Annual Report & Financial Statements **2022-23**

Better
Homes
Communities
Business

Better
Futures

Contents

Highlights

Introduction from our Chair

This is one of the most challenging operating environments I can remember. We have inflation in double digits putting immense pressure on our operating costs; interest rates have risen from under 1% to over 4%, adversely impacting debt servicing costs as well as the viability of new housing investments; and elsewhere tragic events have undermined public trust in the sector. However, now is not the time to shy away from the challenge.

For me, the heightened regulatory, ombudsman and press scrutiny has helped underline the importance of the provision of good quality, safe, affordable homes that are managed with professionalism, care and empathy.

Therefore, it is essential that we continue to make our customers central to everything we do, and we endeavour to improve our customer experience and satisfaction levels. To deliver more for our customers whilst operating in a very difficult economic and uncertain environment would be impossible without a fully committed and passionate workforce, and we are truly blessed in this area, and I am very grateful for this.

We are now entering into our third year of delivering our 2021-24 Better Futures Strategy and are making great strides in delivering lasting and impactful positive change to the housing crisis within our local area. For B3Living, we believe we can best tackle the housing crisis by delivering more affordable homes, improving the quality of the homes we own and ensuring our core service provides our customers with homes that are safe, affordable and suit their needs.

"It is essential that we continue to make our customers central to everything we do"

To reflect on our progress against these strategic commitments:

More affordable homes...

The Better Futures strategy set a very challenging target of delivering 500 new affordable homes in three years, representing growth of over 10%. I am very pleased to see that we delivered 258 new affordable homes this year, especially since this represents the highest out turn for any year in our history. During the first two years of the strategy, we have delivered over 75% of our challenging target (377 homes).

Improving the quality of our homes...

B3Living has a long tradition of investing heavily in its existing homes, and this year has been no exception with around £4.6m, or around £1,000 per home, spent upgrading them. Our insulation programme with Warm Front took advantage of the Government's Energy Company Obligation (ECO) initiative and improved the energy efficiency of around 295 homes. This means we now have around 91% of our homes rated EPC C or over. With support from the Social Housing Decarbonisation Fund, we will invest a further £5.9m to improve the energy efficiency and EPC ratings of a further 263 homes by March 2025.

A safe, affordable core service...

Customer safety is a key priority for everyone at B3Living. Over the last three years we have commissioned two independent health and safety compliance reviews from Manifest and Savills, to ensure we have no areas of weakness, and we deliver sector best practice, where possible. From a customer perspective, 88% are satisfied with the safety and security of their home. Affordability is a very important aspect for a housing association; therefore, I am very pleased to know that, again, 88% of our customers believe our rents offer good value for money and collectively our customers saved £22.8m compared to people renting from the private market. I am also happy to report that, due to the large number of new homes we have delivered, we were able to help 198 families move into homes that better suit their needs.

It was excellent to note consistency in continuing confidence from the Regulator of Social Housing and our credit rating agency, Moody's, in the management and direction of the business. In November 2022 the Regulator endorsed us again with the highest ratings of G1 and V1 and Moody's reaffirmed our A3 rating. Although our targets around profitability proved difficult to hit in the current climate, we still achieved healthy margins and positive results.

With so much achieved so far, it is important to recognise the many people across B3Living who have helped us realise these outcomes. With the introduction of two new board members, Stephen Glover and Marianne Davies, who bring a breadth of experience and knowledge with them, I am confident that we have the right team in place to push us even further forward and deliver for our customers and communities.

David Biggs
Chair of the Board

Chief Executive's statement

As a social landlord, we must never forget that those forces that test us as a business are often felt most acutely by our customers. Therefore, I feel privileged that, thanks to B3Living's local focus, it is easy to see the huge difference we continue to make for our customers and within our community more broadly. I'm proud to report that the year's achievements overshadowed its obstacles.

The backdrop of 2022-23 was one of squeezed resources and growing demand, so it was particularly pleasing to note that we managed to maintain our overall customer satisfaction at around 85% and considerably improve it in specific areas.

Our Great Start project offers a powerful example of this. Through this initiative, we have invested £2.3m in an enhanced re-let standard that goes significantly beyond the norm you would see in the social housing sector. Satisfaction levels for those moving into these homes are now consistently close to 95%, an increase of over 20 percentage points since 2021, which I feel demonstrates the value of giving our new customers the best possible start in a clean, carpeted, and decorated home.

We pride ourselves on keeping customers at the heart of all we do. Now unencumbered by pandemic restrictions, this year we further enhanced our activities around customer engagement by growing our Customer Community feedback network and by creating an Operations Committee to weave the customer voice more strongly into our governance structure. Our customers have had a direct input into decisions that affect their rents, service charges and service levels and customer satisfaction "that we listen and act on views" has increased by 4 percentage points to 79% over the year.

In other areas, satisfaction with our repairs service has increased by 4.5 percentage points to 86%, and customer satisfaction with the quality of their homes by 2.5 percentage points to 86%. I welcome the forthcoming implementation of sector-wide Tenant Satisfaction Measures since this will make comparisons easier and drive improvements in performance across the sector.

We already know that we can drive better business performance by addressing the prevailing issues that impact our customers' lives. With inflation at a 40-year high in 2022-23, our strategy of supporting customers to sustain their tenancies 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 those most in need with fuel and food costs. These interventions have meant our rent arrears (at circa 1%) are at a record low and sector leading.

We enter the next financial year with plans to significantly up our spending in other strategic areas, including in the energy efficiency of our homes. I see all this is as part of our customer focus. Someone's home touches many areas of their life; therefore, our activities around net-zero carbon, building safety or damp and mould all contribute toward easing the pressure on our customers' bills and improving their overall quality of living.

We have delivered a huge amount over the last year and end the year even stronger than we started. I am confident that we can keep up this consistency and stretch ourselves to deliver even more during 2023-24 and beyond.

Steve Woodcock
Chief Executive

2022-23 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

£8.8m
Surplus
(£10.8m 2021-22)

G1 V1
Regulator ratings
(G1 V1 2021-22)

157%
Interest coverage
(176% 2021-22)

A3
Moody's rating
(A3 2021-22)

44%
Gearing
(48% 2021-22)

Operational performance

85%
Customer satisfaction
(86% 2021-22)

101.3%
Rent collected
(102.0% 2021-22)

5,347
Total homes (owned and managed)
(5,095 2021-22)

99.3%
Occupancy
(99.1% 2021-22)

Property performance

8.8%
Reinvestment
(14.1% 2021-22)

0.81
Proportion of responsive to planned repairs
(0.73 2021-22)

258 (5.0%)
New homes delivered
(119 (2.4%) 2021-22)

100%
Gas and electrical safety compliance
(100% 2021-22)

Value for money highlights

£4,567
Social housing cost per unit
(£4,220 2021-22)

4.5%
Return on capital employed
(4.6% 2021-22)

40.5%
Operating margin (social letting)
(45.2% 2021-22)

88%
Customers who think their rent is value for money
(88% 2021-22)

About us

B3Living stands for... Better homes Better communities Better business

Our purpose

In our area, the housing market is out of reach to many. We work to create better futures for local people by providing safe, warm and affordable homes and excellent customer services.

Our area

We're a local, not-for-profit housing provider operating chiefly in Broxbourne, south-east Hertfordshire, and the surrounding areas. Given our focused geographical footprint, we enjoy close ties to the communities we work in and many of our colleagues live in the area.

Our services

To tackle the housing crisis locally, we build, own and manage a wide range of below-market housing options by helping local people to rent or buy a home they can call their own.

A home is more than bricks and mortar and so are we. We offer 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

Our values

Open
Communicating and listening inclusively

Adaptable
Continuously changing to improve the way we work

One team
Working together to achieve our goals

Innovative
Proactively challenging to maximise opportunities

Commercial
Creating value and understanding costs

Our customer ethos

Always honest

Deliver a personalised and inclusive service

Take ownership of every contact

Find better ways to do things

Actively listen

Past, present and Better Futures

5,347 homes

12,000 customers

190 colleagues

17 years

We were established in 2006 following a large-scale voluntary transfer from the Borough of Broxbourne Council and have since grown our stock to 5,347 homes.

Our values are well-rooted in our culture. They 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.

In 2020 we launched our 'Customer Ethos', which puts our values into action.

Our Customer Ethos is a set of standards we use to let our customers know what they can expect from us. They help promote a culture of listening, accountability and respect. We want to emphasise the importance of delivering excellent customer experiences and align ourselves with the recommendations set out in the Charter for Social Housing Residents.

In 2019-20 we conducted research into the housing crisis locally and found that average house prices were more than 11 times the average earnings. Following this, we developed a strategy that placed our core purpose of tackling the housing crisis at the forefront.

However, we also want to be a customer-focused organisation and we recognise the wider role housing providers play in shaping our communities. Therefore, our strategy looked at other ways we could support better homes, communities and business to deliver a better future more broadly.

Strategic review

Our three-year Better Futures Strategy was approved by our Board in March 2021 and included seven themes developed in response to research and our knowledge of the local area.

These themes describe how we plan to make the biggest impact for our customers and community. Our Strategic Report tracks our achievements against these goals in the last year and our priorities for the years ahead.

Two years in, our Better Futures Strategy has put us in a strong position to weather the recent economic turmoil, regulatory changes and cost-of-living crisis.

As this report describes, our strategic goals meant that when we began the year we were already investing and delivering extensive building safety work; we had well-established networks and internal support structures to assist customers facing a squeeze on their finances; and we had partnerships and plans putting us on a path towards net-zero carbon operations.

> There is more to do, but we close the year having made significant progress towards the targets we plan to meet by March 2024.

Better Futures 2021-24

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

Better homes

Safe, good quality homes and estates

We will always prioritise investment in our homes. As a not-for-profit, we see this as part of our responsibility to our customers as well as key to our long-term sustainability. We have a history of investing in our homes at upper quartile levels and 2022-23 was no exception, with top decile levels invested in improving our existing homes (around £4.6m, approximately £1,000 per home). This is on top of the £5.6m spent on routine repairs and £2.9m on planned and cyclical maintenance.

Although it is important to spend wisely in line with our value-for-money agenda, building and customer safety is a significant priority for our Board, and they have indicated a low tolerance of risk in this area.

For more than a decade we have had 100% of our homes at the Decent Homes standard and our health and safety performance is reported to our Board and Operations Committee (alternately) on a quarterly basis. However, we have also drawn on external expertise to ensure we are being as robust as possible – for example, we have a longstanding partnership with the Dwelling Doctor to help us tackle any cases of damp and mould.

In recent years we have commissioned a specialist consultant, Manifest, to support us to tighten procedures in anticipation of the Fire Safety Regulations 2022 and Building Safety Act 2022. From this work we have developed a Fire Risk Management System and a "golden thread" of building safety information throughout our organisation, extending to our customers via our 'Safe in the Knowledge' campaign.

In 2022-23 Savills completed an independent deep dive review of our approach. The report concluded that our systems are comprehensive, and we have examples of sector best practice within our processes.

We will continue investing to keep our customers safe. But it is important to note how much this work is valued by our customers, as reflected in our high and improved customer satisfaction scores in these areas – namely, for repairs, and the safety and quality of our homes.

Great Starts Project

In this project, we invested £2.3m in an enhanced relet standard to give incoming customers a "great start" in their new homes. The new standard now includes a full redecoration on void properties, as well as providing redecoration, carpets and a sparkle clean. This project was carried out in co-production with our customers, using focus groups and a two-stage pilot phase to measure its impact.

While we hope this approach has a long-term impact on tenancy sustainment, we have seen an immediate uplift in satisfaction levels, which have risen 20 percentage points since 2021 to 95%. We also saw a marked impact on our team morale and pride.

To improve the quality of our estates and reduce anti-social behaviour. All our homes will continue, as a minimum, to meet the Government's Decent Homes Standard.

100%
homes at Decent Homes standard

84%
customers satisfied with the quality of their home

88%
customers satisfied their home is safe and secure

86%
customers satisfied with their neighbourhood

Building locally

This has been an exceptional year for our delivery of new homes. In 2022-23 our overall stock grew by 5% thanks to the completion of 258 new homes, all for affordable tenures – a record year for our development activities and a significant contribution towards our strategic target of 500 new homes between 2021-24.

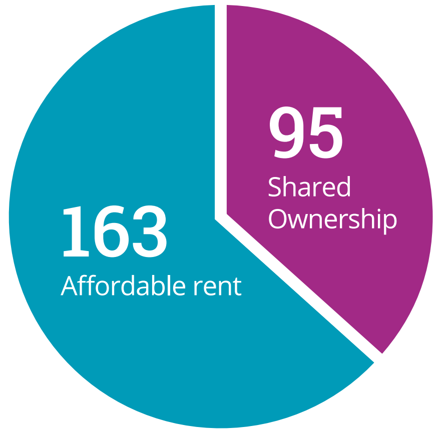
This outturn also represents a significant contribution towards the local housing supply. Historically, our local area experienced relatively low levels of development and we remain the primary landlord building new affordable housing in our home borough of Broxbourne. Therefore, we are pleased to report that 93% of our new homes were built in the borough, well exceeding our target of 70%.

In 2022-23 we invested £26m to build new homes for our community. In future years it may be difficult to continue investment at these levels due to the number of other pulls upon our funds. However, we are proud of our focus on additionality through our new build programme. In the coming year, we will seek to redevelop two disused garage sites and build out our largest land-banked site, the White House in Cheshunt, with a design for sustainable and accessible homes.

This year 86% of the homes we delivered (221) fell outside section 106 agreements, thus were genuinely additional and therefore a significant and positive step to address local shortfalls in social housing. Of these, 24 homes completed our Oaklands site in Hoddesdon. This scheme won an award from the Hertfordshire Association of Architects in recognition of its role as a prominent townscape statement. This year also saw the completion of our 195-home flagship project, Cheshunt Lakeside (see page 17). Other completed projects include two schemes in our neighbouring district, East Hertfordshire: a rural scheme in the highly sought-after village of Braughing, near Ware, in which average house prices exceed £500k, and The Stiles in Hertford, which included two homes designed to be accessible to people using wheelchairs.

Grant funding

We continue to enjoy healthy working partnerships with funders. This year we received £8.5m in grant funding from Homes England, outperforming agreed targets and going far to support our pipeline. Our 2022-23 claims supported our Cheshunt Lakeside and Newgatestreet Road projects. For the latter, an attractive village green-style development, Homes England funding has enabled us to purchase an additional eight homes. This means that now 60% of the scheme will be developed as affordable housing.



Strategic objectives

To invest in building new homes, completing 500 new homes within the three-year period, 70% of which to be delivered in our local borough.

258
new homes built

37%
Shared Ownership

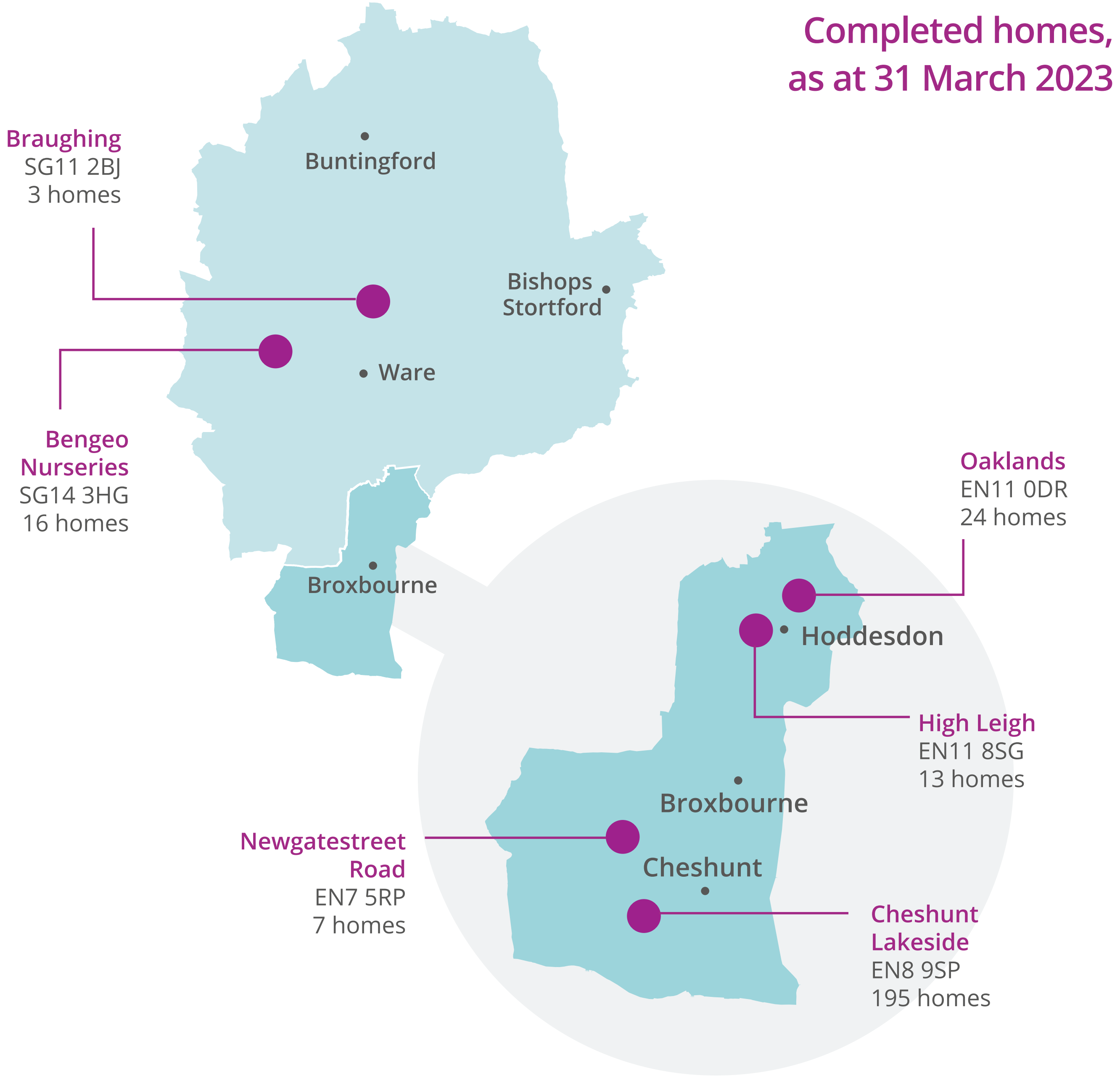
93%
built in our home borough of Broxbourne

Sales

We generated £10.3m in income through shared ownership sales, more than doubling the income we brought in during 2021-22.

As the primary provider of building affordable homes in our area, our new shared ownership homes represent a vital opportunity for local people who need an alternative way to get on the housing ladder where they are living or working. Although the appetite for shared ownership remains, as evidenced by our 56 sales during the year, the cost-of-living crisis and general uncertainty with the market is impacting reservations. However, of the 95 shared ownership homes built in the year, a high portion of these homes were delivered at our Cheshunt Lakeside site not long before the end of the financial year, so we expect a healthy sales performance in the 2023-24 year to follow.

Completed homes, as at 31 March 2023



Cheshunt Lakeside

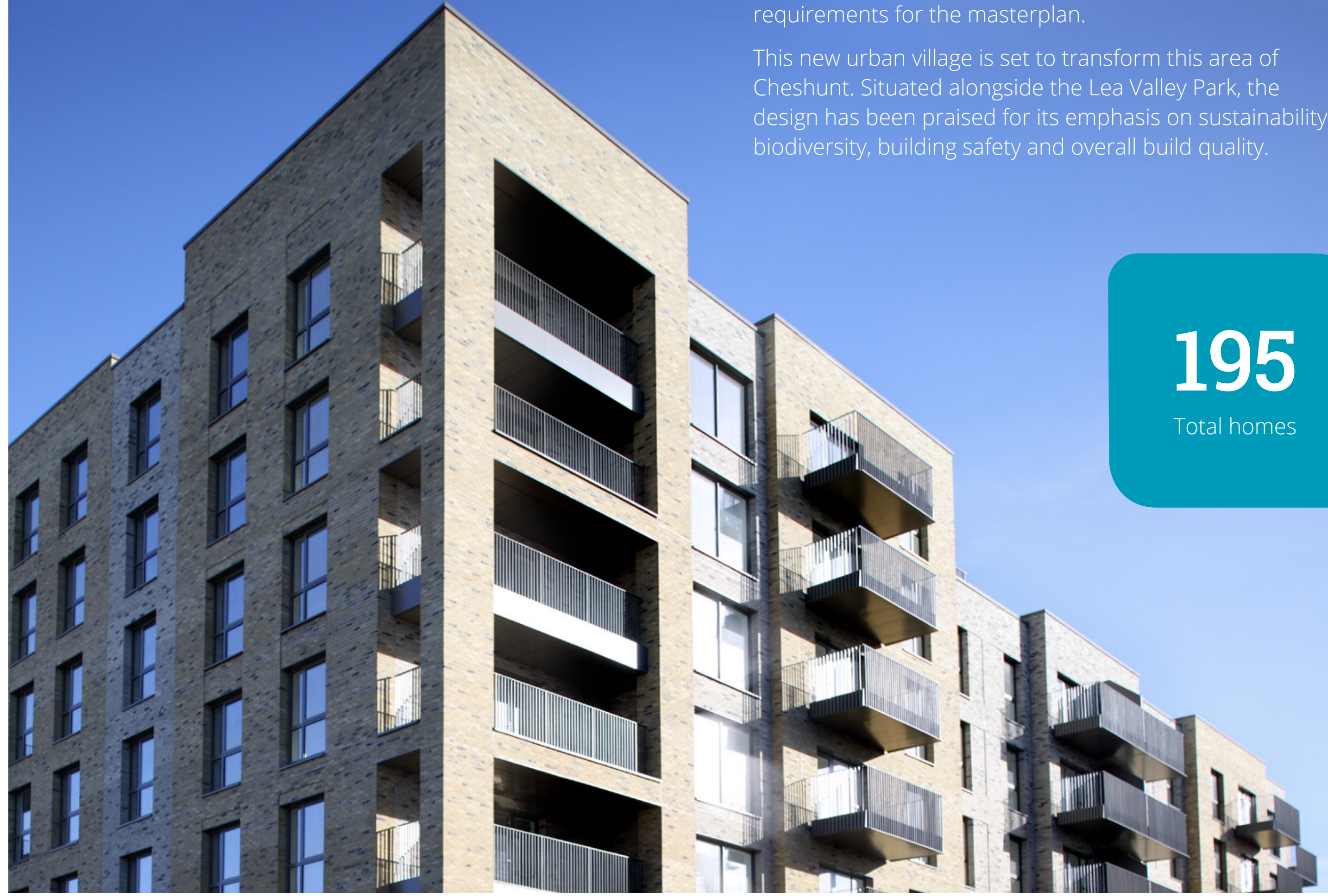
B3Living's largest project to date, Cheshunt Lakeside is a flagship placeshaping project in the borough of Broxbourne.

Through a deal with Inland Homes in 2020, we secured the first phase of homes of the 1,700-home regeneration and were able to designate all 195 homes in this phase for affordable tenures following a £50m investment from B3Living and £2m grant funding from Homes England. These homes are additional to the Section 106 requirements for the masterplan.

