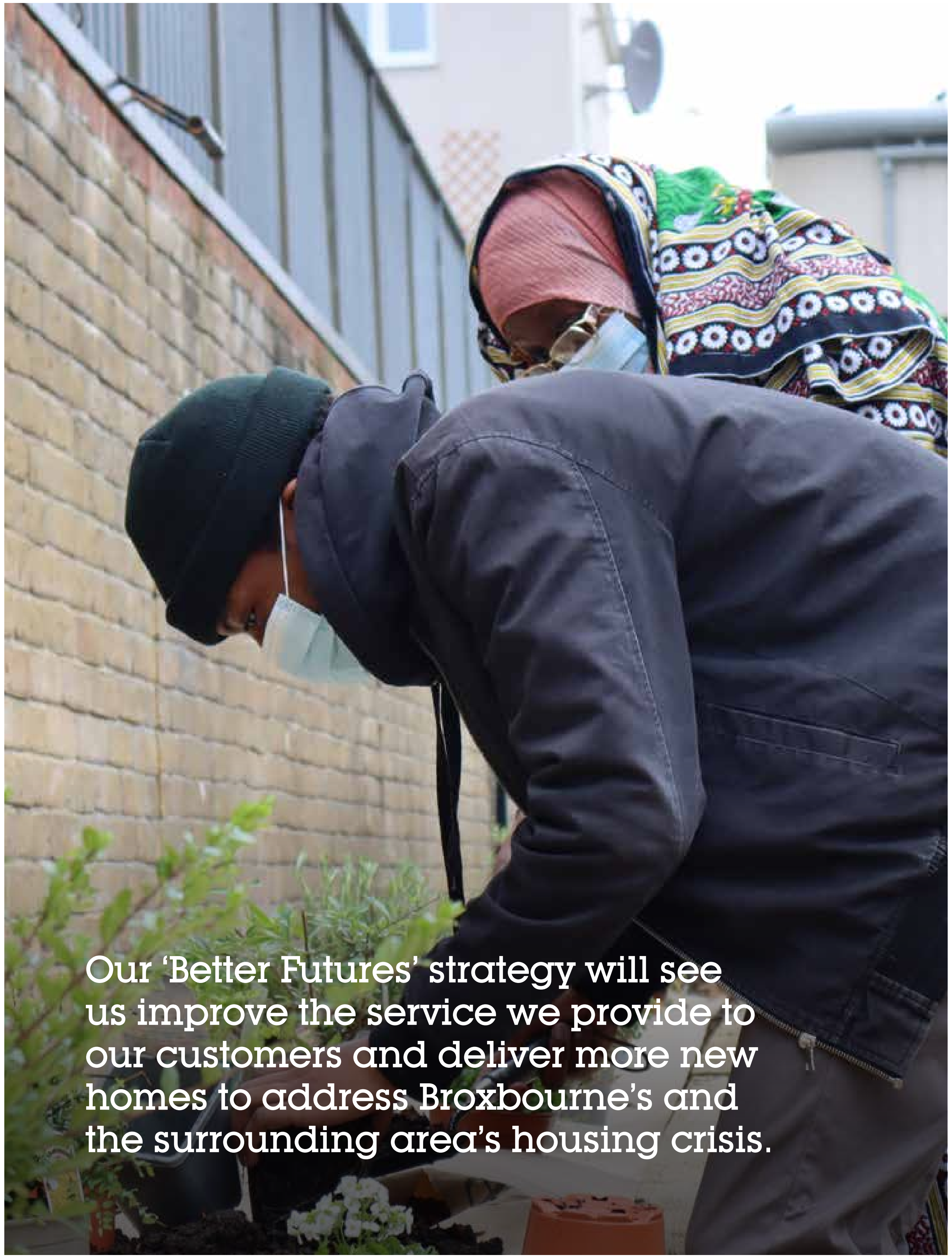
Better Futures

Annual Report and Financial Statements 31 March 2021


Our 'Better Futures' strategy will see us improve the service we provide to our customers and deliver more new homes to address Broxbourne's and the surrounding area's housing crisis.

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Chair's Welcome

I feel privileged to step into the role of Chair at this key moment for B3Living. The coming year will see us move forwards with a new corporate strategy that reaffirms our focus on people and service.

We always have and will continue to play our part in the communities within which we work, providing a secure place to live for over 12,000 people. Our 'Better Futures' strategy will see us improve the service we provide to our customers and deliver more new homes to address Broxbourne's and the surrounding area's housing crisis. Focus will also be given to improving the sustainability of our estates, which will include applying more resources to the challenge to become carbon neutral.

I must extend my thanks to my predecessor, Anne Shearman, and our interim Chair, Chris Fawcett, who have set a high bar in terms of professionalism and service. Having already served on the Board for over two years, I have confidence in the responsible, collaborative approach of our Executive Team and my board colleagues. I also look forward to welcoming new expertise to our Board in the near future and am pleased that we are working proactively to ensure the diversity of our community is reflected at the leadership level.

B3Living is fortunate to have such a committed staff team. They have shown exceptional resourcefulness in their endeavours to continue our services and aid customers through this period of the Covid-19 pandemic. In this we have also been supported by our contractors, partners, several local businesses and charities, in addition to our customers, whom I would like to thank for their cooperation and understanding.

The external context is exceptional and presents many challenges. But B3Living continues to be guided by our values and report performance that goes from strength to strength. In the coming year, I look forward to bringing our strategic ambitions into focus and meeting many of our customers and colleagues face-to-face again.

David Biggs
B3Living Chair

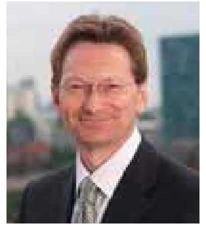
"I have been blessed to be given this, I didn't expect this at all."

Mark was the victim of a drug gang in a previous home and became unable to work. Our Community Development Manager, Helen, has supported him to kit out his new home with help from B3Living partners, such as Emmaus. Mark became isolated during the national lockdown until Helen was able to secure a laptop for him through the Wormley and Turnford Big Local community project.

"I have been blessed to be given this, I didn't expect this at all. When I asked Helen if she knew anyone who might be able to donate a laptop, this is where it started. It's beyond the job they are paid to do. B3Living, Citizens Advice, Wormley Community Centre and various organisations have now given me an opportunity to have a social life – a couple of years back, that would have sounded insane!"

Mark, B3Living customer

Image of Mark receiving his new laptop from Wormley and Turnford Big Local



David Biggs
Chair

Steve Woodcock
Chief Executive

Statement from the Chair and Chief Executive

This year:

97	£120m	£4.2m	Silver
We built 97 new affordable homes	We geared up to invest £120m in building new affordable homes	We invested £4.2m in our existing homes	We gained a Silver rating for net-zero carbon

Like it has for all companies, coronavirus and the associated lockdowns have dominated all other events. We have been proud of how our staff have responded to the pandemic to keep our services going, and indeed improve some areas, enabling us to continue to help some of the most vulnerable people in our community. It is a testament to the strong finances of the organisation (demonstrated in these statements) and our investment in our people, IT, and customer services that we have been able to adjust to the new environment effectively.

In March, we agreed our new "Better Futures" three-year corporate strategy. The strategy is wide-ranging, reflecting the level of demand placed upon a housing association and its finances. But central to everything we plan to do is our customers – future and existing. We are committed to providing services and homes that meet the expectations of our customers, but to truly achieve this and to be held accountable, we must continue to improve our customer communication and involvement. However, this journey is well underway. During the year we successfully launched our customer app and grew our "Customer Community" network, giving more people the chance to influence our organisation and feedback their views.

Tackling the housing crisis in our community has always been a priority for B3Living. Our research last year into its impact in Broxbourne heightened our resolve to make a significant and sustained positive contribution to tackling the issue. This year we completed 97 new affordable homes, and over the next three years we will invest over £120m to build a further 500. To support the delivery of this ambition, we secured B3Living's largest single development site to date in Cheshunt, which will see a further 195 new affordable homes built in our geographic heartland over the next two years.

> We have been proud of how our staff have responded to the pandemic to keep our services going, and indeed improve some areas, enabling us to continue to help some of the most vulnerable people in our community.

Throughout the year we invested £4.2m (c. £1k per home) in our existing homes and continued our significant spend on improving customer and building safety. We took our first step to become a net-zero carbon organisation by gaining a Silver rating in our sustainability assessment. Part of this initiative included replacing our ageing van fleet with modern, environmentally-friendly vehicles.

We also continued to improve our links with other agencies in Broxbourne, re-invigorating our commitment to providing added-value services to our customers. A great example of this was a "Safer Streets" initiative, which saw us secure over £350k of government funding to improve security at one of our estates through a joint bid with the Police and Crime Commissioner, Broxbourne Borough Council and Hertfordshire Constabulary. Another partnership with One YMCA has seen us open a much-needed service for young people in Broxbourne who need shelter and support.

Whilst B3Living is financially strong and generates good operating margins, we will continue to innovate and evolve to improve customer services whilst maintaining our value for money ethos. To this end, we will continue to invest in our IT infrastructure and systems to provide better customer engagement, a better digital offering for those customers wanting to interact with us in that way, better document and data management, while automating as many processes as possible.

Whilst we have delivered a huge amount over the last year, the details of which are contained within these statements, I am confident that even more will be delivered during 2021-22 and beyond.

David Biggs
Chair

Steve Woodcock
Chief Executive

Strategic review

Intrinsically, B3Living is a locally based housing association dedicated to the betterment of our homes, services and estates. We understand the importance of our business within our community, and the potential we have to make a significant and sustainable improvement to it.

Performance at a glance 2020-21

Financial highlights

Surplus
£10m
(£17m 2019-20)

Interest coverage
221%
(235% 2019-20)

Gearing
52%
(50% 2019-20)

Regulator ratings
G1V1
(G1V1 2019-20)

Moody's rating
A3
(A3 2019-20)

Operational performance

Customer satisfaction
86%
(87.5% 2019-20)

Total homes
4,985
(4,899 2019-20)

Rent collected
101.9%
(98.8% 2019-20)

Occupancy
99.2%
(99.7% 2019-20)

Property performance

Reinvestment
17.9%
(8.0% 2019-20)

New homes supplied
97 (2.0%)
(67 (1.4%) 2019-20)

Proportion of responsive to planned repairs
0.82
(0.64 2019-20)

Gas and electrical safety compliance
100%
(100% 2019-20)

Value for money

Cost per unit
£3,944
(£3,514 2019-20)

Operating margin (social letting)
44.9%
(42.5% 2019-20)

ROCE
5.2%
(8.9% 2019-20)

Customers who think their rent is value for money
86.6%
(87.4% 2019-20)

B3Living: a strategic overview

Our mission

To make a sustainable, positive change to the housing crisis for our customers and communities.

Who we are

B3Living is a not-for-profit social housing provider established in 2006 following a large-scale voluntary transfer from Broxbourne Borough Council. We provide a safe, secure place to live for over 12,000 people across around 5,000 homes that we own and manage, and over 160 people, many of whom are local, are employed by us.

We operate in, and local to, our Broxbourne heartland and offer a range of housing products for rent and sale. Yet, we also undertake a wide range of supportive activities to improve the lives of our customers and the wider community.

As a charitable provider, we invest every penny of our surplus, and much more, into providing good quality homes and services for people otherwise priced out of private housing markets. Our strategy is to grow our business to help tackle the housing crisis in our local area by building more much-needed homes, proactively supporting our customers to sustain their tenancy, providing safe, good quality homes whilst maintaining our financial resilience.

Our values

Better futures: our new strategy

In March 2021, the Board set a new three-year strategy for the business. It covers seven important themes which will help us maximise our effectiveness and make the biggest difference locally. We have chosen these themes based on our research and knowledge of the local area, after listening to our customers, and from gaining valuable input and insight from our key partners.

Cutting carbon

We will invest in our homes to improve their energy efficiency and make them more sustainable. Our new homes will be built to high environmental standards. We will ensure our business operations are carbon neutral by 2030.

Excellent customer experiences

We will provide an excellent customer experience where our customers are pleased to be with us. We will listen to feedback and continually improve our services. We will also work to reduce the stigma associated with living in a social housing home.

Building locally

We will invest in building new homes with up to 30% for shared ownership and the remainder for social or affordable rent. We will identify and plan for the regeneration of our existing estates where the need is greatest.

A great, inclusive place to work

We will continue to invest in our people creating a modern, adaptable, and diverse workforce. Our culture will create leaders, and everyone will live our values.

Responsible business

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

Support when life changes

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

Safe, good quality homes and estates

Customer safety will always be our top priority and we will look to improve the quality of our estates and reduce antisocial behaviour. All our homes will continue, as a minimum, to meet the Government's Decent Homes Standard.

Social purpsoe

Our social purpose has always been to provide homes for those in our community that cannot otherwise afford one. This will not change. However, the ways in which we achieve these ambitions will; this strategy sets out how our customers are central to what we do and how we will listen to their needs and aspirations to shape our business. We want our customers to live in good quality, energy-efficient homes, where they do not have to worry about building safety. We want their communities to thrive, and we want all our customers to be able to remain in their homes for as long as they wish. We are uniquely placed to facilitate and deliver all this.

We also want to provide homes that meet people's needs in the long term – whether they are just starting out, raising a family, or enjoying a long and peaceful retirement – giving customers greater mobility, so they can live in the most suitable home for them, depending on their stage in life. Our plan also shows our commitment to building over 500 further homes, with over 70% of these being in our home borough, Broxbourne, all designed with the future in mind.

Our "Better Futures" strategy outlines how we will meet these ambitions between 2021-24 and embraces the principles in the Government's Social Housing White paper. It maps out our journey to becoming a great, inclusive, and customer-driven organisation, and how we will work with our key partners to deliver this. It shows our commitment to delivering more homes, to taking significant steps to become carbon neutral and putting plans in place to ensure our existing homes and estates are fit for the future. We see our people as the absolute key to delivering our ambitions, so living our values, fostering the right culture, and having a clear focus on our people and their growth underpins our plan.

Initial priorities

Over the last year B3Living completed its research into the housing crisis in Broxbourne, how it impacts the lives of those within our community, and potential solutions to alleviate these issues. The results from this research underpin the 2021-24 strategy and strengthen our resolve to make a difference locally.

We have already begun to realise our development ambitions, take steps towards meeting our net-zero carbon objectives, and raise new finance in order to support the better futures outlined in our strategy.

Alongside all these activities, a key priority in the next 12 months is to embed our Customer Strategy and develop a more collaborative relationship with our customers. We have developed a "Customer Ethos" which sets out what we expect from our colleagues across the business and what our customers can expect from us. The Ethos includes five standards, each stemming from our core values. We aim to foster a culture that is truly customer centric, empowers each individual, and achieves the goals set out in our strategy.

"Phil made me feel empowered, he treated me like a human. He has inspired me to never get into debt again. When I had cleared my payments, it was the best feeling ever. Phil made me feel proud of myself."

Everything came at once for Sarah*. She lost her brother, her marriage broke down and her son, who has a learning disability, started to struggle with his mental health. His attempt at suicide was a traumatic experience for them both. She found her debts beginning to spiral, but worked closely with our Rent Sustainment Advisor, Phil, to bring her situation back under control.

***Name changed to protect her identity.**

Our customers

Empowered customers in secure, thriving communities

B3Living exists to provide a service for local people. This service encompasses a range of housing management functions, but we also seek to play our part in the community, to help our neighbourhoods to thrive and help connect our customers to the support they need to maintain their tenancies. In our new "Better Futures" strategy, we have restated our commitment to providing exceptional customer experiences for our over 12,000 customers, which is now underpinned by a clear Customer Ethos.

Our 'Customer Ethos'

This ethos aligns with several themes emergent in the Social Housing White Paper that was published in January 2021, namely the importance of accountability, listening to the customer voice and treating customers with respect. To bring this to life, we have embedded Customer Ethos Champions across the business, in frontline services but also in central functions to ensure this culture of behaviour guides everything we do.

"Active listening", a core theme of our Customer Ethos, will be important in realising B3Living's ambition of increasing overall customer satisfaction from 86% to 91% by 2024.

We gather a wide range of quantitative and qualitative 'live' insights from complaints, analytics, and transactional surveys. These feed into a regular Customer Experience Group of customer-facing colleagues to promote a culture of continuous improvement driven from the front line outwards.

We want our customers to have a voice in our organisation at all levels and be involved in shaping our service delivery. To expand the opportunities for customer engagement, this year we established our "Customer Community", a network of involved customers who have volunteered to take an active role in influencing our decision-making.

Customer Community

At the time of writing, our Customer Community includes over 65 members who have contributed to seven consultation exercises within the network's first six months. Their feedback has steered key organisational strategies, including our "Better Futures" corporate strategy and the upcoming Customer Strategy, as well as operational decisions on the layout of new homes, our Customer Feedback Policy, and website design. Their impact is reported back to our customer base monthly via a "You said we did" feature in our newsletter.

We want customer engagement to be dynamic and inclusive and to yield broad, deep and real insights. Although social distancing presented a challenge, B3Living has been able to offer flexible opportunities for involvement via virtual focus groups, telephone interviews, quick polls, and social media forums. In 2021-22 we plan to consolidate the group and increase its membership to 100, whilst seeking new ways to embed the customer voice into our governance structures and offer opportunities for customers to hold us to account for our performance.

The five core themes of B3Living's Customer Ethos

Actively listen

Look for better ways to do things

Always honest

Take ownership of every contact

Deliver personalised and inclusive service

We want our customers to have a voice in our organisation at all levels and be involved in shaping our service delivery.

B3Living - Strategic review

New supported housing service in Hoddesdon

Local partnerships

We recognise the value our local knowledge and relationships have in helping us to deliver excellent customer services. Coordinated action and combined energies allow us to achieve more for our customers, supporting them when their lives are affected by issues that could eventually place their tenancies at risk (such as mental health, unemployment, domestic violence).

We saw marked evidence of the value of our close local partnerships during the pandemic and, despite the unprecedented economic pressures, we have delivered our best performance to date for arrears, closing the year at 1.26%. B3Living was able to draw upon a range of resources to alleviate financial hardship and poverty among our customer base, with our Broxbourne Financial Support Group proving to be a key success by bringing together Broxbourne Borough Council, the DWP and 12 other local partners.

We recognise the value our local knowledge and relationships have in helping us to deliver excellent customer services.

Covid-19 response

We donated:

- £1,000 to the Broxbourne foodbank.
- £10,000 to the "JobSmart" unemployment support programme which supports our customers.
- £500 to the 'Give a Christmas Smile' project which fed 60 families at Christmas, gave presents to 200 children and 140 older people living alone.
- A storage facility for the Food Pantry, a local food share project.

We secured for our customers:

- £2,000 in fuel vouchers from the Winter Grant scheme, given to 40 customers.
- £5,700 in fuel top up vouchers via the Energy Redress scheme.
- £27,900 via our fast-track service with the Money Advice Unit for 37 families.
- New partnership fast-track services with StepChange and the LEAP (Local Energy Advice Partnership).

We continue to play to our strengths in order to respond to the need in our community and achieve sustainable change for local people. In response to the findings of our "Purpose Project" research, which highlighted a strong demand for supported housing in our borough, yet a relative lack of supply, we have established an innovative partnership of agencies to deliver two new supported housing services in Broxbourne. Both projects involved a unique combination of agencies: housing, health, adult social care, charities and both county and borough councils.

The Social Housing White Paper also stresses the importance of building secure, thriving communities free from antisocial behaviour, which is only achievable through joint effort. B3Living has already made commitments in this space to enabling better joint working. We have created a specialist Community Safety and Antisocial Behaviour role, developed closer relationships with Police Safer Neighbourhood teams, and delivered domestic abuse awareness training for our staff. In the coming year we will be investing £150,000 to improve our CCTV systems and have already deployed our first mobile CCTV units.

Safer Streets: investing in secure neighbourhoods

In July 2020, a partnership of local agencies (including B3Living, the Police and Crime Commissioner for Hertfordshire, Broxbourne Borough Council and Hertfordshire Constabulary) won a grant bid of £618,000 from the Home Office's "Safer Streets Fund" to improve home and neighbourhood security across two target locations in Cheshunt. Over £350,000 of this funding was allocated to B3Living-owned properties and estates.

The project used secure-by-design principles and technologies to "harden" individual homes against acquisitive crime (i.e. burglary and car theft) and B3Living customers have benefited from new doors, locks, motion sensor security lighting, and smart Ring doorbells. Alongside this, we were able to transform one of B3Living's largest estates, implementing a robust network of 40 CCTV cameras and new door entry system, as well as a redesign of the communal grounds thanks to voluntary contributions from local, award-winning landscape designer, John Van Hage.

Underpinning these activities was an aspiration to bring neighbours together and create communities that look out for each other, thus delivering further sustainability for the project. Input from residents steered the initial plans for the project and votes were collected in a public consultation exercise where 92% voted in favour of the redesign. We also hosted multiple events where neighbours got together for open conversations with the agencies involved, education on crime prevention and to build a community garden.

Although it is too soon for statistical analysis, we have already observed a decrease in reports of antisocial behaviour and flytipping. Importantly, the project is a testament to how a collaborative approach can help B3Living to achieve more when tackling the issues that affect our customers in their day-to-day lives.

Underpinning these activities was an aspiration to bring neighbours together and create communities that look out for each other, thus delivering further sustainability for the project.

"I am very happy about the project and really pleased to see the changes where I live. It's so much better. The main thing for me is not worrying about people loitering and leaving a mess - and enjoying the togetherness of the community and the children joining in. Thank you very much for thinking of this block and making it look better - and making me happier! And feeling a bit more comfortable living here."

Natanya, customer in Cheshunt talking about the Safer Streets project

Image from the Safer Streets neighbourhood event

New homes

Expanding our development pipeline

B3Living remains committed to building much-needed homes within our local geography. Our "Purpose Project" research highlighted that the housing crisis has an acute impact within Broxbourne, but our target of delivering 500 new affordable homes over the next three years is one we are currently set to reach, if not outperform.

In 2020-21 B3Living delivered 107 new homes, improving on the 91 delivered in 2019-20. Of these properties, 97 were for affordable tenures (72 rented and 25 shared ownership) with the remaining 10 private sales homes completed via our Farnham Road LLP joint venture. Construction started on 275 new B3Living homes during the year, which will be delivered across the life of the 2021-24 corporate strategy. In 2021-22 we expect to deliver over 220 new affordable homes and a further 10 private sale homes from our Farnham Road LLP.

At B3Living we continue to focus on delivering new homes via land-led opportunities, as these provide true affordable housing additionality, as well as targeted local section 106 projects. Our two largest sites, Cheshunt Lakeside and Oaklands in Hoddesdon, are part of our land-led programme and are the majority (74%) of our 275 new starts.

The high demand in the borough is compounded by a housing stock profile with relatively low levels of social rented homes, but the map of our current pipeline shows our commitment to providing homes that address this need in our community. All section 106 homes are located either in Broxbourne or its immediate environs.

275

homes started on site in 2020-21

CGI image of new homes at our Oaklands development in Hoddesdon

Image of the Cheshunt Lakeside development site under construction

Our flagship projects, over 250 homes

Cheshunt Lakeside, Cheshunt

Total homes:
195

Affordable rent	Shared ownership
113	82

- B3Living investment: £49m
- Delivery partner: Inland Homes
- Expected completion: February 2022-January 2023

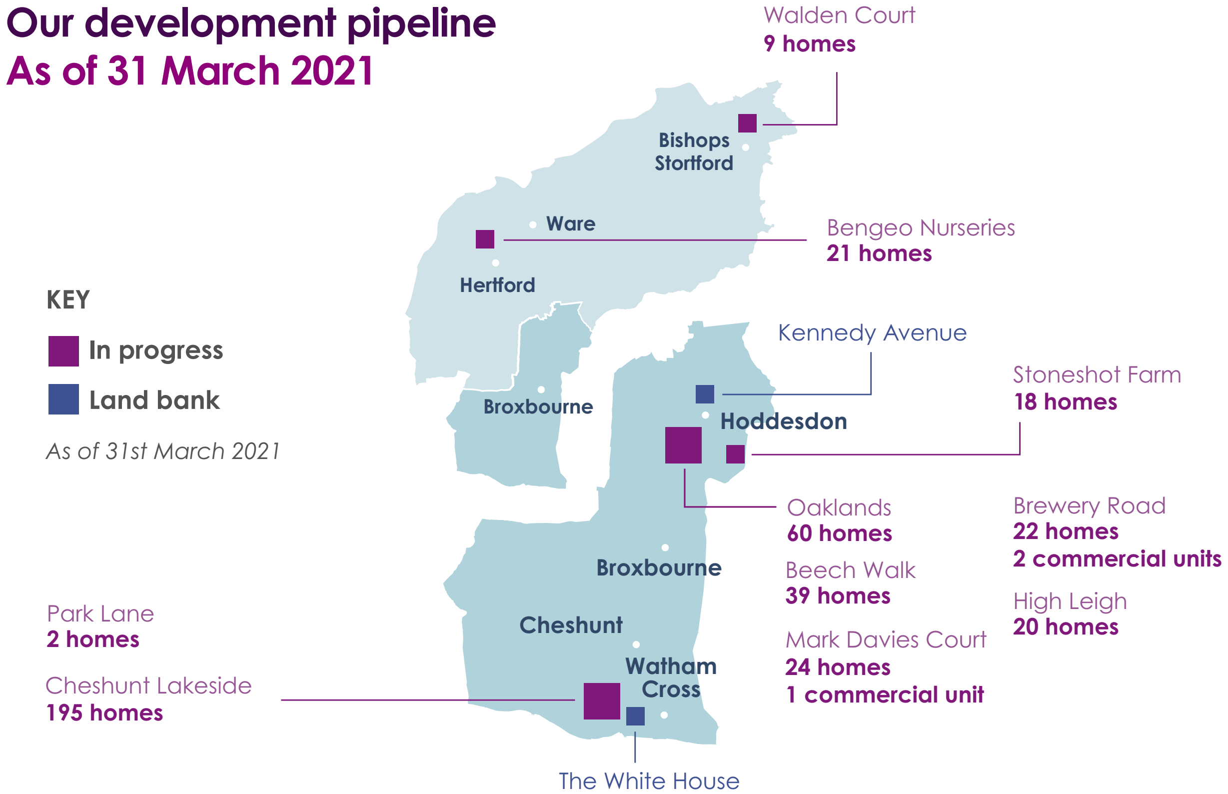
Oaklands, Hoddesdon

Total homes:
60

Affordable rent	Shared ownership
28	32

- Delivery partner: Jarvis Contracting
- Expected completion: July - October 2021

Our development pipeline
As of 31 March 2021



Customer Community
Our customers asked, we listened…

Across our estate in Cheshunt, 52 (out of 104) new homes currently have en-suites

64% of our customers said they would prefer additional storage space

We will be removing 18 en-suites and making them into additional storage spaces

Development Team of the Year

We are pleased to have been shortlisted for the Inside Housing Development Awards. Out of 300 entrants, B3Living's Development Team are finalists for the "Development Team of the Year" category for 2021.

The nomination not only reflects our commitment to making a significant contribution to tackling the housing crisis in our local area, but also our commitment to recognising and delivering homes that respond to the needs of our community. For example, when we negotiated the finer details of the 195-unit Cheshunt Lakeside scheme, we consulted our Customer Community on what the design should include – the charts below show that our customers would prefer additional storage over an en suite. The results were a surprise to officers, but we were able to deliver this for our customers – possibly an indication of how the lockdowns have changed people's views on what they want from a home!

Homes England

Grant funding allows B3Living to tailor schemes according to local need as identified by our "Purpose Project" research from 2019-20 and to yield true additionality through our affordable housing programme. We have built a strong working relationship with Homes England and, in starting six new schemes in the year, we have enabled Homes England to release c. £9.5m of grant funding.

In the coming year we shall continue to work closely with Homes England as we look to develop further opportunities to create new homes, ensure that we claim outstanding grant and meet the challenge caused by the pandemic to our existing programme. Whilst Covid-19 has created new risks in relation to our development ambitions, it has also generated opportunities. We have connected with like-minded organisations wanting to work together to build affordable homes or with those house builders who are seeking to sell unsold stock to new partners.

