

Value for Money

2020-21 Report

Better homes, community, business.
Better futures.



Foreword

B3Living is now one year into our new Value for Money Strategy, and I'm pleased to report on encouraging progress so far.

Our value for money ambassadors are building momentum and fostering a cultural shift across the business, while it has been positive to observe a significant uptick in our reinvestment levels, which is not outperforming our Board's upper quartile target. Our development pipeline is already set to deliver 400 new homes in our borough over the next three years.

2021 also saw B3Living launch a new "Better Futures" strategy, which will very much have value for money at its core. This strategy has renewed our focus on our customers as we seek to continue improving their experiences with our services. With these aims in mind, plus the Building Safety Bill on the horizon, we do not expect to announce significantly reduced costs in the years to come.

Our Board has been clear that they are not calling for B3Living to be sector leaders in terms of the lowest cost per unit. We are pleased that recent investments (for example, in technology) paid dividends during the Covid pandemic and will seek to increase our capacity in future years. Naturally, we will continue to drive down any ineffective spend that we identify, but we have favoured a balanced approach to assessing performance, where financial and investment performance is viewed alongside the impact on the customer.

Our Value for Money reporting includes a suite of B3Living-specific metrics (see page xxx), which help us to frame our value for money performance in the context of other strategic objectives, such as customer satisfaction. This supports our methodology which balances cost, quality, and performance.

The pandemic and its environment of lockdowns and furlough continued past the end of another financial year. Although the direction of travel is optimistic, we are cognisant that, in the long term, it's likely that our customers are among those who most acutely bear the brunt of such upheavals. Reliance on our services is likely to increase. A safe, secure home will be more important than ever as families face other challenges, and we will need to continue in our role as a broker for community support.

We recognise that demand on our resources will rise. This is why we have also chosen 'Responsible business' as a strategic theme. Putting our values into practice and maintaining the trust of our customers is fundamental for us, and our value for money agenda will be key to achieving our goals in this area.

Steve Woodcock
Chief Executive

Better futures: Themes



Our approach to Value for Money



What value for money means to us

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

Our strategy

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.

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.



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.

Supporting the Value for Money Strategy

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.
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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, 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.

Our approach in practice

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:

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.
- Invest 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.

Value for Money Performance



Measuring our performance

As outlined in the April 2018 Value for Money Standard and subsequent technical guidance issued by the Regulator, we have measured our performance against the Regulator's value for money metrics, our peers, 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	Upper quartile 2019-20	B3Living 2019-20 Actual	B3Living 2021-22 Forecast	B3Living 2022-23 Forecast	B3Living 2022-23	Board VFM Target
Value for Money metrics								
Reinvestment	11.5%	7.2%	10.0%	17.3%	15.4%	13.5%	13.5%	Upper Quartile
New supply (social)	2.8%	1.5%	2.4%	2.0%	4.2%	2.6%	2.6%	Upper Quartile
New supply (non-social)	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	Lower Quartile
Gearing	56.0%	44.0%	54.7%	70.8%	65.6%	66.4%	66.4%	Upper Quartile
EBITDA MRI Interest Rate Cover	189.3%	170.3%	227.3%	217.7%	197.3%	193.8%	193.8%	Median
Headline Social Housing Cost per unit (£k)	3.52	3.83	4.86	3.94	3.92	3.92	3.92	Median
Operating Margin (SHL)	30.6%	25.7%	32.3%	44.6%	42.7%	43.4%	43.4%	Upper Quartile
Operating Margin (Overall)	30.0%	23.1%	28.6%	42.1%	36.9%	38.1%	38.1%	Upper Quartile
ROCE	3.7%	3.4%	4.4%	5.2%	4.4%	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%.