This new urban village is set to transform this area of Cheshunt. Situated alongside the Lea Valley Park, the design has been praised for its emphasis on sustainability, biodiversity, building safety and overall build quality.

Featuring:

- 40 electric car charging points
- Solar PV
- No gas
- 99% skip waste reused / recycled
- Sprinkler system
- On-site estate management office
- 19% local labour force



195 Total homes

112 Afforadble rent

83 Shared Ownership

November 2020 Started on site → **March 2023** Completion

Better Communities

Excellent customer experiences

The aim to consistently offer excellent customer experiences is at the centre of our Better Futures Strategy. Yet to do this we must keep pace with changes in the operational environment and in customer expectations. Through our strategy, we have worked to achieve this by embracing our values around innovation and value for money, while listening to and empowering our customers, and keeping the personal touch that our colleagues and customers continue to cite as B3Living's unique strength.

We are seeing consistency in our customer satisfaction scores, which have remained stable at 85-86% for the past three years against a backdrop of the pandemic and inflationary issues impacting how we delivered our services. While we continue to strive to improve satisfaction, it is important to note reports of falling satisfaction across the sector (as reported in HouseMark's Tenant Satisfaction Measures (TSM) report, January 2023).

In some areas, performance improved in 2022-23 with customer satisfaction with the quality of their homes increasing to 86% (2021-22: 83.5%) and satisfaction with our repairs service, our most high volume and high-profile service, improving by 4.5 percentage points. We can report an even higher satisfaction score of 91% from our transactional repair survey, which gathers feedback from those customers who used the service during the year.

Another theme of improvement in our customer satisfaction was regarding the customer voice. We were pleased to see the percentage of customers who felt that we listened and acted on their view rise from 75% to 79% and have been working to strengthen our customer insights through projects such as:

- **Customer Community:** our network of engaged customers grew to 260 members during the year. This group had the opportunity to feed into 10 consultation projects during the year, including our new Green Panel where B3Living customers have been working in collaboration with customers from neighbouring landlords, settle and Watford Community Housing.
- **Operations Committee:** we want the customer voice to be embedded further into our governance structures, so in late 2022 we launched an Operations Committee. When asked, customers elected to steer and scrutinise the Committee's agenda and requested opportunities for face-to-face contact with its members.
- **Complaints handling:** during the year, the Housing Ombudsman published a new Complaints Handling Code (2022), as a result we reviewed our policies and procedures and increased our performance monitoring in this area.
- **Silent customers:** we undertook a project to identify all tenants who have not requested a service in two years or more. Although we only identified a small cohort of customers (174), we have started to reach out to this group for welfare checks and to understand why they haven't engaged with our service recently.

We are also looking ahead to the upcoming new consumer standards and are ready to begin monitoring performance against the Tenant Satisfaction Measures during 2023-24.

Listening to our customers helps us to unlock the service improvements that will be most important to our ongoing success as a business.

Strategic objectives

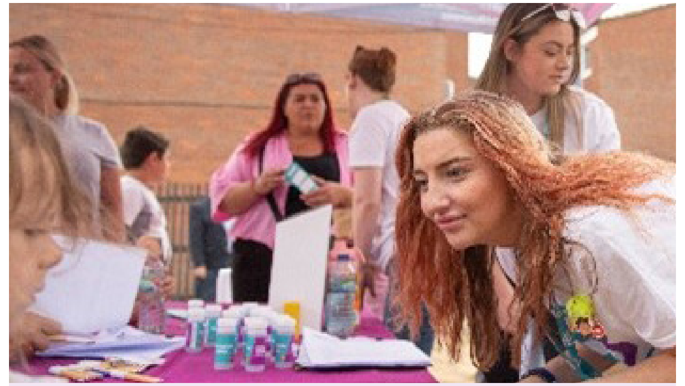
To provide an excellent customer experience where our customers are pleased to be with us and to listen to feedback and continually improve our services.

85%
overall customer satisfaction

88%
customers satisfied that we are easy to deal with

86%
customers satisfied with our repairs service

79%
customers satisfied we listen to their views and act on them



Communities together again

In July 2022, we brought many of our community partners – including the Citizens Advice, Money Advice Unit, Broxbourne Council, Families First, the local Police and Fire Brigade – together at one of our largest estates in Wormley.

The day was a huge success, with games for children and a dog show attracting a large number of customers, who benefitted from direct access to support and advice on their doorstep.

citizens advice	Hertfordshire	Department for Work & Pensions	CVSBEH
£94k secured	**£188k** secured	**£9.5k** fuel vouchers	**181** customers
277 families	**140** cases	**134** customers	

Support when life changes

Our Better Futures Strategy was not written in the context of a cost-of-living crisis, but it has meant we were well-positioned to respond as the inflationary issues emerged. Beyond the existing needs profile of our area, our teams and charity partners have been reporting on how the national picture is bearing out in our community.

We are in the process of developing a social impact reporting framework that captures the full range of positive outcomes we see from our support work. Nevertheless, we can report no evictions for rent arrears in 2022-23 and exceptionally low rent arrears for the third consecutive year, suggesting that our interventions have supported some families to avoid rent debt or potential homelessness.

Strategic objectives

To help our customers sustain their tenancies and improve the quality of their lives through investing in partners and signposting them to appropriate support services.

£200k
B3Living funding ringfenced for tenancy sustainment

600+
customers referred to partners for support

1.01%
Rent arrears (at as 31 March 2023)

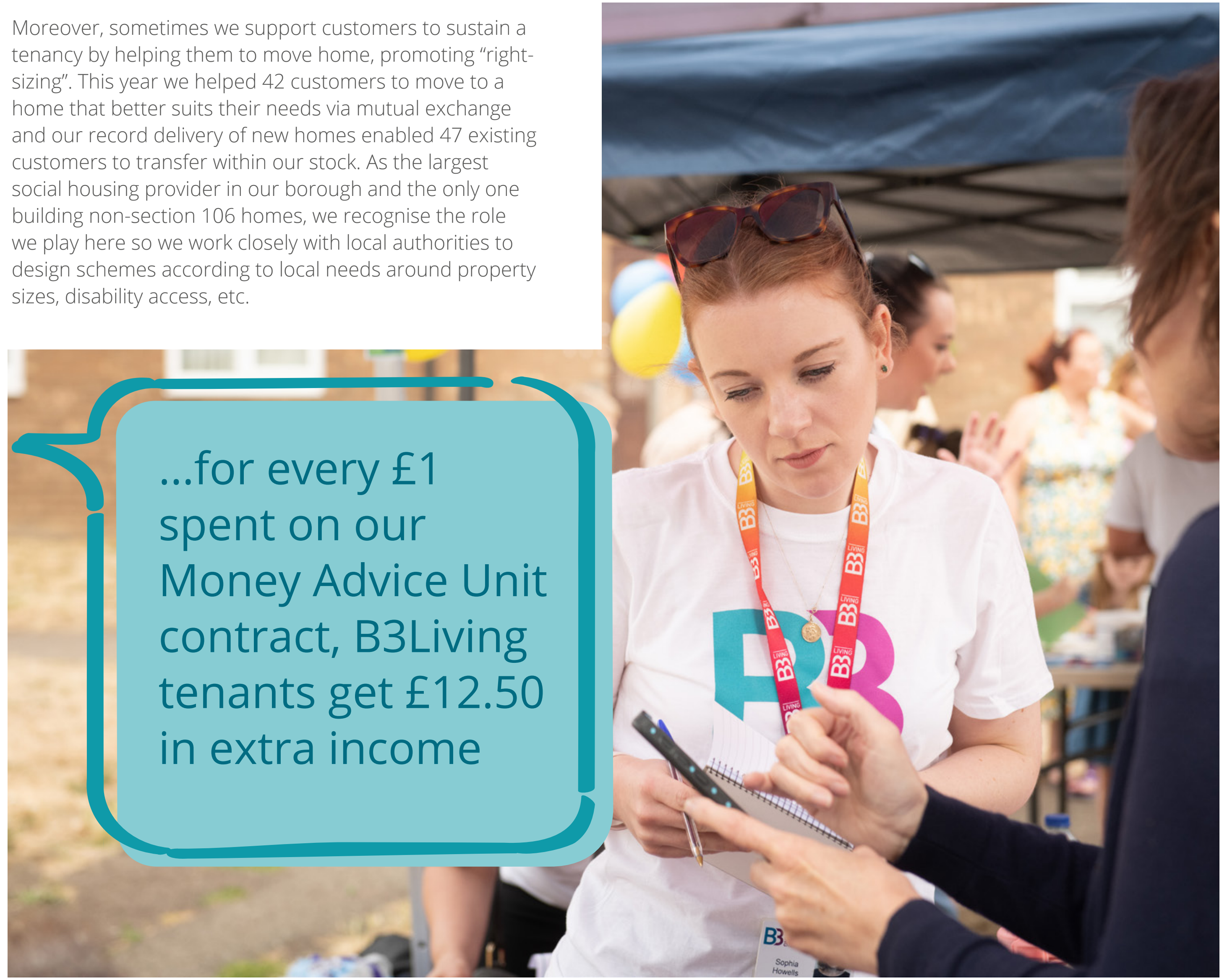
Our Better Futures Strategy sets out how we will use our local networks and lend our backing to support agencies in order to provide assistance to customers in need. This continues to be effective and below are some examples of the levels of support we have made available to our customers through partnership working.

However, with the increasing number of challenges facing those who are vulnerable or on lower incomes, we found it necessary to mobilise more resources internally and use business intelligence to better understand how and where the cost-of-living crisis is being felt among our customer base. In 2022-23 we:

- **Allocated £40k as a dedicated support fund** for customers who have faced a sudden change in circumstances.
- **Invested in RentSense technologies** to better understand the profile of our arrear's cases, automatically flag causes for concern, and offer a more proactive and sensitive tenancy sustainment service. This forms part of our Rents team's "collecting with care" ethos.
- **Appointed a new Customer Coach.** This is a specialist role to offer intensive additional support and signposting to customers who are most at risk of losing their tenancies.

There are many ways our lives can change. Therefore, beyond the financial support we offer, several other strands of work are closely connected to this theme. For example, our Great Start project **(see page 14)** helps to address furniture poverty and promoting customers pride in their homes while our carbon-cutting plans will support customers to reduce their energy consumption and bills.

Moreover, sometimes we support customers to sustain a tenancy by helping them to move home, promoting "right-sizing". This year we helped 42 customers to move to a home that better suits their needs via mutual exchange and our record delivery of new homes enabled 47 existing customers to transfer within our stock. As the largest social housing provider in our borough and the only one building non-section 106 homes, we recognise the role we play here so we work closely with local authorities to design schemes according to local needs around property sizes, disability access, etc.



Better Business

Cutting carbon

Social landlords like B3Living cannot only seek to adapt to a low carbon future; we must be a key player in delivering it. This ambition touches all aspects of our business. But in 2022-23 nationwide events have meant that our two priorities around tenancy sustainment and climate change have never been more closely linked.

In 2021-22 we created a £50m provision within our business plan for carbon reduction activities, established an internal net-zero carbon working group, and formed the Greener Herts partnership with neighbouring landlords, settle and Watford Community Housing. With these foundations we have begun to chisel away at our operational carbon footprint and build real momentum.

In our annual SHIFT sustainability assessment by the specialists, Suss Housing, we achieved a silver+ rating in line with our strategic target for the year and less than 2 points away from a gold rating. Since our first assessment in 2020-21, we have moved forward 20 places in the benchmarking group and now rank 12th of the 40 housing associations within the cohort. Yet this year we were also pleased to see B3Living appearing as the top performer in regard to the SAP ratings of our homes and the proportion of our homes with EPCs rated C or above.

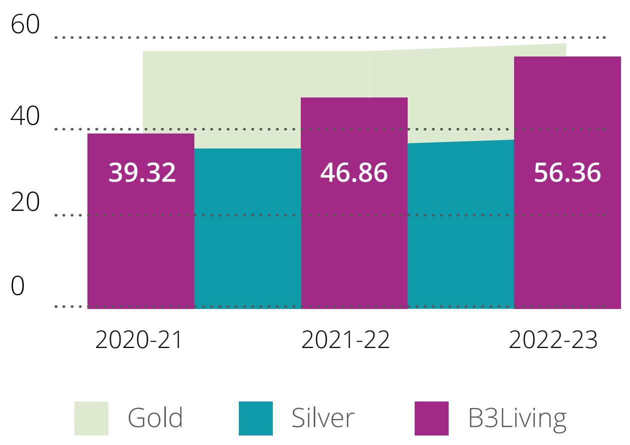
Our existing homes represent 85% of our current carbon footprint. So many of our efforts in the future will focus on improving the energy performance of our homes, taking a fabric-first approach to help our customers save on their energy bills. We began in a strong position, owing to our early adoption of solar PV and decision to install A-rated boilers, and in 2022-23, our Warm Front project helped improve our overall EPC performance by more than five percentage points. Now, over 91% of all our homes are rated at C or above.

We feel confident of reaching our goal of 100% homes with EPC rated C or over by 2030. At the close of the year we, as part of the Greener Herts consortium, secured a £5.9m grant to improve the energy efficiency of a further 260 homes by March 2025. The completion of this project will leave only 2% of B3Living homes below EPC C.

We feel Greener Herts is an excellent advert for the social housing sector, with three forward-focused housing providers coming together to achieve more. The shared resources, including a joint Sustainability Lead, have helped us to take advantage of opportunities that would have been otherwise unavailable to organisations of our size.

But we also recognise the need to adopt a carbon cutting mentality elsewhere in our operations, which is why we also have an internal working group driving sustainability improvements within the organisation.

SHIFT Sustainability Scores



Strategic objectives

To invest in our homes to improve their energy efficiency and make them more sustainable. Our new homes will be built to high environmental standards.

Ensure our business operations are carbon neutral by 2030.

91%
homes rated EPC C or above

76.3%
average SAP rating

SILVER+
SHIFT sustainability score

Below are a few examples of how our Net-Zero Carbon Working Group have done to cut carbon:

- **Better lighting:** we have installed LED lighting within all our void homes and all the communal areas. LED lighting is around 85% more efficient than traditional light bulbs, which helps improve EPC and SAP ratings, as well as lowering service charges and energy bills for our customers.
- **Better recycling:** in the year we removed all desk bins in our office and replaced them with central recycling. This small adjustment has helped embed our commitment to being more conscious about our actions and how small adjustments can be made easily.
- **Better driving:** we have introduced an electric car leasing salary sacrifice scheme for all our employees. Moreover, we have installed an electric car charging point at the head office, available to the general public, plus a further 40 charging points in our estates and all new developments include the provision of new charging facilities. In the year we have been rewarding those drivers who drive in the most economically, and thus environmentally friendly, way by utilising the tracker system of our vans.

Warm Front

- Cavity wall insulation
- 295 homes
- 7.4% homes

The Greener Herts partnership launched its inaugural project in 2022, which sought to improve the insulation of hundreds of homes. Together we brought in energy-saving specialists, Warm Front, to survey all our homes using thermal imagery. From this, 295 B3Living homes were eligible for fully funded cavity wall insulation through the Energy Company Obligation (ECO) initiative. This improved the energy ratings of all homes involved from D to C or above, providing additional comfort for customers in the colder months and reducing the squeeze on their heating bills.

A great, inclusive place to work

This has been a busy strategic area throughout 2022-23. We cannot achieve our goals without great people, and we were pleased to see positive and stable staff engagement scores of 8.2 overall (2022: 8.1), which is 0.5 points over the not-for profit benchmark score provided by Peakon. We hope to sustain these scores or see them improve following our holistic review of colleague benefits, which was concluded in 2022-23 and set to be implemented in early 2023.

Yet we also recognise the intersectional nature of equality, diversity and inclusion (EDI) issues, so, although our resources in this space are modest, we are working to make small improvements across multiple subjects to yield a positive overall shift in culture.

Our three-year EDI Strategy and associated action plan seek to develop, advance and embed inclusion into our working practices and decision-making. For the second year of implementation, we have explored a combination of training, awareness raising and process improvement activities to build a more inclusive working environment where teams are motivated and led effectively.

All available B3Living colleagues joined EDI training during the year and in February 2023 we launched a course of unconscious bias training for managers. Alongside this our informal 'Munch and Learn' series covered a range of topics including microaggressions and inclusive language, our Management Fundamentals programme was completed, and our Executive team sponsored an awareness campaign for Race Equality Week.

These activities generated meaningful conversation within the business, but it was important to reinforce this through our policies and actions. To highlight some examples:

- **Equality Impact Assessments –** we launched a new EIA procedure which holds all decisions and policymaking to account against our EDI principles. After an initial assessment, if any concerns or risks are flagged these are taken to a panel of trained EDI Champions.
- **Recruitment –** we are exploring a "blind applications" process, have created materials to support applicants and reviewed our employer brand to better promote our ethos around diversity and career progression.
- **Third-party contractors –** our new procurement approach ensures all our suppliers comply with equality standards that cover all nine protected characteristics (see more on page 25).
- **Family support –** we doubled our paternity leave offer and are introducing new policies to better support colleagues as they experience challenges in their physical and mental health (including around menopause and fertility treatment).
- **Language –** our EDI Champions created a set of inclusive language guidelines which have been incorporated into our corporate brand.

Responsible business

The 2022-23 year brought many economic headwinds that made this theme of our Better Futures Strategy even more essential. For B3Living, acting as a responsible business is about putting our values into practice as well as exercising prudence in our governance, financial and risk management.

Although the adverse operating environment could encourage a cost-cutting mindset, we remain committed to the three pillars of our Value for Money Strategy, which charges us with finding the optimum balance between cost, quality and performance. This approach saw us invest £4.6m in repairing and maintaining our homes across the 2022-23 year, as well as committing ourselves to decarbonisation projects totalling £5.9m.

We also launched a new Procurement Strategy to support our value for money ambitions and ensure we are promoting a more environmentally and ethically responsible supply chain. The strategy encourages those we work with to reduce their use of virgin raw materials and fossil fuels, pay the Real Living Wage and source labour, services or materials locally, thus further supporting the communities where we work.

Alongside the above, our long-term thinking has generated material savings or efficiencies elsewhere in the business. For example, 90% of our debt portfolio is secured at fixed rates of interest which has supported our financial resilience against interest rate rises, and we project cashable savings of £2.9m through our new framework agreements. Furthermore, with our agreements secured against cost rises by our two plus two fixed pricing terms, we are forecast to save another £2.1m based on Bank of England inflation projections.

Reporting against our strategic targets, we are pleased to confirm that in December our G1 V1 ratings were reaffirmed through a stability check by the Regulator of Social Housing. This followed our full in-depth assessment earlier in the year (March 2022). Moreover, although our target date for full compliance was March 2023, we were able to achieve full compliance with the National Housing Federation's Code of Governance 2020 ahead of this in the 2021-22 year and remained compliance for 2022-23.

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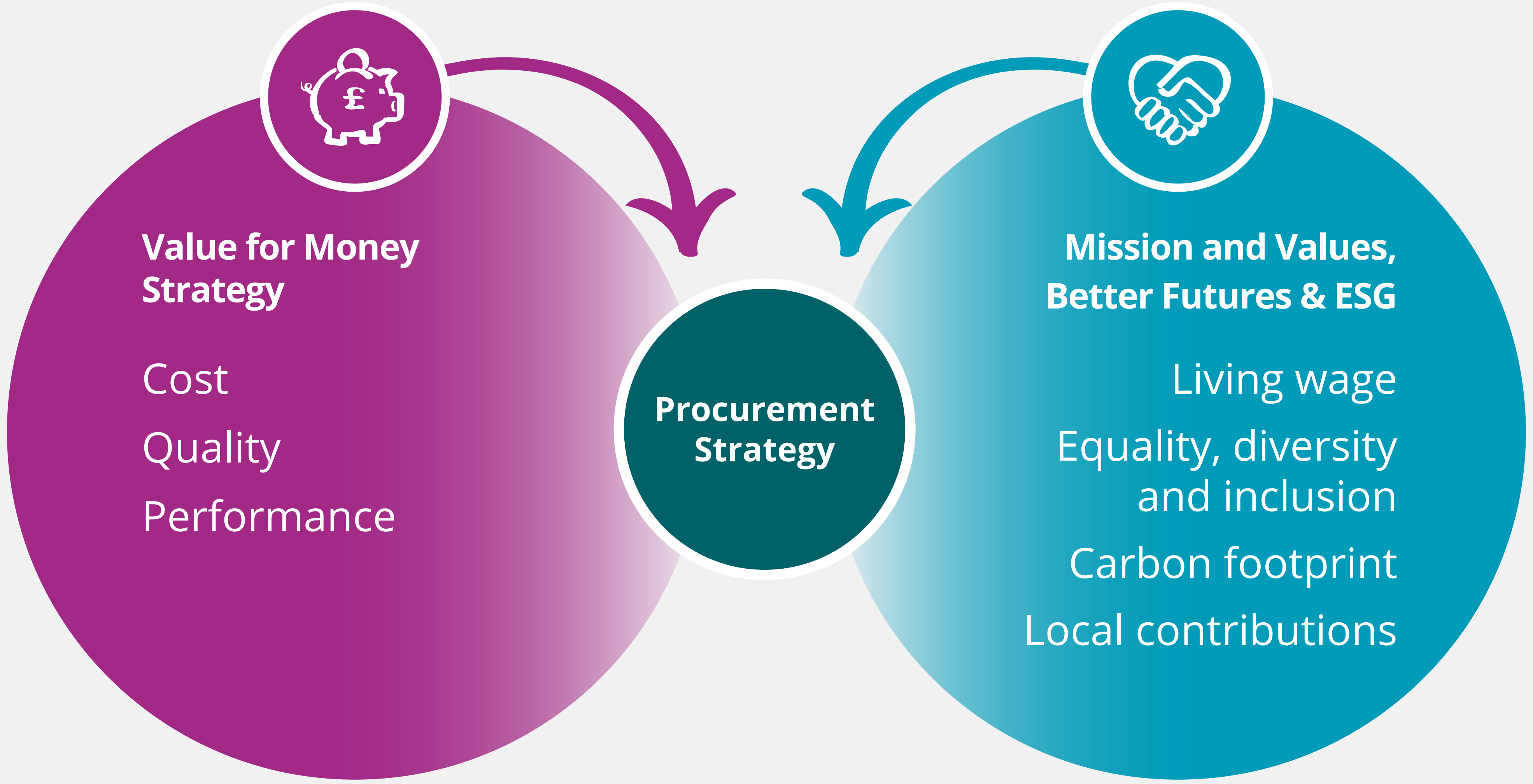
Strategic objectives

To ensure our business remains strong financially and we will maintain best practice around governance.

G1 V1
regulatory ratings

Compliant
with the Nat Fed Code of Governance 2020

A3
Moody's rating



Environment, 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 (2022-23) represents our third 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. In the previous year, we were pleased with the positive response to our ESG report and the progress we have made from key stakeholders. We were also pleased as Moody's assigned B3Living with an ESG credit impact assessment of 2 (neutral to low), which puts us in a group of only 10 housing providers across Europe with an environmental risk score of 2 or lower.