Show home at Oaklands, Hoddesdon

Everlea Homes

The Group understands that the objective of building more affordable homes can be maximised by building for private sale; however the balance of risk and reward has to be considered carefully. At the start of the financial year the Group had just one active commercial joint venture, which yielded 12 new affordable homes for the Association and is due to mature in the second quarter of 2021-22.

The Group is acutely aware of the risks associated with these activities and the potential of contagion back to the Association's social assets. Where it is tax efficient to do so, the Group has followed a policy of retaining profits earned in Everlea Homes within the commercial business. To this end, when Everlea sold its shares in a land promotion company, the Wheat Quarter, in Welwyn Garden City, all profits earnt were retained in Everlea. This will allow Everlea to fund future partnerships of up to c.£7m without, or with minimal, support from the Association.

As the Group follows an approach of being risk aware, in 2020-21 Everlea Homes developed a new strategy supported by an investment prospectus and a set of red lines around how a joint venture should be structured, the governance required, and the heads of terms. The Everlea strategy promotes win-win opportunities that deliver a commercial return as well as new affordable housing for the Association. Within our new corporate strategy, we expect to enter into at least one new joint venture with an established and reputable partner.

Sales

In 2020-21 the Association's shared ownership sales programme generated c. £4.8m of income from 27 first tranche sales, which was around 86% of the budget. The sales programme was hampered by Covid-19 restrictions as well as the extension of the stamp duty holiday and this resulted in buyers deferring completion beyond our financial year end. At 31 March 2021, the Association had eight unsold homes, however, of these, seven were reserved.

At Oaklands, one of our flagship land-led schemes, all 16 homes for shared ownership sale in the first phase due to complete in July 2021 have been reserved. This reflects the build quality achievable via land-led developments and housing demand, or need, locally.

"The house is a lovely new build. The one thing we loved when looking round is that it's big, feels really spacious, and is good quality. The appliances you have gifted to us such as the dishwasher, washing machine, fridge freezer etc. Were lovely - it really took the pressure off when buying our home. Everything we could have asked for."

Louise, new shared owner in Waltham Cross

Our people and business

Our "Better Futures" strategy sets out our intention to become a great, inclusive place to work over the next three years. This is coupled with a commitment to corporate responsibility and the maxim "responsible business, responsible employer".

During the year we have maintained our G1 and V1 regulatory gradings and adopted the NHF's Code of Governance 2020, from April 2021. Like all organisations, our business resilience was tested by the socio-economic circumstances of 2020-21, but we believe that maintaining our services, even in contexts that challenge us, is essential to retain the trust of our customers.

Business continuity

The Covid-19 pandemic and associated national lockdowns demanded a whole new way of working and the agility to respond to continuous change. At B3Living we put our business continuity protocols into practice rapidly and developed a Pandemic Action Plan to cover Covid-related risk mitigations, such as social distancing and PCR testing.

Customer and staff safety came first at all points, but we looked for ways to adapt in order to continue service provision. The increased risk to our specific customer base remains high on our agenda, particularly in areas such as mental health, domestic abuse, social isolation, and digital or financial exclusion. We will continue to focus resources into our tenancy sustainment initiatives and draw upon resources within our community to help our customers to stay in their homes and access the support they need.

We have clear succession planning in place so could have continued service delivery in the case of high staff absence, which fortunately has not been the case. Our recent investments in technology, in a cloud-based, software-as-service model, matched with robust Disaster Recovery Procedure, meant that we could switch quickly to a remote-working setup. Many services were therefore able to continue online or over the phone.

We worked closely with our field-based colleagues to keep our emergency repairs service operating throughout and to remobilise our trade workforce when lockdown restrictions lifted. We also worked with our development partners to enable a swift, and safe, return to site and delivered 107 new homes by the close of 2020-21 and started construction on a further 275.

During the national lockdown periods *(16 March 2020 -1 June 2020 and 21 December – 30 April 2021)* we delivered:

- 2,277 emergency repairs.
- 329 welfare calls to vulnerable, isolated customers during the first lockdown.
- 138 lettings to help customers move out of temporary or unsuitable accommodation.
- 8.1 staff engagement score, B3Living's highest level which has been maintained since the first lockdown.

Image of new shared owner, Louise, collecting her keys

98% of our colleagues felt B3Living would support them if they experienced unfairness

Operational matters were led by the Executive Team and implemented by a central Business Continuity Group, whilst a review of our approach was submitted to B3Living's Audit and Risk Committee in December 2020.

Our Board receives regular updates on business continuity risks in other areas, such as the potential short and long-term impacts of an adverse Brexit on our funding, housing and operating environment (e.g. workforce or material shortages). B3Living is fortunate to be in a financially strong position. We are not directly reliant upon government or private-sector income streams, but our approach is reinforced with comprehensive stress testing, recovery planning, and a robust investment policy. Assurance was provided for our Board in an economic and housing report presented in July 2020 and at our October 2020 board away day.

Equality, diversity and inclusion

We aim to be a responsible business, accountable and trusted by our customers, staff and stakeholders. We also aim to create a working culture where each individual is valued for the unique contribution they make, where different identities are celebrated, and where people are not constrained by their circumstances.

At B3Living, we embrace a holistic definition of equality, diversity and inclusion that takes into account, but is not limited to, the nine protected characteristics in the Equality Act 2010. Our Equality, Diversity and Inclusion Strategy helps us to ensure that our actions reflect our commitment and values. This strategy applies to our staff, customers and suppliers, as well as those applying to us.

Campaigns like the Black Lives Matter movement have drawn attention to a need for greater self-awareness and critique, and the NHF Code of Governance sets a requirement for boards to take an active lead in committing to equality of opportunity, diversity and inclusion.

We have committed to improving the diversity of our Board and sought to remove the barriers individuals may face when accessing non-executive opportunities. Our recent board recruitment exercise, in which we expanded our advertising using Altair, Dynamic Boards and Black on Board, received a highly positive response from an exciting, diverse pool of candidates.

Our 2020 inclusion survey received positive feedback from colleagues, 98% of who felt B3Living would support them if they experienced unfairness and had someone they trusted to share concerns with. We celebrated an Inclusion Week in September and heard several powerful stories from colleagues sharing experiences of discrimination they had faced in their careers relating to their ethnicity, sexual orientation, or appearance.

B3Living's customer inclusion survey indicated that there is more work to be done to make our customers confident in our approach. 68% of customers who responded felt that B3Living staff treat them with respect and, although this figure has increased since our 2018 survey, we aim to improve on this perception.

The theme of "personalised and inclusive service" is built into our Customer Ethos, which applies to internal as well as external services. To ensure this is fully embedded in our operational structures and employment practices, we have developed an Equality, Diversity and Inclusion Action Plan which is reported to our Executive Team quarterly and to the Board annually. Already we have conducted Equality, Diversity and Inclusion training for all B3Living staff, reviewed our procurement of interpreting, translation and transcription services, and introduced a Customer Community to elevate the customer voice within the organisation.

We are committed to a journey of improvement that will help us to meet our strategic aim of being a great, inclusive, customer-driven provider.

Vipul Thacker

Caroline Abomeli

At our AGM in September 2021, we will be welcoming Caroline Abomeli and Vipul Thacker to our Board.

Environmental, social, and corporate governance

For B3Living, Environmental, Social and Governance (ESG) reporting is not simply about accessing cheaper sources of new finance. It is about doing our bit in the drive to make society more considerate towards its community and environment, as well as raising awareness, internally and externally, of how we are progressing on our roadmap to tackle the negative contributions that our business is making.

B3Living - Environmental, social, and corporate governance

ESG area	Theme	Theme name
Social	T1	Affordability and security
	T2	Building safety and quality
	T3	Resident voice
	T4	Resident support
	T5	Placemaking
Environment	T6	Climate change
	T7	Ecology
	T8	Resource management
Governance	T9	Structure and governance
	T10	Board and trustees
	T11	Staff wellbeing
	T12	Supply chain management

B3Living has opted to report ESG using the Good Economy's reporting standard, which was developed in collaboration with Peabody, Centrus, Savills, Trowers & Hamlin, Clarion, Sovereign, M&G, etc. This standard splits ESG reporting requirements into 12 themes, which allows us to tell our story about B3Living's positive contribution towards ESG, as well as what we still need to learn to improve our performance and reduce our carbon footprint.

We are cognisant of the limitations to our reach and impact. As the closest to our operations, B3Living has the greatest impact on the lives of our customers. The further out we go, we become increasingly reliant on the cooperation of other like-minded people and businesses to achieve our wider goals of promoting a better community and tackling climate change. However, taking a proactive stance by building new and existing partnerships, alongside giving our support to regional and national bodies, will add to the momentum in achieving real and sustainable change.

Social

T1. Affordability and security

C1. For properties that are subject to the rent regulation regime, report against one or more affordability metric.

1) Rent compared to median private rental sector (PRS) rent across the local authority.

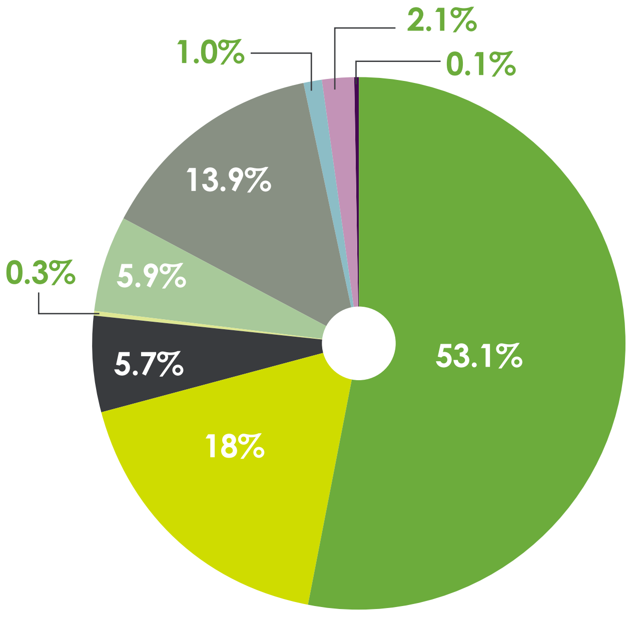
2) Rent compared to Local Housing Allowance (LHA).

The table shows that B3Living offers our customer a substantial saving against the private market and the Local Housing Allowance. During 2020-21 B3Living saved our customers £16.6m against the Local Housing Allowance and £20.5m against the market.

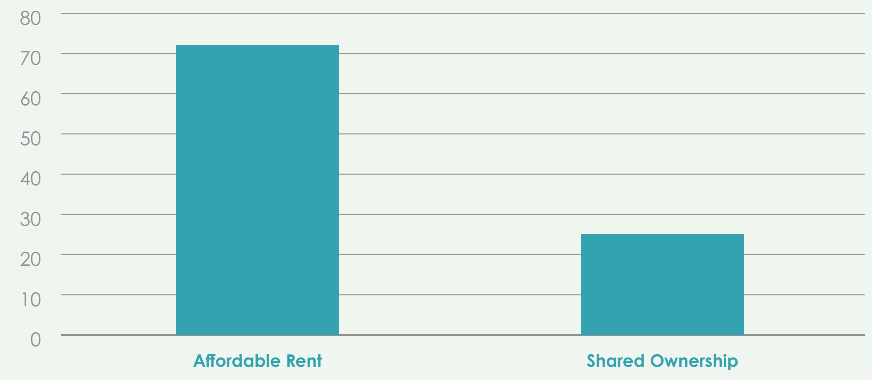
	Total number of homes	B3Living ave. Rent	Local Housing Allowance	Private Median
1 bed home	1,095	£107.82	£172.60	£186.97
2 bed home	1,183	£129.95	£212.88	£229.97
3 bed home	988	£140.02	£276.16	£310.46
4 bed home	88	£155.90	£322.19	£379.46

C2 - Share, and number, of existing homes (homes completed before the last financial year) allocated.

Tenure Type	Number
Social rent	2,647
Affordable rent	897
Supported housing	284
Intermediate rent	13
Shared ownership	293
Leaseholders	694
Managed by others	49
Leaseholder (non-social)	105
Market rent	3
Total	**4,985**



% of total stock



C3 - Share, and number, of new homes (homes that were completed in the last financial year), allocated.

In 2020-21 we delivered 97 new affordable homes, equating to a 2.0% increase in our stock, which is marginally greater than sector median performance. B3Living's new strategy sets a target of delivering 500 new affordable homes over the next three years. This rate of delivery would see B3Living building more affordable homes over the sector upper quartile level and making a positive contribution to alleviating the housing crisis in our community.

C4 - How is the housing provider trying to reduce the effect of fuel poverty on its residents?

B3Living signposts our customers to support agencies where we identify that there is a need for additional financial support, and we work closely with local government to give our customers access to fuel poverty grants and fuel vouchers (over £5,700 in total was given to customers in the form of fuel vouchers during the 2020-21 winter period).

B3Living is working with LEAP (Local Energy Area Partnership), to assist our customers to change energy supplier and give out energy-efficient equipment to reduce their consumption, such as free low-energy light bulbs and draught excluders as well as giving qualified debt advice. In February 2021, ahead of our annual rent increase notifications, we contacted all of our customers to encourage them to reach out if they were experiencing any financial issues, such as paying their utility bills. This proactive communication yielded a significant volume of responses (we had 500 visits to our digital helpline in March with hundreds more calling in) and as a result were able to support more customers to access fuel vouchers and other debt advice through local partners such as LEAP and Herts Help.

C5 - What % of rental homes have a three-year fixed tenancy agreement (or longer)?

Many of our customers have in the past, or are continuing to, experience a significant amount of uncertainty, be it financial or in their personal lives. Therefore, to offer greater reassurance and stability, at B3Living we have abolished fixed-term tenancies. All our historic fixed-term tenancies are routinely converted to life-time tenancies when their agreements mature. As at 31 March 2021, around 270 (7%) of our customers had a fixed-term tenancy agreement set to mature within the next three years. Of the c. 3,780 (93%) customers who have tenancy agreements lasting three years or longer, around 2,630 of these have no fixed end dates.

T2. Building safety and quality

C6 - What % of homes with a gas appliance have an in-date, accredited gas safety check?

100% - Building and customer safety is a significant priority for our Board, and they have indicated a low tolerance of risk in this area. Between 2018-19 and 2019-20 B3Living significantly increased its investment in safety and commissioned a specialist consultant, Manifest, to support the business to improve performance and tighten procedures to ensure we meet the Board's expectation and keep our customers safe.

C7 - What % of buildings have an in-date and compliant Fire Risk Assessment (FRA)?

100% - B3Living undertake FRA inspections every year (using specialist external contractors) to high rise residential buildings (HRRB) and buildings where the structure, design or occupation type increases risks, for instance, supported housing schemes for older people. At 'standard' homes for general needs residents, B3Living undertakes FRA inspections every two years, unless there is a significant change that would warrant an earlier FRA survey.

C8 - What % of homes meet the Decent Homes Standard?

100% - B3Living has a long history of investing in our existing homes at sector upper quartile levels. All our homes meet the Decent Homes Standard and have done so for the last decade. Our past and forecast levels of investment in existing homes will place us in a good position to meet any changes in the Decent Homes level.

T3. Resident voice

C9 - What arrangements are in place to enable the residents to hold management to account for provision of services?

In 2020-21, B3Living launched a new initiative to enable residents to hold the organisation to account. Our "Customer Community" network recruited 65 members soon after its launch in November 2020 and further promotion has been embedded in our advisors' routine conversations with customers on a day-to-day basis.

Frontline colleagues are equipped with friendly, engaging resources that summarise the initiative's aims and showcase the range of ways customers can be involved. Feedback channels for the Customer Community include online forums or focus groups (with in-person meetings deferred during Covid-19 and social distancing), online surveys, text, emails, and one-to-one phone interviews. We aim to offer flexibility and choice to make the initiative inclusive to a broader demographic of customers, so they are involved the way they want to be.

We maintain regular contact with members of the Customer Community, who have a dedicated newsletter and Facebook group. In the interest of transparency, we also feed back to our whole customer base each month to highlight the decisions members have influenced recently. We hope that in demonstrating the value we place in their input, our customers will feel confident that their views are taken seriously and more are motivated to join the Community.

C10 - How does the housing provider measure resident satisfaction and how has resident satisfaction changed over the last three years?

B3Living measures customer satisfaction in line with Housemark's Survey of Tenants And Residents (STAR) framework plus additional questions that track customer satisfaction against other service areas. An annual STAR survey has historically been carried out by B3Living, but it was felt that the data was not "live" enough to understand trends and drivers of customer satisfaction. A quarterly tracker survey was put into place in April 2020, which monitors overall customer satisfaction alongside other key metrics used for internal and external benchmarks. Benchmarking with Housemark allows us to see our performance in line with our peers.

In 2018-19, B3Living achieved an 84% score for overall customer satisfaction, a decrease from previous years, and we have since set a target against this metric of 87%. A survey carried out in 2019-20 showed that overall customer satisfaction with B3Living's services bounced back to 89%. However in 2020-21, as a result of the pandemic and the limited services we were able to offer, satisfaction dipped to 86%.

We will look to benchmarking to explore whether our peers experienced a similar drop in customer satisfaction in 2020-21. Moreover, we benefit from the volume of data collected in our satisfaction surveys, which allows B3Living to conduct detailed analysis of what our customers are telling us. These insights feed into our Customer Experience Group, where our Customer Ethos Champions plan, track and deliver continuous improvement.

JobSmart	CVS for Broxbourne and East Herts (CVSBEH), via its JobSmart initiative, helps to promote employability by providing CV writing, interview skills, and digital skills training. To date 72 B3Living customers have been supported by the project, with 60 customers enrolling on courses and 12 taking up volunteering opportunities, of which nine have found employment so far.
Citizens Advice Bureau	We provide direct financial support to Broxbourne's Citizens Advice Bureau (CAB). In quarter four of 2020-21, the CAB helped 14 B3Living customers access a further £31,831 of additional benefits (equating to £2,274 per customer) to help them cover their outgoings and sustain their tenancies. A further 22 customers were supported with other issues including health care, skills to sustain their tenancy and prevent homelessness, and rescheduling repayments. The latter helped to save £420 per customer, maximising their income for essential household expenditure.
Money Advice Unit	During the 2020-21 financial year we launched a new partnership with the Money Advice Unit. This fast-track service increased the financial support available to customers with more complex needs; this package includes support with online benefit applications, budget calculations, and the provision of a specialist advisor once per week for one year. This advisor currently has 32 live cases and, to date, has helped our customers access almost £28,000 in financial support.
StepChange	Another new partnership with charity, StepChange, provides a further referral pathway for our customers who need debt advice and support with repayment plans. The service helps to reduce anxiety for the customer by offering a "warm handover" process and same-day appointments.

C11. In the last 12 months, how many complaints have been upheld by the Ombudsman?

How have these complaints (or others) resulted in change of practice within the housing provider?

In 2020-21 four formal complaints to B3Living were investigated by the Housing Ombudsman, in all of which the determination was that there had been no maladministration. The Housing Ombudsman noted that the actions B3Living took in attempts to resolve our customers' complaints were measured, proportionate, and fair. Our steps to take each complaint seriously, de-escalate and seek long-term solutions were also observed.

Regardless of the determination, we feel that we should draw learnings from all complaints, so our Customer Insights Manager hosts a debrief following any Ombudsman investigation to review the complaint handling and explore any potential service improvements. An example of this in practice led to a review of the terms of our Persistent Complainants Policy, which were brought into closer alignment with the Ombudsman's Complaints Handling Code. Our Head of Housing presented a set of six recommended changes to our Customer Community who agreed the changes to the policy, which were then communicated to all customers via a "you said we did" piece.

T4. Resident support

C12 - What support services does the housing provider offer to its residents. How successful are these services in improving outcomes?

At B3Living we feel the best way to help those customers who require support is by proactively building and maintaining a network of local support partners. These partners are carefully selected to ensure they share our values and can bring specialist skills, experience and facilities to offer tangible support for those customers who need help.

Below are a few examples of how B3Living's support network has delivered substantial improvements in our customers' lives:

Other partnership highlights include:

- **Energy Redress Scheme –** two rounds of fuel vouchers worth around £6,000 for our customers on pre-payment top up meters.
- **Winter Grant Scheme** – claiming food vouchers for 50 customers.
- **HertsHelp** – financial support, help with one-off white goods if applicable.
- **Foodbank** – food parcels for our customers as and when needed.
- **Hertsaver Credit Union** – promoted to our customers where appropriate.

T5. Placemaking

C13 - Provide examples or case studies of where the housing provider has been engaged in placemaking or place shaping activities.

Over the last 18-24 months B3Living has undertaken several activities to help promote customer and community wellbeing.

To help promote physical health and wellbeing, we have created a partnership with Active Local who have agreed to provide low impact exercise sessions led by qualified coaches. Active Local's walking groups have had 23 customers per session since lockdown restrictions eased. Further to this, working with Hertfordshire Sports Partnership, we refer customers to the Fit & Fed Project to address holiday hunger and inactivity. The project supported 13 children during the two-week Easter holiday in 2021.

Mental health is just as important as physical health; therefore we have developed a partnership with a community navigator service. We refer customers to the HertsHelp scheme who can provide non-medical support for up to a year, including mental health support. We have also developed a good working relationship with GP Plus Service, delivered by Hertfordshire Partnership University NHS Foundation Trust, with linked-in social prescribers. They aim to address health inequalities within minority communities, such as the BAME and Polish communities in Wormley and Turnford. Recent referrals to support have related to isolation and anxiety post-Covid-19.

"I get emotional just talking about it – you don't understand what it means to me – the house is great. Any problems and someone has come out and sorted things straight away. My kitchen is definitely the highlight of my new home – I love it! I was embarrassed to have people round, but I can't wait to invite people round and show them what we have now."

Single mother to two boys and a girl, who was overcrowded in her previous flat where damp had spread to such an extent that the whole family had to sleep in one room, using mattresses on the floor. She has moved into a new B3Living house at The Chimes site in Nazeing, and her children now all have a bed of their own.

Name withheld to protect the identity of the family.

B3Living - Environmental, social, and corporate governance

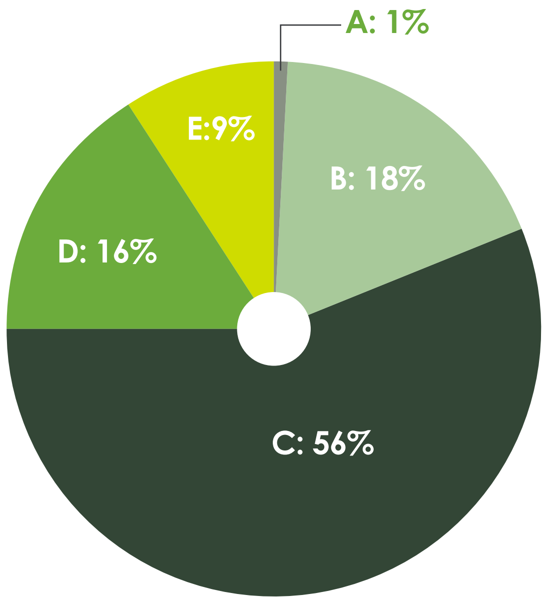
Environmental

T6. Climate change

C14 - Distribution of EPC ratings of existing homes (those completed before the last financial year).

In Suss Housing's SHIFT B3Living is in the top quartile for EPC C and above ratings for their client group. Previously our major boiler replacement programmes used A-rated boilers, and there has been significant investment in insulation. In addition, the main archetype of B3Living properties is mainly small blocks of flats built between the 1950s and 1970s. In 2020-21 the Board approved an update to the Asset Management Strategy, which sets out B3Living's approach to reducing the amount of EPC D & E (25%) rated homes in our portfolio.

EPC rating portfolio split



C15 - Distribution of EPC ratings of new homes (those completed in the last financial year).

Of the 97 new homes developed in 2020-21, 89% of them were EPC B and 11% EPC C.

C16 - Scope 1, Scope 2, and Scope 3 greenhouse gas emissions.

The table below clearly and unsurprisingly shows that our existing homes are the largest contributor to our carbon footprint. B3Living's latest business plan contains a £50m provision to tackle our carbon emissions.

Emissions drivers	Tonnes CO2
Homes	12,541
Communal heating systems	600
Communal areas	1,228
Offices	82
Business mileage	18
Home maintenance activity	316

C17 - What energy efficiency actions has the housing provider undertaken in the last 12 months?

In March 2021, B3Living adopted a new three-year "Better Futures" strategy including a commitment towards achieving net-zero carbon by 2050. To support this ambition our Asset Management Strategy was updated to include a net-zero carbon section that focuses on sustainability and environmental initiatives. B3Living's strategy is initially concentrated on upgrading our existing homes with 'tried and tested' technologies and bringing those EPC D & E-rated homes to C by 2030.

Working with Pell Frieschmann and Broxbourne Borough Council, we have studied the borough's sustainable travel policy with a particular emphasis on identifying where B3Living could support cycle routes through its estates.

Whilst we wait for viable technological advances on home heating, we will continue to replace aging boilers with A-rated appliances. B3Living's roof replacement programme continues to improve insulation levels and our window replacement programme enhances the thermal performance of our properties. Our reactive repairs service and work on void properties continues to use dual-flush toilets and low-flow taps.

- Increased flood risk
- Increased risk of homes overheating

B3Living has not had any significant flooding recently, yet we still have a planned reassessment of flooding risk in 2021-22. This will cover:

- Long-term flood risk assessments on fluvial, ground water and surface water run-off.
- Notifying and liaising with relevant drainage authorities to ensure drains are fully functional and maintained in areas with a high risk of surface water flooding.

The SHIFT overheating risk assessment tool estimated that 93.6% of homes are at low risk of overheating. During 2021-22 we will ensure that:

- Any overheating risk assessments cover the risk factors addressed in the SHIFT overheating estimator tool.
- All homes identified as high risk, and have condensation issues, have adequate ventilation measures.
- We develop good quality green areas.

C19 - Does the housing provider give residents information about correct ventilation, heating, recycling etc? Please describe how this is done.

B3Living's customer service and technical staff advise customers on heating and ventilation issues to avoid condensation and over-heating. We currently have a series of leaflets, and our current action plan includes a work stream developing a whole series of new communication and engagement materials across multimedia channels.

T7. Ecology

C20 - How is the housing provider increasing green space and promoting biodiversity on or near homes?

A theme of our 2021-24 corporate strategy is safe, good quality homes and estates. The quality of our neighbourhoods is as important as the quality of the housing and contributes to overall quality of life. To promote better estates and green spaces we will:

- Plant higher density biomass areas in existing green spaces.
- Ensure that at least 19% of land on new sites is the equivalent of "protected".
- Establish an efficient measurement of the quality of our green spaces.
- Encourage residents to do wildlife planting.

C21 - Does the housing provider have a strategy to actively manage and reduce all pollutants?

If so, how does the housing provider target and measure performance?

As part of our Carbon Neutral Action Plan, we are actively trying to reduce pollutants. For example, we have a team that collects waste, including paint, which is delivered to a recycling centre. We recently replaced 21 of our aging vehicles with hybrid engines and we have actively stepped up our efforts to conserve energy in our office.

We intend to measure progress through our SHIFT accreditation with the aim of reaching the Gold level by 2024.

T8. Resource management

C22 - Does the housing provider have a strategy to use or increase the use of responsibly sourced materials for all building works?

If so, how does the housing provider target and measure performance?

B3Living will seek to enhance the pace of our carbon reduction by working closely with our supply chain to better understand each contractor's own carbon footprint and emphasise our ambition to only work with businesses that share our carbon ambitions. Through the procurement process we will, once we fully understand how best to do so, include a weighting within the evaluation process to reflect each applicant's carbon emissions. Whilst this research continues, we will seek to:

- Employ local contractors, where possible, to reduce travel times.
- Use products, where possible, that are from sustainable and responsible sources.

We are still developing our thinking in the "EPC by 2030" area and once we have completed this research piece, we will set appropriate targets. Progress will be monitored by the Executive team and Board.

C23 - Does the housing provider have a strategy for waste management incorporating building materials?

We expect waste savings to be generated by promoting behavioural change, from our people and our customers. Making a large number of small changes in behaviour can help people to think about waste management in more proactive ways. For example, we will consider reducing the use of disposable cups and utensils, reducing reliance on paper, heightening the importance of sensible waste management within the procurement process, as well as constant and consistent messaging to our customers about how they can reduce waste and recycle more, etc.

