the carrying values of housing assets are higher by the same amount.
- Government grants – the change resulted in a £247k increase in amortised grants and therefore the reported surplus. This increased the amortised grant income by £247k and reduced the amount of deferred grant income in the Statement of Financial Position by £247k. This change also increases deferred contingent liabilities by £247k.

The changes materially affect the current year's results due to catch-up implications on how both amortisation and depreciation are calculated. Going forward there will be no material changes to both Statement of Comprehensive Income and the Statement of Financial Position as a result of this. Grant amortisation will increase by c. £20k and depreciation will reduce by c. £120k per annum as a result of the change.

# Board members, Executive Directors, funders, advisors & auditors

## Our Board

**David Biggs**
Chair of the Board

**Trudi Kleanthous**
Vice Chair

**Caroline Abomeli**
(appointed
14 September 2021)

**Jaine Cresser**

**Rebecca Lewis**

**Steve Nunn**

**Rosalind Rowe**

**Vipul Thacker**
(appointed 14 September
2021)

**Paul Tyrrell**

**Steve Woodcock**
Chief Executive of B3Living

**Chris Fawcett**
(resigned 15 October 2021)

**Nicci Statham**
(resigned 14 September 2021)

## Executive directors

**Steve Woodcock**
Chief Executive

**Chris Ellison**
Executive Director
(Operations)

**Jon Hayden**
Executive Director
(Development)

**Claire Howe**
Executive Director
(Corporate Services)
***Company Secretary***

**Alex Shelock**
Executive
Director
(Finance)

## Registered office

Scania House
17 Amwell Street
Hoddesdon
Hertfordshire
EN11 8TS

## Registration numbers

FCA registration number 29876R
Regulator of Social Housing
registration number L4455

## Funders, advisors and auditors

**External auditors**
Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

**Internal auditors**
Mazars
Tower Bridge House,
St Katharine's Way
London
E1W 1DD

**Tax advisor**
Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
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B4 6AT

TIAA Ltd
Artillery House
Fort Fareham Newgate Lane
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Savills Plc
33 Margaret Street
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W1G 0JD

**Bankers**
Lloyds Bank Plc
Corporate Banking
25 Gresham Street
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**Solicitors**
Winckworth Sherwood LLP
Minerva House
5 Montague Close
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SE1 9BB

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Manchester
M2 4EW

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Haywards Heath
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Tottenham Hale
N17 9LR

Paul Wallace
70 High Street
Hoddesdon
EN11 8ET

**Investors and funders**
M&G Investment
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EC4R 0HH

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Corporate Banking
25 Gresham Street,
London
EC2 7HN

bLEND
(Affordable Housing Finance Plc)
17 St Swithin's Lane
London
EC4N 8AL

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

ARA Venn
(Saltaire Housing Limited)
Reading Bridge House
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RG1 8LS

# Annual Report & Financial Statements
2022

@B3Living

B3Living

www.b3living.org.uk

Regulator of Social Housing registration no. L4455
Co-operative and Community Benefit Societies Act registration no. 29876R
HM Revenue and Customs (Charities Division number XR92753)

We comply with the National Housing Federation Code of Governance and are regulated by the Regulator of Social Housing.

Better Futures

Better
Homes
Communities
Business

B3living.org.uk