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 however, 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 with each other, especially around environmental and social concerns. 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 2022-23 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.

Environment

Tackling climate change is not a "nice to do". Housing represents 25% of UK carbon emissions and disproportionately affects those who are vulnerable or living on lower incomes. Recent events have highlighted how closely the need to improve energy efficiency is linked to other key concerns in our customers' lives, such as preventing damp and mould, or coping with rising energy prices. Moreover, as a social business we can, and should, contribute to the UK's overall net-zero carbon goals.

Our strategy is initially concentrated on upgrading our existing homes with "tried and tested" technologies and we have made significant progress in improving the energy performance of our existing homes (EPC). The Greener Herts consortium is providing new opportunities for us to explore this, maximising our resources by working in collaboration with others.

Our strategy also involves building sustainability into our day-to-day practice. We believe that we can make a significant cumulative impact by applying a carbon cutting ethos to everything we do. Therefore, when we design new development projects, we consider biodiversity, energy efficiency and alternatives to gas. This is already evident at Cheshunt Lakeside, which includes 'green corridors', electric heating systems and EPC B energy performance. We also factor in recycling and water saving into our standards for re-letting existing homes.

We also have a Carbon Audit Action Plan in progress which covers a wider range of sustainability targets. Examples of these include reducing pollutants and waste, sourcing solutions to assist customers experiencing fuel poverty, working closely with our contractors to reduce the use of virgin raw materials and combatting fly-tipping.

As stated previously, Moody's awarded us with the positive environmental risk score of 2 as we have a relatively low number of homes at risk of flooding or overheating.

TOP performance for EPC C+ and SAP ratings of our homes

155 passive EV-ready bays

Over the year, we've reduced:

Business travel emissions

▼ **8.3 tonnes CO_2e**

Office energy use

▼ **6 tonnes CO_2e**

Office waste

▼ **10 tonnes**

Social

This strand of ESG aligns most closely with our roots as an organisation. As detailed elsewhere in the financial statements, much of our operations are concentrated on social purpose activities and current events only reinforce the need for safe, warm and secure homes to be available for all.

Of all the homes we own and manage, 85% of these are occupied through affordable tenures and our offer is materially distinct from the private sector. This is evidenced not only by the £22m in annual rental savings our customers benefit from compared with private market values but also by the work we do to support customers to sustain their tenancies.

Over the last three years, we have witnessed external factors create instability in our customers' lives, so we continue to reinforce our provisions for resident support. We benefit from an extensive network of local partners, such as the DWP, Money Advice Unit and Citizens Advice, who by helping customers to maximise their income or access financial support, have collectively secured more than £300k to assist more than 600 families. Alongside this, we have abolished fixed-term tenancies to offer customers greater stability and have expanded our own tenancy sustainment provisions to address fuel poverty and help our customers weather the cost-of-living crisis (see details on pages 18-20).

As the largest social landlord in our borough, we also play a key placeshaping role. Our ESG report highlights examples of the community-based initiatives we have been involved in as well as our approach to development, which has delivered more for our community than simply providing new housing units. But on a localised level, building safety has social importance which we recognise at the strategic level. This area has also seen significant investment and will continue to do so as B3Living strives towards its ESG goals.

£22m
saved against private rents

£304k
extra income secured for customers (fuel vouchers, benefit claims, DHP, etc)

No fixed term tenancies

10 years
kept all homes at Decent Homes Standard

£200k
ringfenced funding for tenancy sustainment

2060
involved customers

Governance

We believe in holding ourselves to high standards around corporate governance and risk management to maintain the trust of our customers and partners and our achievements in this area of ESG are evidenced throughout this report.

We have maintained our G1 V1 rating with the Regulator of Social Housing and continue to promote a risk-aware culture.

We also recognise the value of responsible governance from an effective and diverse board. Following a proactive effort to improve diversity at the very top of our organisation, we are very pleased to be broadly representative of our community's demographic profile for ethnicity, gender and sexual orientation and to see our ethnicity pay gap fall below 1%. We are also pleased to have individuals within our Board with lived experience of social housing. We hope to do more in future to bring younger professionals onto our board and to improve our gender pay gap across the organisation.

The corporate governance element of the SRS framework also covers how we support people through promoting staff wellbeing and responsible, ethical procurement. Our employee wellbeing and benefits package has been comprehensive for some time and colleagues tell us this is something they value highly. Yet in 2022-23 we took steps to expand this further, launching our PerkPlace employee benefits portal, a fully-funded health cash plan scheme, cycle to work scheme, and more. We also carried out a stress audit which will be repeated yearly and generated an associated action plan.

A significant area of work this year was around aligning our values and wider operations via the introduction of a new Procurement Strategy. This has strengthened our approach to ensure we establish an even more environmentally and socially responsible supply chain, and a recent audit of our contracts reported that all our suppliers paid the Real Living Wage, helping us to meet our wider commitments as an accredited Living Wage employer.

G1 V1
regulatory rating

100%
compliance with the Real Living Wage (B3Living and suppliers)

5.73%
gender pay gap

0.86%
ethnicity pay gap

1st
whole-company stress audit completed

B3Living's full ESG report is available via our website, please visit:
www.b3living.org.uk/about-us/publications

Financial review

Five-year analytical review

The 2022-23 financial year has been one of the most challenging years B3Living has faced in recent history, with inflation reaching double digits and interest rates rising from just under 1% at the start of the year to over 4% at year end.

This volatility has pushed up interest and operating costs and it has forced some of our key stakeholders out of business and undermined the financial viability of our affordable housing investments. This, in turn, has slowed the growth of our development pipeline.

The rising operating and interest costs have directly contributed towards the Group's operating surplus before exceptional items, falling from £10.0m (2021-22) to £9.1m, which when considered within the context of our operating environment demonstrates robust performance albeit lower than forecast at the beginning of the year.

In the year, a former joint venture partner of the Group's subsidiary Everlea Homes defaulted on its loan from a senior lender and subsequently, administrators were appointed. While Everlea was no longer a partner in the joint venture, a land promotion business, it maintained an interest in the form of a loan note. When the Group sold Everlea's shares in the joint venture in 2019 for £11m (all profit), the sale was funded via £5.5m of cash and £5.5m of loan notes.

With various challenges faced by the former joint venture partner ranging from the impact of the pandemic, planning difficulties, local resistance, economic uncertainty emanating from the autumn statement and liquidity challenges facing lenders and banks, the senior lenders decided to put the legacy joint venture partner into administration. With the subsequent reduction in land valuations due to economic uncertainty and rising development costs, Everlea Homes took a worst-case scenario view that the value of the land used as security for the loan notes would not be sufficient to settle the senior debt loan as well as its own loan note.

Therefore, in the year Everlea Homes took the prudent approach to impair the loan value in its accounts; however, as Everlea is debt free, this impairment had no impact on the Association or its social assets. This impairment represents the £6.5m exceptional item in the Group accounts and it should be reviewed in conjunction with the £17m surplus realised by the Group in 2019. The action to impair removes any future downside risks against this loan note.

During the year, the Group generated an operating surplus of £15.3m (2022: £14.9m). This surplus was underpinned by the following factors:

- A minor decrease in the profitability for our core rental business contributing £12.8m (2022: £13.3m).
- An increase of shared ownership first tranche sales surplus of £1.8m (2022: £0.8m).
- A marginal fall in the surplus from property disposals of £0.7m (2022: £0.8m).

The core rental operating surplus is generated by the following four business segments:

- General affordable housing - £11.5m (2022: £11.9m)
- Sheltered housing - £0.1m (2022: £0.3m)
- Low-cost home ownership - £1.2m (2022: £1.1m)
- Other activities - £0.1m (2022: £0.1m)

Over the last five years, we have delivered surpluses of around £10m per annum consistently, and whilst we did not achieve this in 2022-23, we are proactively seeking ways to recover from the economic shock experienced in the year by maximising value for money across the business and reducing ineffective spend with the aim of returning surpluses of around £10m per annum in the near future. As a relatively small community-based housing association 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.

Statement of comprehensive income for the last five years

For the year ended 31 March	March 2023 £000	March 2022 £000	March 2021 £000	March 2020 £000	March 2019 £000
Turnover	42,469	34,535	33,336	34,561	34,664
Cost of sales	(8,531)	(3,701)	(3,310)	(4,725)	(4,865)
Operating expenditure	(19,364)	(16,724)	(15,988)	(16,085)	(14,261)
Disposal of housing property	653	790	843	502	912
Increase/decrease in valuation of investment properties	85	65	91	(35)	(10)
Operating surplus	**15,328**	**14,965**	**14,972**	**14,218**	**16,440**
Share of joint venture profits	49	-	-	8,193	206
Net financing costs	(6,309)	(4,940)	(4,744)	(4,980)	(4,969)
Surplus/(deficit) before exceptional items and tax	**9,068**	**10,025**	**10,228**	**17,431**	**11,265**
Exceptional items	(6,542)	-	-	-	-
Surplus/(deficit) before tax	**2,526**	**10,025**	**10,228**	**17,431**	**11,265**
Taxation	-	-	-	1	(2)
Actuarial gain/(loss) in respect of pension schemes	587	1,680	(1,297)	2,037	(1,018)
Total comprehensive income for the year	**3,113**	**11,705**	**8,931**	**19,469**	**10,245**

Our turnover has remained consistent in recent years at around £34m, however in 2022-23 our turnover increased by around £8m (23%) to just over £42m. This sharp rise in turnover was driven by a more than doubling of shared ownership sales income, from £4.5m (2021-22) to £10.3m (2022-23). We delivered our largest number of new affordable homes in our history of 258 (5% of total stock owned), of which 95 were for shared ownership with the majority of these due to be sold in 2023-24. The considerable number of development handovers has led to an increase in our rent and service charge income by around £2.4m (8%) in 2022-23. This increase in rental turnover has helped soften the impact of the sharp increase in operating costs.

Operating costs have increased sharply from £16.7m in 2021-22 to £19.4m in 2022-23. During the year, there was a significant increase in expenditure of around £2m (26%) on repairs and maintenance and this increase has been predominately driven by; implementation of the Board-approved enhanced re-let standard to help provide our customers with the best opportunity to sustain their tenancies into the long-term by ensuring we provide a clean, well decorated and carpeted home, where all the main components are in good working order. The new enhanced re-let standard along with our robust approach to customer and building safety, coupled with inflationary pressures, have contributed to the significant increase in expenditure. The Board acknowledge that costs increasing faster than income is not a sustainable trend and has therefore requested the business to redouble efforts to maximise value for money savings and eliminate ineffective spends across the business. These two measures are expected to slow operating cost growth, improve margins, surpluses and investment capacity.

Net interest costs in 2021-22 were c. £4.9m, which was comparable to the previous four years, however in 2022-23 the Group received the proceeds from its long-term fixed price loan from bLEND (£35m), which pushed up interest costs, when compared to the variable interest rate during 2021-22 financial year. The proceeds from the bLEND loan increased our total fixed debt to around 90% of our total debt portfolio however, even with this level of protection interest costs still increased sharply with the Bank of England base rate rises during the 2022-23 financial year. With interest rates expected to remain high during 2023-24, coupled with our forecast lower level of development spend, the amount of interest capitalised is expected to fall sharply from the £1.9m capitalised in 2022-23, which will weigh on future surpluses.

Our pension liability decreased by £587k to a £299k (2022: £1,039k). 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 on the following page presents the statements of financial position of the Group over the last five years. It demonstrates a significant increase in our financial strength between 2019 and 2023. 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 which delivered 195 new homes in 2022-23.

For the year ended 31 March	March 2023 £000	March 2022 £000	March 2021 £000	March 2020 £000	March 2019 £000
Fixed assets					
Housing properties	317,887	295,582	258,487	217,861	204,630
Other fixed assets	3,648	3,881	4,054	4,070	3,458
Investment properties	2,525	3,160	4,304	4,721	3,230
Investments in joint ventures	-	-	730	949	3,533
Tangible fixed assets	**324,060**	**302,623**	**267,575**	**227,601**	**214,851**
Current assets					
Stock	9,461	15,289	12,007	6,335	10,586
Trade and other debtors	1,827	15,862	14,561	10,211	6,798
Agreement to improve existing properties	1,439	1,469	1,537	1,622	5,427
Cash and cash equivalents	7,045	3,335	3,039	13,696	5,472
	19,772	**35,955**	**31,144**	**31,864**	**28,283**
Less: Creditors: amounts falling due within one year	(7,237)	(12,639)	(10,715)	(8,232)	(7,559)
Net current assets	**12,535**	**23,316**	**20,429**	**23,632**	**20,724**
Total assets less current liabilities	**336,595**	**325,939**	**288,004**	**251,233**	**235,575**
Creditors: amounts falling due after more than one year	(241,179)	(232,870)	(204,818)	(177,816)	(175,677)
Provisions for liabilities (including pensions)	(1,738)	(2,504)	(4,326)	(3,488)	(9,438)
Total net assets	**93,678**	**90,565**	**78,860**	**69,929**	**50,460**
Reserves	**93,678**	**90,565**	**78,860**	**69,929**	**50,460**

At the reporting date the Group had tangible fixed assets with a carrying value of c. £324m (2022: c. £303m) 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 December 2022.

Over the last five years, the Group's tangible fixed assets carrying value has increased by c. £109m (51%). 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 rent and shared ownership homes for our communities. In 2022-23 we invested £23.4m (2021-22: £36.8m) in the provision of new homes and £4.6m (2021-22: £4.8m) in improving our existing homes. In 2023-24 we expect our investment in the provision of new homes to continue at the 2022-23 level.

The strength of the business in recent years has been our ability to balance our sector upper quartile investment in new and existing homes with strong operating surpluses and Homes England grants to bring our gearing down from 75% in 2019 to 63% in 2023.

Key Financial Performance Indicators for the last five years

Financial Golden Rules	Internal limit	2023	2022	2021	2020	2019
Financial Covenant Performance						
Gearing **(covenant 80%)**	< 65%	44%	48%	52%	50%	53%
*EBITDA MRI Interest Cover **(covenant 110%)**	>160%	162%	176%	240%	267%	237%
Managing credit profile						
Social Housing Letting Interest Coverage	>150%	159%	200%	214%	215%	203%
**Operating margin	> 35%	34%	40%	42%	40%	45%
Development sales as a % of turnover	< 30%	24%	13%	14%	19%	22%
% of HA net asset invested in Everlea Homes	< 10%	0%	0%	8%	1%	9%

*excludes decarbonisation works covered in covenant carve-out agreement
**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 March 2023. 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.

In recent years, we have managed to operate within the parameters of our FGRs, despite the numerous headwinds the business has faced. In the 2022-23 financial year, the business faced three key issues that have weighed on performance and resulted in non-compliance against the operating margin (34% versus an internal limit of 35%) FGR; firstly, due to the economic environment of high inflation, coupled with increased repair maintenance activities, our operating costs increased by around 17% (£2.8m). Secondly, interest rates rose much faster than estimated in the 2022-23 budget, which pushed interest costs up sharply. Thirdly, in 2022-23 we achieved over £10m of shared ownership sales income, which equates to 24% of turnover, and in general, sales revenues generate lower margins than rental revenues, therefore the greater the proportion of sales income in our turnover, the lower the overall margin.

Treasury review

We have a robust and comprehensive Treasury Strategy and Treasury Policy which are annually reviewed by our Executive team, treasury advisors, 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 arrangements, treasury policy compliance as well as an economic and lending market review.

B3Living maintains 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 more focused on the housing association rather than the Group. These changes all help ring fence risks inherent with market facing activities undertaken by our commercial subsidiary, Everlea Homes Limited, away from the housing association and its social assets.

In 2020-21 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, which we opted to defer for 1 year, with a sector debt aggregator, bLEND, a subsidiary of The Housing Finance Corporation. bLEND is an A2 Moody's rated lender, who predominantly deal with borrowers who are A2 rated or above – our credit rating is A3 - however, in a show of confidence in B3Living's corporate Better Futures Strategy and management their credit committee agreed to provide funding. As bLEND are A2 rated and have a comprehensive track record of raising debt, we were able to access funding at effective rate of 2.59%, which is significantly cheaper than what we would have realised by raising debt in our own name. On 31 March 2023, the loan had a mark-to-market value of + ve £11.5m.

Furthermore, in November 2021 B3Living, along with two other housing associations, were the first 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 to deliver new affordable homes. We raised £30m of new long-term debt via the AHGS at an all-in rate of 1.53% - this loan had a mark-to-market value of + ve £13.8m on 31 March 2023.

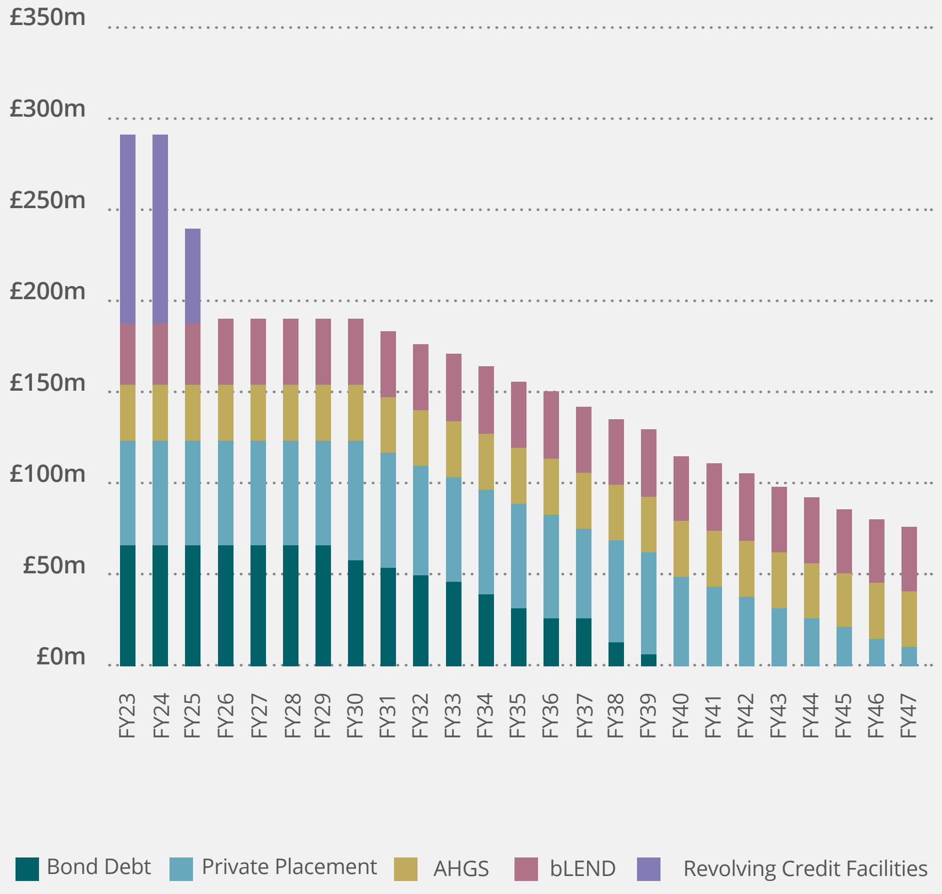
In March 2023, the Board agreed with Lloyds to increase our existing £30m revolving credit facility from £30m to £50m and to extend it by four years to 2028. The new facility is an ESG linked loan which enables B3Living to benefit from a saving on the borrowing margin should we deliver against the agreed targets which are centred on building more affordable homes and reducing our carbon footprint. Moreover, as an ESG linked loan, Lloyds have agreed to make an allowance within the interest cover covenants to enable us to deliver upon our decarbonisation ambitions without impinging on covenant compliance.

Debt and liquidity

On 31 March 2023, our total drawn debt was £210m (2022: £205m) and our loan portfolio totalled £290m (2022: £255m), leaving a combined facilities headroom of £80m (2022: £50m). Of our drawn debt, £190m or 90% (2022: £155m or 76%) is at a fixed interest rate via long-term capital markets bond (£68m), private placement (£57m), sector debt aggregator – bLEND - (£35m) and an 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; in March 2023 the Board, in line with the Treasury Strategy, agreed to retire the Barclays loan (£20m) and extend and increase the Lloyds loan from £30m to £50m to maintain good levels of liquidity into the mid term.

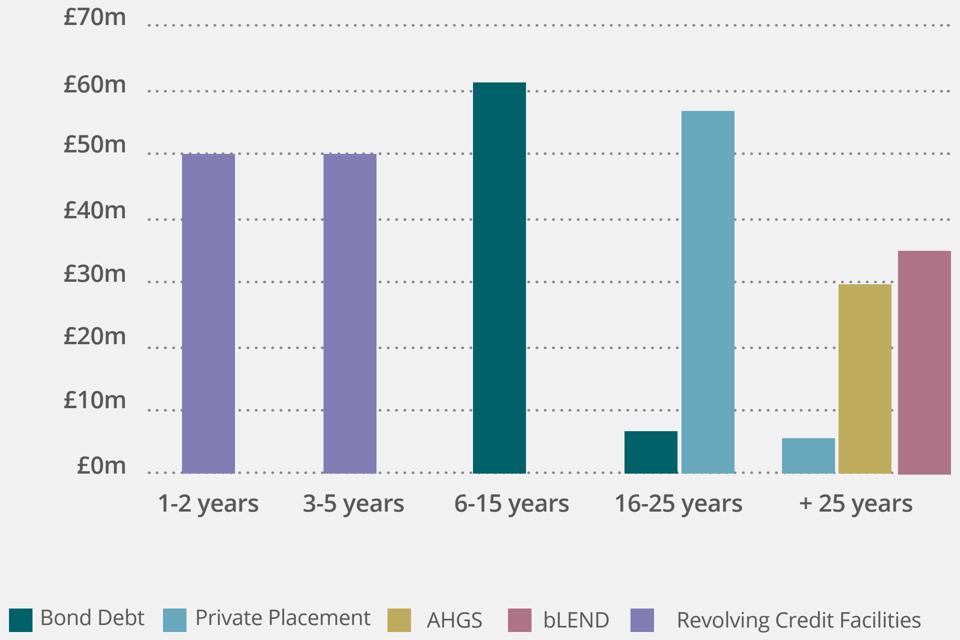
The chart below shows B3Living sources of finance.

B3Living funding profile



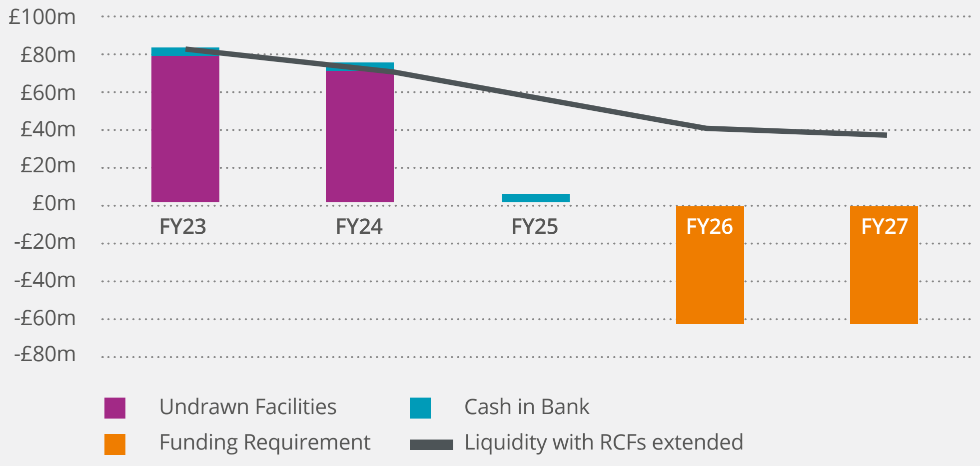
The chart below shows B3Living's debt repayment profile

Debt repayment profile



The chart shows that B3Living has an immediate need to refinance £50m of debt facilities. During 2022-23, whilst working closely with our treasury advisors, Savills, we completed an exercise to source the most economic route of refinancing these maturing revolving credit facilities, and it is expected that a new £50m facility will be in place during the first quarter of 2023-24.