C24 - Does the housing provider have a strategy for good water management?

Water management will be a key theme within our new net-zero carbon delivery plan. Research carried out to date highlights that the delivery plan will need to include reviewing options to increase the use of grey water, investigating water saving technologies or techniques, and supporting water agency campaigns to promote better water management within our customers' homes.

Water use per employee equates to 5.16 m^3, which is good performance relative to the sector. However, our ambition is to achieve 3m3 per employee by 2030.

"Chris and his team have quite literally taken our spec and mirrored it - copied it – down to the colours. The environment plays as big a part of the support journey as the support workers do themselves, so this is absolutely brilliant. This is a great testament to partnership working where we can all play to our strengths. Clearly, B3Living have got the greater asset experience and property portfolio, and we can bring in the specialist young persons' transitional support - and together, start to change some lives. Which feels great."

Mark Turner, Director of Operations for One YMCA, our delivery partner for a new young-people service in Hoddesdon.

Governance

T9. Structure and governance

C25 - Is the housing provider registered with a regulator of social housing?

Yes.

C26 - What is the most recent viability and governance regulatory grading?

V1 and G1.

C27 - Which code of governance does the housing provider follow, if any?

We follow the National Housing Federation Code of Governance 2015 for 2020-21; however, from 1 April 2021 we have adopted their 2020 Code of Governance.

C28 - Is the housing provider not-for-profit?

Yes.

C29 - Explain how the housing provider's board manages organisational risks?

During 2020-21 the Board approved a new Risk Management Strategy which breaks our approach into five distinct elements:

- **Risk appetite** - Categorisation of key risk areas to the business and consideration of the amount and type of risk that the organisation is willing to accept to meet its strategic objectives and tolerance levels.
- **Identifying and recording risk** - Categorisation and identification of individual significant risks to the organisation. This is discussed at every board meeting and Audit and Risk Committee meeting, and time is set aside at board away days to promote 'blue sky thinking' about potential risks.
- **Evaluating and managing** – We evaluate risk based on the multiple of the likelihood and impact of each risk, before and after management actions have been applied (residual score), as well as setting a target risk score based on the Board's risk appetite. The impact score is not solely based on financial cost but also considers reputation, health and safety, achievement of corporate objectives, etc.
- **Governance** – the Board is responsible for ensuring that B3Living maintains an appropriate Risk Register and Risk Management Framework. The Board reviews and debates all corporate risk with a residual score greater than 11 at each meeting. The Audit and Risk Committee and the Executive Team have been delegated authority to review and maintain the entire corporate risk register. B3Living also manages risks via a three lines of defence model and annual risk maturity reviews.
- **Risk management culture** – B3Living maintains and promotes a risk aware culture across the business. To promote a proactive Risk Management culture all the members, the Executive and the Leadership teams ensure that risk identification and management is a regular agenda item on all team meetings so all risks can be effectively recorded and escalated. To support and embed our risk management, we provide annual training for the Leadership team and a risk section is included within all board and committee reports.

C30 - Has the housing provider been subject to any adverse regulatory findings in the last 12 months (e.g. data protection breaches, bribery, money laundering, HSE breaches or notices) - that resulted in enforcement or other equivalent action?

No.

T10. Board and trustees

C31 - What are the demographics of the Board? And how does this compare to the demographics of the housing providers residents, and the area that they operate in?

The Board is pleased to be representative of gender and has also started to make inroads into recruiting younger board members. We have been actively promoting board vacancies to the BAME community, those living with a disability, and those from the LGBTQIA+ community to better reflect the diversity of our community.

Diversity area	Board profile	Borough of Broxbourne profile
LGBTQIA+	0%	3%
Any ethnic minority (i.e. not White British)	0%	19%
White Irish or White Other ethnicity	0%	9%
Asian, Black, Mixed or Other ethnicity	0%	10%
Disability	0%	10% of those aged 16-64
Aged under 30	0%	20% (residents aged 20-29 as % of residents 20-64)
Aged 50 or over	70%	33% (residents aged 50-64 as % of residents aged 20 -64)
Minority religion	0%	4%
Female	50%	52%

C32 - What % of the Board AND management team have turned over in the last two years?

31.25% (two out of five Directors and three out of eleven board members).

C33 - Is there a maximum tenure for a board member? If so, what is it?

The maximum tenure for a board member is normally up to six years. Board members are required to reapply after the first three years. In exceptional cases after six years, and where it is in the organisation's best interests, tenure may be extended up to a maximum of nine years, but in this case, they would be required to reapply every year. We follow the guidance of the National Housing Federation's Code of Governance 2020 in this regard.

C34 - What % of the Board are Non-Executive Directors?

90% (nine of ten).

C35 - Number of board members on the Audit Committee with recent and relevant financial experience.

Two out of four. We are currently recruiting to this committee.

C36 - Are there any current executives on the Remuneration Committee?

No.

C37 - Has a succession plan been provided to the Board in the last 12 months?

The Board considered a succession planning report in January 2021.

C38 - For how many years has the housing provider's current external audit partner been responsible for auditing the accounts?

15 years. A full and open tender process was conducted in 2019 and Beever & Struthers were the only creditable applicant, despite the best efforts of the business to attract new auditors to complete a tender. Due to B3Living having a public bond it is a Public Interest Entity; the additional scrutiny this entails dampened tender interest.

C39. When was the last independently-run board effectiveness review?

This took place in the autumn of 2019 and was reviewed by the Board in December of that year.

C40. Are the roles of the Chair of the Board and CEO held by two different people?

Yes.

C41. How does the housing provider handle conflicts of interest at the Board?

We have a Board Conflicts of Interest Policy that sets out how these instances are handled. Our register of interests is presented at every board meeting as a standing item at the beginning of each meeting, and members are prompted as to whether there are any interests that affect any of the agenda items.

T11. Staff wellbeing

C42. Does the housing provider pay the Real Living Wage?

Yes.

C43. What is the gender pay gap?

	Median gender pay gap	Mean gender pay gap
April 2021	0%	5.36%

C44. What is the CEO-worker pay ratio?

We report the CEO-worker pay ratio based on the Business, Energy and Industry Strategy (BIES) methodology. The methodology followed applies a ranking from low to high of all permanent staff, adjusted for part-time staff members, and fixed-term employees to derive a single total figure of renumeration at each 25th, 50th (median) and 75th percentile. At B3Living we have one standard pension offer, however not all employees either opt to contribute to a pension or maximise on the benefit we offer. Therefore, for this exercise we have removed pensions from the calculation.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020-21	5.33	4.59	3.6

C45. How does the housing provider support the physical and mental health of their staff?

B3Living has a range of initiatives in place to support the wellbeing of our colleagues. Flexible working is one way staff can achieve a work/life balance and a large proportion of staff value this highly. All staff are eligible to benefit from subsidised private medical insurance, which also includes a cash-back scheme for dental and optician costs. An employee assistance line and app are available to staff 24 hours day, and where necessary face-to-face counselling is also accessible through this service. Staff have been invited to take part in a wellbeing survey to understand whether they feel supported at work and to identify any additional support B3Living can offer to enhance their physical and mental wellbeing.

We also offer generous sick pay entitlements, carry out health surveillance, and refer staff for occupational health assessments where appropriate.

C46. Average number of sick days taken per employee?

Nine (including Covid-19 related absences).

Image of new B3Living hybrid vehicles introduced in 2020

T12. Supply chain

C47. How is social value creation considered when procuring goods and services?

Social value is the relative importance that people place on the economic, environmental, and social changes that they experience in their lives. Changes in people's lives are outcomes that are created, both good and bad.

Products, services and works that affect people's lives are procured on a daily basis. When resources are allocated to activities that create social value, the aim is to maximise the positive outcomes, whilst minimising the negative outcomes from any procured activity. B3Living identifies the right outcomes for a framework by asking the right questions, to the right people, at the right time during the procurement process. This maximises the social value for the people experiencing the change by reducing any separation between how we procure goods and services and their subsequent impact on the social fabric of our community.

For all procurements above £25,000,00, B3Living measures its social value impact by engaging the stakeholders impacted by the change. We involve our customers, operational teams, and suppliers to reduce our carbon footprint. We can do this by procuring and introducing products, services and works that minimise their negative impact on the environment through the use of local suppliers, which also promotes local employment opportunities.

Our long-term aim of changing the way that social value is accounted for in procurement is achieved by advocating a framework based on the principles, practice, people and power model. Using this framework, B3Living can ask the right questions to understand the impact we already have but, more importantly for commissioning, it will help us to understand the impact that we want to have.

C48. How is environmental impact considered when procuring goods and services?

The environment is one of our principal concerns, which is demonstrated by our relationships with our suppliers and local communities. B3Living is committed to understanding and managing the environmental and social impact of our activities, including through the procurement of its products, services and works.

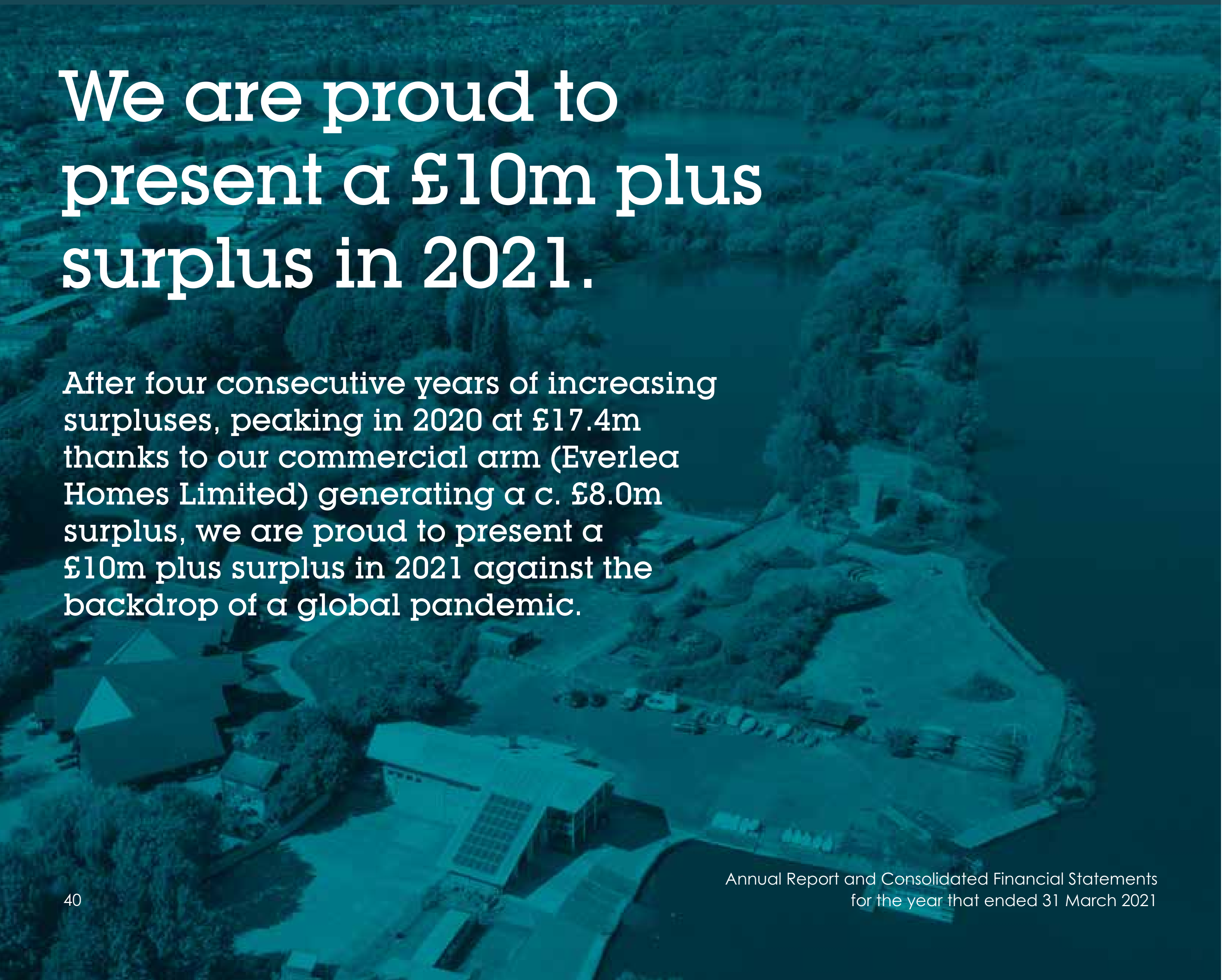
Our mission is to create a sustainable, positive difference to our customers and community, and we recognise that improving our procurement performance is an ongoing process. Our suppliers, both large and small, are important partners in our journey to becoming more socially aware, sustainable and carbon neutral.

B3Living will ensure that the goods and services we purchase are manufactured, delivered, used, and disposed of in an environmentally and socially responsible manner. We are also committed to reviewing our contract management processes and supply chain risks to ensure that sustainable principles are embedded within every aspect of the procurement journey.

We will use open market forces when selecting products, services or works. We intend to utilise and promote supplier innovation and encourage suppliers to minimise their environmental impact and deliver community benefits in their operations or supply chains. This is intended to increase sustainability within our own supply chain and procurement activities, thus delivering wider-reaching benefits to the environment and community. Our purchasing decisions will give preference to those who can support our strategic ambitions for corporate sustainability.

As a contracting organisation, we expect our suppliers to ensure that their practices are supportive of our approach. We will seek to procure and deliver goods and services with the least and minimal impact on the environment and with regard for social issues such as employment conditions and welfare.

Financial review



We are proud to present a £10m plus surplus in 2021.

After four consecutive years of increasing surpluses, peaking in 2020 at £17.4m thanks to our commercial arm (Everlea Homes Limited) generating a c. £8.0m surplus, we are proud to present a £10m plus surplus in 2021 against the backdrop of a global pandemic.

Five-year analytical review

Our recent strong financial performance has resulted in our net assets growing from c. £30m in March 2017 to c. £79m in March 2021. This growth has given the Board the confidence to increase its investment in new and existing homes. To this end, in July 2020 the B3Living Board approved its largest ever investment in affordable housing, when it agreed to buy 195 new homes, Cheshunt Lakeside, via a package deal with Inland Homes in Broxbourne.

The Board are fully aware of B3Living's current and forecast gearing levels: we are in the sector's highest decile for gearing and debt per unit, and over the coming year we will be working with sector advisors to examine new ways to increase investment to tackle the effects of the housing crisis in our geography whilst managing our debt position.

During the year, the Group generated an operating surplus of £14.9m (2020: £14.3m). The surplus was underpinned by the following factors:

- An increase in the profitability for our core rental business contributing £12.6m (2020: £11.4m).
- Fewer shared ownership first tranche sales of £1.5m (2020: £1.9m).
- An increase in surplus from property disposals of £0.8m (2020: £0.5m).

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

- General affordable housing - £11.6m (2020: £10.5m)
- Sheltered housing - £0.1m (2020: £0.2m)
- Low-cost home ownership - £0.9m (2020: £0.8m)

Summary of results for the last five years

For the year ended 31 March 2021	March 2021 £000	March 2020 £000	March 2019 £000	March 2018 £000	March 2017 £000
Turnover	33,336	34,561	34,664	27,781	26,489
Cost of sales	(3,310)	(4,725)	(4,865)	(1,033)	(471)
Operating expenditure	(15,988)	(16,085)	(14,261)	(13,816)	(14,538)
Disposal of housing property	843	502	912	1,054	595
Operating surplus	**14,881**	**14,253**	**16,450**	**13,986**	**12,075**
Share of JV profits	-	8,193	(206)	927	-
Net financing costs	(4,744)	(4,980)	(4,969)	(4,858)	(5,189)
Increase/decrease in valuation of investment properties	91	(35)	(10)	(120)	495
Surplus/(deficit) before tax	**10,228**	**17,431**	**11,265**	**9,935**	**7,381**
Taxation	-	1	(2)	-	-
Surplus/(deficit) for the year	**10,228**	**17,432**	**11,263**	**9,935**	**7,381**
Actuarial (loss)/gain in respect of pension schemes	(1,297)	2,037	(1,018)	422	(1,086)
Total comprehensive income for the year	**8,931**	**19,469**	**10,245**	**10,357**	**6,295**

Analysis of our five-year performance

The Group's strong performance during the year is reflective of the trend over the last five years where surpluses have risen from c £7.4m in 2016-17 to c £11.3m in 2018-19. The 2019-20 surplus of £17.4m was supported by the profits (c. £8.0m) made by our commercial arm, Everlea Homes Limited, when it sold its shares in a land promotion joint venture, the Wheat Quarter Ltd. These profits have been retained in Everlea, at nil tax cost, to provide it with its own resources and protect the Association and its social assets from its inherently riskier activities. The surplus in 2020-21 of c. £10.2m is in line with average surplus from period 2018-21, despite rising operating costs as we increase our investment in frontline services and customer and building safety.

Turnover has marginally fallen against recent years, albeit rented social housing letting turnover has increased from £26.0m in 2018-19 to £28.0m in 2020-21, however, shared ownership sales has fallen from £7.8m to £4.8m respectively. The business plan forecasts turnover exceeding £36.0m in 2021-22 and close to £40.0m in 2022-23.

This year we achieved rental and service income of £27.8m against prior year performance of £26.7m. 2020-21 was the first year of the five-year government-approved rent settlement, where social/affordable rents are allowed to increase by CPI + 1% (government target rate 2%).

First tranche shared ownership sales income reduced from £6.7m in 2019-20 to £4.8m in 2020-21; this equates to 19% and 14% of turnover, respectively. In the year the Group, via the Association, sold 27 shared ownership homes compared to 41 during 2019-20.

The 2020-21 shared ownership sales budget expected 33 homes to be sold in the year, however due to the pandemic restrictions we were not able to complete all the sales programme within the year. At 31 March 2021, B3Living had eight unsold homes; of these seven were reserved, which shows the demand for the product, even in these uncertain times.

The Board view shared ownership as an important and affordable way for people to get on the housing ladder and tackle the housing crisis in our geography. Therefore, it is the Group's intention to keep, development opportunities permitting, shared ownership sales within the parameter of the Group's Financial Golden Rule of 30% of turnover. In 2021-22 we are expecting c. £6.6m of shared ownership income and this is due to our 195-unit Cheshunt Lakeside development. This is expected to peak at £11.5m in 2023-24, 25% of turnover.

Operating costs have decreased marginally from £16.1m in 2019-20 to £16.0m in 2020-21. In 2020-21 there was an increase in expenditure of £0.4m on repairs and maintenance as the organisation continued to focus on customer and building safety. This additional expenditure has however been offset by the release of the bad debt provision of £0.3m, which had been recognised in the previous year to reflect the potential risk of the non-recovery of rent as a result of the Covid-19 pandemic and the release of a provision of £0.2m for a contract that had been recognised in previous years for a potential obligation resulting from past events. Managing costs is a key focus for us, as this increases our capacity to invest in new and existing homes.

Net interest costs for the year were c £5.2m, which is comparable to the past three financial years. Interest payments have remained the same between 2019-20 and 2020-21, however an uptick in our investment in new homes has increased the amount of interest we capitalised from c. £0.8m to c. £1.3m, therefore reducing the overall interest charge.

The Group's pension liability increased by £1.3m to £2.8m (2020: £1.6m). The change in B3Living's pension liability is assessed by Hymans Robertson LLP, and this increase reflects a rise in our liabilities within the pension fund against that of the asset values.

B3Living - Financial review

Statement of financial position for the last five years

The table below sets out the financial position of the Group over the last five years. It demonstrates a significant increase in the Group's financial strength between 2016-17 and 2020-21. The increased strength shown in the financial position demonstrates a financial resilience to overcome adverse events and a capacity to capitalise on attractive opportunities for growth, as demonstrated by the 195-unit scheme approval in Cheshunt.

	March 2021 £000	March 2020 £000	March 2019 £000	Restated March 2018 £000	March 2017 £000
Fixed assets					
Housing properties	258,487	217,861	204,630	186,596	159,541
Other fixed assets	4,054	4,070	3,458	3,178	3,274
Investment properties	4,304	4,721	3,230	3,240	3,277
Investments in JVs	730	949	3,533	3,605	2,081
Tangible fixed assets	**267,575**	**227,601**	**214,851**	**196,619**	**168,173**
Current assets					
Stock	12,007	6,335	10,586	8,052	5,898
Trade and other debtors	14,561	10,211	6,798	6,256	5,007
Agreement to improve existing properties	1,537	1,622	5,427	8,614	10,966
Cash and cash equivalents	3,039	13,696	5,472	1,257	2,183
	31,144	**31,864**	**28,283**	**24,179**	**24,054**
Less: Creditors: amounts falling due within one year	(10,715)	(8,232)	(7,559)	(7,877)	(5,437)
Net current assets	**20,429**	**23,632**	**20,724**	**16,302**	**18,617**
Total assets less current liabilities	**288,004**	**251,233**	**235,575**	**212,921**	**186,790**
Creditors: amounts falling due after more than one year	(204,818)	(177,816)	(175,677)	(160,839)	(142,168)
Provisions for liabilities (including pensions)	(4,326)	(3,488)	(9,438)	(11,867)	(14,763)
Total net assets	**78,860**	**69,929**	**50,460**	**40,215**	**29,859**
Reserves	**78,860**	**69,929**	**50,460**	**40,215**	**29,859**

At the reporting date, the Group had tangible fixed assets with a carrying value of c. £268m (2019-20: c. £228m) reflecting the continuing trend over the last five years. The Group's improved financial strength was recognised by Moody's in July 2018 when they increased its credit rating from Baa1 to A3 with a stable outlook. This credit rating was reaffirmed in November 2020.

Between 2016-17 and 2020-21 the Group's tangible fixed assets' carrying value increased by c. £99.4m (59%). The increase in tangible fixed assets reflects the Group's continued investment in new and existing housing properties for affordable and social rent, shared ownership and investment properties. The Group invested £39.6m (£13.6m in 2019-20) in the provision of new homes and £4.2m (£3.0m in 2019-20) improving existing homes. In 2021-22, the Group expects its investment in building new homes to continue, however this is expected to fall to a more sustainable level in the mid term.

At the reporting date the Group, via its commercial subsidiary Everlea Homes, has £0.8m invested in Farnham Road LLP, a joint venture with Bellis Homes. The joint venture will deliver 35 new homes (23 for private sale and 12 affordable homes) and is expected to complete in quarter two of 2021-22.

Stock represents the first tranche element of shared ownership homes for sale; this has increased in the year, from £6.3m in 2019-20 to £12.0m, and is expected to continue to increase until the shared ownership homes from the Cheshunt Lakeside scheme are sold in 2023-24.

Key Financial Performance Indicators for the last five years

Financial Golden Rules	Limit	2021	2020	2019	2018	2017
Financial Covenant Performance						
Gearing **(covenant 80%)**	**< 65%**	52%	50%	53%	53%	56%
EBITDA MRI Interest Cover **(covenant 110%)**	**>160%**	240%	267%	237%	203%	223%
Managing Credit Profile						
Social Housing Letting Interest Coverage	**>150%**	214%	215%	203%	202%	229%
*Operating Margin	**> 35%**	42%	40%	45%	47%	44%
Development sales as a % of Turnover	**< 30%**	14%	19%	22%	7%	2%
% of HA net asset Invested in Everlea Homes	**< 10%**	8%	1%	9%	6%	0%

***excludes existing asset sales surpluses**

In November 2018, the Group Board agreed to monitor financial performance via a suite of Financial Golden Rules (FGRs). As part of good governance, these FGRs were reviewed by the Board in January 2021. The FGRs relate to the Association and 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 its social assets in a range of adverse scenarios.

The Association's operating margins remain above the sector's upper quartile, but comparable to peers. This performance has contributed towards excellent interest coverage ratios, which helps to increase financial resilience and capacity to build more much-needed homes in our local geography.

The recent uptick in development expenditure in 2020-21 and next three years will see a greater proportion of the Association's turnover coming from shared ownership sales receipts. This is expected to peak in 2023-24 when sales will make up c. 25% of the Association's turnover. The FGRs place a limit of 30% of the Association's turnover coming from development sales.

In 2020-21 the Association increased its lending to its commercial subsidiary, Everlea Homes Ltd, to 8% of its net assets. The increase from the 2019-20 position was driven by the Board's decision to retire the senior lender on Everlea Homes' Farnham Road joint venture. The Farnham Road LLP is due to mature in quarter two of 2021-22 and of the remaining 10 homes to be sold, nine have been reserved with completions due in May and June 2021. Aside from the sales reservations, the Association's position is strengthened further as Everlea owns a £5.5m loan note with the Wheat Quarter Ltd, which is due to mature in July/August 2021 which could cover the on-lending.

Treasury review

B3Living has a robust and comprehensive treasury policy and treasury management strategy, reviewed annually by the Executive, our treasury advisors, Savills, and the Group Board. The Group Board receives a quarterly treasury report that details B3Living's treasury facilities, security, liquidity, on-lending arrangements, treasury policy compliance and an economic and lending market review.

B3Living benefits from having a simple treasury portfolio, which contains two long-term fixed rate debt loans and three short-term revolving credit facilities, all of which have common terms. There are no standalone interest rate swaps. In 2018-19 the Group renegotiated the terms within its bank finance agreements to make them less onerous and more linked to the Association's performance, rather than the wider Group's. These changes all help to ring-fence the Association's balance sheet and social housing assets away from the risk inherent within the commercial activities of Everlea Homes.

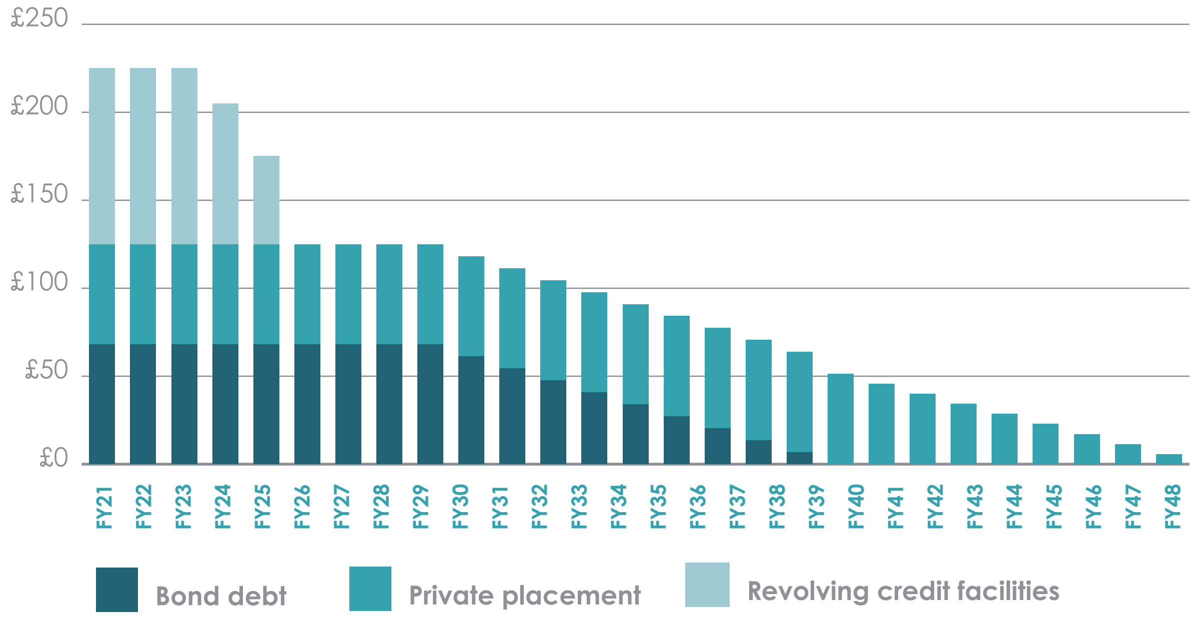
In June 2020 B3Living opted to enact its one-year extension option available with its £20m revolving credit facility with Barclays; the maturity date is now June 2023. Moreover, B3Living negotiated a £15m increase to its £35m revolving credit facility with Lloyds in February 2021 and increased the tenor to February 2026 from April 2022. Whilst negotiating the new £50m facility, Lloyds and B3Living took the opportunity to convert the basis of the interest rate from LIBOR to SONIA for this loan and our other £30m revolving credit facility. Currently, only our Barclays facility uses LIBOR, but plans are underway to convert this long before 31 December 2021.