Case study Cheshunt Lakeside

In July 2020, B3Living negotiated a £49m deal with housebuilder, Inland Homes, to secure 195 new affordable homes on the first phase of the Cheshunt Lakeside strategic regeneration scheme. Being separate to the S106 element of the wider scheme, the deal represents a significant contribution to our purpose of delivering true additionality in the supply of new affordable housing within Broxbourne. Construction of the B3Living homes has already begun.



Improving our performance

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.

	2021		2020		2019		2018		2017	
	Cost	Per home	Cost	Per home	Cost	Per home	Cost	Per home	Cost	Per home
Service area	£000	£	£000	£	£000	£	£000	£	£000	£
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

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.

Case study

Value for Money Ambassadors

The purpose of B3Living's Value for Money Ambassadors is to build a deeper understanding of the drivers behind our costs, the impact on customer experience, and where we can develop efficiencies.

The 12 ambassadors are primarily front-line colleagues. The group includes those who work most closely with customers or suppliers and those with the broadest knowledge of the business, but with a weighting towards customer-facing individuals to make sure the customer is at the centre of B3Living's value for money agenda.

The ambassadors champion our cost, quality, performance model across the business to drive down ineffective spend. Improving quality of life for our customers.

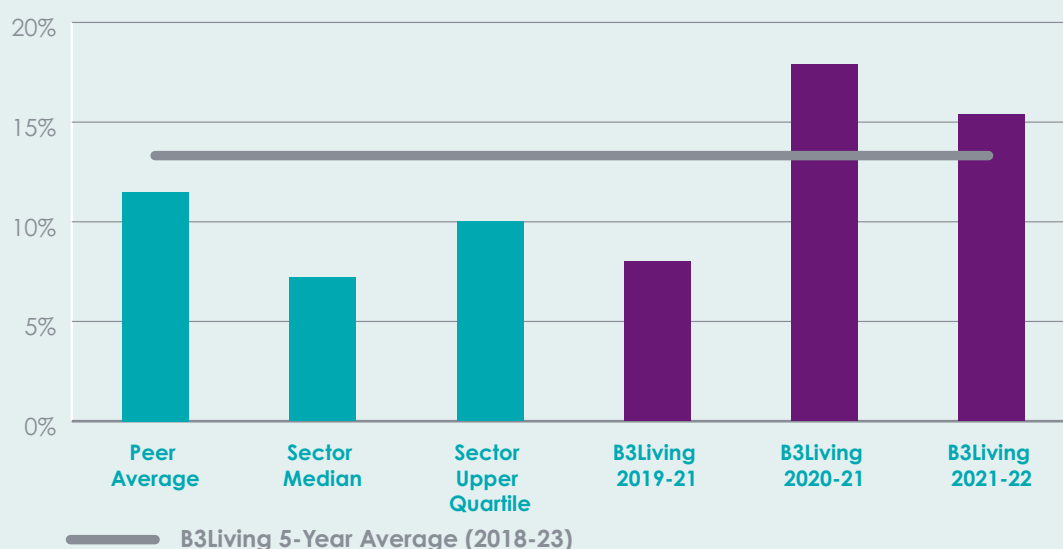
Although it is too soon to quantify their achievements, they have made inroads in identifying the drivers behind customer turnover, and thus void costs, and in improving contract management. Other projects have focussed on passing savings directly to the customer. For example, the ambassadors sought to understand why some customers face high heating bills and negotiated with energy suppliers on their behalf. These activities are overseen by our Board periodically.