The chart below shows our mid-term forecast available liquidity. The chart shows that, providing the revolving credit facilities are extended in line with the Board approved Treasury Strategy, we will have sufficient funding to deliver the investment aspirations within our business plan over the mid term.



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 and 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's guidance, we will have sufficient funding in place to cover its 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 2023, the interest cover was 1.57 times (2022: 1.76 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 market values of our homes, and it reflects that the properties are used for social housing. As at 31 March 2023, the gearing ratio (gearing covenant) was 44% (2022: 48%) against a covenant limit of 80%.
- **Asset cover –** this is a measure of the percentage coverage of our EUV-SH or MV-ST of completed assets over our current debt. As at 31 March 2023, the tightest asset cover ratio was 116% (2022: 107%). The asset cover covenant is 113%.

Value for money

A further detailed report on our Value for Money Strategy and achievements is available at

www.b3living.org.uk/about-us/publications

Like many housing associations up and down the country, we have spent the last year recasting business plans and stress tests to suit the current environment.

Our Board recognise that the need to deliver value for money across the business has not been this important since the announcement of the four years of rent cuts in 2015.

This assessment summarises that what value for money means to us at B3Living and summarises our performance for 2022-23 against our sector and peers. Our performance this year includes upper quartile levels of reinvestment, stable customer satisfaction scores and a strengthened procurement function set to improve our spend performance over a long-term strategy, supporting the organisation as we see rises in our operating costs.

For B3Living, value for money (VFM) is best achieved by striving to realise the optimum balance between cost, quality and performance across all the services we provide. We believe we can achieve this by ensuring the business’s finite resources are utilised as effectively as possible and its financial resilience is protected.

Our approach

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 key stakeholders. Our 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 at sector median levels. We focus on efficient cost management, improving performance, challenging our expenditure, and identifying new investment opportunities and ways of working.

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

We, like all housing associations, have limited resources at our disposal. So, when additional efforts and funds are allocated to meet a key priority, such as cutting carbon, there is a subsequent trade-off to keep our value for money commitments in balance.

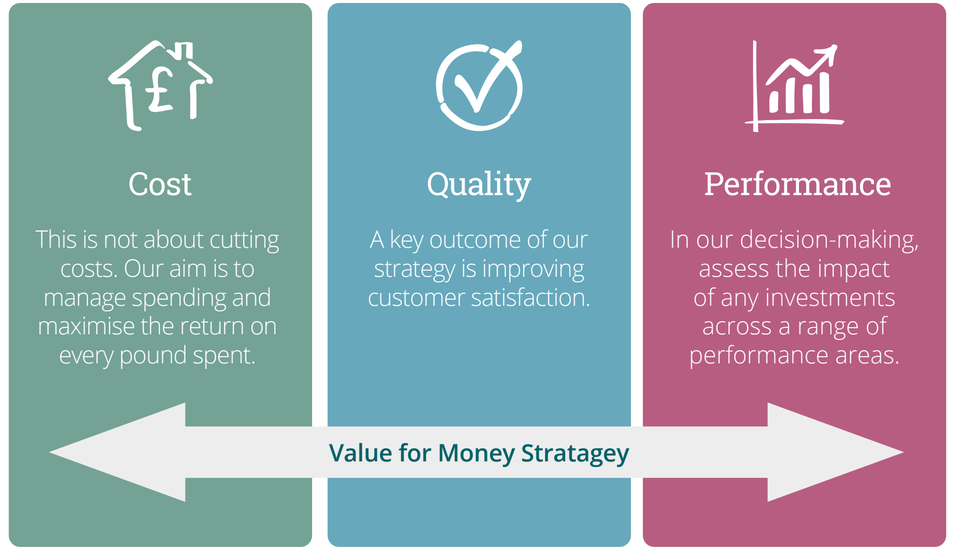
Our priorities and strategy

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 but also embedding a value for money culture within the business.

Our strategy outlines a nuanced approach 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 grow investment capacity.
- Deliver against the Strategy’s value for money targets.

The Value for Money Strategy supports our Better Futures Strategy and, in turn, our Customer Strategy, which provides a comprehensive framework to enable us to best understand, from a customer’s perspective, what the optimal balance of cost/quality/performance looks like. We seek to improve customer satisfaction levels to align with the sector’s upper quartile.



Procurement

In 2020-21 we introduced a specialist procurement resource into the business with the aim of maximising value for money gains through the tendering process, increasing procurement consistency across the business and to deliver the cashable savings assumed within our financial plan.

Governance and oversight

The Executive team work closely with our Board to ensure our resources are allocated in accordance with their shared priorities. The Board fully understands the importance of our business and the services we provide within our community and to our customers.

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.

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.

In response to the rent cap announced in November 2022 and rising interest rates, the Board undertook a “dials exercise” which allowed each individual Board member to score potential responses to the tightening of our investment capacity.

Measuring our 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’ performance, the sector median, and the highest performing sector quartile for each metric (Global Accounts of private registered providers, 2022).

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 housing 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

Our board-approved Value for Money Strategy sets business performance targets in relation to the sector, i.e. sector upper quartile or sector median.

Setting ambitious value for money targets increases our capacity to deliver on our strategic objectives, which are outlined in the Strategic Report to these Financial Statements (see pages 13 to 25). But our Board also seek to balance those objectives: for example, for cost per unit our board-set target is for median performance, in recognition of their wish to support our customers' quality of life, invest in building safety, sustainability, and upgrading homes more generally.

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.

Our performance and achievements

The table below shows our Board's value for money targets positioned against performance across the sector and among peers.

The values listed for our sector align with our Board's target for each metric. For example, our Board aims for sector upper quartile levels of reinvestment; therefore, the table presents the sector's upper quartile performance in 2021-22 (8.64%) whereas our target for EBITDA MRI interest cover is sector median (143.58%) so the figure presented is the median score. These benchmarks can be compared with our peers' metrics (for the 2021-22 year) and B3Living's performance in the financial year just closed (2022-23).

It is important to note that our 2022-23 data is being compared to the sector's median and peers' performance from 2021-22, therefore, these do not include the effects of the UK's recent double-digit inflation environment on costs. Therefore, we are expecting our 2022-23 performance to show a much stronger position when compared to the sector's and our peers' performance for the equivalent period.

To provide greater context and to help see through one-year peaks and troughs, for each metric we also include five-year average performance for the sector, our peers and B3Living.

	Board set VFM targets	Sector		Peers*		B3Living	
		Five-year average 2018-2022	2021-22	Five-year average 2018-2022	2021-22	Five-year average 2019-2023	2022-23
Value For Money Metrics							
Reinvestment	**Upper quartile**	8.38%	8.64%	10.92%	10.07%	11.93%	**8.82%**
New supply (social)	**Upper quartile**	2.23%	2.14%	2.54%	2.87%	2.85%	**4.98%**
New supply (non-social)	**Lower quartile**	0.00%	0.00%	0.00%	0.00%	0.01%	**0.04%**
Gearing**	**Upper quartile**	53.57%	53.13%	55.26%	57.54%	68.46%	**63.28%**
EBITDA MRI Interest Rate Cover**	**Median**	178.41%	143.58%	186.15%	152.43%	206.88%	**168.57%**
Headline social housing cost per unit (£k)	**Median**	3.73	4.18	3.62	4.03	3.99	**4.57**
Operating margin (SHL)	**Upper quartile**	32.31%	28.57%	30.44%	25.73%	44.25%	**40.55%**
Operating margin (overall)	**Upper quartile**	28.51%	25.32%	29.63%	25.99%	40.30%	**34.32%**
ROCE	**Upper quartile**	4.51%	3.91%	3.81%	3.38%	6.02%	**4.57%**

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

This aspiration is clearly seen in our reinvestment performance during 2022-23 (8.82%), which is marginally greater than the sector upper quartile (8.64%), albeit lower than our peers' average (10.07%). However, our performance over the five-year period is marginally greater than our peers.

We aim to ensure this investment is sustainable by generating sector upper quartile operating margins and managing 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 63.28%, albeit it has improved substantially over recent years (from 79.40% in 2018). While we are pleased to see this improvement, we have made a conscious decision to continue to do all we can to tackle the housing crisis locally by using our financial strength to invest in new and, increasingly, in maintaining or improving our existing homes. Therefore, we expect our gearing to continue to be between 60-65% into the mid to long term.

However, to support our current levels of investment, we will aim to generate surpluses of c. £8-10m per annum to ensure our debt growth is sustainable and financial resilience is maintained. Our funder gearing covenant is based on security value and our performance is 40% (2022: 48%) against a covenant limit of 80% and our internal Financial Golden Rule limit of 65%.

It has not been an easy year to trim costs, but the economic climate has made cost-consciousness and a balanced approach even more important. Throughout 2022-23 we have continued to promote and embed our Value for Money Strategy with the help of our team of Value for Money ambassadors and our procurement function. Moreover, decisions from previous financial years are continuing to contribute cashable savings in 2022-23.

Below are some examples of B3Living's value for money culture delivering in practice during the year:

- Completing our home insulation programme with Warm Front, which was fully funded by the Government's Energy Company Obligation scheme (ECO3). This brought 295 homes to up to a C rating for their EPC.
- Ringfenced £200k to support our customers through the cost-of-living crisis (more details on page 18-19). As a result of this and our Rent team's "collecting with care" approach, we have seen sector-leading arrears performance for the past three consecutive years.
- Utilising £8.5m in Homes England grant funding to maximise our new homes pipeline and deliver true additionality.
- Working with service providers to bring fibre broadband to more than 325 homes at no cost to customers or B3Living.
- Maintaining consistent or improved levels of customer satisfaction as described elsewhere in these Financial Statements.

Procurement

Since the launch of the procurement function, we have taken significant steps to improve our processes, upskill budget holders and managers and ultimately maximise value for money gains for our customers and the business.

In 2023 the Board approved a new Procurement Strategy, outlined on page 25, which combines our value for money drivers with our social values.

To date, we have identified 74 spend areas of over £50k per annum that need procuring over our four-year procurement period, using, where possible, our principle for one supplier per spend area. This excludes our development activities, which typically benefit from the use of third-party frameworks, but accounts for a total expected spend of £50m over four years.

To date, we have secured 52 of 74 spend areas onto new framework agreements or contracts, many with a two-plus-two pricing term.

Across the 52 spend areas already reviewed, we have a total estimated spend of more than £35m (71% of total estimated spend to be procured), which is expected to generate a cost saving of just over 8% (£2.9m). Additionally, there may be further savings of £2.1m against these projections. As per Bank of England projections that inflation will fall back to 2-3%, many of our framework agreements will not experience an inflationary increase until after the current peak has passed.

We will tender a further nine spend areas with an estimated value of over £9m (19%) in 2023-24 and another 12 in 2024-25 with a forecast value of around £5m (10%), and through these should generate further savings of just over 8%. These savings allow us to do more in each area or give us capacity to do more elsewhere.

But the Strategy also sets a clear direction which we hope will promote opportunities for those suppliers who share our values and vision, for example, suppliers who pay the living wage and align with our equality, diversity and inclusion position, are proactively seeking to reduce their environmental impact, or are contributing to the economies of the communities we serve.

Long-term savings

In 2021-22 we raised £65m of fixed debt via two loans at all-in cost of 1.53% (£30m) and 2.59% (£35m). With the sharp increase in interest rates during 2022-23, these loans are generating material savings against current market rates, which is boosting investment capacity and financial resilience and performance. As at 31 March 2023, the £30m loan has a mark-to-market value of +ve £13.8m and the £35m loan of +ve £11.5m.

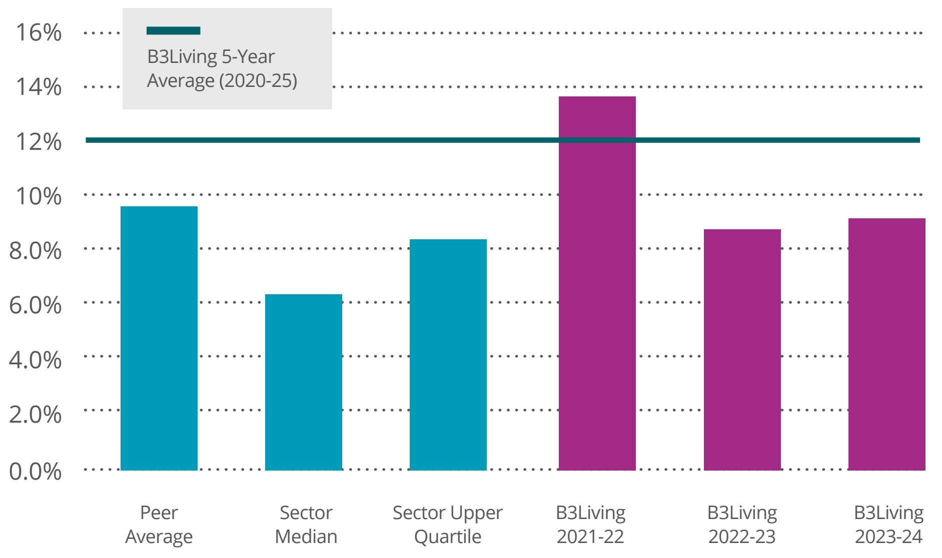
Furthermore, we are continuing to fully utilise our group structure to save VAT on our development activities (£170k in 2022-23) and tax (£331k in 2022-23).

How we compare

The following charts compare our historic and forecast performance against our peers, the sector median, and upper quartile from the 2022 global accounts of social housing providers.

Each chart also includes B3Living's rolling and predicted five-year average, which covers the period of April 2020-March 2025. This guideline aims to provide greater context by blending historic and forecast performance while lessening the impact of annual fluctuations on performance, which is generally caused by the ebbs and flows of the development programme.

See the charts from the 2022 global accounts of social housing providers on the following pages.

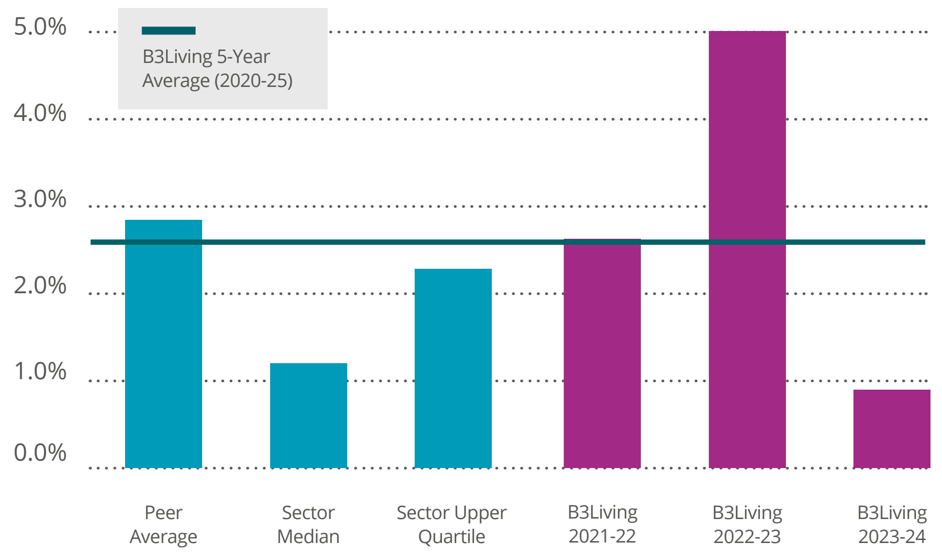


Reinvestment %

Our commitment to deliver more affordable homes within our local geography is reflected in recent and forecast reinvestment performance. The Board have set a sector upper quartile target (8.64%), and over the five-year period between 2020-2025, our average reinvestment performance at 12.15% will be over three percentage points greater than our target at 11.93%.

Our five-year average performance is helped by our recent decision to build out our land-bank sites and the delivery of our largest affordable housing scheme in Cheshunt, Broxbourne (195 homes). However, with the sharp rise in interest rates coupled with operating cost pressures, building affordable housing at the same rate sustainably will be more challenging. Therefore, we expect to see a slight downward trend in reinvestment to align more with the Board's set target of sector upper quartile performance, namely, 8-9% per annum.

To support further sustainable investment in new and existing homes the Executive team and Board are working with the business to maintain surpluses at £8-10m per annum. In 2022-23, the Group invested £23.3m in the provision of new homes and £4.6m in existing properties.



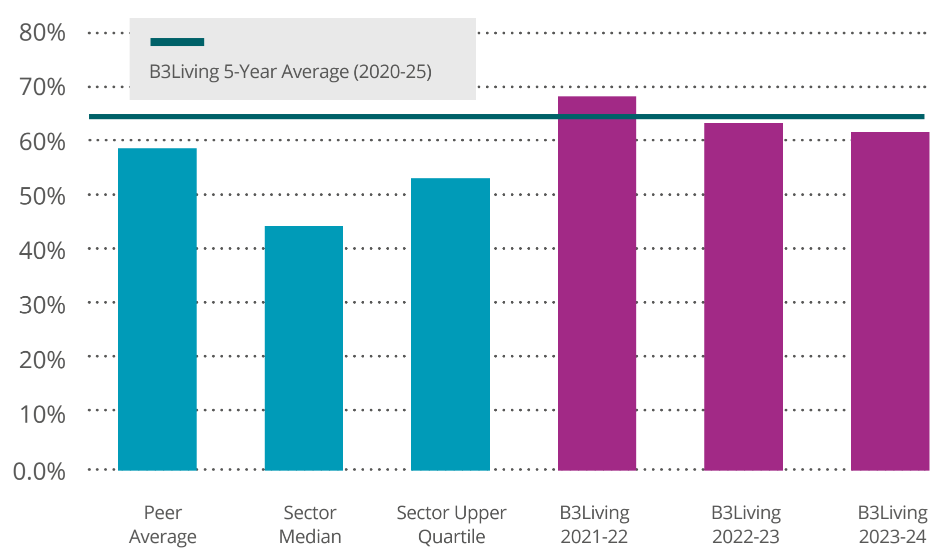
New supply of social housing units

Our reinvestment performance strongly correlates to our supply of new affordable housing performance. In 2022-23 we delivered a record number of new homes, as our largest scheme to date, Cheshunt Lakeside (195 homes), was completed.

That said, this has also been a very challenging year in terms of new starts; therefore we are expecting handover performance to drop significantly in 2023-24 but settle thereafter at the Board's set value for money target of sector upper quartile, i.e. around 2%.

While we expect our completion of new affordable housing performance to fall towards the current sector upper quartile level (2.1%), we also expect our peers to follow a similar trend as the impact of higher interest costs and inflation suppresses investment capacity.

In 2022-23 we completed 258 new homes, of which 163 were rented and 95 shared ownership. Furthermore, more than 90% of these homes were built within our heartland of Broxbourne, exceeding strategic targets for local delivery. The new homes we have built will not only make a significant contribution to tackling the housing crisis locally, but the investment also provided a major economic boost within our communities



Gearing %

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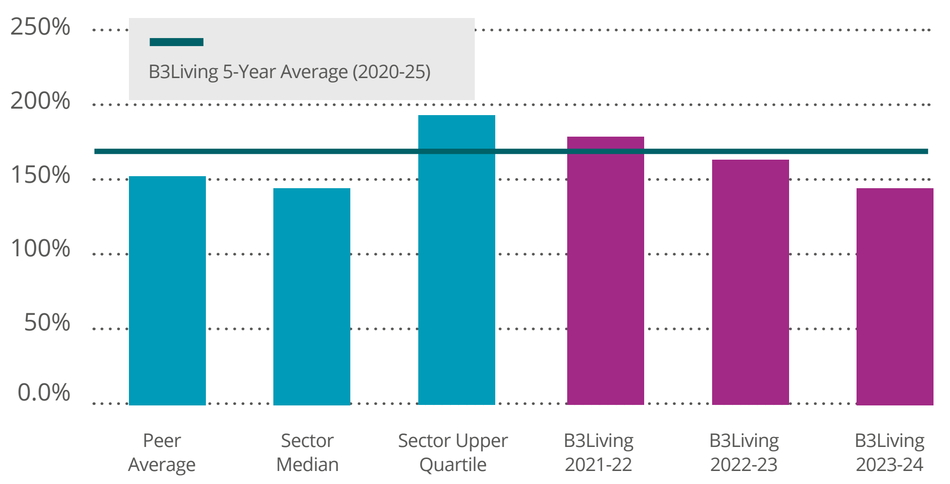


EBITDA MRI interest coverage %

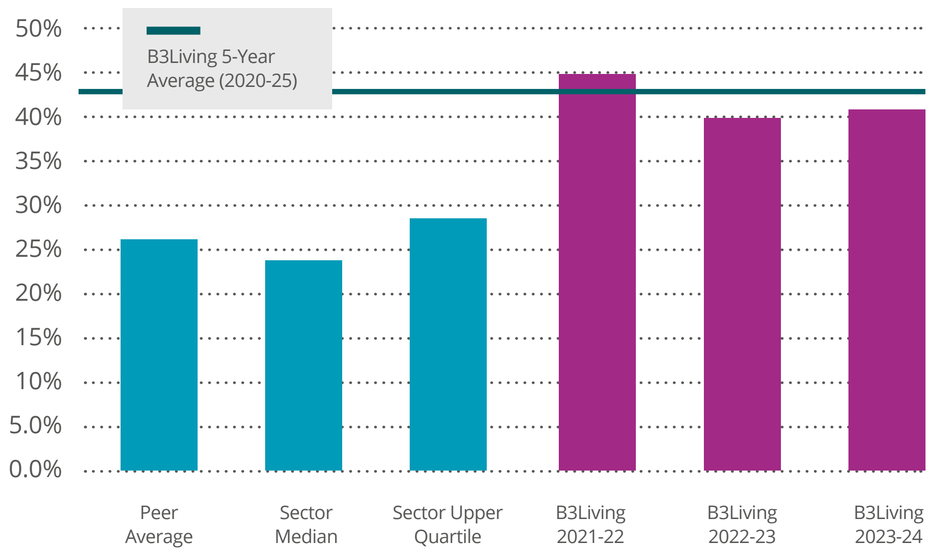
EBITDA MRI (Earnings Before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover its interest commitments from the cash flows generated by the core business.