Debt and liquidity

As at 31 March 2021 the Group has drawn debt of £185m (2020: £160m) with total loan facilities of £225m (2020: £215m) leaving a facilities headroom of £40m (2020: £50m). £125m or 67.6% (2020: £125m or 78.1%) of the drawn debt is at fixed interest rates via long-term bond (£68m) and private placement (£57m). B3Living has 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 2023. B3Living has drawn £60m from these facilities and this debt has a variable interest rate.

The chart below shows B3Living's sources of finance.

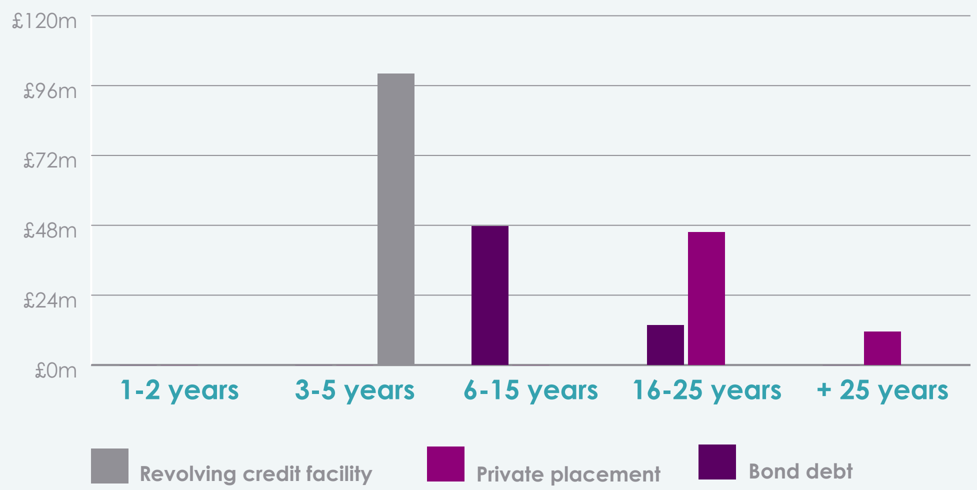
B3Living funding profile



B3Living - Financial review

The chart below shows B3living's debt repayment profile:

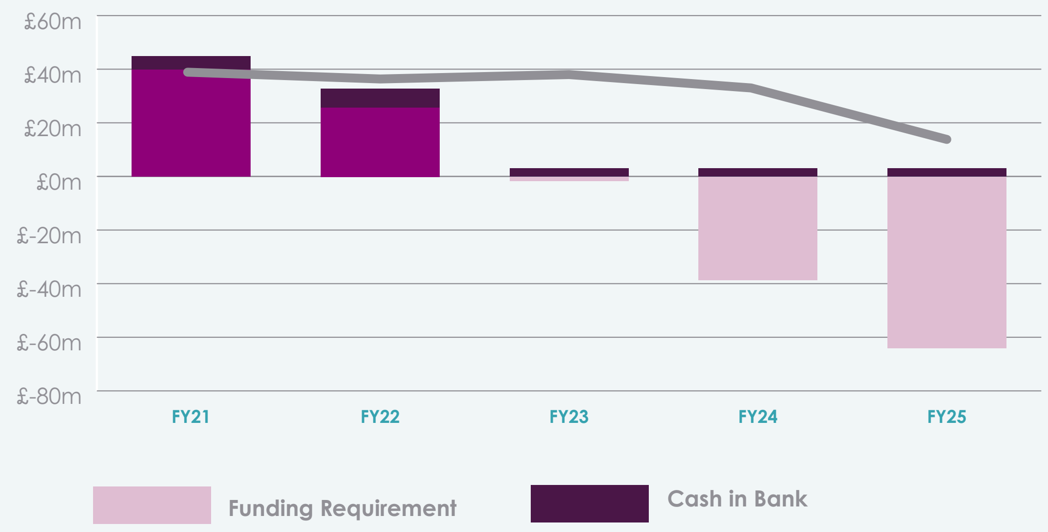
Debt repayment profile



The chart shows that B3Living does not have any immediate refinancing risk. B3Living will work closely with our treasury advisors, to best deal with the mid-term refinancing of the revolving credit facilities. The £20m Barclays revolving credit facility has another option to extend by a further year if required.

The chart below shows B3Living's mid-term forecast available liquidity. The chart shows that to deliver the development ambitions set out in our "Better Futures" strategy (namely, to build 500 new homes over three years), the business will need to raise new finance along with seeking to extend our existing revolving credit facilities.

Forecast liquidity



In March 2021, the Board reviewed and agreed a new treasury strategy, which outlines the requirement to raise around £65m of new debt facilities over the next 12-18 months. Due to B3Living's rising exposure to variable debt, all new finance raised will be long-term fixed debt from either private placement, sector debt aggregators, or via the government-backed Affordable Housing Guarantee Scheme.

In line with our prudent approach to treasury management, B3Living has a rigorous liquidity policy to safeguard the business against economic, housing, or funding uncertainty or disruption. The Treasury Policy has two key liquidity requirements:

1) The value of the security is 10% greater than the business plan's peak debt.
2) The value of available and secured facilities is sufficient to support the anticipated borrowing requirements (net outflows) for at least the next 24 months.

   Net cash outflows equals:

   - Net operating cash flows
   - 50% of sales proceeds
   - 50% of JV income
   - Total committed development spend including grant

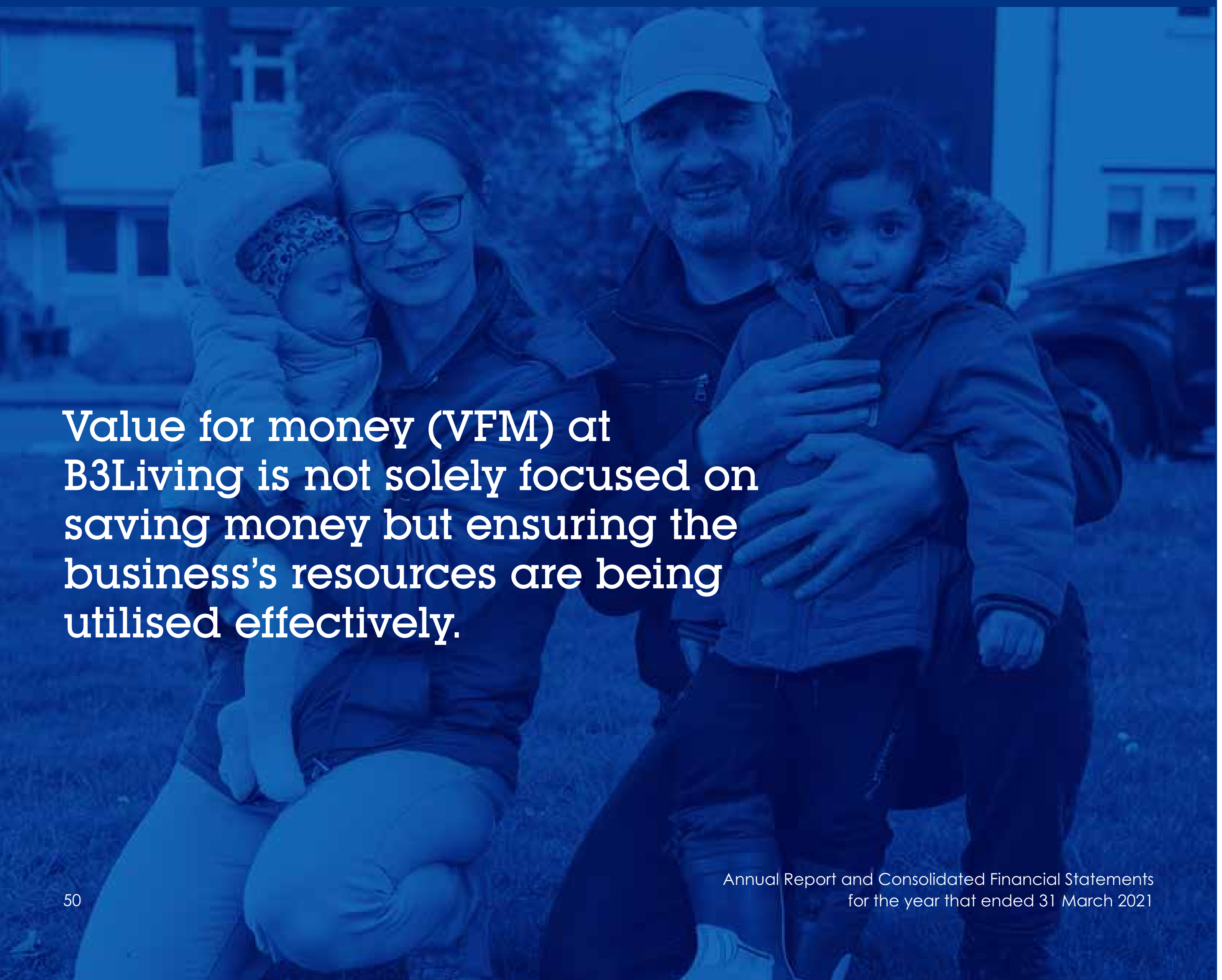
Financial covenants

The Group has three core loan covenants that it comfortably complies with. These are set out below:

- **EBITDA-MRI** - We have two measures of EBITDA MRI. Of these, 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 2021, the interest cover was 2.21 times (2020: 2.35 times). The loan covenant is 1.1 times.
- **Gearing -** This is a measure of our indebtedness relative to the value of our completed rental housing properties measured by EUV-SH. EUV-SH is a proxy for the market values of our homes, and it reflects the fact that our properties are used for social housing. As at 31 March 2021 the gearing ratio (gearing covenant) was 52% (2020: 50%) against a covenant limit of 80%.
- **Asset cover -** This is a measure of the percentage coverage of our EUV-SH of completed assets over our current debt. As at 31 March 2021, the tightest asset cover ratio was 126% (2020: 115%). The asset cover covenant is 110%.


Image of the Farnham Road joint venture

Value for money



Value for money (VFM) at B3Living is not solely focused on saving money but ensuring the business's resources are being utilised effectively.

Value for money

By understanding the priorities of the Board, the business can effectively allocate resource to achieve its corporate objectives and reduce non-priority or ineffective expenditure. As B3Living's resources, like all housing associations, are finite, and the demands upon them are wide ranging, it is important to understand where the business's limits are, and where potential trade-off between priorities lay, for example, the delivery of new homes against investment in existing homes.

Value for money is a central consideration for B3Living and therefore is reflected in our "Better Futures" corporate strategy, our decision-making process and business planning or budget setting process.

The Board understands the importance of B3Living's services within our community and to our customers. We play a key role in our community through building much-needed new affordable homes to help tackle the housing crisis locally; maintaining our existing homes to a good quality so they are safe, secure and warm; enabling customers to sustain their tenancies as well as leading and supporting community-based initiatives. At B3Living, our Value for Money Strategy reflects this understanding, and its delivery will help maximise our potential impact for our existing and future customers and the wider community.

Approach

Our focus on value for money will inform, and underpin, our budgetary and financial planning processes, shape our relationship with our customers, suppliers, and other stakeholders. B3Living's strategic approach is to improve our customer experience whilst managing our costs to sector median levels. B3Living's approach to value for money focuses on efficient cost management, improving performance, challenging our spending, and identifying new investment opportunities and ways of working.

In 2020, we implemented our new value for money strategy with the intention of not only meeting our compliance obligation with the Regulator to achieve value for money but to embed value for money within the culture of B3Living. The Value for Money Strategy outlines a nuanced approach to value for money which is designed to:

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

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

As well as embedding the Value for Money Strategy during the financial year, we have undertaken various actions to achieve value for money such as: implementing a new procurement strategy, reviewing procurement processes, utilising the B3Living's group structure and acceptable tax planning to save VAT and tax where possible, and appointing staff as ambassadors to promote value for money within the business. The tangible gains from value for money will be in the form of:

- Increasing efficiency through identification and reduction of expenditure that does not produce an outcome that supports the delivery of the corporate plan.

- Improving our relationships with contractors and suppliers. During each contract tendering process, we will seek to get the best quality service or product for our customers and agree performance indicators at the best possible price.
- Enhanced understanding of our homes and customers. To improve customer satisfaction, we will strive to understand what is and is not important to our customers, we already understand that one service level for all will not work. Regular customer surveys (service and quality of home), analysing complaints, regular home surveys, and customer insight initiatives will help the Board and officers know how to spend its money and improve customer outcomes.
- Promoting process improvements. To realise long-term value for money gains, we will embrace new ways of working and new technology to drive process improvements thus realising efficiency savings and improving the quality of service and our performance.

Board ownership

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

- Setting the business's 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 in all decision-making processes.
- Monitoring performance and results.

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

- Ensure that our customers receive a great service.
- Prioritise investing in our homes.
- Support our customers to sustain their tenancies.
- Taking a significant step towards becoming carbon neutral.
- Provide new homes to our customers.
- Use our values and culture to provide the foundation for our commitment to corporate responsibility.

Value for money performance

As outlined in the April 2018 Value for Money Standard and subsequent technical guidance issued by the Regulator, we have measured our performance against the Regulator's value for money metrics, our peers, the sector median, and the highest performing sector quartile for each metric (Global Accounts 2020).

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

To ensure our peer group offers a good comparison, we selected Large Scale Voluntary Transfer (LSVT) housing associations of a similar size, local to our area and who have a low supported service exposure. The peer group includes:

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

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

	Peer average 2019-20	Sector median 2019-20	Sector upper quartile	Board VFM Target	B3Living 2020-21	B3Living 2021-22	B3Living 2022-23	Board VFM Target
Value for Money metrics								
Reinvestment	11.5%	7.2%	10.0%	**Upper Quartile**	17.3%	15.4%	13.5%	**Upper Quartile**
New supply (social)	2.8%	1.5%	2.4%	**Upper Quartile**	2.0%	4.2%	2.6%	**Upper Quartile**
New supply (non-social)	0.1%	0.0%	0.1%	**Lower Quartile**	0.0%	0.0%	0.0%	**Lower Quartile**
Gearing*	56.0%	44.0%	54.7%	**Upper Quartile**	70.8%	65.6%	66.4%	**Upper Quartile**
EBITDA MRI Interest Rate Cover	189.3%	170.3%	227.3%	**Median**	217.7%	197.3%	193.8%	**Median**
Headline Social Housing Cost per unit (£k)	3.52	3.83	4.86	**Median**	3.99	3.92	4.04	**Median**
Operating Margin (SHL)	30.6%	25.7%	32.3%	**Upper Quartile**	44.6%	42.7%	43.4%	**Upper Quartile**
Operating Margin (Overall)	30.0%	23.1%	28.6%	**Upper Quartile**	41.8%	36.9%	38.1%	**Upper Quartile**
ROCE	3.7%	3.4%	4.4%	**Upper Quartile**	5.1%	4.4%	4.4%	**Upper Quartile**

The Group continues to prioritise opportunities to deliver much-needed affordable homes within our geographic heartland of Broxbourne. Whilst we did not achieve our reinvestment target in 2019-20 (8%), the decision to build out B3Living's existing land-bank sites whilst taking on new development opportunities within our local geography has resulted in a sharp uptick in reinvestment levels in 2020-21 (17.9%). This uptick has pushed our 2018-21 three-year average reinvestment performance to 12.3%, which has outperformed the Board's upper quartile target.

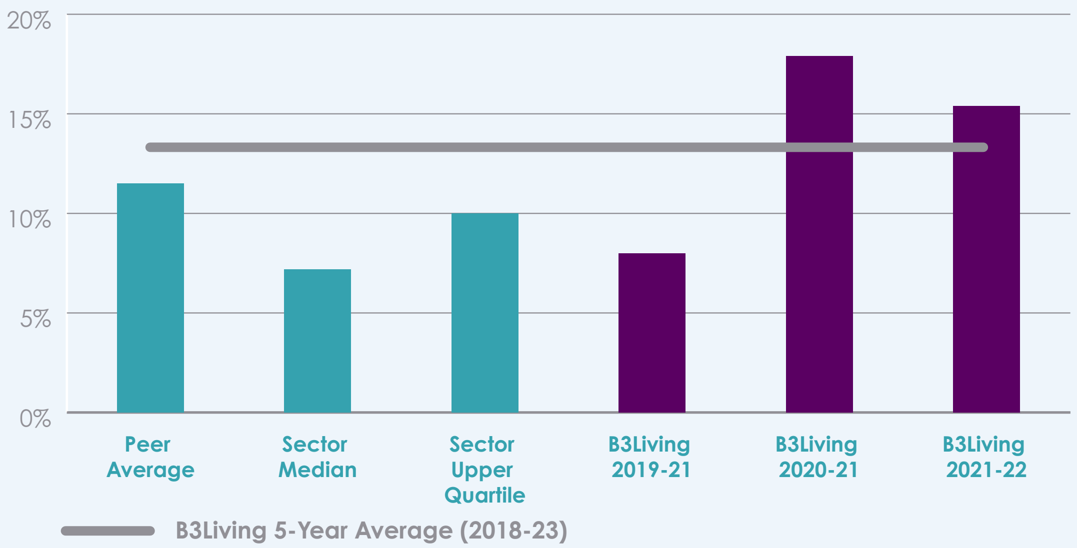
The Association's gearing position continues to be one of the highest in the sector at 70.4%. This is, however, a conscious decision that we continue to do all we can to tackle the housing crisis locally using our financial strength. The business plan forecasts B3Living's gearing performance to stabilise at between 65-70% in future years.

Gearing was nine percentage points over the 2020-21 forecast position, as the Association invested £46m in the provision of new affordable housing (£10m more than planned due to the Cheshunt Lakeside opportunity), a loan note (£5.5m) relating to an Everlea Homes investment was not retired in the period (as previously expected), and the Group opted to retire the senior funder on Everlea's Farnham Road joint venture (c. £7.5m). Gearing is expected to fall back to 2019-20 levels in 2021-22 as our commercial activities mature and proceeds are repatriated to the Association. In the mid to long-term, B3Living will continue to target c. £10m surpluses to help manage its gearing whilst making significant investments in new and existing homes. The Association's gearing covenant is based on security value and our performance is 52% (2020: 50%) against a covenant limit of 80% and Financial Golden Rule limit of 65%.

Detailed review of value for money performance

The charts below compare historic and future performance against our peers, the sector median and upper quartile from 2020 global accounts. The charts also include a rolling five-year average which covers the period April 2018 - March 2023 to provide greater context and to help to lessen the impact of annual fluctuations on performance, i.e. from the development programme.

Reinvestment %

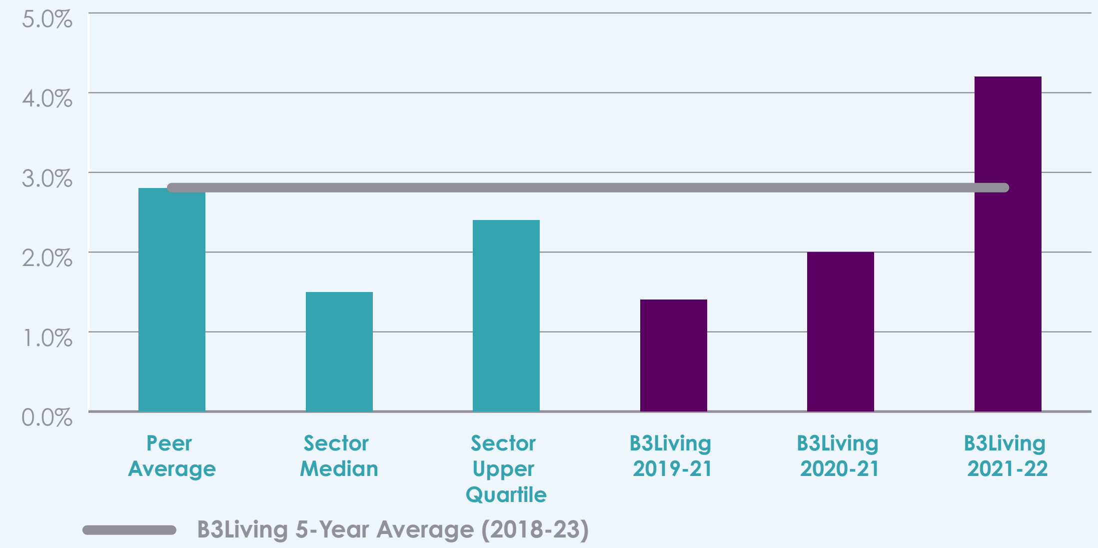


The Group's commitment to delivering more much-needed affordable homes within our local geography is reflected in recent and forecast reinvestment performance. The Board have set an upper sector quartile value for money target, and in 2019-20 our performance dipped below this level. However, the decision to build out our land-bank sites whilst approving new development opportunities within our geography has resulted in a sharp uptick in performance, and this is set to continue in 2021-22.

Generating efficiency savings in our general operations and the treasury refinancing in 2015 have created the capacity to build more homes whilst maintaining financial resilience. In 2020-21 the Group invested over £43.8m (£39.6m fixed assets) in new and over £4.2m existing homes.

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

New supply of social housing units %

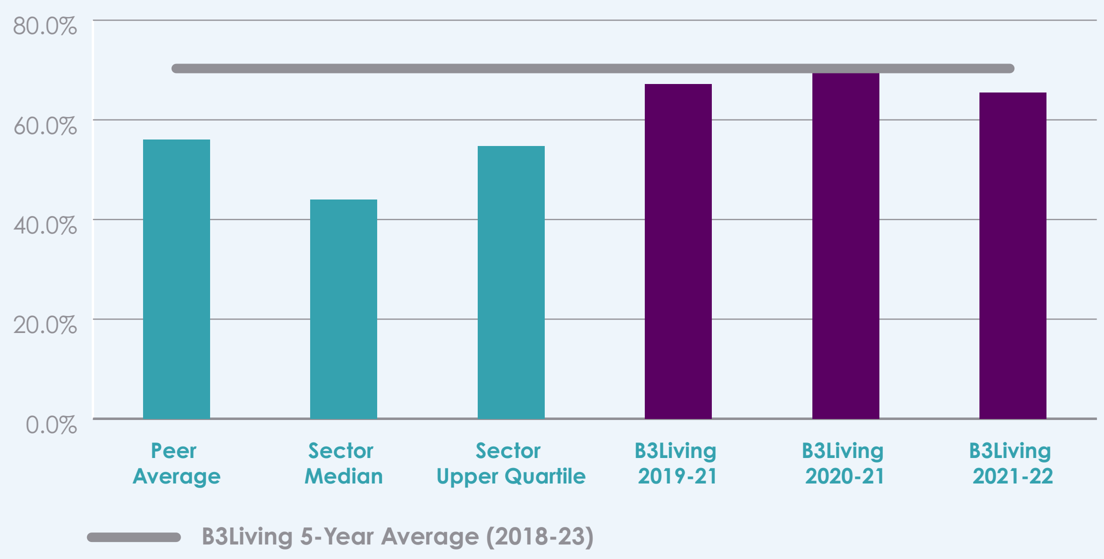


The Group's reinvestment performance directly impacts on development outputs. In 2019-20 we experienced a dip in reinvestment performance due to development timings, however our investment is expected to deliver over 200 new homes in 2021-22, which equates to over a 4% increase in stock and a significant contribution to tackling the housing crisis locally.

In 2020-21 we completed just 97 new homes, of which 72 were rented and 25 shared ownership. We are the only housing association actively building homes in our local area which means it is essential we continue to build new homes, to alleviate the impact of Broxbourne's housing shortage and deliver on our objective of "make a difference to local lives."

Whilst the Group did not deliver upper sector performance in 2019-20 or 2020-21, the handovers planned in the next two years will bring our five-year average (2018-23) over the Board's value for money target and in line with our peers.

Gearing %

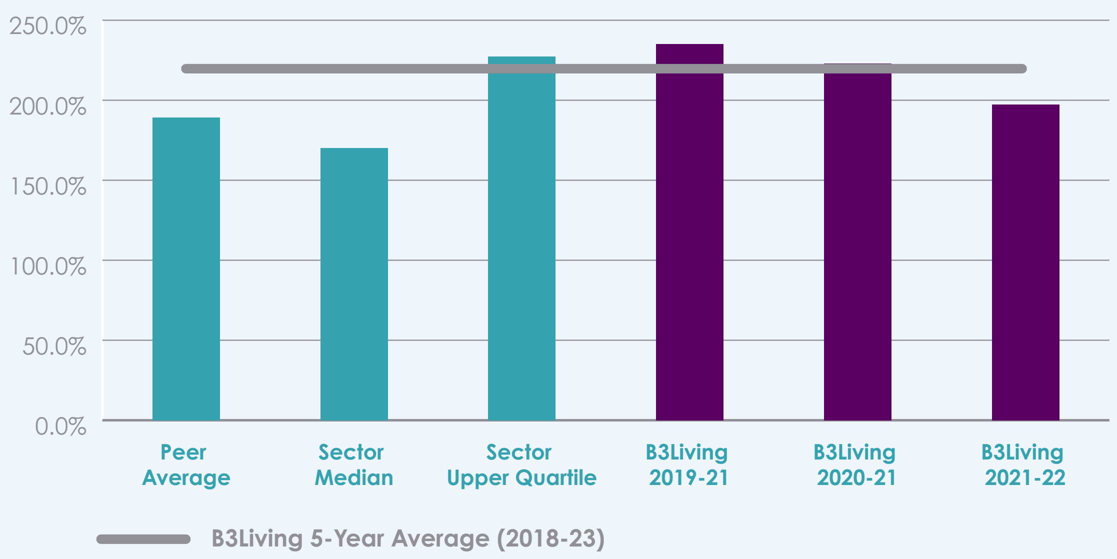


During the year, the gearing ratio – the relationship between debt and social housing assets – increased from 66.4% to 70.4%. This is a direct result of our increased level of investment in new affordable homes to tackle the housing crisis. In the year debt increased by £25m (c. 16%) as the business invested c. £39.6m in the construction of new homes. The Board understands that we are operating in the highest sector decile of gearing, but as a social housing provider it is important that we continue to play our part in the delivery of new much-needed affordable homes. In 2021-22 we will investigate all available routes to support investment in Broxbourne whilst ensuring our gearing stays stable between 65%-70%.

It is important to understand the history of why B3Living gearing ratio is relatively high compared with the rest of the sector and our peers, because:

1. Historically, we have not capitalised as much of the decent homes work completed after transfer as we could have done.
2. We restructured our debt portfolio in the 2014-15 financial year to remove loans with high-interest costs and restrictive covenants from our capital structure. This cost the business about £15m, adding about 5% to the gearing ratio.

EBITDA MRI interest coverage %

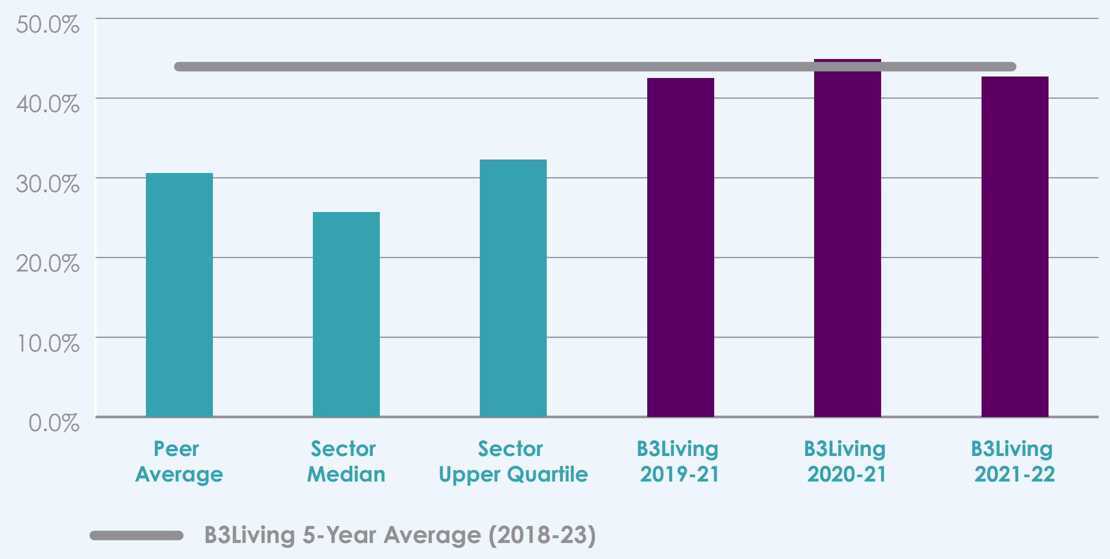


EBITDA-MRI (Earnings before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover interest commitments from the cash flows generated by the core business. EBITDA-MRI in 2020-21 was 221% which is marginally down from 2019-20 (235%) as B3Living increased its investment in existing homes – up to £4.2m from £3.0m in 2019-20.

Our performance is comparable to upper quartile and our peers. This shows strong performance considering our reinvestment commitment. The Board have set a median target to allow the Group to increase debt to support our reinvestment ambitions and increased expenditure on capital repairs.

Our strong EBITDA-MRI coverage reflects our excellent operating margins which are driven by effective and efficient management of our housing stock, along with our decision to restructure our debt portfolio in 2015 which replaced expensive and restrictive loans with low-cost debt.

Social housing operating margin %



Social Housing operating margins improved slightly from 42.2% in 2019-20 to 44.9% in 2020-21.

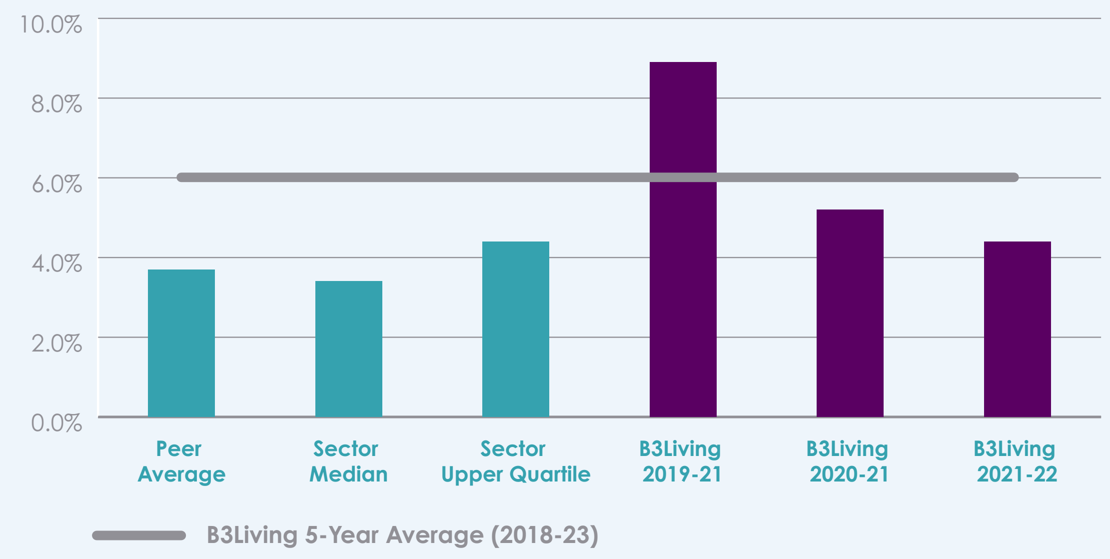
The increase in the margin was helped by the c. £260k release from the bad debt provision, £280k from previously held provisions and the first rent increase in four years. The business continues to see cost pressures arising for our customer and building safety programme, including fire risk assessments.

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

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

B3Living - Value for money

Return on capital employed %

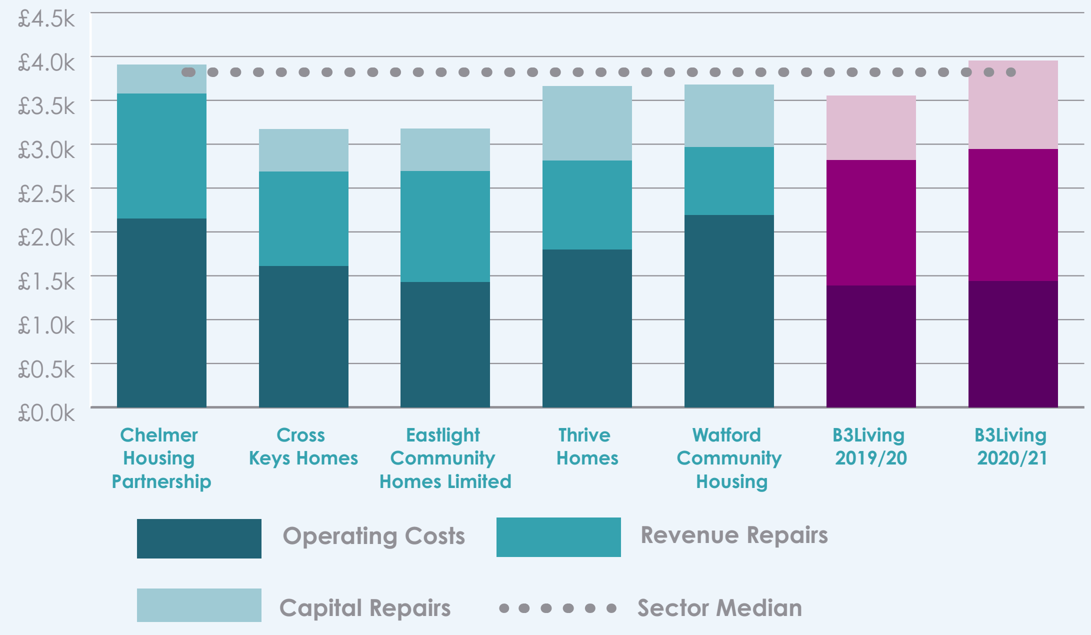


With the Group's strong operating margins and undervalued balance sheet – as demonstrated by our gearing ratio – we are currently outperforming our peers and the sector's upper quartile; however, this gap is forecast to close in the future.

Performance in 2019-20 was significantly helped by the maturity of two of our commercial joint ventures - especially the land promotion joint venture which generated c. £11m of profits for the Group. These have skewed our normal performance, which we expect to remain between 4-5% going forward.

Our investment policy and cost focus should ensure that our performance will continue to be comparable with our peers and the sector's upper quartile as per board expectations.

Cost per unit



Detailed review of value for money performance

The Group continues to prioritise opportunities to deliver much-needed affordable homes within our geographic heartland of Broxbourne. Whilst we did not achieve our reinvestment target in 2019-20 (8%), the decision to build out B3Living's existing land-bank sites whilst taking on new development opportunities within our local geography has resulted in a sharp uptick in reinvestment levels in 2020-21 (17.9%). This uptick has pushed our 2018-21 three-year average reinvestment performance to 12.3%, which has outperformed the Board's upper quartile target.

The Association's gearing position continues to be one of the highest in the sector at 70.4%. This is, however, a conscious decision that we continue to do all we can to tackle the housing crisis locally using our financial strength. The business plan forecasts B3Living's gearing performance to stabilise at between 65-70% in future years. Gearing was nine percentage points over the 2020-21 forecast position, as the Association invested £46m in the provision of new affordable housing (£10m more than planned due to the Cheshunt Lakeside opportunity), a loan note (£5.5m) relating to an Everlea Homes investment was not retired in the period (as previously expected), and the Group opted to retire the senior funder on Everlea's Farnham Road joint venture (c. £7.5m). Gearing is expected to fall back to 2019-20 levels in 2021-22 as our commercial activities mature and proceeds are repatriated to the Association. In the mid to long-term, B3Living will continue to target c. £10m surpluses to help manage its gearing whilst making significant investments in new and existing homes. The Association's gearing covenant is based on security value and our performance is 52% (2020: 50%) against a covenant limit of 80% and Financial Golden Rule limit of 65%.

The charts below compare historic and future performance against our peers, the sector median and upper quartile from 2020 global accounts. The charts also include a rolling five-year average which covers the period April 2018 - March 2023 to provide greater context and to help to lessen the impact of annual fluctuations on performance, i.e. from the development programme.

The Group's cost control and value for money ethos has resulted in solid cost per unit performance, albeit slightly more than our peers. Operating costs are forecast to continue to remain comparable to the best of our peers at c. £1.5k per unit. As a result of the rent cuts, B3Living made significant operational cost savings by reducing our head count and investing in new IT to increase productivity; savings in these areas allowed the business to protect our core repairs service.

The Board's commitment to providing safe, secure and warm homes means that we spend around £300-£400 per unit more on revenue repairs than our peers and £400-£500 per unit on capital repairs. Capital repairs spend in 2019-20 (£730 per home) was an exceptionally low year in terms of spend; this was planned and was driven by our desire to reset our Asset Management Strategy and to review our procurement processes, so that we issue more own-name framework agreements, and therefore improve cost, quality, and performance. Capital repairs spend in 2020-21 returned to c. £400 per unit more than our peers at just over £1,000 per home and this level of investment is set to continue and increase in the mid to long-term as we tackle our carbon footprint.

The total social housing operating cost per unit is comparable to the sector median and this is where the Board expects us to remain. However, we fully expect the sector median cost per unit to increase in the future as it responds to new regulation and legislation resulting from the Grenfell tragedy. As a relatively small housing association we have fewer homes to spread our fixed costs across than most of our peers, and we remain very committed to providing good quality homes to our customers, which means we will expect to invest more per unit on maintenance and the upkeep of our homes than most of the sector.

How we deliver value for money

The Group has focused its money-saving initiatives on increasing the productivity and effectiveness of its back office to reduce our overheads, give a greater level of resource to support the frontline services, and improve customer and building safety.

The table below shows that over the last five years, we have continued to deliver meaningful and cashable value for money savings, albeit the ability to generate savings is becoming increasingly difficult. In 2020-21 the realisable savings were reinvested back into the business, especially to support the customer and building safety works and frontline services. This discipline has allowed the Group to continue to invest in new and existing homes whilst generating strong operating margins and returns on capital employed.

The Group's Value for Money Strategy sets out a nuanced approach where value for money is realised when we have generated an optimum balance between cost, quality, and performance. Below are some examples of how the Group uses the cost, quality, and performance model:

		2021		2020		2019		2018		2017
Service area	Cost £000	Per home £	Cost £000	Per home £	Cost £000	Per home £	Cost £000	Per home £	Cost £000	Per home £
Overheads	177	35	123	25	94	19	15	3	230	47
In house repairs service	9	2	-	-	17	3	56	11	18	4
Housing management and services	33	7	-	-	144	29	173	35	277	57
Total operational VFM	219	44	123	25	255	51	244	49	525	108
Major works	-	-	78	16	-	-	-	-	46	9
Treasury and legal fees	-	-	-	-	-	-	-	-	-	-
Total VFM savings	219	44	201	41	255	51	244	49	571	117

Cost

As a small housing association, we must carefully manage our expenditure and always seek to maximise the return on every pound spent. We believe that simply cutting costs without a full understanding of the impact could be counterintuitive when aiming to deliver value for money. Understanding our customers and their expectations, understanding the investment requirements of our stock, and understanding the needs of our people will allow us to identify and reduce ineffective spend without adversely impacting on performance. To achieve this we:

- Follow a robust procurement process that seeks to deliver the service or product into the business at the best possible price. Regularly market testing our suppliers, which allows us to secure lower prices without adversely impacting on service levels or product quality. The procurement programme is expected to deliver at least £250k of cashable savings annually.
- Ensure that the Value for Money Ambassadors meet regularly to identify new areas of the business where we may be incurring ineffective spend, under-utilising IT systems, or wasting time.
- Investigate the use of modern methods of construction to deliver new homes at a lower cost, including off-site construction and printed homes, and having partnering agreements with contractors.
- Embed value for money within our decision-making e.g. in scheme appraisals and business cases, and in the day-to-day operations of the business.
- Invest in technology where it helps us to become more efficient, for example a new customer app to allow easier communications, and mobile technology to enable agile working.

Quality

A key outcome of the Group's Value for Money Strategy is to improve customer satisfaction across a range of measures. This strategy will involve investing more to improve the quality of our homes and on frontline services, which will result in a rising cost base and will thus weaken our performance against some of the Regulator's value for money metrics, e.g. operating margins, ROCE, interest coverage, etc.

The Board have been clear that they do not want to be sector leaders in terms of lowest cost per unit as they feel that this would adversely impact on our customer experience. Therefore, B3Living adopts a cost-aware approach whilst seeking to deliver upon the expectations of our customers. We realise this ambition through:

- Increased levels of customer engagement to understand the drivers behind customer satisfaction and their expectations of a good housing association. This engagement will allow us to set the right service levels and identify areas where an increased level of investment would generate greater levels of satisfaction and customer experience.
- A balanced approach between cost and quality in the procurement process to ensure we are getting the best suppliers and products for our customers, especially for those services they pay for directly via their service charges.
- Closely monitoring complaints and compliments to understand themes and areas of improvement.
- Investment in staff training to ensure our staff are adequately skilled to help our customers and/or deliver a service to their expectations. During the year B3Living rolled out company-wide Customer Ethos training, to help embed a respectful and proactive attitude towards our customers.

Performance

The Group's Value for Money Strategy contains the Regulator's value for money metrics as well as another eight metrics that are important to our Board. During the value for money decision-making process, we assess the impact of any investments on our value for money metrics. We understand that each decision may improve performance against some metrics whilst weakening others. The Board feels it is important that we have a balanced approach to assessing performance where financial and investment performance is viewed alongside customer impact – this approach helps to prevent the Group focusing on one area, say financial performance, to the detriment of another, say customer satisfaction. We achieve this through:

- Regular reporting of key performance indicators including the performance against B3Living's value for money targets.
- Embedding the value for money ethos within the procurement process and across the business.
- Narrowing our geographic growth focus so we can offer a consistent customer service standard for all our customers.
- An increased focus on customer feedback to ensure we are utilising our resources in the most effective way.
- Reviewing the types of homes we provide so they best meet the needs of the people within our community.
- Creating partnerships with local agencies and developers to understand how we can best work together to serve our community. A partnership approach allows us to focus on the services we are best at providing.

B3Living's Value for Money Ambassadors

During the financial year B3Living created a Value for Money Ambassador Group to help in achieving the Value for Money Strategy that was approved by the Board in December 2019. The Value for Money Ambassadors will help to ensure that there is cross organisational working to achieve the group's value for money objectives on a one-team basis ('one team' is one of B3Living's values). This approach ensures value for money objectives are focused on the whole organisation; thereby, avoiding a silo approach to value for money achievement in various departments.

Below are the key objectives of the Value for Money Ambassadors:

- To help identify and implement value for money opportunities across the business.
- To train staff, to champion B3Living principles of cost, quality, and performance and to help to embed these principles across the business.
- To challenge how we do things with a view to help to identify value for money opportunities or areas of improvement, and to help in the rethinking and redesigning our processes so we can improve the customer journey and service delivery.
- To act as the bridge between the business and the Leadership team, and also to act as a source of business intelligence and future value for money initiatives or opportunities.

During the financial year the Value for Money Ambassadors commenced working on various value for money projects that will result in the short to medium-term reduction of ineffective spend, improved contract management, improved understanding of our homes, and customers and process improvements.

B3Living - Value for money

	B3Living 2019/20 Actual	B3Living 2020/21 Actual	B3Living 2020/21 Forecast	B3Living 2021/22 Forecast	Sector median	Upper quartile	Board VFM Target
Value for Money metrics							
Customer satisfaction - B3Living services	87.5%	86.0%	88.0%	87.0%	86.9%	91.1%	**Upper Quartile**
Customer satisfaction - quality of home	85.6%	81.5%	86.0%	86.0%	83.0%	88.0%	**Upper Quartile**
Customer satisfaction - repairs service	89.9%	81.5%	87.0%	94.0%	78.0%	83.0%	**Upper Quartile**
Customer satisfaction with their rent	87.4%	86.6%	87.0%	86.0%	85.0%	89.0%	**Upper Quartile**
Occupancy	99.7%	99.3%	99.7%	99.7%	99.3%	99.7%	**Upper Quartile**
Rent collected as a % rent due	100.4%	98.3%	99.9%	99.9%	99.8%	100.4%	**Median**
Overheads as % of turnover	13.1%	15.6%	12.8%	12.4%	13.9%	11.0%	**Median**
Responsive to planned repairs ratio	0.64	0.83	0.67	0.65	0.64	0.44	**Median**

Our value for money metrics

Along with the Regulator's metrics, the Board also monitors its own value for money performance indicators (see the table above). The metrics are designed to ensure the Group is delivering upon its customers' expectations, using assets effectively, and employing its finite resources in the right areas. With the approval of the "Better Futures" strategy, in early 2021-22 the Board will review and agree a new suite of value for money metrics for the Group. These will better reflect the new direction and objectives of the business.

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

Over the last eighteen months, we have made key changes to our customer ethos and these changes will culminate in the Group launching its new Customer Strategy in 2021-22. The changes to our approach have made an immediate impact with customer satisfaction with our services increasing by 3.5 percentage points to 87.5% from the 2018-19 performance. The pandemic in 2020-21 had an adverse impact on our performance as the operating restrictions meant that our customers were unable to receive the services they were used to. We have invested in our Communications team to help ensure our customers were kept up to date with the changes in services and service levels which we believe has helped stabilise performance and maintain goodwill, which means we will have a decent level of performance to bounce back from.

To drive the improvement the Board put "excellent customer experiences" as a central theme of our 2021-24 Strategy. As they are central to our decision-making process, we have taken a number of steps to ensure that our customers' voices are being heard, such as developing a Customer Community and investing in our customer insight capabilities. We are committed to understanding our customers better, ensuring our services meet expected standards, responding efficiently to complaints, utilising technology to improve communications, and tackling any negative stereotypes in our community around social housing. With these actions, along with embedding

our Customer Strategy and Customer Ethos we aim to meet our customer satisfaction target of 91% by March 2024 – a very challenging target.

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

In 2020-21 B3Living arrears performance was 1.26% of rent due; while this would normally be an excellent result, against the backdrop of a pandemic this was outstanding and well within the upper decile of the sector. With the impact of Covid-19 welfare benefit reform, our Rents team is taking a proactive approach to help our customers manage their tenancies and rent accounts better. In the year we invested in new technologies to help our Rents team quickly identify those customers whose arrears were increasing before the debt becomes unsustainable. Tenancy sustainment is another important theme of our 2021-24 Strategy and £100k was ring-fenced in the 2021-22 budget to support targeted initiatives.

The Group's overheads are around 2 percentage points over the Board's target of sector median. As a small housing association, it is difficult for us to outperform the sector median target as we do not have as many homes in our portfolio over which to spread our fixed costs. The Board's ambition of delivering over 500 new much-needed affordable homes over the next three years will boost turnover and performance. We are also looking at opportunities to either work with, or buy homes from, other associations in our community to increase the number of homes we manage and to provide a more consistent social housing offering across our geography.

Our responsive to planned works ratio is marginally over the Board's target. The increased number of compliance checks and fire risk assessments has resulted in more responsive repairs. Once the Group has completed a few more cycles of our improved and thorough approach to customer and building compliance, the amount of responsive works arising from this workstream should fall.

Value for money into the future

The 2020-21 financial results reflect our commitment to value for money, with our core operating margins over 40% and healthy interest coverage. The latest Financial Plan recognises that further large cuts could adversely impact on service provision, therefore we are not expecting to make overall cost savings per unit. That said, we will aim to increase efficiency to generate costs savings, however we expect these savings to be reinvested in improving frontline services and existing homes. We expect to deliver savings through:

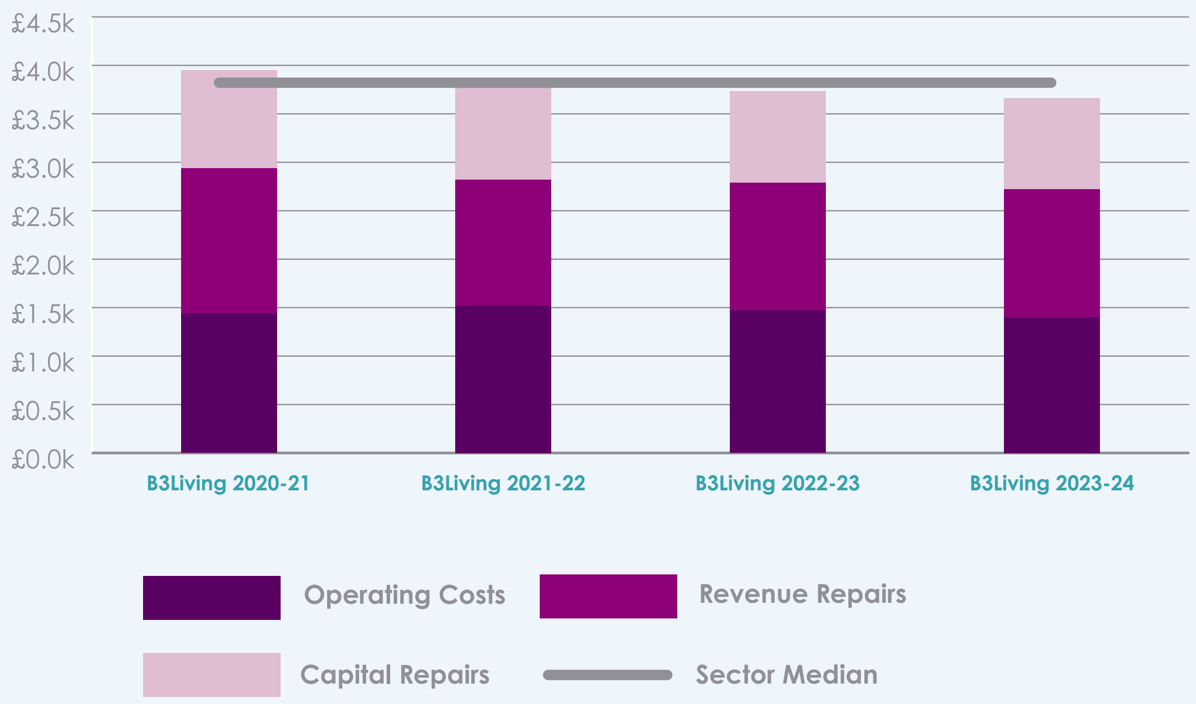
- Challenging how we work to improve performance and reduce wastage.
- Utilising IT to improve services, data quality and communication.
- The delivery of our new Asset Management Strategy, including potential disposals.
- The delivery of our improved approach to procurement.
- The provision of new homes and seeking to manage homes for others.

The table below shows the Group's performance against the Regulator's value for money metrics with a comparison with our peers. The table shows the Group is forecast to perform well against our peers especially in terms of reinvestment and ROCE. Between April 2021 - March 2024, we plan to invest around £120m for the provision of new homes. The strength of Group's financial performance means that gearing is expected to improve over the period when compared to the 2020-21 position.

A key efficiency metric is operating cost per unit. The table shows the cost per unit gradually increasing from c £3.94k per unit in 2020-21 to c £4.04k per unit in 2023-24. The chart below shows the breakdown of the three main cost per unit elements over time when adjusted for the cost growth assumption in the financial plan (CPI+0.5%).

	Peer average 2019-20	Sector median 2019-20	Sector upper quartile	Board VFM Target	B3Living 2020-21	B3Living 2021-22	B3Living 2022-23	Board VFM Target
Value for Money metrics								
Reinvestment	11.5%	7.2%	10.0%	Upper Quartile	17.3%	15.4%	13.5%	Upper Quartile
New supply (social)	2.8%	1.5%	2.4%	Upper Quartile	2.0%	4.2%	2.6%	Upper Quartile
New supply (non-social)	0.1%	0.0%	0.1%	Lower Quartile	0.0%	0.0%	0.0%	Lower Quartile
Gearing*	56.0%	44.0%	54.7%	Upper Quartile	70.8%	65.6%	66.4%	Upper Quartile
EBITDA MRI Interest Rate Cover	189.3%	170.3%	227.3%	Median	217.7%	197.3%	193.8%	Median
Headline Social Housing Cost per unit (£k)	3.52	3.83	4.86	Median	3.99	3.92	4.04	Median
Operating Margin (SHL)	30.6%	25.7%	32.3%	Upper Quartile	44.6%	42.7%	43.4%	Upper Quartile
Operating Margin (Overall)	30.0%	23.1%	28.6%	Upper Quartile	41.8%	36.9%	38.1%	Upper Quartile
ROCE	3.7%	3.4%	4.4%	Upper Quartile	5.1%	4.4%	4.4%	Upper Quartile

The chart below shows that operating costs remain stable, and revenue and capital repairs costs marginally fall as we deliver over 600 new homes to spread our costs across over the four-year period. To improve performance further we will also look carefully at existing stock acquisitions from other housing associations and local authorities, should they generate value for money and align with our growth ambitions.



Governance and controls

Responsibilities of the Board

B3Living Limited

Subsidiaries
- B3Living Development Limited
- Everlea Homes

Committees
- Audit and Risk
- Remuneration

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

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

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association, to enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

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

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

The Board certify that there is no relevant audit information of which the auditors are unaware, and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 14 September 2021 as a virtual meeting.

The report of the Board was approved by the Board on 20 July 2021 and signed on its behalf by:

David Biggs
Chair of the Board of B3 Living Ltd
Dated: 20 July 2021

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 for reviewing their effectiveness. The Board delegates the ongoing review of controls to the Audit and Risk Committee but will receive an annual report from the Audit and Risk Committee prior to the publication of the Financial Statements

Internal controls review process

The Board conducts an annual review of the effectiveness of the systems of internal controls following a more detailed examination by 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 B3Living's approach to risk management, which includes its approach to setting its risk appetite, identifying and managing risks, governance, and the internal control environment. The review covers B3Living's key strategic risks and how they are managed, and the internal and external audit functions.

Risk management at B3Living

B3Living is a social housing provider that is focused on building more much-needed affordable homes, managing its existing portfolio, and providing excellent services to our customers. All of these activities, including those that support them, i.e. treasury management, data management, staff management, etc., all carry inherent levels of risk, be it reputational, finance or compliance. Therefore, unable to eradicate risk from the business, B3Living maintains a robust risk management framework to enable the identification, evaluation, and management of the risks it faces to deliver upon its objectives.

The Board has overall responsibility for establishing and maintaining a sound system of risk management and internal controls and for reviewing of 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 the expectations of the Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (2015), which states that Registered Providers (RP) shall ensure effective governance arrangements that deliver their aims, objectives, and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner – these include, but not limited to;

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

As a provider of homes to some of society's most vulnerable people, we have a duty to understand and manage our risks effectively to ensure the long-term availability of our much-needed homes for our community. Failure to understand or manage risk effectively could result in a regulatory downgrade, putting our customers at risk, and/or financial loss, which would cause reputational damage and undermine the confidence of our key stakeholders, e.g. funders, local authority, partners etc.

Risk management framework at B3Living

The risk management framework at B3Living can be broken down into five distinct elements:

- **Risk appetite** - categorisation of key risk areas to the business and consideration of the amount and type of risk that the organisation is willing to accept to meet its strategic objectives and tolerance levels.
- **Identifying and recording risk** - categorisation and identification of individual significant risks to the organisation.
- **Evaluating and managing** – identification of procedures for evaluating risks.
- **Governance** – roles, responsibilities and processes for effective monitoring.
- **Risk management culture** – how the organisation will ensure that risk management thinking is embedded at all levels.