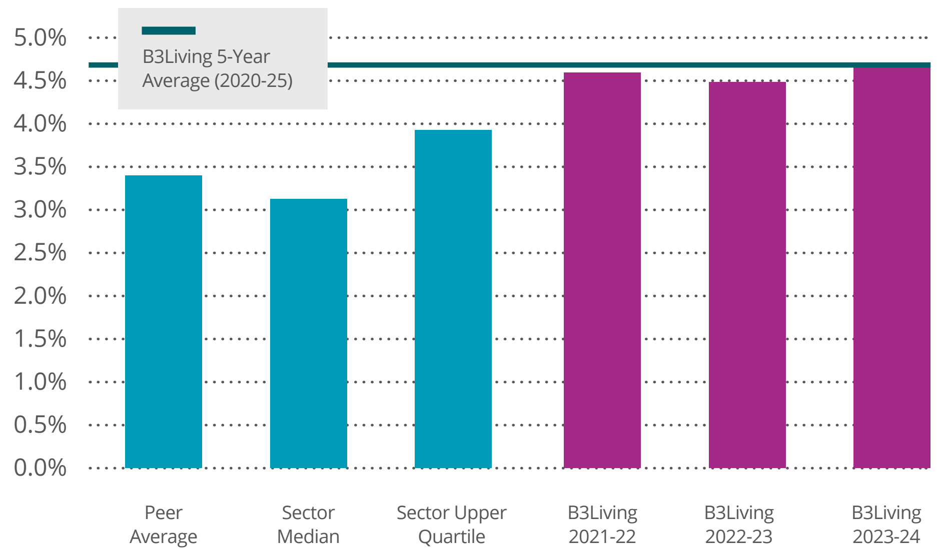
B3Living's interest coverage performance is declining due to a sharp increase in operating costs which have risen by over a third since 2020-21. This increase is driven by a decision to improve the quality of our re-let homes, deliver a more comprehensive building and customer health and safety programme, as well as being impacted by the high inflationary environment.

Aside from the cost pressures, the sharp increase in interest rates is beginning to impact performance. We benefit from having 90% of our current debt portfolio secured at fixed rates of interest but this benefit will lessen as our debt grows over time.

With all of these pressures, the Board have requested that the Executive reviews our cost base to maximise savings, noting that we are a long-term business therefore all savings need to be sustainable, and impact assessed before implemented.

In 2023-24 and 2024-25, we expect our EBITDA MRI interest cover performance to fall further, to around 145% and 135% respectively. This sharp fall in interest cover is caused by the delivery of our £5.9m Social Housing Decarbonisation Fund (SHDF) programme which aims to improve the energy efficiency of 263 homes. With the expectation that this programme would cause interest coverage performance weakness, we have agreed with funders to carve this investment out of our covenants, so the delivery of this programme will not cause covenant compliance issues.





Social housing operating margin %

Social Housing operating margins fell from 45.2% in 2021-22 to 40.5% in 2022-23. The fall in margins would have been sharper if the impact of the c. 17% (£2.8m) increase in operating costs had not been partly offset by the new revenues from the 258 homes developed in the year, which helped to stabilise margins at 40%.

The significant increase in repairs and maintenance costs is driven by three key factors. Firstly, we experienced a greater spend on customer and building health and safety compliance; secondly, the cost of void properties has increased sharply, this is, in part, due to a board decision to carpet and deep clean all our homes prior to re-let; thirdly, inflation is pushing up the cost of materials and labour for B3Living directly and for our contractors. With our new procurement function decreasing the amount of annual spend on commercial framework agreements, the completion of a direct labour organisation review, and a heightened cost focus across the business, we are expecting the acceleration of cost growth to slow in the coming years.

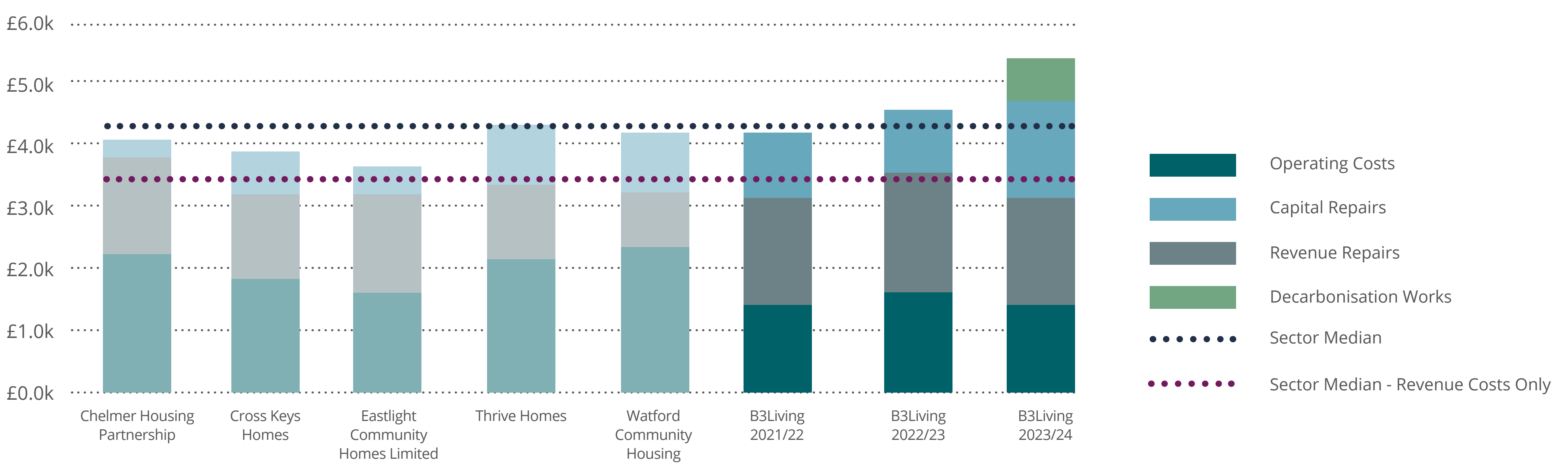
We are comfortably outperforming our peers and the sector's upper quartile, which reflects that while our costs are increasing, they are rising from a relatively low position. Moreover, our margins are helped by the mix of affordable rented homes in our stock coupled with our proximity to London. Current performance is in line with Board expectations and despite current headwinds, margins are forecast to remain strong.

Return on capital employed %

We are currently outperforming our peers and the sector's upper quartile. As a housing association with a gearing position that is in the top decile in the sector, it is important we generate strong surpluses and Return on Capital Employed performance to allow us to sustainably invest in new and existing homes at sector upper quartile levels.

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

However, with the sharp increase in the cost of new debt, it will be challenging to continue to bring new affordable homes into management without weakening Return on Capital Employed performance. Therefore, as a social landlord, who is committed to tackling the housing crisis in our local geography, we as a business will have to accept a marginal erosion of performance during these challenging times.



Cost per unit*

Our approach to cost control and our value for money ethos have resulted in robust cost per unit performance, albeit slightly more than our peers. Operating costs are forecast to remain comparable to the best of our peers at c. £1,500 per unit. As a result of the 2016-2020 period of rent cuts, we made significant operational cost savings by reducing our headcount and investing in technology to increase productivity. Savings in these back-office areas have allowed the business to increase its investment in our core repairs service without materially impacting overall cost per unit performance.

The Board's commitment to providing safe, secure and warm homes means that we spend around £600-£700 per unit more on revenue repairs than our peers and a further £200-£300 per unit more on capital repairs. Much of this additional revenue spend has been driven by expenditure on customer and building safety works over the last two years, although some of the differences reported could be accounted for by variances in how different housing associations apportion costs between each heading.

While we feel that this previously unforeseen expenditure has now peaked and will start to fall, we expect our cost per unit to continue to rise in future years as we deliver upon our decarbonisation ambitions, especially in 2023-24 and 2024-25 as we deliver our Social Housing Decarbonisation Fund (SHDF) programme.

Capital repairs spend in 2022-23 was around £1,000 per home, which is in line with our priority of investing in the improvement of our homes at sector upper quartile levels (£880 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. During 2023-24 and 2024-25, as the SHDF programme is delivered, we expect our cost per unit to increase by a further £500 and £750 respectively.

While our total social housing cost per unit is currently greater than the sector median and our peers, our 2022-23 revenue costs are comparable to the sector's median (red dotted line) and our peers.*

**Note: the sector's median and peers' performance figures (2021-22) do not include the effects of the UK's recent double-digit inflation. Our 2022-23 performance may show a much stronger position when compared to the sector and peers for the equivalent period.*

B3Living's 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 2023 as part of our budget setting and business planning process.

In 2021 our Board put "excellent customer experiences" as a central theme of the Better Futures Strategy and, since then, we have worked to embed our Customer Strategy and Customer Ethos.

We understood that our operating costs would inevitably increase as we improve and widen the services we provide. However, the increase in our cost base, especially in relation to capital repairs, has been viewed by the Board as an acceptable trade-off in the pursuit of enhanced customer satisfaction.

	B3Living 2020-21 actual	B3Living 2021-22 actual	B3Living 2022-23 actual	B3Living 2023-24 forecast	Sector median	Upper quartile	Board VFM target
Value For Money metrics							
Customer satisfaction - B3Living services	86.0%	86.3%	85.4%	91.0%	83.0%	88.0%	**Upper Quartile**
Customer satisfaction - quality of home	81.5%	83.0%	84.0%	86.0%	81.4%	86.0%	**Upper Quartile**
Customer satisfaction - repairs service	81.5%	81.8%	86.2%	84.2%	76.3%	83.5%	**Upper Quartile**
Customer satisfaction with their rent	86.6%	88.1%	87.7%	88.0%	84.5%	89.0%	**Upper Quartile**
Occupancy	99.3%	99.1%	99.3%	99.7%	99.5%	99.9%	**Upper Quartile**

Customer satisfaction

Even though we are performing in line with our strategic customer satisfaction target of sector upper quartile, when compared to the latest Housemark TSM performance data, we are still striving to achieve the Better Futures target of 91%. But we acknowledge that this is a challenging ambition which was set when the sector was operating in a different environment.

The table shows that since 2020-21 our overall customer satisfaction performance has been very consistent at between 85-86%. When considering the context over that period and trends in the sector more generally, we see this as a good result.

Over the last three years, our customers' satisfaction with the quality of their homes has improved from a sector median performance of 81% up to 84%, just two percentage points under our target.

We expect to close the gap with our target through our:

- Continued commitment to investing in our existing homes at sector upper quartile levels.
- Robust approach to customer and building safety.
- Enhanced voids standard (our Great Starts project).
- Ambition to have no homes rated under EPC C by the end of 2028.

We are pleased to have closed the gap against our sector upper quartile target for the repairs service, which has seen our performance increase from 81.5% to 86% over the last three years. The improved perception of our repairs service coupled with our sector upper quartile level of property improvement investments may also be the driver for our increased satisfaction levels relating to our rent offering value for money.

With the amount of affordable rented homes in our portfolio coupled with our proximity to London, we are pleased to be just over one percentage point from our rent satisfaction target of 89%.

Occupancy

Our Board understands how valuable our social assets are to our community. Therefore, we were pleased to maintain our occupancy performance at over 99% for a third year in a row, aligning ourselves with the sector's upper quartile.

Rent collection

Rent collection performance has also been exceptional with 101.3% of rent due collected in the year, which is marginally exceeding our value for money target of sector median. As an important theme within the Better Futures Strategy, we have made key investments in tenancy sustainment and, as at March 2023, our rent arrears were at sector-leading levels at just over 1%.

Overheads

As a small-medium sized housing association, good performance on this metric is very difficult as we do not have as many homes over which to spread our fixed costs. Therefore, good future performance will be difficult, especially in the current high inflation and wage growth environment.

Responsive and planned works

Our responsive : planned works ratio continues to be marginally over the Board's target. Increasing the number and frequency of our compliance checks and fire risk assessments has resulted in more responsive repairs, but we see this as a positive step. We anticipate that, once we have completed a few more cycles of our improved and thorough approach, the by-product tasks arising from this workstream should fall and move us towards our sector median target.

Value for money into the future

The 2022-23 financial results reflect our commitment to value for money with our core operating margins over 40% and a robust interest coverage compared with the wider sector. Our Better Futures Strategy recognises that further large cuts could adversely impact service provision, so we are not expecting to make any significant overall cost per unit savings.

That said, we will keep increasing efficiency to yield cost savings, but we expect such savings will be reinvested in improving frontline services and existing homes.

Continuing our Value for Money Strategy, we plan 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.

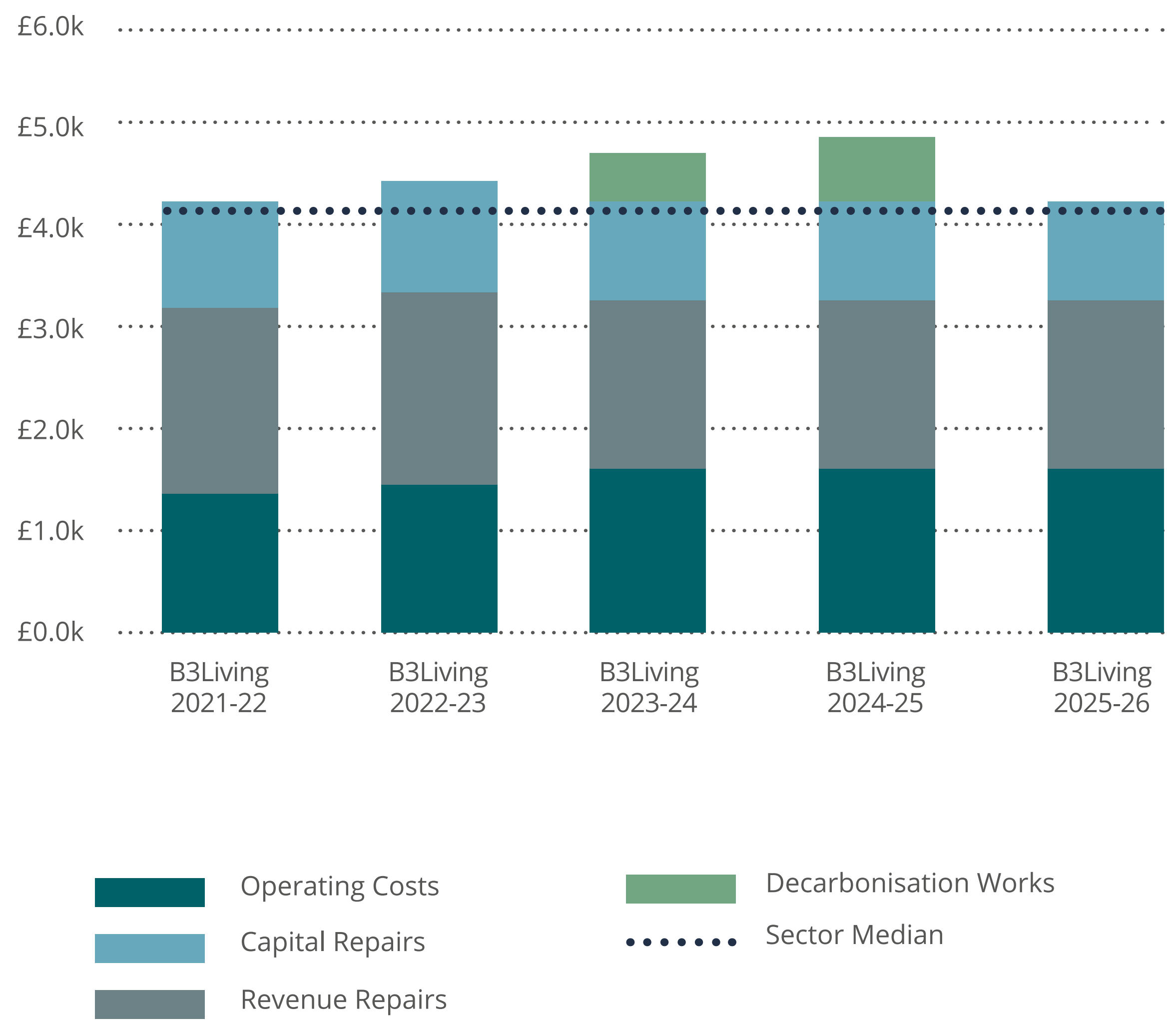
The table below shows B3Living's forecast performance against the Regulator's value for money metrics with a comparison with our sector and peers. We expect to perform well against our peers, especially in terms of reinvestment, supply of new affordable housing, operating margin and ROCE. Between April 2023 to March 2026, we plan to invest c. £90m in the provision of new homes. The sharp uptick in shared ownership sales experienced in 2022-23 and forecast in 2023-24, combined with the strength of our core business means that gearing is expected to improve over the period to just over 60% in the mid term.

	Peer average **2021-22**	Sector median **2021-22**	Sector upper quartile **2021-22**	Board VFM target	B3Living actual **2021-22**	B3Living actual **2022-23**	B3Living forecast **2023-24**	B3Living forecast **2024-25**	B3Living forecast **2025-26**
Value for money metrics									
Reinvestment	10.1%	6.5%	8.6%	**Upper quartile**	14.1%	8.8%	9.5%	10.3%	8.4%
New supply (social)	2.9%	1.4%	2.1%	**Upper quartile**	2.4%	5.0%	0.9%	1.8%	2.0%
Gearing	57.5%	44.1%	53.1%	**Upper quartile**	67.4%	63.3%	61.2%	61.5%	61.9%
EBITDA MRI Interest Rate Cover	152.4%	145.7%	197.5%	**Median**	183.5%	168.6%	147.4%	137.5%	163.1%
Headline social housing cost per unit (£k)	4.03	4.15	5.18	**Median**	4.18	4.57	5.22	5.44	4.83
Operating margin (SHL)	25.7%	23.3%	28.5%	**Upper quartile**	45.2%	40.5%	40.5%	41.8%	42.6%
Operating margin (overall)	26.0%	20.5%	25.4%	**Upper quartile**	40.9%	34.3%	35.0%	39.2%	40.1%
ROCE	3.4%	3.2%	3.9%	**Upper quartile**	4.6%	4.6%	4.6%	4.5%	4.5%

As we deliver our £5.9m SHDF programme to improve the energy efficiency of 263 of our homes, our forecast EBITDA MRI performance is temporarily expected to dip just below 140%. However, once the programme has been delivered performance returns to a level over the sector median and our peer average.

A key efficiency metric is operating cost per unit, which we expect to increase from c. £4,185 per unit in 2021-22 to c £4,567 per unit by 2023-24. The chart below shows the breakdown of the three main cost per unit elements over time when adjusted for annual inflation (7% in 2022-23, 3% in 2023-24, and 2% per annum thereafter).

Our forecast shows that operating costs will remain stable, and revenue and capital repairs costs will marginally fall as we spread our costs across the more than 450 new homes we plan to deliver over the four-year period. To improve performance further, we will also explore 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 at 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".

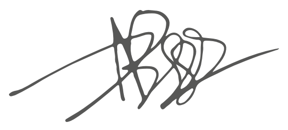
The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from 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 5 September 2023 at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS.

The report of the Board was approved by the Board on 4 July 2023 and signed on its behalf by:



David Biggs
Chair of the Board of B3Living Limited
Dated: 4 July 2023

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 internal controls to the Audit and Risk Committee (ARC), but they receive an annual assurance 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 the business's 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

B3Living is a social housing provider that is focused on building more much-needed affordable homes, managing its existing housing portfolio and providing excellent services to our customers.

All of these activities, including those that support them happening, e.g treasury management, data management, staff management, etc, all carry inherent levels of risk, be it, reputational, financial or compliance. Therefore, as we are unable to eradicate all risks from the business, we maintain a robust risk management framework that enables us to identify, evaluate and manage the risks the business faces so we can deliver upon our objectives.

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

- Being accountable to tenants, the Regulator and relevant stakeholders.
- Safeguarding taxpayers' interests and the reputation of the sector.
- Having an effective risk management and internal controls assurance framework.
- Protecting social housing assets.

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 affordable homes for our customers and community. Failure to understand or manage risk effectively could result in a regulatory downgrade, putting our customers at risk, and/or financial loss, which would cause reputational damage and undermine the confidence of our key stakeholders, i.e. customers, funders, local authority, partners etc.

Risk management framework at B3Living

B3Living's 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 strategic objectives and its tolerance levels.
- **Identifying and recording risk -** categorisation and identification of individual significant risks to the organisation.
- **Evaluating and managing -** procedures for evaluating risks identified.
- **Governance –** roles and responsibilities and processes for effective monitoring.
- **Risk management culture –** how the organisation will ensure that risk management thinking is embedded at all levels of the organisation.

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 is 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. Each year, during either a board awayday or at a board meeting, members discuss and agree their risk appetite for the Group.

The flow chart below provides an overview of the risk appetite process

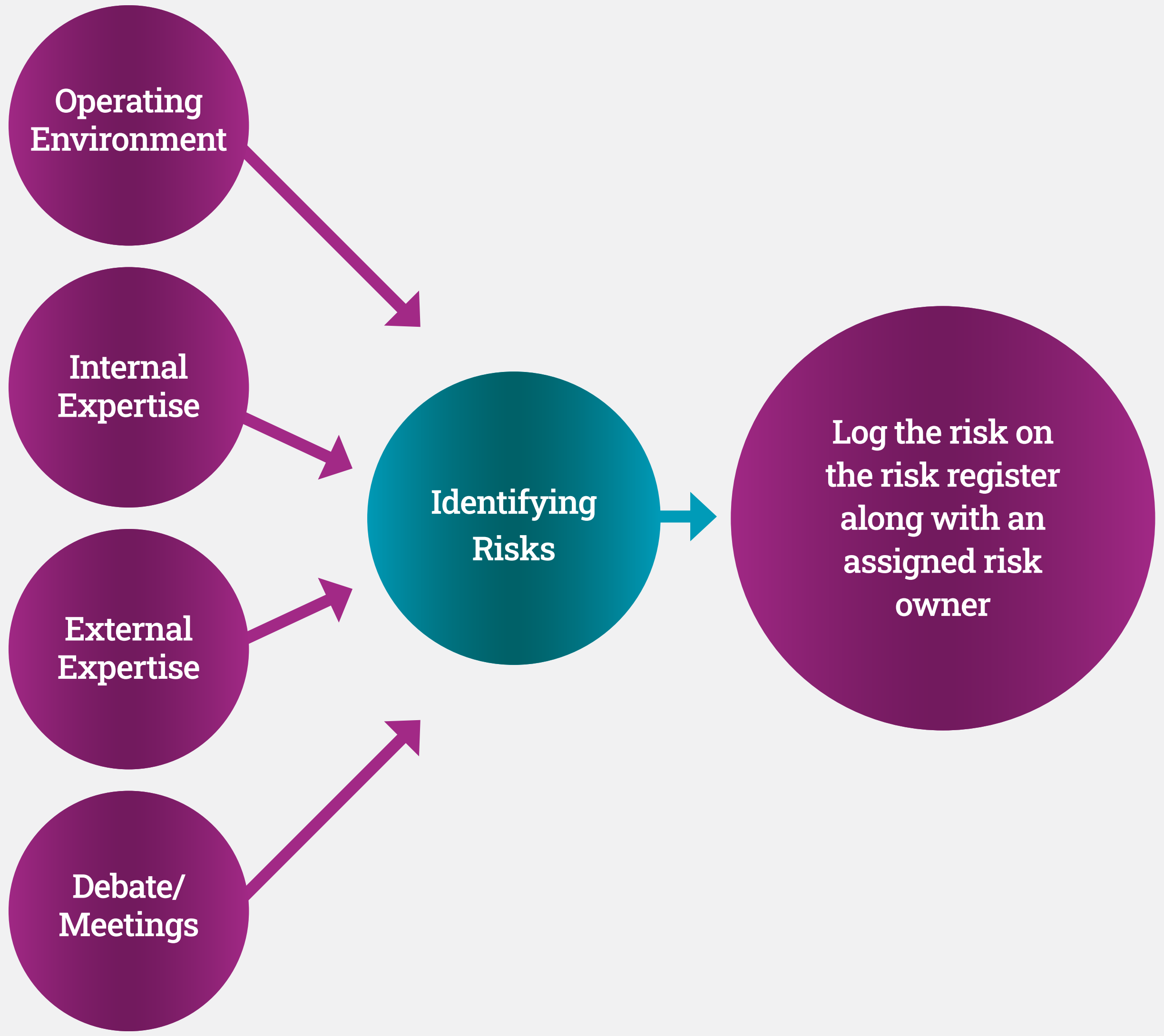
The risk appetite is an important exercise as it helps set the tone of an organisation. For example, the Board in December 2022 expressed a reasonably strong risk tolerance towards activities that help to reduce our carbon footprint and to promote our profile in the sector. Conversely, the Board maintained a low risk tolerance towards regulatory and legislative compliance. To ensure the business is operating within the parameters of the Board's risk appetite, the Board approves a review to show how the risk appetite matrix will be applied across the business and within the decision-making process.