Risk appetite

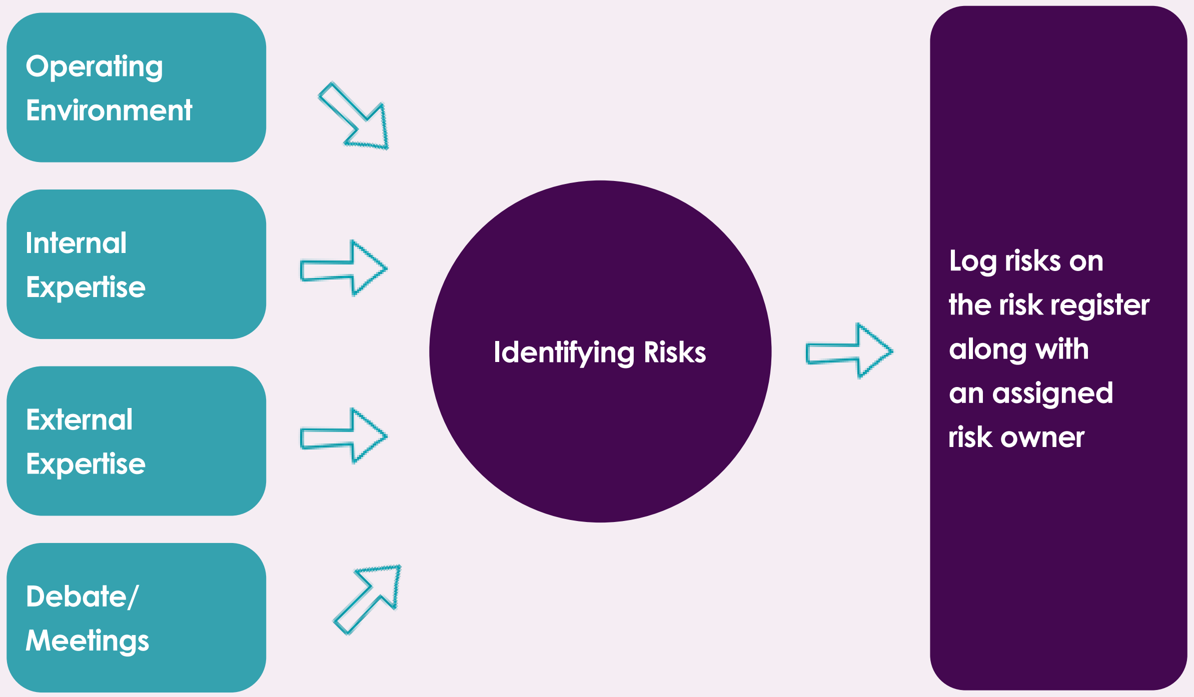
The Board is responsible for setting the risk appetite of the Group, e.g. the nature and level of risk that the Board are willing to accept and expose the business to in order to achieve its objectives. On occasion it may be appropriate to conclude that a high level of risk is acceptable to achieve greater rewards, the "risk and reward" concept, with the reward being financial and/or social. The flow chart below provides an overview of the risk appetite process.

The risk appetite is an important exercise as it helps set the tone of an organisation. For example, at B3Living we have a low tolerance of risks to health and safety compliance but are more willing to take risks in other areas of the business, i.e. development and our commercial activities. 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 tolerance around financial performance in order to achieve its objectives. These financial parameters are used to help define the business's capacity.

Identifying and recording risk

The Executive and board members were selected for their position based on a business skill need; therefore, this experience will be a robust mechanism to help identify risks. To support existing the skill set B3Living ensure time is set aside for the Executive and Board to debate and brainstorm potential new risks, the Regulator's sector risk profile is analysed and shared with members, the Asset and Liability Register is maintained and presented annually to the Board, and board members are encouraged to attend sector conferences and sector publications. All identified risks are logged on the corporate risk register to be evaluated and managed.

Below is a flow chart showing where B3Living's risks could come from.



B3Living - Governance and controls

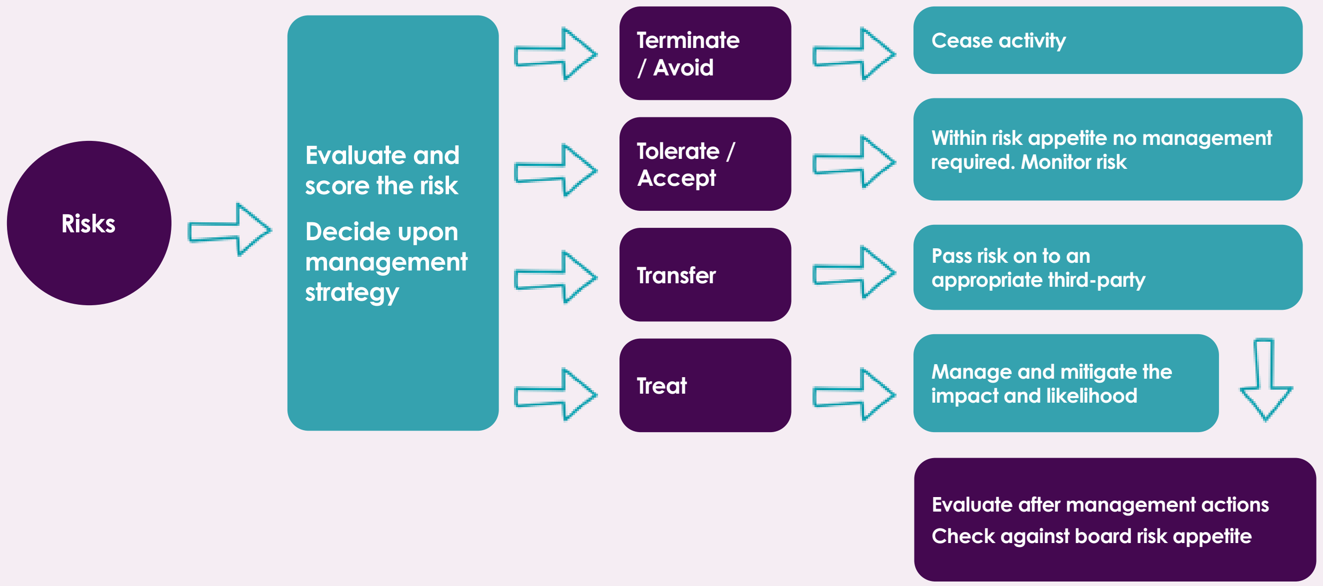
Annual Report and Consolidated Financial Statements
for the year that ended 31 March 2021

Evaluating and managing risk

All risks logged on the Risk Register, either existing or new risks, are evaluated in terms of the likelihood of the risk crystalising and the potential impact if it does. All identified risks are assessed twice. The initial assessment evaluates the uncontrolled risk i.e. the risk the organisation would be exposed to if it did not put any controls in place. Secondly, the 'residual' risk assessment which 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 of the risk crystalising or impact if it does, transfer to a third party, or avoid it.

The flow chart below provides an overview of the evaluating and risk management process.



Governance

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

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.

B3Living maintains a comprehensive suite of governance documents and this year the Financial Regulations and Non-Financial delegations were reviewed, while our Standing Orders, which were re-written the previous year, were maintained. These provide a strong basis on which we ensure good practice in decision-making and internal controls.

Internal controls environment

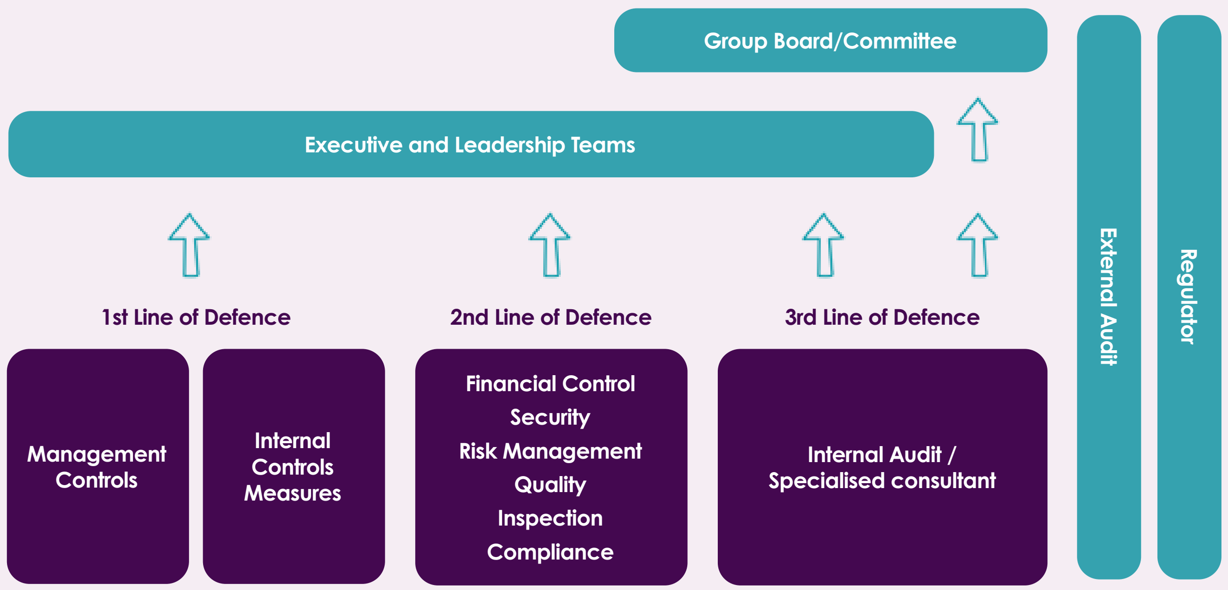
To support delivery of the risk management framework B3Living has and continues to improve its internal controls environment and framework. A key element of B3Living's internal control environment is the need to review, monitor, learn and improve. To this end, B3Living:

- Regularly reviews its corporate risk register and sources of assurance are updated on a periodic basis. This process is led by the Business Improvement Manager under the supervision of the Executive Director (Finance).
- Regularly reviews 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, a working group, documented knowledge, etc.
- Maintains a "three lines of defence" assurance framework which segregates sources of assurance into three distinct categories.

The first line is the information received directly from management to indicate how effectively controls are operating (such as policies and procedures, management reports, etc).

The second line is information provided from independent internal sources (such as independently validated KPIs, internal quality checks, etc.).

The third line of assurance is external bodies which assess the effectiveness of controls in place. This is often provided by internal audit but could include regulatory reviews or specialist consultants.



- Annually reviews the effectiveness of the three lines of defence, which are presented to the Audit and Risk Committee to help identify any gaps within the framework. Where gaps in assurance are identified, this is escalated to the relevant Executive Director and new sources of assurance, such as management reports, performance figures, or third-party assurance, are added.
- Annually reviews 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 risk/audits where specialist third-party assurance would be more suitable than the internal auditors.
- Reviews the effectiveness of the metrics used to measure compliance to the Board's strategic risk appetite for each risk.
- Carries out an Annual Risk Maturity review which is presented to Audit and Risk Committee to assess the robustness of the risk management process. The review aids members and the Executive to understand what areas of the risk management framework are working well and areas that need improvement, i.e. Is risk management within the culture of B3Living? Are officers suitably skilled to carry out the process?
- Conducts deep dive presentations. The Audit and Risk Committee can request deep dive presentations from officers on any area of the business where they feel they would like additional assurance. During the year, the Audit and Risk Committee received deep dive presentations on the business's approach to VAT recovery, rent and service charge setting, development risk and structures, the governance framework, and value for money.
- Conducts control and risk self-assessments. The Executive team carry out annual assessments which support the Group's arrangements for monitoring its control environment. The assessment covers a range of control areas such as financial control, regulatory compliance, risk management, policies, and procedures, etc. The results of the self-assessments are shared with the Audit and Risk Committee.

Strategic risks

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

Strategic Risk	Mitigations
Deteriorating economic conditions – e.g., Coronavirus and/or post-Brexit implications - could impact on economic, funding, housing, and trading environments.	• Maintain robust treasury and liquidity polices to ensure B3Living has sufficient available facilities to overcome any unforeseen cash demands on the business. • Maintain robust Financial Golden Rules and prudent approach to financial planning. • Complete comprehensive stress testing and recovery plans, last reviewed by Board in March 2021. • Maintain an investment policy that aims to protect against impairment whilst delivering value for money. • Continuously monitor the financial strength of key contractors. • Regular Economic and Housing reports presented to Board.
Housing market downturn leading to reduced sales values and/or significant sales delays.	• Housing-related stress testing of the financial plan to understand the impact of a sharp and severe fall in house prices (35% decrease) coupled with sales delays. • Maintain the capacity to switch in tenure types (e.g., shared ownership to affordable rent) without causing serious detriment to B3Living and its social assets. • Close monitoring of markets' volatility via regular housing market reports – last report March 2021. • Robust investment policy which seeks greater returns for market-facing tenures. • Robust Financial Golden Rules to manage market exposure to just 30% of turnover. • Robust liquidity policy to ensure sufficient facilities are available should market-facing income stream become disrupted.
Changes in government policy impacting on B3Living's operating environment and ability to achieve business objectives.	• Manage B3Living's contractual commitment levels to maintain strategic agility should market conditions change. • Comprehensive stress testing coupled with robust and deliverable recovery plans. • Support the NHF lobbying activities to promote and improve the political image and importance of the sector. • Maintain a robust liquidity policy to ensure sufficient facilities are available to overcome the financial impact of disruption of the operating environment. • Maintain a robust Risk Management Strategy and framework, last reviewed and approved in 2021, to ensure all operating risks can be managed.

Strategic Risk	Mitigations
Everlea Homes' commercial activities – increased exposure to the housing market and to third parties. A collapse in the housing market or partner failure could result in loss making joint ventures.	• Capitalise Everlea so it has its own assets, therefore providing a buffer between Everlea, and its commercial activities, and the housing association. • Commission consultants and legal advice to ensure all new JVs are set up in the best possible way and risks and rewards between partners are aligned. • Maintain a robust governance structure that provides Board oversight of Everlea's activities. • Ensure the Board and Everlea members are adequately skilled to effectively manage these commercial transactions.
Insufficient debt facilities to deliver the Corporate Plan and maintain sufficient levels of liquidity so the business can overcome unforeseen events.	• Maintain a robust Treasury Management Policy and strategy. • Retain treasury experts to support officers and the Board (Savills). • Short and long-term cash flow and liquidity monitoring. • Regular market engagement with potential funders. • Complete the application processes with bLEND and ARA Venn to ensure quick access to long-term fixed price funding.
New homes compliance and potential changes to Building Regulation (fire).	• Ensure new homes in development exceed new homes building regulations where possible. • Maintain sensible contingencies within development appraisals to increase the build specification where potential risks are identified. • Work with sector experts to identify and plan for any likely requirements/changes to the regulations.
Compliance (asbestos, gas, fire, water, electric) approach is either not robust enough or reporting/data is not of sufficient quality to highlight areas of concern.	• Maintain a robust health and safety compliance control regime, including up-to-date policies, procedures, and a skilled H&S compliance manager. • Exceed regulatory standards where possible, for example delivering five-year electrical testing. • Provide in-depth and robust reporting to Board (quarterly) and Executive (monthly). • Maintain a rolling three-year internal audit programme to cover the six key compliance areas.
B3Living does not have an approach to asset management, the data quality or knowledge/ resource to enable its stock to be maintained at Decent Homes Standard and prepare to meet evolving expectations, in particular in relation to building safety and the Government's carbon neutral target.	• An external data audit commissioned to start in 2021-22 to the Customer and Building Safety Strategy – included as part of the Asset Management Strategy including medium and long-term views to help guide officers on any potential weaknesses in data. • A 20% stock condition programme has started to ensure our data on the condition of our homes and its components is up to date and relevant. • An external net-zero carbon audit (verified) was carried out in 2020-21 and an improvement action plan will be compiled during 2021-22.

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 finding to the Board.

Internal audit

B3Living outsources its internal audit function to ensure there is sufficient independence. Internal auditor's report directly to the Audit and Risk Committee, and regular meetings are held between the Chair and Mazars, as well as an annual closed session for members and Mazars to discuss the effectiveness of the process.

Mazars LLP works closely with the Group to ensure that a risk-based approach to the monitoring of the control environment is maintained and is effective. In the year Mazars's internal audit programme covered B3Living's approach to asset management, legionella, asbestos, GDPR compliance, and business continuity. The programme was supplemented with three short compliance audits, which tested most areas of the business. The internal audit programme across the main audits highlighted five minor improvements, six significant, and one highly important.

The internal auditor's report directly to Audit and Risk Committee have concluded that the quality of the Group's system of internal controls is effective and the control environment throughout the year was satisfactory; therefore, no material weaknesses were found in controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial accounts. However, they did note that B3Living needed to improve how they close internal audit actions. This action for improvement was taken by the Chief Executive.

External audit

The Financial Statements for the year ended 31 March 2021 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 Audit and Risk Committee. The management letter highlights that they found that the Group's systems and internal financial controls were, overall, operating effectively.

To support the Audit and Risk Committee role of reviewing the validity and accuracy of the annual Financial Statements, they are provided 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, no incidents of actual fraud were recorded in the Fraud Register. There were three attempted frauds which were detected by our preventive internal controls. The Whistleblowing Policy, Anti-Fraud Policy, Anti-Bribery and Corruption Policy, and Anti-Money Laundering Policy were reviewed by the Board during 2019-20 and external training was provided to the Board and key staff in the financial year.

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 B3living's ability to repay all debt in accordance with contractual commitment. For these reasons, the Group and Association continues to adopt the going concern basis in preparing financial statements.

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

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2018 Housing SORP for registered social landlords. B3Living has undertaken an assessment of compliance with the Regulator's Governance and Financial Viability Standard for the year ended March 2021, 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 2020-21 financial year, B3Living has maintained the top governance and viability ratings of G1 and V1 respectively, awarded via a Regulatory In-Depth Assessment (IDA) in 2017 and confirmed again via a desktop exercise in November 2020.

B3Living - Governance and controls

Governance

B3 Living Limited (the Association) is a public benefit entity registered with the Regulator of Social Housing (RSH) as a housing association, a registered provider of social housing. The Association's principal activities relate to the development, acquisition, and management of affordable general needs, sheltered, low-cost home ownership, and supported social housing for those in need, and 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 that 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 to support succession planning or to support future business and commercial activities. The Board meets at least seven times per financial year and is responsible for the overall strategy, direction, and control of the Group. Board members and Executive Directors currently in post are set out on page 140.

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 page 140

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

Governance and financial viability standards

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

Following an In-Depth Assessment, in June 2017, B3Living was awarded with the highest rating for governance (G1) and for financial viability (V1), and these ratings continue to be maintained.

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

National Housing Federation (NHF) Code of Governance

B3Living followed the National Housing Federation Code of Governance 2015 - 'Excellence in Governance', for 2020-21. B3Living is signed up to the NHF Code for Mergers, Group Structures and Partnerships.

In May 2021 B3Living completed an internal review of its performance against the 2015 NHF Code of Governance. This was reported to the Board, which confirmed that B3Living was compliant with all elements within this code with one exception. In September 2019, following an unsuccessful advertisement of the Chair vacancy, the Board reappointed Anne Shearman to this role until she stepped down in September 2020. Anne had already completed nine years with B3Living. A number of these years were spent as a co-optee, and we were advised that these should not count towards the maximum nine-year term. However, we believed that the decision to reappoint Anne, whilst taken in the best interests of the business and considered compliant with the letter of the code, could be considered a breach of the spirit of the code and are reporting it as such. The decision was made following discussion with the Regulator, and David Biggs was recruited to replace Anne in the role as of January 2021.

The Board agreed to adopt the NHF Code of Governance 2020 from April 2021 onwards, with an ambition to achieve full compliance by the year ending March 2022.

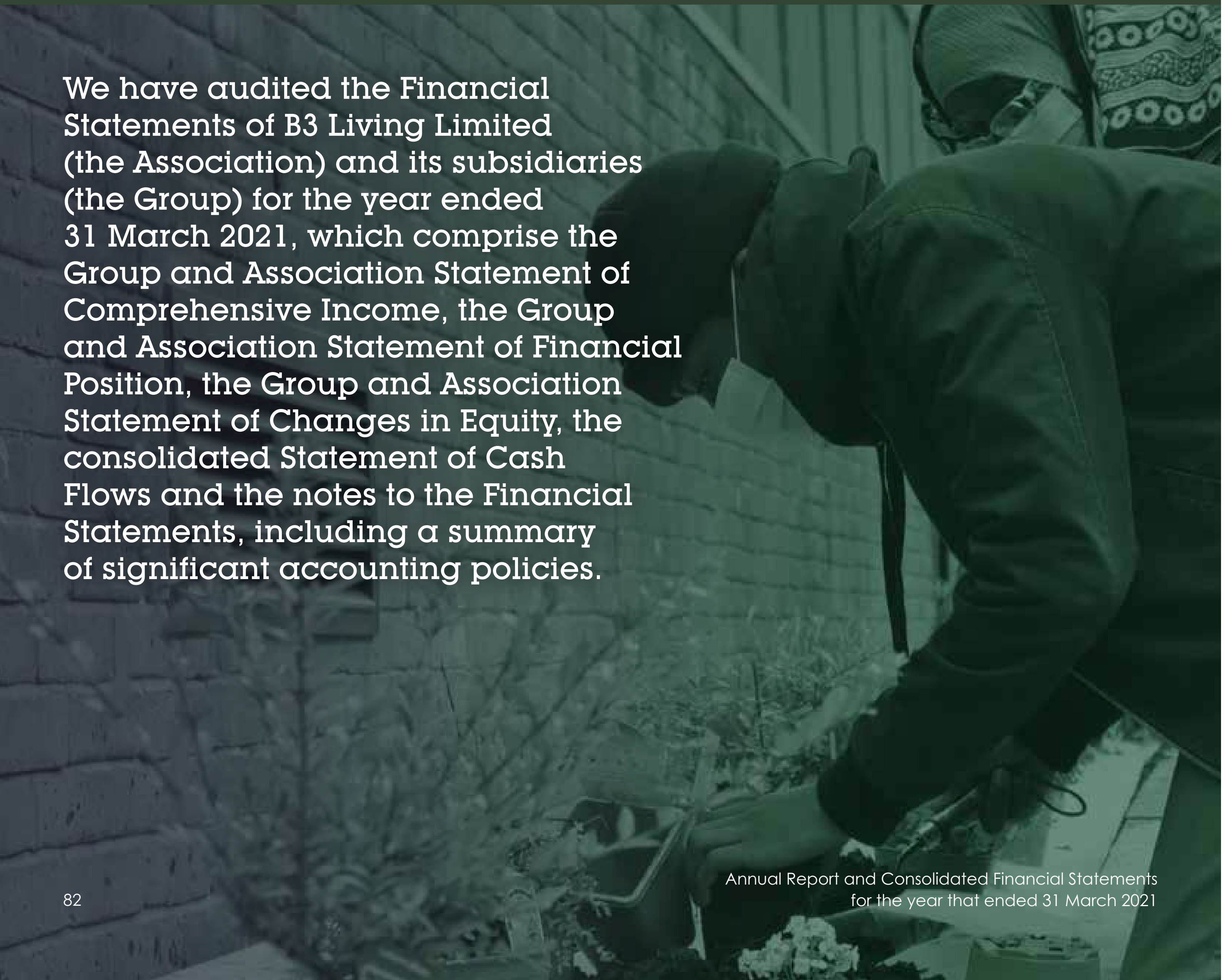
Executive team

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.

Independent auditor's report



We have audited the Financial Statements of B3 Living Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2021, 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.

Opinion

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 2021 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;
- Have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor of B3 Living Limited by the Board for the period ending 31 March 2007. The period of total uninterrupted engagement for the Group is for 15 financial years ending 31 March 2021. 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 £666,720, 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 and the focus is on turnover rather than any surpluses, which are reinvested in the Group.

Materiality for the parent Association financial statements as a whole was set at £666,720, 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 £33,336, in addition to any 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 the 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 £10.2m before actuarial gains on pension schemes (refer to **pages 89 to 105** (accounting policies) and **pages 89 to 93** (financial disclosures). At 31 March 2021 the Group had borrowings of £185m (refer to **pages 90 to 138** (accounting policies) and **pages 89 to 93** (financial disclosures).

Our response

Our procedures included the following:

- **Assessment of recoverability:** Reviewed the Group and Association's 2021-22 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 2021 and projected future performance.

Our results

Our audit work concluded that all loan covenants were comfortably met at 31 March 2021. Forecast performance to 31 March 2022 shows a similar position, with gearing and interest cover forecast to be 56% and 191% respectively, against covenant limits of 80% and 110% respectively. Across a range of stress testing scenarios, including those linked to Covid-19, the Group remains comfortably within its funding covenants.

2. Housing properties- capitalisation of new build development costs – parent Association risk

The risk – significant risk high value

The parent Association capitalised new build development costs of £39.6m (2020: £13.6m). Refer to **pages 89 to 138** (accounting policies) and **pages 89 to 93** (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 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 versus 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.

B3Living - Independent auditor's report

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 £4.8m (2020: £6.7m). Other property sales (such as staircasing, RTB and asset disposals) generated a further surplus of £843k (2020: £502k). At 31 March 2021, the balance of work in progress relating to completed unsold properties was £0.4m (2020: £1.0m), with a further £11.6m (2020: £5.3m) of work in progress relating to properties under construction.

Refer to **pages 90 to 120** (accounting policies) and **pages 89 to 93** (financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Test of detail:** Agreeing the calculation of the surplus on sale for a sample of sales in the period.
- **Assessment of recoverability:** Reviewed the carrying value of the Group's work in progress at the year-end to ensure it is stated at its selling price, less costs to complete and sell. This included an assessment of the profitability on the current schemes.

Our results

We found that of the eight completed properties at year end, two have been sold and six reserved, at values exceeding their carrying value. We found no evidence that the year-end balance of stock is overstated at the year end. We found no errors in the calculation of surplus on sale of properties. We reviewed a sample of additions to work in progress and found that they had been capitalised appropriately. We also reviewed the latest forecast costs for each development and found that there were no significant cost overruns to the approved budgets, therefore no indication that the cost is overstated at the year end.

4. Accounting treatment of joint ventures – Group, parent Association and subsidiary risk

The risk – significant risk medium value

At 31 March 2021, the Group had investments in one joint venture, Farnham Road LLP, via its subsidiary company Everlea Homes Limited, and a debtor relating to the disposal of Wheat Quarter Limited in 2019-20. Both joint ventures relate to property development and are dependent upon the satisfactory completion of the agreed projects.

Refer to **pages 90 to 138** (accounting policies) and **pages 89 to 93** (financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Wheat Quarter:** We reviewed the accounting treatment and disclosures of the debtor and obtained audit evidence over the value of the land to gain assurance as to recoverability of the debt, and evidence of the Group's security over the land. JLL have valued the land at £37.2m.
- **Farnham Road LLP:** We reviewed the management information prepared by the joint venture and agreed balances to the accounting records. We reviewed the carrying value of the joint venture and considered the justification of these amounts and the adequacy of disclosures in relation to the arrangement. We reviewed the stress testing carried out by Management on sales prices and cost increases. We confirmed that the sales values being achieved in the year and post year-end are in line with expectations. Out of eight unsold properties at year end, all have since been sold or reserved.

Our results

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report of the Board including the 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, based on our knowledge obtained in the audit or otherwise, appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- The information given in the Report of the Board including the 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 69**, 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 it 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 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed the 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 the supporting documentation to assess compliance with the relevant laws and regulations discussed above. We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls, we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

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

Beever and Struthers,
Statutory Auditor
St George's House
15 Bunhill Row
London
EC1Y 8LP

Financial statements

Statement of comprehensive income

For the year ended 31 March 2021

		Group		Association	
	Notes	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Turnover	3	33,336	34,561	33,336	34,561
Cost of sales	3	(3,310)	(4,725)	(3,310)	(4,725)
Operating expenditure	3	(15,988)	(16,085)	(15,898)	(16,057)
Gains on disposal of housing properties	3	843	502	843	502
Operating surplus	5	**14,881**	**14,253**	**14,971**	**14,281**
Share of surplus from joint ventures		-	8,193	-	-
Gift Aid		-	-	195	-
Interest receivable	6	490	771	335	447
Interest and financing costs	7	(5,234)	(5,751)	(5,234)	(5,751)
Changes in valuation of investment properties	10c	91	(35)	91	(35)
Surplus/(deficit) before tax		**10,228**	**17,431**	**10,358**	**8,942**
Taxation		-	1	-	-
Surplus/(deficit) for the year		**10,228**	**17,432**	**10,358**	**8,942**
Actuarial (losses)/gains in respect of pension schemes	27	(1,297)	2,037	(1,297)	2,037
Comprehensive income for the year		**8,931**	**19,469**	**9,061**	**10,979**

The Financial Statements were approved and authorised for issue by the Board on 20 July 2021 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 94 to 139** 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 2021

	Notes	Group March 2021 £000	Group March 2020 £000	Association March 2021 £000	Association March 2020 £000
Fixed assets					
Housing properties at costs	10a	258,487	217,861	259,331	217,679
Other fixed assets	10b	4,054	4,070	4,054	4,070
Investment properties	10c	4,304	4,721	4,304	4,721
Investment in subsidiaries	10d	-	-	-	-
Investment in joint ventures	10e	730	949	-	-
Tangible fixed assets		**267,575**	**227,601**	**267,689**	**226,470**
Current assets					
Stock	11	12,007	6,335	12,007	6,323
Trade and other debtors	12	14,561	10,211	6,573	4,199
Agreement to improve existing properties	25	1,537	1,622	1,537	1,622
Cash and cash equivalents	13	3,039	13,696	2,367	13,188
		31,144	**31,864**	**22,484**	**25,332**
Less: Creditors falling due within one year	14	(10,715)	(8,232)	(9,165)	(7,695)
Net current assets		**20,429**	**23,632**	**13,319**	**17,637**
Total assets less current liabilities		**288,004**	**251,233**	**281,008**	**244,107**
Creditors falling due after more than one year	15	(204,818)	(177,816)	(204,818)	(177,816)
Provisions for liabilities					
Agreement to improve existing properties	25	(1,537)	(1,622)	(1,537)	(1,622)
Pension provision	29	(2,787)	(1,620)	(2,787)	(1,620)
Other provision	30	(2)	(246)	(2)	(246)
		(4,326)	(3,488)	(4,326)	(3,488)
Total net assets		**78,860**	**69,929**	**71,864**	**62,803**
Reserves					
Non-equity share capital	26	-	-	-	-
Income and expenditure reserve		78,860	69,929	71,864	62,803
Total reserves		**78,860**	**69,929**	**71,864**	**62,803**

The Financial Statements were approved and authorised for issue by the Board on 20 July 2021 and were signed on its behalf by:

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

The notes on pages 94 to 139 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 2021

	Group Share Capital* £000	Group Income & Expenditure £000	Association Share Capital* £000	Association Income & Expenditure £000
Balance as at 1 April 2019	-	50,460	-	51,824
Surplus for the year	-	17,432	-	8,942
Actuarial (losses)/gains in respect of pension schemes	-	2,037	-	2,037
Balance as at 31 March 2020	-	**69,929**	-	**62,803**
Surplus for the year	-	**10,228**	-	**10,358**
Actuarial loss in respect of pension schemes	-	(1,297)	-	(1,297)
Balance as at 31 March 2021	-	**78,860**	-	**71,864**

*The Group and Association have issued share capital of £9 (2020: £11).

The Group and Association had equity at the reporting date of £78,860k (2020: £69,929k) and £71,864k (2020: £62,803k) respectively.

The notes on pages 94 to 139 form an integral part of the Financial Statements.

Consolidated statement of cash flows

For the year ending 31 March 2021

	March 2021 £000	March 2020 £000
Net cash generated from operating activities (see note 21)	**7,670**	**19,949**
Cash flow from investing activities		
Purchase of tangible fixed assets (social housing)	(44,190)	(17,732)
Purchase of other fixed assets	(106)	(778)
Purchase of other investment properties	508	(1,526)
Proceeds from sale of tangible fixed assets	2,791	3,320
Grants received	4,316	2,317
Investments in joint ventures	-	10,777
Investment income received	2	328
	(36,679)	**(3,294)**
Taxation	-	-
Cash flow from financing activities		
Interest paid	(6,648)	(6,431)
New secured loans	25,000	10,000
Repayments of borrowings	-	(12,000)
	18,352	**(8,431)**
Net change in cash and cash equivalents	**(10,657)**	**8,224**
Cash and cash equivalents at beginning of the year	13,696	5,472
Cash and cash equivalents at end of the year	3,039	13,696
	(10,657)	**8,224**

The notes on pages 94 to 139 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 registration number 29876R and is also registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing with registration number L4455. The 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 joint ventures. A subsidiary is an entity controlled by the Group and 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 same reporting date with the Group.

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

B3Living - Legal status, accounting policies, and notes to the Financial Statements

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:

- 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 Association has taken advantage of the exemptions 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, and outright property sales and other income. Turnover is recognised in relation to the period when the goods or services have been supplied and when risks and rewards of ownership have transferred from B3Living to the counterparty.

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

Value Added Tax

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

The Association operated a VAT shelter arrangement for the stock transfer from the Borough of Broxbourne until December 2020, which was agreed in 2006 with HM Revenue and Customs. This facilitated the full recovery of VAT on expenditure falling within the agreed definition of "improvements" to property. 50% of VAT recoveries under the transfer VAT shelter arrangement were reimbursed to the Borough of Broxbourne. At the reporting date only the VAT shelter that was agreed in 2013, and relates to the refurbishment of properties acquired from London Borough of Haringey, was in operation. The Association retains the full VAT recoveries from this VAT shelter agreement.

Related party transactions

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

Tangible fixed assets

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

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

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

2. (a) Principal accounting policies (continued)

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 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 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.

B3Living - Legal status, accounting policies, and notes to the Financial Statements

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	75
Roofs	60
Windows and doors	30
Bathrooms	30
Electrics	30
Lift	30
Adaptations	15
Kitchens	20
Heating	15
Other	15

Land is not depreciated.

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

Other fixed tangible assets

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

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

Long leasehold properties

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

Investment properties

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

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

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

2. (a) Principal accounting policies (continued)

Donated land

Donated land from government sources, such as local authorities, is included in 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 current assets. In this instance, the SHG follows the property to the association said property is being transferred to.

Social housing and other government grants

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

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

The accumulated amortised government grants recognised through the Statement of Comprehensive Income Statement represent contingent liabilities to the Group and Association and the contingent grant liability materialises when the relevant property to which the amortised grant relates to ceases to be used for social housing purposes. This is usually due to 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 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.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG-funded properties less the net book value of the property and the costs of disposal are credited to the DPF. The DPF amount can be carried forward for up to three years until it is used to fund the acquisition of new social housing or paid back to the Homes England. No new funds are being put in the fund.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year-end date.

Pensions

The Group and Association participates 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 a defined contribution scheme: 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 significantly impact the defined benefit obligation and annual expense 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 does not have further future obligations, other than those disclosed in the Statement of Financial Position within Creditors, falling due within one year which are paid a month following deductions on each payroll processing.

The Pensions Trust Social Housing Pension Scheme (SHPS)

For SHPS, the parent and its subsidiaries closed the multi-employer defined benefit pension scheme and only operates a multi-employer defined contribution scheme. In the past, scheme actuaries had advised it was not possible to identify the share of underlying assets and liabilities belonging to the Group and Association; therefore, the Group and Association used to apply defined contribution accounting for the SHPS pension scheme by means of the multi-employer exemption.

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

The accounting information is based on the present value as at 31 March 2021 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 its 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 SOCI.

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 the 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 residents. 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 by a reduced charge and a deficit being recovered by 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 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.

2. (a) Principal accounting policies (continued)

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 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 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.

Following are the Association's accounting policies for accounting for the following financial instruments:

Basic financial instruments Cash and cash equivalents

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

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

Trade debtors, other debtors, trade creditors and other creditors

Trade debtors, including rent arrears and other debtors, are recognised initially at their transaction price less transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method, less any impairment losses. The carrying values for rent debtors have been assessed and adjusted for the impact of Covid-19 by adjusting the estimation methodology for provision for bad debts.

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.

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 the market interest rates; for example, with some tenants 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 Management 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 the Association's financial assets and financial liabilities met the definition of basic financial instruments under FRS 102, section 11.

Loan finance issue costs

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

Corporation taxation

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

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

Stock – properties for sale

Stock – properties for sale include the first tranche element of low-cost home ownership units and properties developed for outright sale. These are accounted 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 Broxbourne Borough Council, proceeds from right to buy and low-cost home ownership staircasing sales are shared with Broxbourne Borough Council. On completion of a right to buy or relevant low-cost home ownership sale contract, only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

2. (a) Principal accounting policies (continued)

Agreements to improve existing properties

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

Joint arrangements that are not entities

The Association is party to a joint arrangement with a development partner. The joint arrangement is for the sharing of risks, income and development costs incurred in regards 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. The carrying values for joint ventures has been assessed and adjusted for the impact of Covid-19.

Provisions

Provisions are recognised when the Group and Association has 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, so segment reporting is not required by geographical region.

General needs and sheltered housing segments incorporate all 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 comprises 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 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.

B3Living - Legal status, accounting policies, and notes to the Financial Statements

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 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 properties 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 under the requirements of FRS 102, section 17. Where the Association has deemed that the properties are not held for social benefit purposes, these properties have been classified as investment properties and therefore have been accounted for under FRS 102, section 16.

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

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

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

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

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

Impairment on joint ventures is assessed by comparing the carrying value against the recoverable amount. The recoverable amount are 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.

B3Living - Legal status, accounting policies, and notes to the Financial Statements

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

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, investment 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 both the carrying amounts disclosed in SOFP and the fair value gains or losses disclosed in the SOCI. The key assumptions used to determine the fair value of investment property are further explained (see note 10c).

Joint ventures impairment

Investments in joint venture properties are reviewed to determine whether an impairment trigger has occurred. Where there is an impairment trigger and evidence of impairment, the joint ventures are written down to their recoverable amount. Any write down is disclosed within the share of profits joint venture item in the SOCI. Impairment is assessed by comparing the carrying value to the recoverable amount.

Management is required to make estimates of cash flows, costs of exiting the joint venture and finance costs. A judgement has been made that the recoverable amount is higher than the carrying amount disclosed in the accounts. Various scenario analyses undertaken confirm that the joint venture can cope with significant decreases in sales and increases in costs without getting into an impaired position. The analyses show that a break-even can still be achieved even when sales reduce by 13.75% and costs increase by 13.75%. This level of change in both sales and costs is not anticipated. The biggest decline in a month during the Covid-19 pandemic was in June 2020 by circa 1%, the peak month while the economy was shut down. We also anticipate future corporation tax reliefs to accrue from prior periods capital losses. This means that there is a lot of headroom; therefore, the joint venture is neither impaired nor is an onerous contract (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 £000	Cost of sales £000	Operating expenditure £000	Group Operating surplus 2021 £000	Operating surplus 2020 £000
Social housing lettings (note 3c)	27,966	-	(15,412)	12,554	11,410
Other social housing activities:					
First tranche home ownership sales	4,789	(3,310)	-	1,479	1,941
Supporting people	97	-	(97)	-	-
Leaseholders	289	-	(269)	20	(38)
Development costs not capitalised	-	-	(26)	(26)	(60)
Community services	-	-	(119)	(119)	(131)
	33,141	(3,310)	(15,923)	13,908	13,122
Activities other than social housing					
Commercial rent	59	-	(1)	58	76
Market rent	55	-	(8)	47	51
Other	81	-	(56)	25	502
	195	-	(65)	130	629
	33,336	(3,310)	(15,988)	14,038	13,751
Gains on disposal of housing properties	-	-	-	843	502
	33,336	(3,310)	(15,988)	14,881	14,253

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

	Turnover £000	Cost of sales £000	Operating expenditure £000	Association Operating surplus 2021 £000	Operating surplus 2020 £000
Social housing lettings (note 3c)	27,966	-	(15,412)	12,554	11,414
Other social housing activities:					
First tranche home ownership sales	4,789	(3,310)	-	1,479	1,941
Supporting people	97	-	(97)	-	-
Leaseholders	289	-	(269)	20	(38)
Development costs not capitalised	-	-	8	8	(118)
Resident involvement	-	-	(119)	(119)	(131)
Total social housing activities	33,141	(3,310)	(15,889)	13,942	13,067
Activities other than social housing					
Commercial rent	59	-	(1)	58	76
Market rent	55	-	(8)	47	51
Other	81	-	-	81	585
Total non-social housing activities	195	-	(9)	186	712
	33,336	(3,310)	(15,898)	14,128	13,779
Gains on disposal of housing properties	-	-	-	843	502
Operating surplus	33,336	(3,310)	(15,898)	14,971	14,281

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

Particulars of income and expenditure	General housing £000	Sheltered housing £000	Low-cost home ownership £000	Total 2021 £000	Total 2020 £000
				Group and Association	
Income					
Rent receivable net of identifiable service charge	23,950	1,568	1,182	**26,700**	25,781
Service charge income	640	457	-	**1,097**	900
Net rental income	**24,590**	**2,025**	**1,182**	**27,797**	**26,681**
Amortised government grants	155	-	14	169	175
Turnover	**24,745**	**2,025**	**1,196**	**27,966**	**26,856**
Operating expenditure					
Management costs	(2,689)	(876)	(148)	(3,713)	(3,613)
Service charge costs	(1,331)	(341)	(118)	(1,790)	(1,415)
Responsive	(4,394)	(348)	-	(4,742)	(4,509)
Planned cyclical maintenance	(1,433)	(117)	-	(1,550)	(1,382)
Bad debts	548	(3)	-	545	(571)
Depreciation	(3,736)	(282)	-	(4,018)	(3,818)
Other costs	(134)	(5)	(5)	(144)	(138)
Operating expenditure	**(13,169)**	**(1,972)**	**(271)**	**(15,412)**	**(15,446)**
Operating surplus	**11,576**	**53**	**925**	**12,554**	**11,410**
Prior period operating surplus	**10,459**	**177**	**774**	**11,410**	
Voids	**(298)**	**(3)**	**(8)**	**(309)**	**(372)**

3d. Income and Expenditure from Social Housing Lettings

Particulars of income and expenditure	General housing £000	Sheltered housing £000	Low-cost home ownership £000	Other £000	Total 2021 £000	Total 2020 £000
					Group and Association	
Income						
Rent receivable net off service charges	23,950	1,568	1,182	-	**26,700**	25,781
Service charge income	640	457	-	-	**1,097**	900
Net rental income	**24,590**	**2,025**	**1,182**	**-**	**27,797**	**26,681**
Amortised government grants	155	-	14	-	**169**	175
Commercial rent	-	-	-	59	**59**	78
Market rent	-	-	-	55	**55**	58
Management fees	-	-	-	81	**81**	585
Supporting people income	-	-	-	97	**97**	99
Leaseholders	-	-	-	289	**289**	218
First tranche home ownership sales	-	-	4,789	-	**4,789**	6,666
Turnover	**24,745**	**2,025**	**5,985**	**581**	**33,336**	**34,560**
Operating expenditure						
Cost of sales - stock	-	-	(3,310)	-	**(3,310)**	(4,725)
Management costs	(2,689)	(876)	(148)	(56)	**(3,769)**	(3,696)
Service charge costs	(1,331)	(341)	(118)	-	**(1,790)**	(1,415)
Responsive	(4,394)	(348)	-	-	**(4,742)**	(4,509)
Planned cyclical maintenance	(1,433)	(117)	-	-	**(1,550)**	(1,382)
Bad debts	548	(3)	-	-	**545**	(571)
Depreciation	(3,736)	(282)	-	-	**(4,018)**	(3,818)
Supporting people costs	-	-	-	(97)	**(97)**	(99)
Development costs not capitalised	-	-	-	(26)	**(26)**	(61)
Other costs	(134)	(5)	(5)	(397)	**(541)**	(534)
Operating expenditure	**(13,169)**	**(1,972)**	**(3,581)**	**(576)**	**(19,298)**	**(20,809)**
Gains on disposal of housing properties	440	-	403	-	**843**	502
Segmental operating surplus	**12,016**	**53**	**2,807**	**5**	**14,881**	**14,253**
Share of surplus from joint ventures	-	-	-	-	**-**	8,193
Interest receivable	-	-	-	490	**490**	771
Interest and financing costs	(4,124)	(340)	(770)	-	**(5,234)**	(5,751)
Increase/(decrease) in valuation of investment properties	-	-	-	91	**91**	(35)
Operating surplus	**7,892**	**(287)**	**2,037**	**586**	**10,228**	**17,431**
Social housing properties	203,682	16,773	38,031	-	**258,486**	217,861
Other fixed assets	3,142	259	587	66	**4,054**	4,070
Investment properties	-	-	-	4,304	**4,304**	4,721
Investment in subsidiaries	-	-	-	-	**-**	-
Investment in joint ventures	-	-	-	730	**730**	949
	206,824	**17,032**	**38,618**	**5,100**	**267,574**	**227,601**

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:

	At start of period	Units acquired or developed	Units sold / demolished	Other movements	Period to 31 March 2021
Social housing units					
General needs	2,648	-	-	(1)	2,647
Affordable rental tenure	840	64	(7)	-	897
Supported housing	285	-	-	(1)	284
Intermediate rent	5	8	-	-	13
Social - managed by others	49	-	-	-	49
Low-Cost home ownership	279	25	(11)	-	293
Leaseholders (social managed)	630	-	-	8	638
Total social housing units owned and /or managed	**4,736**	**97**	**(18)**	**6**	**4,821**
Leased to others - associations	56	-	-	-	56
Total social housing units	**4,792**	**97**	**(18)**	**6**	**4,877**
Leaseholders (non-social)	103	-	-	1	104
Market rented	4	-	-	(1)	3
Non-social other	-	-	-	1	1
Total non-social units	**107**	**-**	**-**	**1**	**108**
Total	**4,899**	**97**	**(18)**	**7**	**4,985**

4. Gains on disposals of property, plant and equipment

	Group and Association	
	March 2021 £000	March 2020 £000
Right to buy and acquire		
Proceeds	1,334	1,686
Cost of sales	(952)	(1,323)
Surplus	**382**	**363**
Staircasing		
Proceeds	1,305	88
Cost of sales	(902)	(9)
Surplus	**403**	**79**
Other disposals		
Proceeds	154	1,546
Cost of sales	(96)	(1,486)
Surplus	**58**	**60**
Total surplus	**843**	**502**

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5. Operating surplus

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Operating surplus is stated after charging/(crediting):				
Auditors' remuneration (excluding VAT):				
In their capacity as auditors	47	47	39	39
Operating lease payments	214	214	214	214
Depreciation:				
Tangible fixed assets - housing properties	3,896	3,818	3,896	3,818
Accelerated depreciation on component	121	166	121	166
Other fixed assets	448	312	448	312
Amortisation of grant funding	(169)	(175)	(169)	(175)
Surplus on sale of fixed assets	843	502	843	502

6. Interest receivable and similar income

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Interest receivable and similar income	490	771	335	447

Interest receivable is from on lending to both joint venture and joint arrangement partners. For reasons of prudence, the Group made a provision of £419k on the interest from the joint venture. On lending activities have been classified as basic financial instruments and are accounted under FRS 102, section 11 and FRS 34.87 to 34.97.

7. Interest and financing costs

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
On loans repayable in more than five years	6,204	6,212	6,204	6,212
Costs associated with financing	324	312	324	312
Less: Interest capitalised***	(1,330)	(860)	(1,330)	(860)
	5,198	**5,664**	**5,198**	**5,664**
Deferred benefit pension charge (note 29)				
Expected return on employer assets	36	87	36	87
	36	87	36	87
Total interest payable and similar charges	5,234	5,751	5,234	5,751

***The weighted average interest on borrowing of 3.6% (2020: 3.9%) was used for calculating capitalised interest.

8. Tax on surplus

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
(a) Analysis of tax charge in year				
UK corporation tax on surplus	-	1	-	-
(b) Factors affecting tax charge for the year				
Surplus before tax	**10,228**	**17,431**	**10,358**	**8,942**
Surplus multiplied by corporation tax rate in the UK of 19% (2020: 19%)	1,943	3,312	1,968	1,699
Effects of:				
Non-taxable charitable activities	(1,943)	(3,311)	(1,968)	(1,699)
Total tax charge	**-**	**1**	**-**	**-**

9. (a) Employee information

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

	Group and Association	
	2021	2020
	No.	**No.**
Executive Team	5	5
Development and Sales	7	9
Finance	7	8
Corporate Services	20	19
Service Delivery	115	106
	153	**147**

Employee costs

	Group and Association	
	2021 £000	2020 £000
Wages and salaries	5,555	4,956
Social security costs	556	496
Pension costs	465	604
Termination payment	17	63
Less: Capitalised salaries	(1,152)	(1,091)
	5,441	**5,028**

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

9. (a) Employee information (continued)

Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 (including pension)

	Group and Association	
	2021 £000	2020 £000
£60,000 to £70,000	2	2
£70,000 to £80,000	2	1
£80,000 to £90,000	1	1
£90,000 to £100,000	-	1
£100,000 to £110,000	-	2
£110,000 to £120,000	2	-
£120,000 to £130,000	1	-
£130,000 to £140,000	2	1
£150,000 to £160,000	-	1
£160,000 to £170,000	1	-
	11	**9**

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 £726k (2020: £651k).

Remuneration for Executive Directors for the year ended March 2021

	Group and Association	
	2021 £000	2020 £000
Wages and salaries (including performance-related pay for period)	607	537
Expense allowances	-	-
Pension contributions	66	63
Total emoluments paid to executive officers	**673**	**600**

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

Non-executive Board member remuneration for the year ended 31 March 2021

		Group and Association	
Non-executive Board member		**2021 £000**	**2020 £000**
David Biggs	Chair	7	6
Anne Shearman	Chair (resigned 15 September 2020)	5	9
Chris Fawcett	Vice Chair (1 April – 15 September 2020 and 1 January 2020 – 9 March 2021)	7	6
Chris Herbert	(Resigned 31 October 2020)	2	4
Mark Davies	(Deceased December 2019)	-	4
Jaine Cresser		4	3
Nicci Statham		4	4
Rosalind Rowe		4	4
Trudi Kleanthous	Vice chair (from 10 March 2021)	4	4
Paul Tyrrell		6	5
Rebecca Lewis		4	1
Steve Nunn		6	1
		53	**51**

Steve Woodcock, who as the Chief Executive, is the highest paid director and his remuneration amounted to £144k (2020: £137k) excluding pension contributions.

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

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

					Group
	Completed social housing properties held for letting £000	**Social housing properties under construction £000**	**Shared ownership properties under construction £000**	**Completed shared ownership housing properties £000**	**Total 2021 £000**
Cost					
At 1 April 2020	196,780	17,850	7,105	20,344	**242,079**
Additions during year	-	27,791	10,804		**38,595**
Improvements	4,189	-		-	**4,189**
Interest capitalised	-	806	524	-	**1,330**
Schemes completed in year	12,616	(12,616)	(3,200)	3,200	**-**
Transfers	-	1,600	-	-	**1,600**
Disposals	(362)	-	-	(745)	**(1,107)**
Component disposals	(245)	-	-	-	**(245)**
At 31 March 2021	**212,978**	**35,431**	**15,233**	**22,799**	**286,441**
Depreciation and impairment					
At 1 April 2020	**(24,218)**	**-**	**-**	**-**	**(24,218)**
Charged in year	(3,895)	-	-	-	**(3,895)**
Component disposals	121	-	-	-	**121**
Disposals	37	-	-	-	**37**
At 31 March 2021	**(27,955)**				**(27,954)**
Net book value					
At 31 March 2021	**185,023**	**35,431**	**15,233**	**22,799**	**258,487**
At 1 April 2020	**172,562**	**17,850**	**7,105**	**20,344**	**217,861**

Additions to the Group's housing properties during the year include capitalised interest of £1,330k (2020: £859k) and capitalised administration costs of £400k (2020: £468k).

Existing Use Value - Social Housing

As at 31 March 2021, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) is £357m (2020: £329m). The carrying amount of these social housing properties is £350m (2020: £322m). The EUV-SH valuation includes £7.6m (2020: £7.5m) for garages.

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

Expenditure on works to existing properties	**2021 £000**	**2020 £000**
Amounts capitalised	4,190	2,985
Amounts charged to income and expenditure account	6,292	5,933
Total	**10,482**	**8,918**

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

	Completed social housing properties held for letting £000	Social housing properties under construction £000	Shared ownership properties under construction £000	Completed shared ownership housing properties £000	Association Total 2021 £000
Cost					
At 1 April 2020	196,780	17,692	7,081	20,344	**241,897**
Additions during year	-	28,310	11,312	-	**39,622**
Improvements	4,189	-	-	-	**4,189**
Interest capitalised		806	524	-	**1,330**
Schemes completed in year	12,616	(12,616)	(3,200)	3,200	**-**
Transfers	-	1,600	-	-	**1,600**
Disposals	(362)	-	-	(745)	**(1,107)**
Component disposals	(245)	-	-	-	**(245)**
At 31 March 2021	**212,978**	**35,792**	**15,717**	**22,799**	**287,286**
Depreciation and impairment					
At 1 April 2020	**(24,218)**	-	-	-	**(24,218)**
Charged in year	(3,895)				**(3,895)**
Component disposals	121	-	-	-	**121**
Disposals	**37**	**-**	**-**	**-**	**37**
At 31 March 2021	**(27,955)**				**(27,955)**
Net book value					
At 31 March 2021	**185,023**	**35,792**	**15,717**	**22,799**	**259,331**
At 1 April 2020	**172,562**	**17,692**	**7,081**	**20,344**	**217,679**

Additions to the Group's housing properties during the year include capitalised interest of £1,330k (2020: £859k) and capitalised administration costs of £400k (2019: £468k).

Existing Use Value - Social Housing

As at 31 March 2021, the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) basis is £357m (2020: £329m). The carrying amount of these social housing properties is £350m (2020: £322m). The EUV-SH valuation includes £7.6m (2020: £7.5m) for garages.

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

Expenditure on works to existing properties	2021 £000	2020 £000
Amounts capitalised	4,190	2,985
Amounts charged to income and expenditure account	6,292	5,933
Total	**10,482**	**8,918**

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

	Freehold offices £000	Furniture, fixtures & fittings £000	IT & office equipment £000	Motor vehicles £000	Plant & equipment £000	Total £000
Cost						
At 1 April 2020	**2,652**	**318**	**2,111**	**60**	**50**	**5,191**
Additions during year	-	-	387	-	45	**432**
Disposals	-	-	-	-	-	**-**
At 31 March 2021	**2,652**	**318**	**2,498**	**60**	**95**	**5,623**
Depreciation and impairment						
At 1 April 2020	**(220)**	**(306)**	**(508)**	**(56)**	**(31)**	**(1,121)**
Charged in year	(44)	(4)	(390)	(4)	(6)	**(478)**
Disposals	-	-	-	-	-	**-**
At 31 March 2021	**(264)**	**(310)**	**(898)**	**(60)**	**(37)**	**(1,569)**
Net book value						
At 31 March 2021	**2,388**	**8**	**1,600**	**-**	**58**	**4,054**
At 31 March 2020	**2,432**	**12**	**1,603**	**4**	**19**	**4,070**

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

	Market rented properties completed £000	Commercial property £000	Total £000
At 1 April 2020	**1,595**	**3,126**	**4,721**
Additions during year	-	1,092	**1,092**
Disposals	-	-	**-**
Reclassification to social housing assets	-	(1,600)	**(1,600)**
Fair value movements	91	-	**91**
At 31 March 2021	**1,686**	**2,618**	**4,304**

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 £91k (2020: £35k loss) was recognised and charged to the SOCI. 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 SOCI.

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 iterated 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

All commercial properties are work in progress and are being held at the cost of developing these properties. These properties will be carried at fair value when construction has been completed.

10. (d) Investment in subsidiaries

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

	2021 £	2020 £
Everlea Homes Limited	2	2
B3 Living Development Limited	2	2
	4	**4**

10. (e) Investments in joint ventures

At the reporting the Group's subsidiary, Everlea Homes had an investment in a joint venture, Farnham Road LLP, a limited liability partnership incorporated in England and Wales. During the prior year, the Group disposed of its interest in Wheat Quarter Ltd.

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. Joint ventures are accounted as investments in the subsidiaries and are accounted under equity method in the consolidated accounts.

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
Wheat Quarter Ltd*	Fooks Property Company and Plutus Estates	50% owned by Everlea Homes	Develops and sell properties
Farnham Road LLP	Bellis Homes Ltd	50% owned by Everlea Homes	Develops and sell properties

*During the prior financial year Wheat Quarter Ltd ceased to be a joint venture as B3Living disposed of its share.