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 to achieve its objectives and they are used to help define and quantify the business's investment capacity, for example, around how many new affordable homes B3Living can deliver for our communities.

Identifying and recording risk

The Executive and Board members are selected for their positions based on the skill requirements of the business and therefore these inherent skills provide a robust foundation to support our ability to identify new and emerging risks. To support the need to identify emerging risks or changes to existing risks, the Board receives biannual reports on the economic environment and housing market, quarterly reports on the lending market, professional speakers to discuss sector risks, time at Board awaydays to discuss emerging risk and to "Blue Sky" think about potential risks, an analysed review of the Regulator's annual sector risk profile, an annual presentation of the asset and liability register, and a detailed review of the business plan's stress testing results. Members and officers are also encouraged to attend sector conferences and read sector publications. All identified risks are logged on the corporate risk register to be evaluated and managed.

Opposite is a flow chart showing where B3Living's risks could come from:



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 should. 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 and secondly, a 'residual' risk assessment determines the exposure after action(s) have been taken to manage or 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. We maintain a comprehensive risk register which logs all the identified risks and their score based on likelihood of materialising and impact of the risk crystalising. The Strategic Risk Register is presented at every Board, Audit and Risk Committee, Executive and Leadership team meeting for review and discussion.

The flow chart opposite provides an overview of the evaluating and risk management process at B3Living:

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 (ARC) 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. 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 officers.

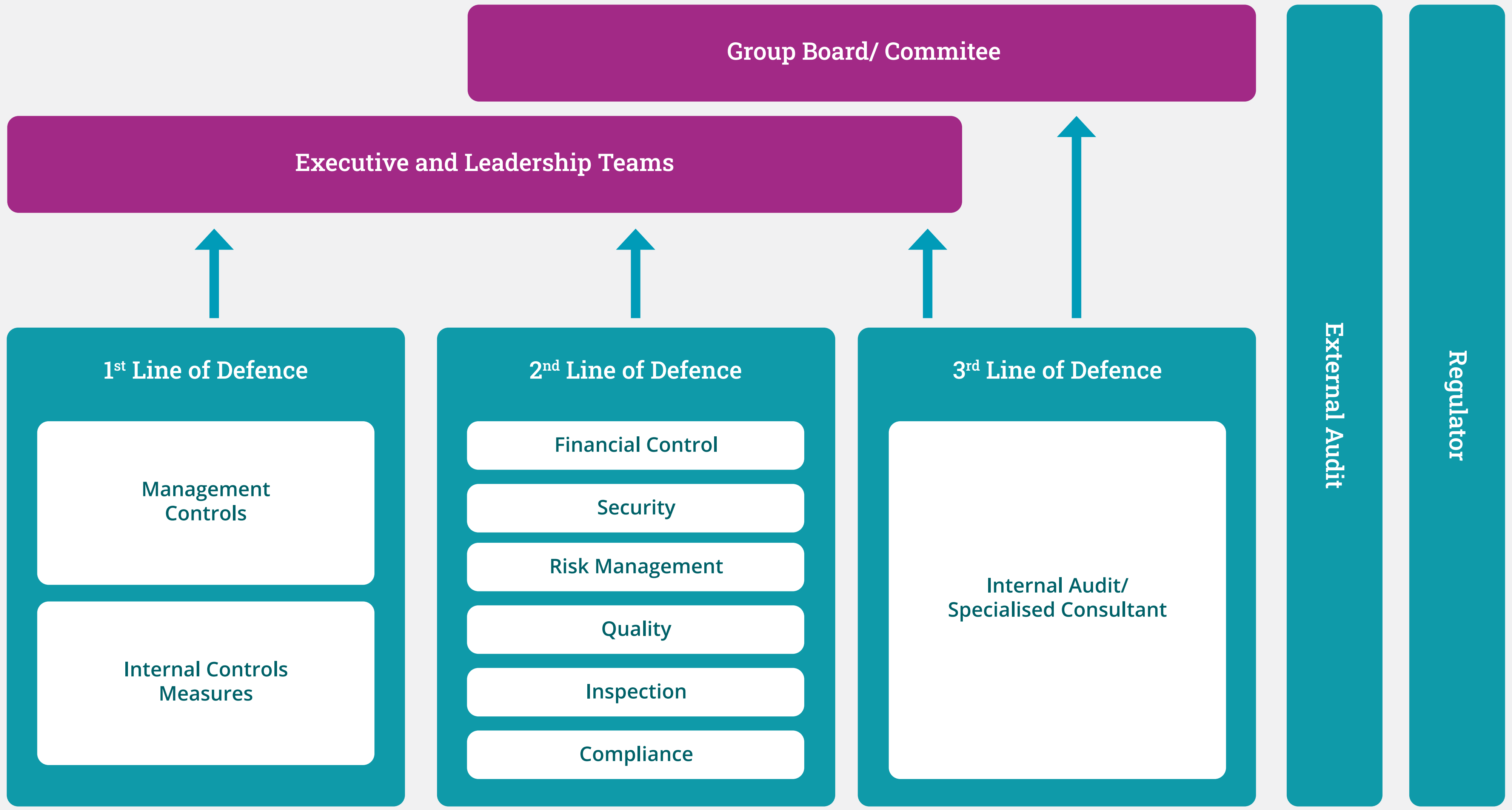
Delegation of authority and financial regulations set a framework for board committees, the Chief Executive and the Executive team. Board committees provide assurance to the Board on key areas of activity such as safeguarding of assets, the effectiveness of the finance and treasury functions and the delivery of quality services. As part of the system of internal controls, the Board has a policy on fraud which covers prevention, detection and reporting of fraud and the recovery of assets in line with the expectation of the Regulator of Social Housing.

The Board is responsible for ensuring that the business maintains an appropriate Risk Register. To retain strategic focus at Board meetings, members are only presented with strategic risks with a residual score, based on the multiple of 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 predominately 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 improved, and will continue to improve, our 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 Risk Register (operational and strategic) 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 staff 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, working group, documented knowledge, etc. These reviews are used to determine the need for increased risk training or improved communications.
- Annually present our 'three lines of defence' assurance framework to the Audit and Risk Committee for review and discussion. The 'three lines of defence' framework segregates our sources of assurance into three distinct categories.
  1. The first line is the information received directly from management to indicate how effectively controls are operating (such as policies and procedures, management reports, etc.).
  2. The second line is information provided from independent internal sources (such as independently validated KPIs, internal quality checks, etc.).
  3. The third line of assurance is external bodies who assess the effectiveness of the controls in place. This is often provided by internal audits but can include regulatory reviews or specialist consultants, something we have undertaken in respect building health and safety compliance and cyber security.
- Annual review of the effectiveness of the internal audit function to the Audit and Risk Committee. When approving the annual internal audit plan the Audit and Risk Committee consider how the plan corelates to risks within the corporate risk register and delivery of our Better Futures Strategy. The Committee also considers if certain audits would be better delivered by a specialist third party for assurance rather than our appointed internal auditors.
- Review of the effectiveness of the metrics used to measure compliance to the Board's stated risk appetite for each risk.
- Annual Risk Maturity review is carried out 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. For example, in the 2022 review we concluded that we needed to move our annual business plans into Pentana so we can directly link risks to actions and performance indicators.



Strategic risks

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

Strategic risk	Mitigations
Changes in government policy impacting on B3Living's operating environment and ability to achieve 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 how registered providers set their rents. • We ensure we have sufficient liquidity in place to overcome a sudden shock to our forecast income. • We maintain a prudent approach to business planning to ensure we can deliver the key business objectives in a range of different operating environments. • We have a robust suite of mitigating actions available to the business to either increase investment capacity or protect our long-term viability. • We report on a semi-annual basis on changes within our operating environment, this includes government policy changes.
Deteriorating economic conditions – including the effects of Ukraine war on inflation and resulting interest rises by the Bank of England.	• We have increased our liquidity position by securing £65m of new long-term funding over the last 18 months. • We have a suite of robust Financial Golden Rules in place to ensure we operate within the risk appetite of the Board. • We have a comprehensive approach to stress testing and recovery planning. • We have a robust Investment Policy that seeks to deliver value for money whilst ensuring we can deliver much-needed new affordable homes. • We monitor the credit profile of key contractors weekly. • We present a comprehensive economic and housing report to the Board twice a year.
Failure to deliver annual plan within the parameters of the budget and business plan	• We maintain sufficient financial capacity and liquidity to switch the tenure types (e.g. shared ownership to affordable rent). • We ensure our financial plan has been modelled correctly by conducting annual third-party reviews. • We closely monitor the housing market via regular housing market reports. • Our Financial Golden Rules are designed to manage our exposure to the housing market in any one year. • A deep dive presentation from officers to Audit and Risk Committee on the sales programme and process.
B3Living failed to maintain 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. • In 2022-23 we completed an internal audit on stock condition data which highlighted improvement actions, which will be completed during 2023-24. • We have a programme in place to survey the condition of around 20% of our homes annually.
New Homes Compliance and Potential Changes to Building Regulation (Fire).	• Ensure current new homes building regulations specification exceeds the required level where possible. • We provide additional contingency within our specifications and components to ensure non-combustible balconies and materials are included. • We work with specialists to identify likely requirements or changes to the regulations.
Compliance (asbestos, gas, fire, water, electric, lifts) approach is either not robust enough or reporting/data is not of sufficient quality to highlight areas of concern	• Our health and safety compliance control regime is in place and includes policies, procedures, compliance, and clear roles and responsibilities. • We complete regular and in-depth reporting to the Board (quarterly) and the Executive (monthly). • We hold annual internal audits covering elements of the six key compliance areas. • 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. • 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.

Rental income collection	• We have invested in new technology, RentSense, to help identify potential arrears cases early, so support can be provided before arrears cause tenancy sustainment issues. • We benefit from connections with local agencies and charities to support those customers with specialist needs to maintain their tenancies. • We established a "Support Fund" to help those customers whose rent arrears are cause by factors out of their control and are impinging on their ability to sustain their tenancy. • We introduced a Customer Coach to support customers in crisis to maintain their tenancy.
B3Living is developing its under-standing 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. • We undertake annual SHIFT carbon footprint analysis to allow us to monitor progress. • We have appointed a strategic expert to work to support our Social Housing Decarbonisation Fund bid which will improve the EPC rating of a further 263 to C. • We have worked with funders to carve out our decarbonisation works from our interest cover loan covenants. • We have a prudent assumption in the Business Plan, based on an external contractors estimate to achieve net-zero carbon by 2050.
Cyber Attack - Breach of IT security leading to potential loss of data, money and/or disruption to IT based services	• We maintain effective firewalls to protect our network. • We conduct annual external penetration testing. • We have appropriate policies (Data Protection and Information Management Policy; Access Control Policy; Password Policy; IT Acceptable Usage Policy). • We undertake staff training and awareness in this area. • We successfully obtained "Cyber Essentials Plus" accreditation and complete regular cyber security internal audits.
Business failure of major IT suppliers	• We complete regular financial assessment of all our major IT suppliers. • We hold regular supplier account meetings. • We have streamlined our application process to encourage higher volume of applications. • We keep apprised of the current market and any potential replacements should the risk crystallise.

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

B3Living outsources the internal audit function to TIAA Ltd 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 TIAA as well as an annual closed session for members and the internal auditors to discuss the effectiveness of the process.

TIAA work closely with the Group to ensure that a risk-based approach to the monitoring of the control environment is maintained and is effective. TIAA are satisfied that, for the areas reviewed during the year, B3Living has reasonable and effective risk management, control and governance processes in place. However, this opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance. During the year, TIAA carried out seven internal audits across the business, ranging from cyber security to resident led engagement, providing substantial assurance in three audits, reasonable assurance in another three, and limited assurance in one.

External audit

The Financial Statements for the year ended 31 March 2023 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.

In their role of reviewing the validity and accuracy of the Annual Financial Statements and Accounts, the Audit and Risk Committee 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 were three incidents of fraud recorded in the Fraud Register. Two of these were credit card related and we were refunded accordingly, the other case involved a member of staff and resulted in a minimal loss of funds.

The Anti-Fraud Policy, Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy were reviewed by the Board during 2022-23. The Whistleblowing Policy was reviewed, and external training was provided to the Audit and Risk Committee and key staff in 2021-22.

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 long-term business plan satisfies lender and investor covenants and demonstrates our ability to repay all debt in accordance with contractual commitments and, for these reasons, the Group and Association continues to adopt the going concern basis in preparing the Financial Statements.

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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 31 March 2023, 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.

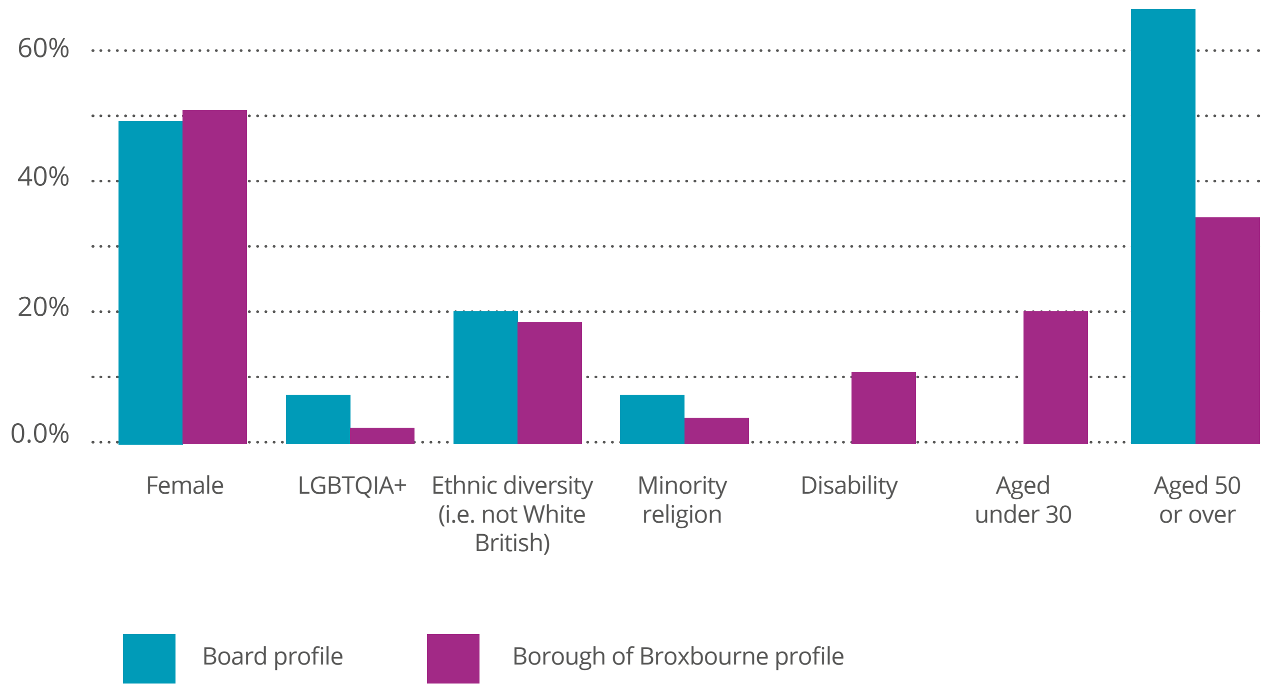
During the 2022-23 financial year, B3Living has maintained the top governance and viability ratings of G1 and V1 respectively, awarded in March 2022 following a regulatory in-depth assessment (IDA) and reaffirmed via a desktop stability check in December 2022.

Governance

B3Living 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.



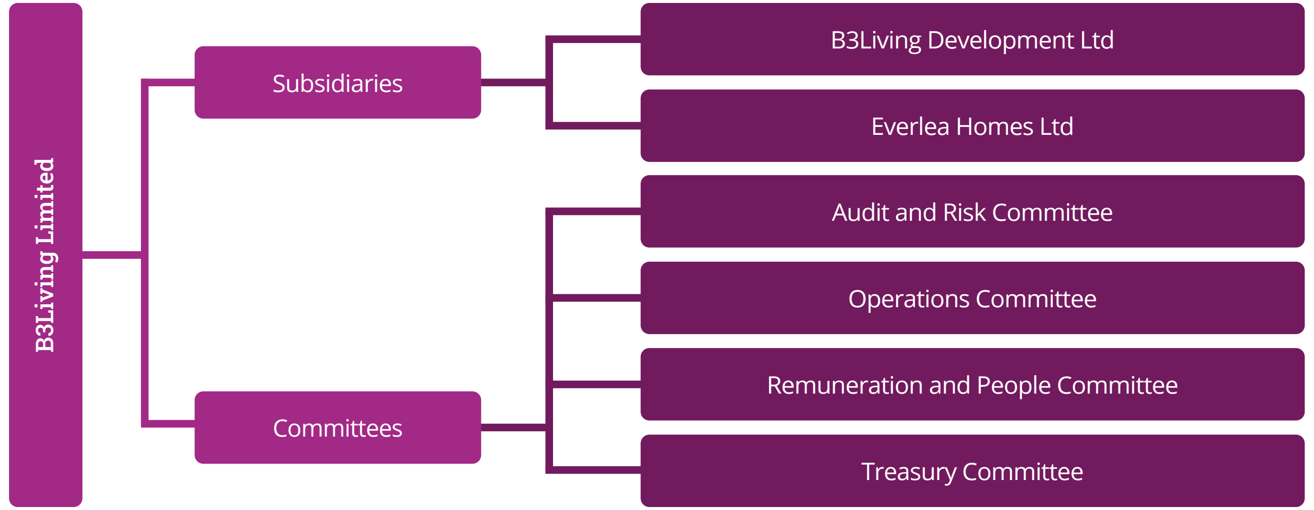
Our Board has an agreed skills statement against which we regularly assess our current board members' skills and attributes and address any gaps through recruitment, succession planning and bringing in external expertise, if required. Our Board is made up of members with a wide range of expertise and 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. Boar d members and Executive Directors currently in post are set out on page 73-74.

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 69 and 71.

The Board has delegated certain responsibilities to four main committees. Of these, four are ongoing from previous years: the Audit and Risk Committee, which meets four times a year, the Remuneration and People Committee, and the Treasury Committee, both of which meet at least once a year. In November 2022, the Board approved the establishment of a new Operations Committee, which has agreed to meet three times a year and aims to further embed the customer voice into our governance structure and ensure we take a robust approach to customer and building safety.

There are also two subsidiary companies (B3Living Development Limited and Everlea Homes Limited) with their own boards, which meet three times a year. The Board has delegated approvals of small schemes to B3Living 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), and December 2022 this rating was reaffirmed via a desktop review.

In May 2023, 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 2022-23.

B3Living is signed up to the NHF Code for Mergers, Group Structures and Partnerships.

In May 2023, 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.

Welcome to our new Board members

We were very happy to welcome Marianne Davies and Stephen Glover to our Board this year.

Marianne is Global Head of People Services with GSK plc and brings significant experience from her trustee roles with a number of charities, such the Youth Action Alliance and SPANA, and her work on equality, diversity and inclusion with the Royal College of Obstetricians and Gynaecologists.

Stephen brings financial expertise to the Board with his background as a chartered management accountant, CIMA fellow and in his current role as Director of Financial Planning and Analysis at University College London. He can also draw on experience as a Board member of a multi-academy trust and as a BACP accredited psychotherapist specialising in supporting LGBTQIA+ clients.

Following an open recruitment, both Marianne and Stephen formally joined the Board in January 2023.

Board members, executive directors, funders, advisers and auditors

Board members

David Biggs
Chair of the Board

Trudi Kleanthous
Vice Chair

Caroline Abomeli

Jaine Cresser

Marianne Davies
(Appointed 24 January 2023)

Stephen Glover
(Appointed 24 January 2023)

Rebecca Lewis

Steve Nunn

Rosalind Rowe

Vipul Thacker

Paul Tyrrell

Steve Woodcock
Chief Executive of B3Living

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
150 Minories,
London EC3N 1LS

Tax advisor

Grant Thornton UK LLP
The Colmore Building, 20 Colmore Circus,
Birmingham B4 6AT

Bankers

Lloyds Bank Plc Corporate Banking,
25 Gresham Street, London,
EC2 7H

Solicitors

Anthony Collins Solicitors
LLP 134 Edmund Street,
Birmingham, B3 2ES

Trowers & Hamlin LLP
55 Princess street,
ManchesterM2 4EW

Winckworth Sherwood LLP
Minerva House, 5 Montague Close,
London SE1 9BB

Investors and funders

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

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

Barclays Bank Plc
1 Churchill Place,
London E14 5HP

Internal auditors

TIAA Ltd
Artillery House, Fort Fareham,
Newgate Lane,
Fareham PO14 1AH

Treasury advisors

Savills Plc
33 Margaret Street,
London W1G 0JD

Valuers

Derrick Wade Waters
1 Station Road Tottenham Hale,
London N17 9LR

Paul Wallace
70 High Street
Hoddesdon EN11 8ET

Savills Plc
37-39 Perrymount Road,
Haywards Heath RH16 3BN

M&G Investment Management Ltd
5 Laurence Pountney Hill,
London EC4R 0HH

Lloyds Bank Plc
Corporate Banking,
25 Gresham Street,
London EC2 7HN

Independent auditor’s report

Opinion

We have audited the financial statements of B3Living Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2023 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 2023 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 Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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 B3Living Limited by the Board for the period ending 31 March 2007. The period of total uninterrupted engagement for the Group is for 17 financial years ending 31 March 2023. 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 £849,380, 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 £849,380, 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 £42,469, 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.

1. Financial Performance, Treasury Management and Loan Covenants

The risk – significant risk high value

The Group posted a full year surplus of £2.5m before actuarial gains on pension schemes (refer to pages 87-154 (accounting policies) and pages 83-86 (financial disclosures)). At 31 March 2023 the Group had borrowings of £210m (refer to pages 87-154 (accounting policies and notes to the accounts) and pages 83-86 (financial disclosures).

Our response

Our procedures included the following:

- Assessment of ability to service and repay its long-term borrowings: Reviewed the Group and Association's 2023-24 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 2023 and projected future performance.

Our results

Our audit work concluded that all loan covenants were comfortably met at 31 March 2023. Forecast performance at 31 March 2024 shows a similar position, with gearing and interest cover forecast to be 48% and 146% 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 £80m of undrawn existing loan facilities.

2. Housing Properties – capitalisation of new build development costs

The risk – significant risk high value

The parent Association capitalised new build development costs of £19.2m (2022: £34.7m). Refer to pages 87-154 (accounting policies and notes to the accounts) and pages 83-86 (financial disclosures).

Our response

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.

Our results

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

3. Sales risk and exposure to the property market

The risk – significant risk medium value

The Group recorded turnover from properties developed for first tranche shared ownership sale of £10.3m (2022: £4.5m). Other property sales (such as staircasing, RTB and asset disposals) generated a further surplus of £669k (2022: £790k). At 31 March 2023, the balance of work in progress relating to completed unsold properties was £7.0m (2022: £3.5m), with a further £2.5m (2022: £11.8m) of work in progress relating to properties for sale under construction. The Group has stress tested a range of scenarios, including house price fall of 35%, no sales being generated in 2024-25, 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 87 (accounting policies) and page 83 to 86 (financial disclosures).

Our response

Our procedures included the following tests of detail:

- Test of detail: Agreed 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 stock and 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's or Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the 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 Co-operative 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 57, 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 website 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 2022, 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, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

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

Date: 9 June 2023

Financial statements

Statement of comprehensive income

For the year ended 31 March 2023

	Notes	Group March 2023	Group March 2022	Association March 2023	Association March 2022
		£000	£000	£000	£000
Turnover	3	42,469	34,535	42,469	34,535
Cost of sales	3	(8,531)	(3,701)	(8,913)	(3,873)
Operating expenditure	3	(19,364)	(16,724)	(19,719)	(16,877)
Gains on disposal of housing properties	3	669	790	669	790
Changes in valuation of investment properties	10c	85	65	85	65
Operating surplus	5	**15,328**	**14,965**	**14,591**	**14,640**
Share of surplus from joint ventures		49	-	-	-
Gift Aid		-	-	511	917
Interest receivable	6	29	2	29	138
Interest and financing costs	7	(6,338)	(4,942)	(6,338)	(4,942)
Financial asset impairment		(6,542)	-	-	-
Surplus/(deficit) before tax		**2,526**	**10,025**	**8,793**	**10,753**
Taxation		-	-	-	-
Surplus/(deficit) for the year		2,526	10,025	8,793	10,753
Actuarial (losses)/gains in respect of pension schemes	27	587	1,680	587	1,680
Comprehensive income for the year		**3,113**	**11,705**	**9,380**	**12,433**

The Financial Statements were approved and authorised for issue by the Board on 4 July 2023 and were signed on its behalf by:

David Biggs
Chair of Board

Trudi Kleanthous
Board Member

Paul Tyrrell
Board Member

Claire Howe
Company Secretary

The notes on pages 87-154 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 2023

	Notes	Group		Association	
		March 2023	March 2022	March 2023	March 2022
		£000	£000	£000	£000
Fixed Assets					
Housing Properties at costs	10a	317,046	295,582	317,734	296,431
Other Fixed Assets	10b	3,648	3,881	3,648	3,881
Investment properties	10c	3,366	3,160	3,366	3,160
Investment in subsidiaries	10d	-	-	-	-
Investment in joint ventures	10e	-	-	-	-
Tangible fixed Assets		**324,060**	**302,623**	**324,748**	**303,472**
Current assets					
Stock	11	9,461	15,289	9,461	15,563
Trade and other debtors	12	1,827	15,862	1,797	9,509
Agreement to improve existing properties	25	1,439	1,469	1,439	1,469
Cash and cash equivalents	13	7,045	3,335	5,911	706
		19,772	**35,955**	**18,608**	**27,247**
Less: Creditors falling due within one year	14	(7,237)	(12,639)	(6,762)	(11,048)
Net current assets		**12,535**	**23,316**	**11,846**	**16,199**
Total assets less current liabilities		**336,595**	**325,939**	**336,594**	**319,671**
Creditors falling due after more than one year	15	(241,179)	(232,870)	(241,179)	(232,870)
Provisions for liabilities					
Agreement to improve existing properties	25	(1,439)	(1,465)	(1,439)	(1,465)
Pension provision	29	(299)	(1,039)	(299)	(1,039)
		(1,738)	(2,504)	(1,738)	(2,504)
Total net assets		**93,678**	**90,565**	**93,677**	**84,297**
Reserves					
Non-equity share capital	26	-	-	-	-
Income and expenditure reserve		93,678	90,565	93,677	84,297
Total reserves		**93,678**	**90,565**	**93,677**	**84,297**

The Financial Statements were approved and authorised for issue by the Board on 4 July 2023 and were signed on its behalf by:

David Biggs
Chair of Board

Trudi Kleanthous
Board Member

Paul Tyrrell
Board Member

Claire Howe
Company Secretary

The notes on pages 87-154 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 2023

	Group		Association	
	Share Capital*	Income and Expenditure	Share Capital*	Income & Expenditure
	£000	£000	£000	£000
Balance as at 1 April 2021	-	78,860	-	71,864
Surplus for the year	-	10,025	-	10,753
Actuarial gains in respect of pension schemes	-	1,680	-	1,680
Balance as at 31 March 2022	-	**90,565**	-	**84,297**
Surplus for the year	-	2,526	-	8,793
Actuarial gain in respect of pension schemes	-	587	-	587
Balance as at 31 March 2023	**-**	**93,678**	**-**	**93,677**

*The Group and Association have issued share capital of £11 (2022: £9).

The Group and Association had equity at the reporting date of £93,678 (2022: £90,565k) and £93,677k (2022: £84,297k) respectively.

The notes on pages 87-154 form an integral part of the Financial Statements.

Consolidated statement of cash flows

For the year ended 31 March 2023

	March 2023	March 2022
	£000	£000
Net cash generated from operating activities (see note 21)	**15,520**	**21,484**
Cash flow from investing activities		
Purchase of tangible fixed assets (social housing)	(23,769)	(39,026)
Purchase of other fixed assets	(571)	(578)
Purchase of other investment properties	(121)	1,209
Proceeds from sale of tangible fixed assets	2,353	2,904
Grants received	10,903	1,365
Investments in joint ventures	49	730.00
Investment income received	9	2
	(11,147)	**(33,394)**
Taxation	-	-
Cash flow from financing activities		
Interest paid	(7,989)	(7,076)
Financing costs	(74)	(717)
New secured loans	40,000	50,000
Bond Premium	2,400	-
Repayments of borrowings	(35,000)	(30,000)
	(663)	**12,207**
Net change in cash and cash equivalents	**3,710**	**296**
Cash and cash equivalents at beginning of the year	3,335	3,039
Cash and cash equivalents at end of the year	**7,045**	**3,335**
	3,710	**296**

The notes on pages 87-154 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.

2. (a) Principal accounting policies (cont.)

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.

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.

2. (a) Principal accounting policies (cont.)

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.

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 grants (SHG) 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)

Since 2019 it has been possible to disaggregate the share of the Group and Association's asset and liabilities in a SHPS scheme; therefore, the closed SHPS scheme is accounted for as a defined benefit scheme. The accounting information is based on the present value as at 31 March 2023, 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.

2. (a) Principal accounting policies (cont.)

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.

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 Group and Association have 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 of its on lending to a legacy joint venture partner of the subsidiary, Everlea Homes. In the third quarter of the financial year this legacy joint venture partner was taken into administration by its primary lender, a financial institution. The Group, through its subsidiary, had on lent £5.5m from proceeds of its share of joint venture profits which it deferred from receiving as cash but issued a loan note. The loan note had accrued interest of £1.04m making the total on lending £6.5m. The on lending is secured against the land, however; due to the administration process the Group has taken a prudent view and elected to impair to £nil this on-lending. The risk on this is now upside if there are any residual proceeds from the sale by the administrator.

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 amortised 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.

2. (a) Principal accounting policies (cont.)

Corporation taxation

B3Living 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.

Agreements to improve existing properties

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a subcontracting 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 Fa 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.

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

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.

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).

Depreciation of housing properties

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 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. At the reporting date the Group had one live joint venture which has substantially completed its joint venture mission and objectives. The joint venture is being wound up and there will be nominal transactions going through this in future, and therefore there is no evidence of impairment - (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

	Turnover	Cost of sales	Operating expenditure	Operating surplus 2023	Group Operating surplus 2022
	£000	£000	£000	£000	£000
Social housing lettings (note 3c)	31,505	-	(18,730)	**12,775**	13,259
Other social housing activities:					
First tranche home ownership sales	10,331	(8,531)	-	**1,800**	793
Supporting people	98	-	(98)	**-**	-
Leaseholders	297	-	(513)	**(216)**	(48)
Other	7	-	(8)	**(1)**	(110)
Total other social housing activities	**42,238**	**(8,531)**	**(19,349)**	**14,358**	**13,894**
Activities other than social housing					
Commercial rent	-	-	(1)	**(1)**	28
Market rent	56	-	(7)	**49**	49
Other	175	-	(7)	**168**	139
Total non-social housing activities	**231**	**-**	**(15)**	**216**	**216**
Total	**42,469**	**(8,531)**	**(19,364)**	**14,574**	**14,110**
Gains on disposal of housing properties				669	790
Changes in valuation of investment properties				85	65
Total	**42,469**	**(8,531)**	**(19,364)**	**15,328**	**14,965**

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

	Turnover	Cost of sales	Operating expenditure	Operating surplus 2023	Association Operating surplus 2022
	£000	£000	£000	£000	£000
Social housing lettings (note 3c)	31,505	-	(18,730)	**12,775**	13,259
Other social housing activities:					
First tranche home ownership sales	10,331	(8,913)	-	**1,418**	621
Supporting people	98	-	(98)	**-**	-
Leaseholders	297	-	(513)	**(216)**	(58)
Other	7	-	(370)	**(363)**	(266)
Total other social housing activities	**42,238**	**(8,913)**	**(19,711)**	**13,614**	**13,556**
Activities other than social housing					
Commercial rent	-	-	(1)	**(1)**	28
Market rent	56	-	(7)	**49**	49
Other	175	-	-	**175**	152
Total non-social housing activities	**231**	**-**	**(8)**	**223**	**229**
Total	**42,469**	**(8,913)**	**(19,719)**	**13,837**	**13,785**
Gains on disposal of housing properties				669	790
Changes in valuation of investment properties				85	65
Total	**42,469**	**(8,913)**	**(19,719)**	**14,591**	**14,640**

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	Total 2023	Total 2022
				Group and Association	
	£000	£000	£000	£000	£000
Income					
Rent receivable net of identifiable service charge	26,819	1,667	1,468	**29,954**	27,828
Service charge income	831	486	-	**1,317**	1,083
Net rental income	**27,650**	**2,153**	**1,468**	**31,271**	**28,911**
Amortised government grants	194	-	40	**234**	438
Turnover	**27,844**	**2,153**	**1,508**	**31,505**	**29,349**
Operating expenditure					
Management costs	(2,847)	(755)	(207)	**(3,809)**	(3,470)
Service charge costs	(1,501)	(432)	(93)	**(2,026)**	(1,595)
Responsive	(5,673)	(491)	-	**(6,164)**	(5,115)
Planned cyclical maintenance	(2,937)	(127)	-	**(3,064)**	(2,229)
Bad debts	(5)	(9)	-	**(14)**	21
Depreciation	(3,305)	(233)	-	**(3,538)**	(3,581)
Other costs	(113)	-	(2)	**(115)**	(121)
Operating expenditure	**(16,381)**	**(2,047)**	**(302)**	**(18,730)**	**(16,090)**
Operating surplus	**11,463**	**106**	**1,206**	**12,775**	**13,259**
Prior period operating surplus	**11,859**	**299**	**1,100**	**13,259**	
Voids	***(312)***	***(20)***	**-**	***(332)***	***(264)***

3. (d) Group segmental reporting

Particulars of income and expenditure	General housing	Sheltered housing	Low-cost home ownership	Other	Total 2023	Total 2022
					Group and Association	
	£000	£000	£000	£000	£000	£000
Income						
Rent receivable net of service charges	26,819	1,667	1,468	-	29,954	27,828
Service charge income	831	486	-	-	**1,317**	1,083
Net rental income	**27,650**	**2,153**	**1,468**	**-**	**31,271**	**28,911**
Amortised government grants	194	-	40	-	**234**	438
Commercial rent	-	-	-	-	**-**	28
Market rent	-	-	-	56	**56**	56
Management fees	-	-	-	182	**182**	170
Supporting people income	-	-	-	98	**98**	90
Leaseholders	-	-	-	297	**297**	348
First tranche home ownership sales	-	-	10,331	-	**10,331**	4,494
Turnover	**27,844**	**2,153**	**11,839**	**633**	**42,469**	**34,535**

3. (d) Group segmental reporting continued

Particulars of income and expenditure	General housing	Sheltered housing	Low-cost home ownership	Other	Total 2023	Total 2022
					Group and Association	
Operating expenditure						
Cost of sales - stock	-	-	(8,531)	-	**(8,531)**	(3,701)
Management costs	(2,847)	(755)	(207)	(7)	**(3,816)**	(3,483)
Service charge costs	(1,501)	(432)	(93)	-	**(2,026)**	(1,595)
Responsive	(5,673)	(491)	-	-	**(6,164)**	(5,115)
Planned cyclical maintenance	(2,937)	(127)	-	-	**(3,064)**	(2,229)
Bad debts	(5)	(9)	-	-	**(14)**	21
Depreciation	(3,305)	(233)	-	-	**(3,538)**	(3,581)
Supporting people costs	-	-	-	(98)	**(98)**	(90)
Other costs	**(113)**	**-**	**(2)**	**(529)**	**(644)**	**(652)**
Operating expenditure	**(16,381)**	**(2,047)**	**(8,833)**	**(634)**	**(27,895)**	**(20,425)**
Gains on disposal of housing properties	238	-	431	-	**669**	790
Increase/(decrease) in valuation of investment properties	**-**	**-**	**-**	**85**	**85**	**65**
Segmental operating surplus	**11,701**	**106**	**3,437**	**84**	**15,328**	**14,965**
Share of surplus from joint ventures	-	-	-	49	**49**	-
Interest receivable	-	-	-	29	**29**	2
Interest and financing costs	(4,776)	(372)	(1,190)	-	**(6,338)**	(4,942)
Operating surplus	**6,925**	**(266)**	**2,247**	**162**	**9,068**	**10,025**
Social housing properties	238,897	18,602	59,547	-	**317,046**	295,582
Other fixed assets	2,720	212	678	38	**3,648**	3,881
Investment properties	-	-	-	3,366	**3,366**	3,160
Investment in subsidiaries	-	-	-	-	**-**	-
Investment in joint ventures	-	-	-	-	**-**	-
	241,617	**18,814**	**60,225**	**3,404**	**324,060**	**302,623**

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 2022	Units acquired or developed	Units sold / demolished	Other movements	31 March 2023
Social housing units					
General needs	2,687	-	(2)	15	2,700
Affordable rental tenure	927	163	(2)	(13)	1,075
Supported housing	284	-	-	(2)	282
Intermediate rent	11	-	-	-	11
Social - managed by others	49	-	-	-	49
Low-cost home ownership	332	95	(3)	(1)	423
Leaseholders (social managed)	641	-	-	2	643
Total social housing units owned and /or managed	**4,931**	**258**	**(7)**	**1**	**5,183**
Leased to others - associations	56	-	-	-	56
Total social housing units	**4,987**	**258**	**(7)**	**1**	**5,239**
Leaseholders (non-social)	104	-	-	-	104
Market rented	4	-	-	-	4
Commercial units	2	-	-	-	2
Total non-social units	**110**	**-**	**-**	**-**	**110**
Total	**5,097**	**258**	**(7)**	**1**	**5,349**

4. Gains on disposals of property, plant and equipment

	Group and Association	
	31 March 2023	March 2022
	£000	£000
Right to buy and acquire		
Proceeds	1,031	1,840
Cost of sales	(946)	(1,570)
Total surplus	**85**	**270**
Staircasing		
Proceeds	1,109	965
Cost of sales	(678)	(484)
Total surplus	**431**	**481**
Other Disposals		
Proceeds	153	39
Cost of sales	-	-
Total surplus	**153**	**39**
Total surplus	**669**	**790**

5. Operating surplus

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Operating surplus is stated after charging/(crediting):				
Auditors' remuneration (excluding VAT):				
In their capacity as auditors	63	59	53	49
Operating lease payments	214	214	214	214
Depreciation:				
Tangible Fixed Assets - housing properties	3,262	3,426	3,262	3,426
Accelerated depreciation on component	276	155	276	155
Other fixed assets	575	521	575	521
Amortisation of grant funding	234	438	234	438
Surplus on sale of fixed assets	669	790	669	790

6. Interest receivable and similar income

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Interest receivable and similar income	29	2	29	138

Interest receivable is from cash held in bank accounts and from the Liquid reserve fund.

7. Interest and financing costs

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
On loans repayable in more than five years	7,918	6,694	7,918	6,694
Costs associated with financing	311	326	311	326
Less: Interest capitalised***	(1,911)	(2,134)	(1,911)	(2,134)
	6,318	**4,886**	**6,318**	**4,886**
Deferred benefit pension charge (note 29)				
Interest on pension scheme liabilities	-	-	-	-
Expected return on employer assets	20	56	20	56
	20	56	20	56
Total interest payable and similar charges	**6,338**	**4,942**	**6,338**	**4,942**

***The weighted average interest on borrowing of 3.7% (2022: 3.5%) was used for calculating capitalised interest.

8. Tax on surplus

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£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	**2,526**	**10,025**	**8,793**	**10,753**
Corporation tax rate in the UK of 19% (2022: 19%)	480	1,905	1,671	2,043
Effects of:				
Non-taxable charitable activities	(1,723)	(1,905)	(1,671)	(2,043)
Unallowable capital losses	1,243	-	-	-
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	
	2023	2022
	No.	No.
Executive team	5	5
Development and sales	6	5
Finance	8	8
Corporate services	22	22
Service delivery	124	122
	164	**162**

	Group and Association	
Employee costs	2023	2022
	No.	No.
Wages and salaries	6,412	5,689
Social security costs	641	572
Pension costs	712	531
Termination payment	20	13
Less: capitalised salaries	(1,243)	(1,096)
	6,542	**5,889**

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	
	2023	2022
	No.	No.
£60k to £70k	2	2
£70k to £80k	1	2
£80k to £90k	2	1
£110k to £120k	-	1
£120k to £130k	1	2
£130k to £140k	2	2
£150k to £160k	2	-
£160k to £170k	-	1
£170k to £180k	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 £817k (2022: £742k).

	Group and Association	
	2023	2022
	£000	£000
Wages and salaries (including performance related pay for period)	697	628
Pension contributions	68	66
Total emoluments paid to executive officers	**765**	**694**

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

		Group and Association	
Non-executive Board member		**2023**	**2022**
		£000	£000
David Biggs	Chair	11	10
Chris Fawcett	(Resigned 15 October 2021)	-	2
Jaine Cresser		5	4
Nicci Statham	(Resigned 14 September 2021)	-	2
Rosalind Rowe		5	4
Trudi Kleanthous		6	6
Paul Tyrrell		6	6
Rebecca Lewis		4	4
Steve Nunn		6	6
Caroline Abomeli		4	2
Vipul Thacker		4	2
Marianne Davies	(Appointed 24 January 2023)	1	-
Stephen Glover	(Appointed 24 January 2023)	-	-
		52	**48**

The Chief Executive, Steve Woodcock is the highest paid director and his remuneration amounted to £163k (2022: £149k) 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 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 2023
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	236,231	42,357	18,628	29,551	**326,767**
Additions during year	-	8,096	11,136	-	**19,232**
Improvements	4,577	-	-	-	**4,577**
Interest capitalised	-	1,074	837	-	**1,911**
Completed in year	43,857	(43,857)	(16,522)	16,522	**-**
Net-zero carbon	182	-	-	-	**182**
Transfers	-	-	-	-	**-**
Disposals	(326)	-	-	(605)	**(931)**
Component Disposals	**(576)**	**-**	**-**	**-**	**(576)**
At 31 March 2023	**283,945**	**7,670**	**14,079**	**45,468**	**351,162**
Depreciation & impairment					
At 1 April 2022	**(31,184)**	-	-	-	**(31,184)**
Charged in year	(3,262)	-	-	-	**(3,262)**
Transfers	-	-	-	-	**-**
Component Disposals	300	**-**	**-**	**-**	**300**
Disposals	30	-	-	-	**30**
At 31 March 2023	**(34,116)**	**-**	**-**	**-**	**(34,116)**
Net book value					
At 31 March 2023	**249,829**	**7,670**	**14,079**	**45,468**	**317,046**
At 1 April 2022	**205,047**	**42,357**	**18,627**	**29,551**	**295,582**

Additions to the Group's housing properties during the year include capitalised interest of £1,911k (2022: £2,134k) and capitalised administration costs of £511k (2022: £497k).

Existing Use Value - Social Housing

As at 31 March 2023, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) is £483m (2022: £427m). The carrying amount of these social housing properties is £479m (2022: £423m). The EUV-SH valuation includes £3.6m (2022: £3.7m) for garages.

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

Expenditure on works to existing properties	Group and Association	
	2023	2022
	£000	£000
Amounts capitalised	4,577	4,772
Amounts charged to income and expenditure account	9,288	7,377
Total	**13,805**	**12,149**

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 2023
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	236,235	43,749	18,080	29,551	**327,615**
Additions during year	-	15,048	4,023	-	**19,071**
Improvements	4,577	-	-	-	**4,577**
Interest capitalised	-	1,075	837	-	**1,912**
Schemes completed in year	43,857	(43,857)	(16,522)	16,522	**-**
Net-zero carbon	182	-	-	-	**182**
Disposals	(326)	-	-	(605)	**(931)**
Component Disposals	**(576)**	**-**	**-**	**-**	**(576)**
At 31 March 2023	**283,949**	**16,015**	**6,418**	**45,468**	**351,850**
Depreciation & impairment					
At 1 April 2022	**(31,184)**	-	-	-	**(31,184)**
Charged in year	(3,262)	-	-	-	**(3,262)**
Component Disposals	300	**-**	**-**	**-**	**300**
Disposals	30	-	-	-	**30**
At 31 March 2023	**(34,116)**	**-**	**-**	**-**	**(34,116)**
Net book value					
At 31 March 2023	**249,833**	**16,015**	**6,418**	**45,468**	**317,734**
At 1 April 2022	**205,051**	**43,749**	**18,080**	**29,551**	**296,431**

Additions to the Group's housing properties during the year include capitalised interest of £1,911k (2022: £2,134k) and capitalised administration costs of £511k (2022: £497k).