	Group		Association	
	March 2021	March 2020	March 2021	March 2020
Share of turnover	3,735	11,002	-	-
Share of cost of sales	(3,735)	(1,038)	-	-
Impairment	-	(1,771)	-	-
Share of operating surplus for the year	-	8,193	-	-
Share JV of net assets				
At start of the year	**949**	**3,533**	-	-
Additions/ (Net interest forgone)	(219)	-	-	-
Impairment	-	(1,771)	-	-
Disposals	-	(813)	-	-
At end of the year	**730**	**949**	**-**	**-**

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

Analysis of investment by each joint venture

	Wheat Quarter Ltd £000	Farnham Road LLP £000	2021 Total £000	2020 Total £000
At 1 April	-	949	949	3,533
Additions/ (Net interest forgone)	-	(219)	(219)	107
Impairment	-	-	-	(1,771)
Disposals	-	-	-	(920)
At 31 March	**-**	**730**	**730**	**949**

Due to the impact of Covid-19 the Farnham Road joint venture has had some delays in construction which have led to an increase in construction costs, finance costs and a decline in anticipated sales values. As a result, in the prior year the Group took a prudent view and impaired the investment in the in Farnham Road LLP joint venture as the expected returns from the joint venture were not anticipated to materialise. The impairment charge from Farnham Road LLP was disclosed under share of the joint venture in the SOCI. During the year the Group elected to forego interest income from its investment in the joint venture to ensure the joint venture continues as a going concern.

Joint venture as a business strategy has been profitable to the Group as evidenced by the surpluses of £9,964k in the prior financial year from the disposal of its interest in Wheat Quarter Limited and in a joint arrangement in Elsenham which was also profitable. The joint venture activities are undertaken by the subsidiary Everlea Homes to insulate the social housing assets from the commercial activities.

Analysis of share of profits by joint venture - Group

	Wheat Quarter Ltd £000	Farnham Road LLP £000	2021 Total £000	2020 Total £000
Share of turnover	-	-	-	11,002
Cost of sales	-	-	-	(1,771)
Impairment	-	-	-	(1,038)
At 31 March	**-**		**-**	**8,193**

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

11. Stock – Properties for sale

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Shared ownership – completed	426	1,033	426	1,022
Shared ownership – under construction	11,581	5,301	11,581	5,301
	12,007	**6,334**	**12,007**	**6,323**

Stock recognised in cost of sales as an expense was £3,310k (2020: £4,725k). An impairment charge of £nil (2020: £nil) has been recognised during the year. None of the stock is pledged as collateral against borrowing (2020: £nil).

12. Trade debtors and debtors

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Rent arrears	1,418	1,182	1,418	1,182
Less: provision for bad debts	(351)	(641)	(351)	(641)
	1,067	**541**	**1,067**	**541**
Prepayment and accrued income	544	2,194	544	2,188
Other debtors	835	758	826	613
Intercompany debtors	-	-	4,136	857
	2,446	**3,493**	**6,573**	**4,199**
Long-term debtors				
Loan to joint venture or joint arrangement	12,115	6,718	-	-
	14,561	**10,211**	**6,573**	**4,199**

On lending is to joint arrangements and this is secured against land. The interest on lending to joint arrangements is at market rates. During the year, the Group stepped in to be the senior lender in the joint venture with Farnham Road LLP when the original senior lender stepped down as a lender. The Group elected to forego its interest in Farnham Road LLP joint venture to ensure financial viability of the joint venture.

13. Cash and cash equivalents

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Cash in hand and at bank	2,945	13,491	2,273	12,983
Held for leaseholders and low-cost home ownership	94	205	94	205
	3,039	**13,696**	**2,367**	**13,188**

Of the £3,039k (2020: £13,696k) cash and cash equivalents, £95k (2020: £205k) is not available for general use because it is held for leaseholders' future major repairs £67k (2020: £67k) and Epping Council's share of the open market low-cost home ownership units £27k (2020: £137k).

Of the £3,039k (2020: £13,696k) cash and cash equivalents, £205k (2020: £204k) is not available for general use because it is held for leaseholders' future major repairs £67k (2020: £67k) and Epping Council's share of the open market low-cost home ownership units £27k (2020: £137k). None of the cash is held as collateral against the borrowing by the Association.

14. Creditors: Amounts falling due within one year

		Group		Association
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Trade creditors	2,455	2,546	1,223	1,679
Rent and service charges received in advance	1,454	1,216	1,454	1,216
Taxation and social security	155	136	155	136
Accruals and deferred income	5,796	3,719	3,214	3,059
Deferred grants due to be released in 1 year (note 17)	238	177	238	177
Recycled grants due to be released in 1 year (note 17)	370	207	370	207
Intercompany creditors	-	-	2,263	990
Other creditors	247	231	248	231
	10,715	**8,232**	**9,165**	**7,695**

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

	March 2021 £000	March 2020 £000
Debt (note 16)	185,000	160,000
Less issue costs	(1,796)	(1,705)
	183,203	**158,295**
Deferred capital grant (note 17)	21,550	19,362
Recycled capital grant fund (note 18a)	64	159
	204,818	**177,816**

The Group and Association have a £100m (2020: £80m) revolving credit facility. At year end, the facility had an undrawn balance of £40m (2020: £50m). During the year, the Group and Association had a net drawdown of £25m (2020: net repayment of £2m).

B3Living - Legal status, accounting policies, and notes to the Financial Statements

16. Debt analysis – Group and Association

Analysis of debt (note 15)	2021 £000	2020 £000
Bond and note purchase agreement	125,000	125,000
Revolving credit facility	60,000	35,000
	185,000	**160,000**

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. Both will amortise on a straight-line basis.

The Group and Association has three revolving credit facility (RCF) agreements; two RCFs with Lloyds Plc of £30m and £50m and one RCF with Barclays £20m. £40m (2020: £30m) of the Lloyds facilities were undrawn at the year end. The Barclays loan is fully drawn down (2020: £10m 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 2021

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

At 31 March 2020

	Effective interest rate %	Total carrying amount £000	Within 1 Year £000	2 Year £000	1-2 Year £000	2-3 Year £000	3-4 Year £000	4-5 Year £000	Over 5 Year £000
RCFs									
Lloyds	1.643	25,000	-	-	-	25,000	-	-	-
Barclays	1.643	10,000	-	-	-	-	-	10,000	-
Bond stock									
Fixed rate	4.823	68,000	-	-	-	-	-	-	68,000
Fixed rate	3.778	57,000	-	-	-	-	-	-	57,000
		160,000	**-**	**-**	**-**	**25,000**	**-**	**10,000**	**125,000**

17. Deferred capital grant – Group and Association

As at 31 March 2021, £169kof capital grants had been amortised (2020: £175k) in the year.

	2021 £000	2020 £000
At 1 April	**19,538**	**15,441**
Received during the year	2,715	4,327
Transfer from DPF	-	-
Recycled to RCGF	(68)	(55)
Amortised during the year	(169)	(175)
Other	(228)	-
At 31 March	**21,788**	**19,538**
To be released in 1 year	238	177
To be released after 1 year	21,550	19,361
	21,788	**19,538**

18. (a) Recycled capital grant fund – Group and Association

	2021 £000	2020 £000
At start of the year	366	311
Inputs to RCGF:		
Grants recycled	68	55
Transfer from contingent grants (stock transfer)	-	-
Other adjustments	-	-
Interest accrued	-	-
At the end of the year	**434**	**366**
Amount due to be released < 1 year (note 14)	364	207
Amount due to be released > 1 year (note 15)	70	159
	434	**366**

None of the RCGF was due for repayment (2019: £nil)

18. (b) Disposal proceeds fund – Group and Association

	2021 £000	2020 £000
At start of the year	-	-
Use/allocation of funds:		
New build	-	-
At end of year	**-**	**-**

B3Living - Legal status, accounting policies, and notes to the Financial Statements

19. Capital commitments – Group and Association

	2021 £000	2020 £000
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	54,161	17,847
Capital expenditure that has been authorised by the Board but has not yet been contracted for	8,906	28,666
	63,067	**46,513**
The Association expects these commitments to be financed by:		
Social Housing Grant	10,570	5,346
Proceeds from the sales of properties	25,497	26,823
Committed loan facilities	27,000	14,344
	63,067	**46,513**

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 £40m (2020: £45m), therefore the Group and Association have sufficient funding headroom to meet all obligations and commitments.

20. Operating leases – Group and Association

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

	Group		Association	
	March 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Land and buildings				
Within one year	5	4	5	4
Within two to five years	5	-	5	-
In five years or more	-	-	-	-
	10	**4**	**10**	**4**
Other				
Within one year	101	27	101	27
Within two to five years	984	151	984	151
In five years or more	-	-	-	-
	1,085	**178**	**1,085**	**178**

The lease on buildings relates to Holdbrook Court and the other operating leases relate to vans, head office machinery and equipment.

21. Net cash generated from operating activities

		Group
	2021	2020
	£000	£000
Comprehensive income for the year	**8,931**	**19,469**
Adjustment for non-cash items		
Depreciation of tangible fixed assets	4,139	4,198
Depreciation write-off	(121)	(166)
Government grants utilised in the year	(169)	(175)
Decrease / (increase) in stock	(5,672)	4,251
(Increase) / decrease trade and other debtors	(3,212)	(480)
Decrease / (increase) in trade and other creditors	(952)	(1,323)
Increase /(decrease) in provisions	(244)	(71)
Pension gains and losses	(130)	(37)
Surpluses from the sales of fixed assets	(843)	(502)
Share of operating surplus of joint ventures	-	(8,193)
FV changes - investment properties	(91)	35
Interest payable	5,227	5,751
Interest receivable	(490)	(771)
Taxation	-	-
Actuarial gains/(losses) in respect of pension schemes	1,297	(2,037)
Net cash generated from operating activities	**7,670**	**19,949**

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

	Group and Association	
	March	March
	2021	2020
	£000	£'000
Decrease in cash	(10,657)	8,224
Cash inflow from increase in net debt and lease finance	(25,000)	2,000
Increase in net debt from cash flows	**(35,657)**	**10,224**
Total changes in net debt for the period:		
Net debt at 1 April	(146,304)	(156,528)
Net debt at 31 March	**(181,961)**	**(146,304)**

B3Living - Legal status, accounting policies, and notes to the Financial Statements

23. Analysis of net debt - Group and Association

	01-Apr 2021 £000	Cash Flow £000	31-Mar 2021 £000
Cash at bank and in hand	**13,696**	(10,657)	**3,039**
Bond issue	**(125,000)**	-	**(125,000)**
Housing loans	**(35,000)**	25,000	**(60000)**
Changes in debt	**(160,000)**	**(25,000)**	**(185,000)**
Net debt	**(146,304)**	**(35,657)**	**(181,961)**

24. Financial liabilities

Borrowing facilities - The facilities available at 31 March 2021 were as follows:

		Group		Association
	2021	2020	2021	2020
	£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	185,000	160,000	185,000	160,000
	185,000	**160,000**	**185,000**	**160,000**

At the reporting date, the Group's loan drawn down facilities and bond issued were £185m (2020: £160m). This is made up of £68m bond raised in January 2013, £57m note purchase agreement raised in February 2015 and £60m revolving credit facility drawn down. The Group had £40m unused revolving credit facility at the year-end (2020: £50m).

25. Group VAT development agreement

The Association was party to a stock transfer agreement of 3,500 housing properties from Broxbourne Borough Council on 23 January 2006 and 91 properties from London Borough of Haringey on 25 March 2013. The VAT shelter for the transfer from Broxbourne Borough Council came to an end during the year, therefore there are no more stock transfer obligations held in the Statement of Financial Position.

Broxbourne Borough Council

As part of the transfer agreement, the Council made a commitment to the Association to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to the transfer, the Council contracted with the Association to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by the Association's obligations to bring the properties into a good state of repair. As a result, both an asset and a liability has been recognised in the Statement of Financial Position on an amortising basis until the end of the transfer arrangement. At 31 March 2021, the gross values of the balances that had been offset, have been reduced to £nil (2020: £1,141k). VAT arising on the works during the period totalled £253k (March 2020: £286k).

London Borough of Haringey

The Association was party to a transfer of 91 housing properties from London Borough of Haringey on 25 March 2013, with an obligation to carry out works pursuant to the development. At the point of the transfer of the properties the gross values of the balance of £3,581k has been recognised as both an asset and liability in the Statement of Financial Position. At 31 March 2021, the gross values of the balance has been reduced to £1,537k (2020: £1,548k) with VAT arising on the works during the period totalling £2k (March 2020: £1k).

26. Share capital

	Group 2021	Group 2020	Association 2021	Association 2020
	No.	No.	No.	No.
Shares of £1 each issued and fully paid				
At start of year	11	11	11	11
Issued during year	-	2	-	2
Redeemed	(2)	(2)	(2)	(2)
At end of year	**9**	**11**	**9**	**11**

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 (2020: none).

27. Income and expenditure reserves

	2021 £000	2020 £000	2021 £000	2020 £000
At start of year	69,929	50,460	62,803	51,824
Surplus during the year	10,228	17,432	10,358	8,942
Actuarial (losses)/gains	(1,297)	2,037	(1,297)	2,037
At end of year	**78,860**	**69,929**	**71,864**	**62,803**

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

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

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

The Association provides management services, other services and loans at an arm's length to its subsidiaries. The Association waived its fees to both B3 Living Development Ltd and Everlea Homes Ltd.

B3Living - Legal status, accounting policies, and notes to the Financial Statements

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-Apr-20 £000	Movement £000	31-Mar-21 £000
B3 Living Limited	Everlea Homes Ltd	616	5,395	6,011
B3 Living Limited	B3 Living Development Limited	240	(240)	-
		856	5,155	6,011

B3Living charged interest of £332k (2020: £118k) and £120k (2020: £284) to Everlea Homes Ltd and B3 Living Development Ltd respectively for the intercompany loans.

During the prior year ending 31 March 2020, Everlea Homes disposed of its ownership stake in Wheat Quarter Ltd, a joint venture partnership with Fooks Property Company and Plutus Estates. The sale generated a surplus of £8.7m in Everlea Homes Ltd.

B3Living had a joint arrangement with Beechwood Homes Limited to joint develop the Elsenham scheme and this joint arrangement ended in the prior year ending 31 March 2020 when it completed the development of the Elsenham scheme. The joint arrangement realised a surplus of £341k in the 2020 financial year. The surplus was reported as part of operating profits. During the joint arrangement B3Living had also on-lend to the joint arrangement at market rates and received interest of £117k in the 2020 financial year.

The amounts on-lend to the joint arrangement were fully repaid to B3Living when the joint arrangement completed the Elsenham scheme.

At the reporting date Everlea Homes had provided on-lending facilities of £5.5m (2020: £5.5m) to Wheat Quarter Ltd. The on-lending facilities accrues interest at market rates. At the end of the reporting date interest of £1.04m (2020: £0.3m) was capitalised and forms an on-lending total of £6.5m (2020: £5.8m).

Everlea Homes has a 50:50 joint venture with Bellis Homes in Farnham LLP. Everlea has invested capital of £2,830k (2020: £2,720k) into the joint venture. Everlea Homes had on lend £6,000k at the reporting date (2020: £883k) to the Farnham joint venture. The facility is on-lend at market rates. During the year the funder to the Farnham Road joint venture, Wellesley was retired and B3Living replaced them as the lender and this explains the increase in on-lending to Farnham Road joint venture. The loan is secured against the development. Interest of 10% is being charged.

At the reporting date both Everlea Homes and B3 Living Development Ltd elected to pay gift aid of £76k (2020: £145k) and £842k (2020: £45k) respectively to the parent entity B3 Living Ltd. 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.

Farnham Road joint venture has a 100% owned subsidiary called Foll Ltd. Foll Ltd owns land which Farnham Road LLP has been granted a licence to occupy and develop. All house sales take place through Foll Ltd. During the year B3 Living Ltd bought 12 units from the Farnham LLP JV for £2,638k. These are being shown on B3 Living Ltd's balance sheet.

B3 Living Development Ltd provided design and build services to B3 Living Ltd, the parent entity. During the year B3 Living Development Ltd generated £43.5m (2020: £4,5m) from design and build services to the parent. At the end of the reporting period B3 Living Ltd owed B3 Living Development Ltd £3,971k (2020: £990k) in un-invoiced design and build works. These were accrued as income in B3 Living Development Ltd's accounts.

During the year B3 Living Development Ltd acquired land at Cheshunt Lakeside. The vendor who sold the land had an opt to tax on VAT. As a result the land was acquired by B3 Living Development Ltd. B3Living paid a deposit of £15m to forward purchase the land. When golden brick was achieved in March, the newly developed land was sold to B3Living for £23.7m.

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

The Board had no tenant members during the year (2020: nil).

29. Pensions

Group and Association

The Group and Association participates 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 participates in the Group Personal Pension Scheme, which is a defined contribution scheme.

Social Housing Pension Scheme (SHPS)

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

B3Living - Legal status, accounting policies, and notes to the Financial Statements

Analysis of the net pension liabilities

	Group and Association	
	2021 £000	2020 £000
Fair value of plan assets	2,015	1,723
Present value of defined benefit obligation	(2,744)	(2,037)
Net pension surplus (deficit)	**(729)**	**(314)**

Analysis of the amount charged to the Statement of Comprehensive Income

	Group and Association	
	2021 £000	2020 £000
Current service cost	(25)	(35)
Expenses	(3)	(3)
Past service cost	-	-
Total operating charge	**(28)**	**(38)**

Analysis of net interest charged to the Statement of Comprehensive Income

	Group and Association	
	2021 £000	2020 £000
Expected return on pension scheme assets	41	38
Interest on pension liabilities	(48)	(52)
Net interest charge	**(7)**	**(14)**

Analysis of the amounts recognised in Other Comprehensive Income

	Group and Association	
	2021 £000	2020 £000
Actuarial gains/(losses) on pension scheme assets	189	21
Actuarial gains/(losses) on scheme liabilities	(635)	253
Actuarial gain/(loss) recognised in Other Comprehensive Income	**(446)**	**274**

29. Pensions (continued)

Movement in surplus/(deficit) during the year

	Group and Association	
	2021 £000	2020 £000
Association's share of scheme deficit at beginning of year	(314)	(611)
Current service cost	(25)	(35)
Past service cost (including curtailments)	-	-
Employer contributions	66	75
Expenses	(3)	(3)
Net interest charge	(7)	(14)
Actuarial losses/(gains)	(446)	274
Association's share of scheme deficit at end of year	**(729)**	**(314)**

Changes in present value of defined benefit obligation are as follows

	Group and Association	
	2021 £000	2020 £000
Defined benefit obligation at start of period	2,037	2,196
Current service cost	25	35
Past service cost	-	-
Interest cost	48	52
Expenses	3	3
Employee contributions	15	14
Actuarial losses/(gains)	635	(253)
Benefits paid	(19)	(10)
Closing defined benefit obligation	**2,744**	**2,037**

Changes in the fair value of plan assets are as follows

	Group and Association	
	2021 £000	2020 £000
Fair value of plan assets at start of period	1,723	1,585
Expected return on assets	41	38
Contributions by members	15	14
Contributions by employer	66	75
Actuarial losses/(gains)	189	21
Benefits paid	(19)	(10)
Closing fair value of plan assets	**2,015**	**1,723**

Assets

	Group and Association	
	2021 £000	2020 £000
Global equity	322	252
Absolute return	111	90
Distressed opportunities	58	33
Credit relative value	63	47
Alternative risk premia	76	121
Fund of hedge funds	-	1
Emerging markets debt	81	52
Risk sharing	73	58
Insurance-linked securities	48	53
Property	42	38
Infrastructure	135	128
Private debt	48	35
Opportunistic illiquid credit	51	42
High yield	60	-
Opportunistic credit	55	-
Corporate bond fund	119	98
Liquid credit	24	1
Long lease property	40	30
Secured income	84	65
Liability driven investment	513	572
Net current assets	12	7
Total assets	**2,015**	**1,723**

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

	2021 p.a	2020 p.a
Discount rate	2.21%	2.36%
Inflation (RPI)	3.22%	3.24%
Inflation (CPI)	2.87%	2.24%
Salary growth	3.87%	3.24%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

29. Pensions (continued)

The mortality assumptions adopted imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.6
Female retiring in 2020	23.5
Male retiring in 2040	22.9
Female retiring in 2040	25.1

Hertfordshire County Council Pension Fund (HCCPF)

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

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

Analysis of the net pension liabilities

	Group and Association	
	2021	2020
	£000	£000
Present value of defined benefit obligation	(18,670)	(15,184)
Fair value of scheme assets	16,612	13,878
Net pension surplus (deficit)	**(2,058)**	**(1,306)**

Financial assumptions

	2021	2020
	% p.a	% p.a
Pension Increase Rate (CPI)	2.85%	1.90%
Salary Increase Rate	3.25%	2.30%
Discount Rate	2.00%	2.30%

Mortality assumptions

	Males	Females
Current pensioners	22.1 years	24.5 years
Future pensioners*	23.2 years	26.2 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 2021	Approximate % increase to employer liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	1,622
0.5% decrease in Real Discount Rate	1%	106
0.5% increase in the Pension Increase Rate (CPI)	8%	1,486

B3Living - Legal status, accounting policies, and notes to the Financial Statements

Actual return on plan assets

	Group and Association	
	2021	2020
	£000	£000
Interest income on plan assets	317	330
Return/(loss) on assets excluding amounts included in net interest	2,589	(94)
Actual return on plan assets	2,906	236

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

	2021	2020
	£000	£000
Equities	60%	48%
Bonds	26%	38%
Property	10%	10%
Cash	4%	4%

Analysis of the amount charged to the Statement of Comprehensive Income

	Group and Association	
	2021	2020
	£000	£000
Current service cost	118	191
Past service cost (including curtailments)	-	-
Total operating charge	**118**	**191**

Analysis of net interest charged to the Statement of Comprehensive Income

	Group and Association	
	2021	2020
	£000	£000
Expected return on pension scheme assets	317	330
Interest on pension liabilities	(346)	(403)
Net interest charge	**(29)**	**(73)**

Analysis of the amounts recognised in Other Comprehensive Income

	Group and Association	
	2021	2020
	£000	£000
Actuarial gains/(losses) on pension scheme assets	(2,589)	(94)
Actuarial gains/(losses) on scheme liabilities	3,440	1,857
Actuarial gain/(loss) recognised in Other Comprehensive Income	**851**	**1,763**

29. Pensions (continued)

Movement in surplus/(deficit) during the year

	Group and Association	
	2021 £000	2020 £000
Association's share of scheme deficit at beginning of year	(1,306)	(3,083)
Movement in year	-	-
Current service cost	(118)	(191)
Past service cost (including curtailments)	-	-
Employer contributions	246	278
Net interest charge	(29)	(73)
Actuarial losses/(gains)	(851)	1,763
Association's share of scheme deficit at end of year	(2,058)	(1,306)

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

	Group and Association	
	2021 £000	2020 £000
Opening defined benefit obligation	15,184	16,854
Current service cost	118	191
Past service cost	-	-
Interest cost	346	403
Employee contributions	22	28
Actuarial losses/(gains)	3,440	(1,857)
Benefits paid	(440)	(435)
Closing defined benefit obligation	18,670	15,184

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

	Group and Association	
	2021 £000	2020 £000
Opening fair value of plan assets	13,878	13,771
Expected return on assets	317	330
Contributions by members	22	28
Contributions by employer	246	278
Actuarial losses/(gains)	2,589	(94)
Benefits paid	(440)	(435)
Closing fair value of plan assets	**16,612**	**13,878**

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 2021.

30. Other provisions

The Group and Association have two other provisions for liabilities, and they are:

	Group and Association			
	Onerous contract £000	Other contracts £000	March 2021 £000	March 2020 £000
At the start of the year	43	203	246	317
Provided during the year	-	-	-	-
Released during the year	(41)	(203)	(244)	(71)
At the end of the year	2	-	2	246

Onerous contract - the Group and Association made a provision for a contract that is no longer expected to generate the economic benefits that had been anticipated at the inception of the lease agreement.

Other contracts - the Group and Association recognised a potential liability based on a precedent resulting from a court ruling. The provision only relates to past activity and is not applicable to future activities.

31. Contingent liabilities

The Group and Association has two classes of contingent liabilities which are: obligation under the Social Housing Pension Scheme in the event of a cessation, and contingent liabilities arising from amortisation of government grants.

Obligation under the Social Housing Pension Scheme in the event of a cessation

The Group and Association have an obligation under the Social Housing Pension Scheme as at 30 September 2014, the latest triennial valuation, of an estimated employer debt of £1.3m, in the event of a cessation. No security has been provided for by the Association in connection with this liability.

Contingent liabilities arising from amortisation of government grants

The Group and Association receives financial assistance from Homes England and Broxbourne Borough 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:

	2021 £000	2020 £000
Government funding received to date	23,050	20,631
Grant amortised to date (contingent liabilities)	(1,262)	(1,093)
Grants via stock transfer from another registered provider	2,500	2,500
Contingent grants via stock transfer	(2,500)	(2,500)
At 31 March	**21,788**	**19,538**

32. Financial instruments and financial management

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.

The Group and Association transacts 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 2021 £000	March 2020 £000	March 2021 £000	March 2020 £000
Financial assets measured at amortised cost				
Cash and cash equivalents (note 13)	3,039	13,696	2,367	13,188
Rent arrears (note 12)	1,067	541	1,067	541
Loan to joint arrangement (note 12)	12,115	6,718	-	-
Other debtors (note 12)	835	758	826	613
Prepayment and accrued income (note 12)	111	1,985	111	1,985
Total financial assets measured at amortised cost	**14,128**	**10,002**	**2,004**	**3,139**
Total financial assets	**17,167**	**23,698**	**4,371**	**16,327**
Financial liabilities measured at amortised costs				
Trade creditors (note 14)	2,455	2,546	1,223	1,679
Rent and services charges received in advance (note 14)	1,454	1,216	1,454	1,216
Other creditors	247	230	248	231
Accruals and deferred income (note14)	5,796	3,719	3,214	3,060
Recycled capital grant fund (note 18.a)	311	311	311	311
Debt (note 15)	183,204	158,295	183,204	158,295
Total financial liabilities measured at amortised costs	**193,467**	**166,317**	**189,654**	**164,792**
Total financial liabilities	**193,467**	**166,317**	**189,654**	**164,792**

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 has sufficient cash resources to meet its financial obligations, as and when they fall due, to meet the contracted development commitments and also to ensure the Group and Association does not forgo attractive business opportunities due to lack of liquid resources or lack of cash headroom. As part of liquidity management, the Group and Association ensures it has enough cash headroom in line with its 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 has 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 Management Policy sets minimum credit ratings for counter parties on investments to reduce loss from counterparty risk of default. The Group and Association uses its primary banker Lloyds, investment counterparties or money market funds. The Treasury Policy is reviewed annually by the Board.

The Group and Association is also 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 has a Procurement Policy, strict investment limits and uses development arrangements that mitigate this risk. The Group and Association also conducts due diligence exercise on joint arrangement and joint venture partners.

Customer credit exposure

The Group and Association is 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 monitors arrears on a monthly basis and engages with tenants. The Group and Association also collects deposits from tenants when they take out their tenancy agreements to mitigate this exposure.

Board members, Executive Directors, funders, advisors & auditors

Board members, Executive Directors, funders, advisors & auditors

Our Board

Anne Shearman

Chair of the Board
(Resigned 15 September 2020)

David Biggs

Chair of the Board (appointed 1 January 2021)
Board member (until 31 December 2020)

Trudi Kleanthous

Vice Chair (appointed 10 March 2021)
Board member (until 9 March 2021)

Chris Fawcett

Vice Chair (1 April – 15 September 2020
and 1 January – 9 March 2021)
Interim Chair (16 September 2020 –
31 December 2020)
Board member (from 10 March 2021)

Jaine Cresser

Chris Herbert

(Resigned 31 October 2020)

Rebecca Lewis

Steve Nunn

Rosalind Rowe

Nicci Statham

Paul Tyrrell

Steve Woodcock

In September 2021, we will be welcoming Caroline Abomeli and Vipul Thacker to our Board.

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

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Registration numbers:
FCA registration number 29876R.
Regulator of Social Housing registration number L4455.

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Bankers
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B3Living

www.b3living.org.uk

Regulator of Social Housing registration no. L4455
Co-Operative and Community Benefit Societies Act registration no. 29876R
HM Revenue and Customs (Charities Division number XR92753)
We comply with the National Housing Federation Code of Governance and are regulated by the Regulator of Social Housing.