Existing Use Value - Social Housing

As at 31 March 2023, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) basis is £483m (2022: £427m). The carrying amount of these social housing properties is £479m (2022: £423m). The EUV-SH valuation includes £3.6m (2022: £3.7m) for garages.

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

Expenditure on works to existing properties	Group and Association 2023	Group and Association 2022
	4,577	**4,772**
Amounts capitalised	9,288	7,377
Amounts charged to income and expenditure account	13,805	12,149
Total	**13,805**	**12,149**

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

	Freehold Offices	Furniture, Fixtures & Fittings	IT & Office Equipment	Motor vehicles	Plant & Equipment	Total 2023
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2022	**2,652**	**318**	**2,729**	**13**	**199**	**5,911**
Additions during year	-	-	216	-	126	**342**
At 31 March 23	2,652	318	2,945	13	325	**6,253**
Depreciation						
At 1 April 2022	(307)	(314)	(1,351)	(2)	(56)	**(2,030)**
Charged in year	(44)	1	(508)	(3)	(21)	**(575)**
At 31 March 23	(351)	(313)	(1,859)	(5)	(77)	**(2,605)**
Net book value						
At 31 March 23	**2,301**	**4**	**1,087**	**8**	**248**	**3,648**
At 1 April 2022	**2,345**	**3**	**1,379**	**11**	**143**	**3,881**

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

	Market Rented 2023	Commercial 2022	2023
	£000	£000	£000
At 1 April 2022	**1,760**	**1,400**	**3,160**
Additions during the year	-	121	**121**
Fair value movements	35	50	**85**
At 31 March 2023	**1,795**	**1,571**	**3,366**

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 £85k (2022: £65k) 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 B3Living 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	2023	2022
	£	£
Everlea Homes Limited	2	2
B3Living 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 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Share of turnover	-	6,563	-	-
Share of cost of sales	49	(6,563)	-	-
Share joint venture of net assets				
At start of the year	**-**	**730**	**-**	-
Repayment of investment	-	(730)	-	-
Additions	-	-	-	-
At end of the year	**-**	**-**	**-**	**-**

10. (e) Investments in joint ventures (cont.)

Analysis of investment by each joint venture

	Wheat Quarter Ltd	Farnham Road LLP	2023 Total	2022 Total
	£000	£000	£000	£000
At 1 April	-	-	-	730
Additions	-	-	-	-
Repayment of investment	-	-	-	(730)
At 31 March	**-**	**-**	**-**	**-**

	Wheat Quarter Ltd	Farnham Road LLP	2023 Total	2022 Total
	£000	£000	£000	£000
Share of turnover	-	-	-	-
Cost of sales	-	49	-	-
At 31 March	**-**	**49**	**-**	**-**

At the reporting date, Farnham Road LLP is now 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 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
	£000	£000	£000	£000
Shared ownership – completed	6,970	3,461	6,970	3,461
Shared ownership – under construction	2,491	11,828	2,491	12,102
	9,461	**15,289**	**9,461**	**15,563**

Stock recognised in cost of sales as an expense was £8,531k (2022: £3,701k) and £8,913k (2022: £3,873) k) in the Group and Association respectively.

An impairment charge of £nil (2022: £nil) has been recognised during the year.

None of the stock is pledged as collateral against borrowing (2022: £nil).

12. Trade debtors and debtors

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Rent arrears	924	1,224	924	1,224
Less: provision for bad debts	(213)	(258)	(213)	(258)
	711	966	711	966
Prepayment and accrued income	571	7,903	571	7,903
Other debtors	545	451	515	640
Inter company debtors	-	-	-	-
	1,827	9,320	1,797	9,509
Long-term debtors				
Loan to joint venture or joint arrangement	-	6,542	-	-
	1,827	15,862	1,797	9,509

Prior year on-lending balance was to a legacy joint venture partner. Following on from the administration of the legacy joint venture partner the Group has elected for prudence reasons to carry the on lending at £nil value.

13. Cash and cash equivalents

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Cash in hand and at bank	5,913	3,234	4,779	605
Liquidity reserve fund	1,023	-	1,023	-
Cash held for leaseholders and low-cost home ownership	109	101	109	101
	7,045	3,335	5,911	706

Of the £7,045k (2022: £3,335k) cash and cash equivalents, £109k (2022: £101k) 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 £40k (2022: £32k). The liquidity reserve fund of £1,023k is held in two short-term deposits with Lloyds Bank Corporate Markets.

14. Creditors: Amounts falling due within one year

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
Trade creditors	467	443	427	409
Rent and service charges received in advance	1,547	1,562	1,547	1,562
Taxation and social security	178	153	178	153
Accruals and deferred income	4,538	10,026	2,707	5,592
Deferred grants due to be released in 1 year (note 17)	235	203	235	203
Recycled grants due to be released in 1 year (note 17)	-	-	-	-
Intercompany creditors	-	-	1,399	2,877
Other creditors	272	252	269	252
	7,237	**12,639**	**6,762**	**11,048**

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

	Group and Association	
Expenditure on works to existing properties	March 2023	March 2022
	£000	£000
Debt (note 16)	210,000	205,000
Less Issue costs	(2,327)	(2,513)
	207,673	**202,487**
Bond Premium*	2,362	-
Deferred Capital Grant (note 17)	31,338	30,383
Recycled capital grant fund (note 18)	57	-
	241,430	**232,870**

The Group and Association have £100m (2022: £100m) revolving credit facilities. At the reporting date, the facilities had an undrawn balance of £80m (2022: £50m). During the year, the Group and Association had a net drawdown of £5m (2022: £20m).

16. Debt analysis – Group and Association

	Group and Association	
Expenditure on works to existing properties	**March 2023**	**March 2022**
Analysis of debt (note 15)	**£000**	**£000**
Bond and note purchase agreement	190,000	155,000
Revolving credit facility	20,000	50,000
	210,000	**205,000**

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. In the 2021-22 financial year, the Group and Association raised two bonds with bLEND for £35m at 3.072% and ARA Venn via the Affordable Housing Guarantee Scheme for £30m at 1.527%. Both the bLEND and ARA Venn facilities have been fully 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, £60m (2022: £30m) of the Lloyds facilities were undrawn and the Barclays loan is currently undrawn (2022: £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 2023

	Effective interest rate	Total carrying amount	Within 1 Year	2 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	%	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
RCFs									
Lloyds	1.643	20,000	-	-	-	20,000	-	-	-
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	35,000	-	-	-	-	-	-	35,000
Fixed rate	1.527	30,000	-	-	-	-	-	-	30,000
		210,000	**-**	**-**	**-**	**20,000**	**-**	**-**	**190,000**

At 31 March 2022

	Effective interest rate	Total carrying amount	Within 1 Year	2 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
			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**

17. Deferred capital grant – Group and Association

As at 31 March 2023, £439k of capital grants had been amortised (2021: £168k) in the year.

	Group and Association	
Expenditure on works to existing properties	**March 2023**	**March 2022**
	£000	**£000**
At 1 April	**30,586**	**21,788**
Received during the year	1,025	8,846
RCGF utilised during the year	-	390
Recycled to RCGF	(57)	-
Amortised during the year	(234)	(438)
Other repayment	2	-
At 31 March	**31,322**	**30,586**
To be released in 1 year	235	203
To be released after 1 year	31,087	30,383
	31,322	**30,586**

18. Recycled capital grant fund – Group and Association

	Group and Association	
	March 2023	**March 2022**
	£000	**£000**
At start of the year	**-**	**434**
Inputs to RCGF:		
Grants recycled during the year	57	-
Utilised during the year	-	(390)
Other	-	(44)
At the end of the year	**57**	**-**
Amount due to be released < 1 year (note 14)	-	-
Amount due to be released > 1 year (note 15)	57	-

None of the RCGF was due for repayment (2022: £nil)

19. Capital commitments – Group and Association

	Group and Association	
	March 2023	March 2022
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	11,386	34,840
Capital expenditure that has been authorised by the Board but has not yet been contracted for	17,754	7,663
	29,140	**42,503**
The Association expects these commitments to be financed by:		
Social Housing Grant	4,336	7,847
Proceeds from the sales of properties	14,340	22,487
Committed loan facilities	10,464	12,169
	29,140	**42,503**

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 £80m (2022: £50m); so, the Group and Association have sufficient funding headroom to meet all commitments.

20. Operating leases – Group and Association

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

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£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	211	211	211
Within two to five years	469	727	469	727
In five years or more	-	-	-	-
	680	**938**	**680**	**938**
	690	**948**	**690**	**948**

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 2023	March 2022
	£000	£000
Comprehensive income for the year	**3,113**	**11,705**
Adjustment for non-cash items		
Depreciation of tangible fixed assets	4,389	4,258
Depreciation write-off	(276)	(155)
Government grants utilised in the year	(234)	(438)
Decrease/(increase) in stock	5,828	(3,282)
(Increase)/decrease trade and other debtors	(1,289)	8,462
Decrease/(increase) in trade and other creditors	(777)	(1,401)
Increase/(decrease) in provisions	-	(2)
Pension gains and losses	(153)	(68)
Surpluses from the sales of fixed assets	(669)	(790)
Share of operating surplus of joint ventures	(49)	-
FV changes - investment properties	(85)	(65)
Interest payable	6,338	4,942
Interest received	(29)	(2)
Taxation	-	-
Actuarial gains/(losses) in respect of pension schemes	(587)	(1,680)
Net cash generated from operating activities	**15,520**	**21,484**

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

	Group and Association	
	March 2023	March 2022
	£000	£000
Increase/decrease in cash	3,710	296
Cash inflow from increase in net debt and lease finance	(5,000)	(20,000)
Increase in net debt from cash flows	**(1,290)**	**(19,704)**
Total changes in net debt for the period:		
Net debt at 1 April 2021	(201,665)	(181,961)
Net debt at 31 March 2022	**(202,955)**	**(201,665)**

23. Analysis of net debt - Group and Association

	01-Apr 2022	Cash flow	31-Mar 2023
	£000	£000	£000
Cash at bank and in hand	3,335	3,710	7,045
Bank overdraft	-	-	-
Changes in cash	**3,335**	**3,710**	7,045
Bond issue	(155,000)	(35,000)	(190,000)
Housing loans	(50,000)	30,000	(20,000)
Changes in debt	**(205,000)**	**(5,000)**	**(210,000)**
Net debt	**(201,665)**	**(1,290)**	**(202,955)**

24. Financial liabilities

Borrowing facilities

The facilities available at 31 March 2023 were as follows:

	Group		Association	
	2023	2022	2023	2022
	£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	210,000	205,000	210,000	205,000
	210,000	205,000	210,000	205,000

At the reporting date, the Group's loan drawn down facilities and bond issued were £210m (2022: £205m). This is made up of £68m bond raised in January 2013, £57m note purchase agreement raised in February 2015, £30m ARA Venn (AHGS) bond, £35m bLEND and £20m revolving credit facility drawn down. The Group had £60m unused revolving credit facility at the reporting date (2022: £50m).

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 2023, the gross values of the balance has been reduced to £1,439k (2022: £1,469k) with VAT arising on the works during the period totalling £30k (March 2022: £68k).

26. Share capital

	Group		Association	
	2023	2022	2023	2022
	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)
At end of year	**11**	**9**	**11**	**9**

The shares do not have a right to dividend or distribution in a winding up. Each share has full voting rights. Two shares were issued post the reporting period (2022: 0).

27. Income and expenditure reserves

	Group		Association	
	March 2023	March 2022	March 2023	March 2022
	£000	£000	£000	£000
At 1 April 2022	90,565	78,860	84,297	71,864
Surplus for the year	2,526	10,025	8,793	10,753
Actuarial gains/(losses)	587	1,680	587	1,680
	93,678	**90,565**	**93,677**	**84,297**

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 B3Living 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
B3Living Development Limited	A company with non-charitable status undertaking design and build on behalf of B3Living Limited 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

28. Subsidiaries, related undertakings, related party transactions and transactions between regulated and non-regulated entities (cont.)

The Association provides management services, professional services and loans at an arm's length to its subsidiaries. The Association waived its fees to both B3Living Development Limited and Everlea Homes Limited. 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 2022	Movement	31 March 2023
		£000	£000	£000
B3Living Limited	Everlea Homes Ltd	-	-	-
B3Living Limited	B3Living Development Limited	-	-	-
		-	-	-

B3Living Limited charged interest of £nil (2022: £136k) and £nil (2022: £nil) to Everlea Homes Limited and B3Living Development Limited respectively for the intercompany loans.

At the reporting date, Everlea Homes had on-lending facilities to a legacy joint venture partner, a development entity of £5.5m (2022: £5.5m) plus accrued interest of £1.04m (2022: £1.04m) and forms a total on-lending of £6.5m (2022: £6.5m). This legacy joint venture partner was taken into administration by its primary lender, a financial institution following on from the rapid deterioration in economic environment following the Autumn budget in late 2022, the perceived potential impact of the potential challenging housing market and the impact of geopolitical risk and war in Ukraine. As a result, Everlea elected at the time to impair this loan. At the reporting date there was no material change, therefore the on-lending is shown at £nil value in the accounts. The onlending facility was not funded from the cash from the Group but from the 50% of Everlea's previous share of profits which it elected not to withdraw at the time but issued a loan note to generate cashflows for itself from interest from the free cashflows.

At the reporting date Everlea Homes, had no active joint ventures other than Farnham Road LLP which has completed its mission of developing and selling 35 new homes (23 for private sale and 12 affordable homes). The joint venture is now in the process of being formally wound up.

The Farnham Road joint venture also has a 100% owned subsidiary called Foll Ltd. Foll Ltd owned the land which Farnham Road LLP was granted a licence to occupy and develop – this ownership has now transferred to the customers who bought the properties. Foll Ltd is substantially dormant too.

At the reporting date B3Living Development Limited elected to pay gift aid of £311k (2022: £511k) respectively to the parent entity B3Living 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 which B3Living Development Limited had elected to pay in the prior financial year were paid in December 2022. B3Living Development Limited provided design and build services to B3Living Limited, the parent entity. During the year B3Living Development Limited generated £17.3m (2022: £34.2m) from design and build services to the parent. At the end of the reporting period, B3Living owed B3Living Development Limited £1,399k (2022: £2,877k) in un-invoiced design and build works. These were accrued as income in B3Living Development Limited's accounts and as housing properties or stock on B3Living's 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 (2022: 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)

B3Living 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	
	2023	2022
	£000	£000
Fair value of plan assets	1,321	2,284
Present value of defined benefit obligation	(1,620)	(2,584)
Net pension surplus (deficit)	**(299)**	**(300)**

Analysis of the amount charged to the Statement of Comprehensive Income	Group and Association	
	2023	2022
	£000	£000
Current service cost	(4)	(26)
Expenses	(3)	(3)
Total operating charge	**(7)**	**(29)**

Analysis of net interest charged to the Statement of Comprehensive Income	Group and Association	
	2023	2022
	£000	£000
Expected return on pension scheme assets	64	44
Interest on pension liabilities	(72)	(60)
Net interest charge	**(8)**	**(16)**

Analysis of the amounts recognised in Other Comprehensive Income	Group and Association	
	2023	2022
	£000	£000
Actuarial gains/(losses) on pension scheme assets	(1,087)	228
Actuarial gains/(losses) on scheme liabilities	1,021	178
Actuarial gain/(loss) recognised in Other Comprehensive Income	**(66)**	**406**

29. Pensions (cont.)

Movement in surplus/(deficit) during the year	Group and Association	
	2023	2022
	£000	£000
Association's share of scheme deficit at beginning of year	(300)	(729)
Current service cost	(4)	(26)
Employer contributions	82	68
Expenses	(3)	(3)
Net interest charge	(8)	(16)
Actuarial losses/(gains)	(66)	406
Association's share of scheme deficit at end of year	(299)	(300)
Net interest charge	(8)	(16)
Actuarial losses/(gains)	(66)	406
Association's share of scheme deficit at end of year	(299)	(300)

Changes in present value of defined benefit obligation are as follows	Group and Association	
	2023	2022
	£000	£000
Defined benefit obligation at start of period	2,584	2,744
Current service cost	4	26
Interest cost	72	60
Expenses	3	3
Employee contributions	3	13
Actuarial losses/(gains)	(1,021)	(178)
Benefits paid	(25)	(84)
Closing defined benefit obligation	1,620	2,584

Changes in the fair value of plan assets are as follows	Group and Association	
	2023	2022
	£000	£000
Fair value of plan assets at start of period	2,284	2,015
Expected return on assets	64	44
Contributions by members	3	13
Contributions by employer	82	68
Actuarial losses/(gains)	(1,087)	228
Benefits paid	(25)	(84)
Closing fair value of plan assets	1,321	2,284

29. Pensions (cont.)

Assets	Group and Association	
	2023	2022
	£000	£000
Global Equity	25	438
Absolute Return	14	92
Distressed Opportunities	40	82
Credit Relative Value	50	76
Alternative Risk Premia	2	75
Emerging Markets Debt	7	66
Risk Sharing	97	75
Insurance-Linked Securities	33	53
Property	57	62
Infrastructure	151	163
Private Debt	59	59
Opportunistic Illiquid Credit	56	77
High Yield	5	20
Opportunistic Credit	-	8
Cash	10	8
Corporate Bond Fund	-	152
Long Lease Property	40	59
Secured Income	61	85
Liability Driven Investment	608	637
Currency Hedging	3	(9
Net Current Assets	3	6
Total assets	**1,321**	**2,284**

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	
	2023	2022
	p.a	p.a
Discount Rate	4.83%	2.78%
Inflation (RPI)	3.16%	3.44%
Inflation (CPI)	2.82%	3.13%
Salary Growth	3.82%	4.13%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

Life expectancy at age 65	(Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

29. Pensions (cont.)

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.

B3Living Limited participates in the LGPS. This scheme is no longer offered to new B3Living employees. At the reporting date, the scheme had an asset of £2,136k, however; we have disclosed at £Nil in the Statement of Financial Position in line with the requirements of FRS102 paragraph 28.22 which requires a pension asset to be recognised to the to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Below is the net pension asset provided by the actuary at 31 March 2023.

Analysis of the net pension liabilities	Group and Association	
	2023	2022
	£000	£000
Present value of defined benefit obligation	(13,559)	(17,617)
Fair value of scheme assets	15,695	17,100
Net pension surplus (deficit)	2,136	(517)

Financial assumptions	Group and Association	
	2023	2022
	% p.a	% p.a
Pension Increase Rate (CPI)	3.00%	3.20%
Salary Increase Rate	3.50%	3.60%
Discount Rate	4.75%	2.70%

Mortality assumptions		
	2023	2022
	Males	Females
Current Pensioners	22.8 years	23.9 years
Future Pensioners*	23.2 years	26.0 years

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

Sensitivity analysis

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

Change in assumptions at 31 March 2023	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	1%	196
1 year increase in member life expectancy	4%	542
0.1% increase in the Salary Increase Rate	0%	10
0.1% increase in the Pension Increase Rate (CPI)	1%	189

Actual return on plan assets	Group and Association	
	2023	2022
	£000	£000
Interest income on plan assets	458	317
Return on plan assets excluding amounts included in net interest	350	350
Actual return on plan assets	808	667

29. Pensions (cont.)

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

	2023	2022
	£000	£000
Equities	50%	49%
Bonds	23%	25%
Property	15%	14%
Cash	12%	12%

Analysis of the amount charged to the Statement of Comprehensive Income

	Group and Association	
	2023	2022
	£000	£000
Current service cost	148	157
Total operating charge	**148**	**157**

Analysis of net interest charged to the Statement of Comprehensive Income

	Group and Association	
	2023	2022
	£000	£000
Expected return on pension scheme assets	458	330
Interest on pension liabilities	(470)	(370)
Net interest charge	**(12)**	**(40)**

Analysis of the amounts recognised in Other Comprehensive Income

	Group and Association	
	2023	2022
	£000	£000
Actuarial gains/(losses) on pension scheme assets	(1,576)	(350)
Actuarial gains/(losses) on scheme liabilities	4,143	(1,146)
Actuarial gain/(loss) recognised in Other Comprehensive Income	**2,567**	**(1,496)**

Movement in surplus/(deficit) during the year

	Group and Association	
	2023	2022
	£000	£000
Association's share of scheme deficit at beginning of year	(517)	(2,058)
Current service cost	(148)	(157)
Employer contributions	246	242
Net interest charge	(12)	(40)
Actuarial losses/(gains)	2,567	1,496
Association's share of scheme deficit at end of year	**2,136**	**(517)**

29. Pensions (cont.)

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

	Group and Association	
	2023	**2022**
	£000	**£000**
Opening defined benefit obligation	17,617	18,670
Current service cost	148	157
Interest cost	470	370
Employee contributions	22	21
Actuarial losses/(gains)	(4,143)	(1,146)
Benefits paid	(555)	(455)
Closing defined benefit obligation	**13,559**	**17,617**

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

	Group and Association	
	2023	**2022**
	£000	**£000**
Opening fair value of plan assets	17,100	16,612
Expected return on assets	458	330
Contributions by members	22	21
Contributions by employer	246	242
Actuarial losses/(gains)	(1,576)	350
Benefits paid	(555)	(455)
Closing fair value of plan assets	**15,695**	**17,100**

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 2023.

30. Other provisions

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

Analysis of the amounts recognised in Other Comprehensive Income

	Group and Association	
	2023	**2022**
	£000	**£000**
At the start of the year	-	2
Provided during the year	-	-
Released during the year	-	(2)
At the end of the year	**-**	**-**

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:

	2023	2022
	£000	£000
Government funding received to date	33,250	32,282
Grant amortised to date (contingent liabilities)	(1,928)	(1,696)
Grants via stock transfer from another registered provider	2,500	2,500
Contingent grants via stock transfer	(2,500)	(2,500)
At 31 March	**31,322**	**30,586**

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 2023	March 2022	March 2023	March 2022
Financial assets measured at amortised cost	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents (note 13)	7,045	3,335	5,911	706
Rent arrears (note 12)	711	966	711	966
Loan to joint arrangement (note 12)	-	6,542	-	-
Other debtors (note 12)	545	451	515	640
Prepayment and accrued income (note 12)	-	7,507	-	7,507
Total financial assets measured at amortised cost	**1,256**	**15,466**	**1,226**	**9,113**
Total financial assets	**8,301**	**18,801**	**7,137**	**9,819**
Financial liabilities measured at amortised costs				
Trade creditors (note 14)	467	443	427	409
Rent and services charges received in advance (note 14)	1,547	1,562	1,547	1,562
Other Creditors	272	252	269	252
Accruals and deferred income (note14)	4,538	10,026	2,707	5,592
Recycled capital grant fund (note 18.a)	57	-	57	-
Debt (note 15)	207,673	202,487	207,673	202,487
Total financial liabilities measured at amortised costs	**214,554**	**214,770**	**212,680**	**210,302**
Total financial liabilities	**214,554**	**214,770**	**212,680**	**210,302**

32. Financial instruments and financial management (cont.)

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.

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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.