A 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 %



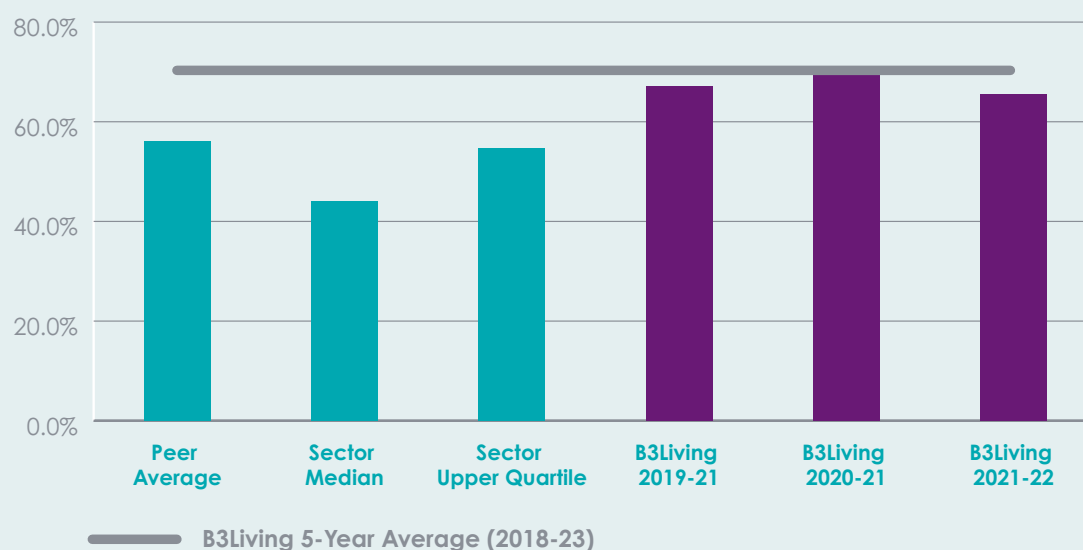
The Group's reinvestment performance directly impacts on development outputs. In 2019-20 we experienced a dip in reinvestment performance due to development timings, however our investment is expected to deliver over 200 new homes in 2021-22, which equates to over a 4% increase in stock and a significant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

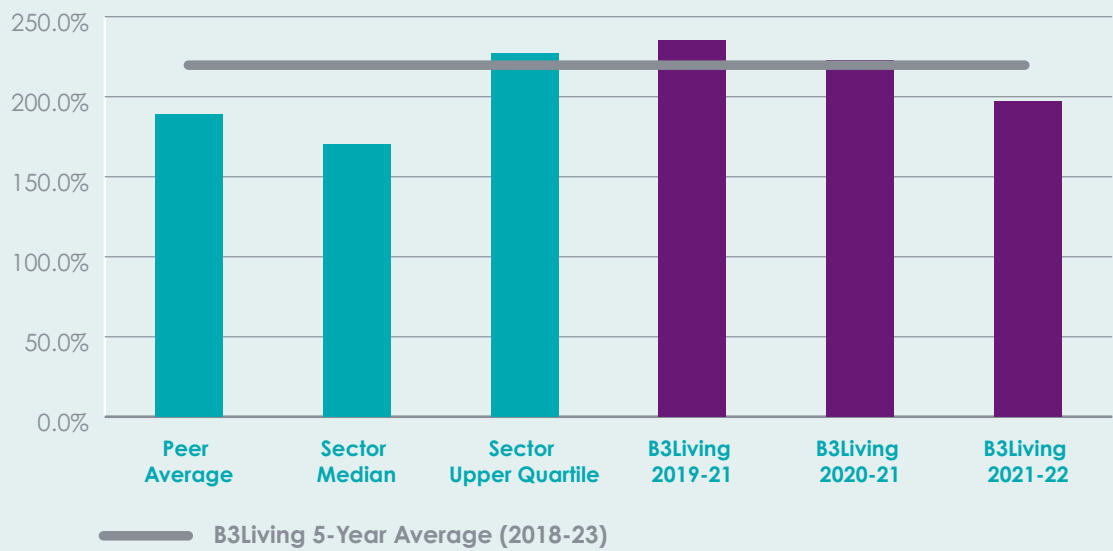


During the year, the gearing ratio – the relationship between debt and social housing assets – increased from 66.4% to 70.4%. This is a direct result of our increased level of investment in new affordable homes to tackle the housing crisis. In the year debt increased by £25m (c. 16%) as the business 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 %



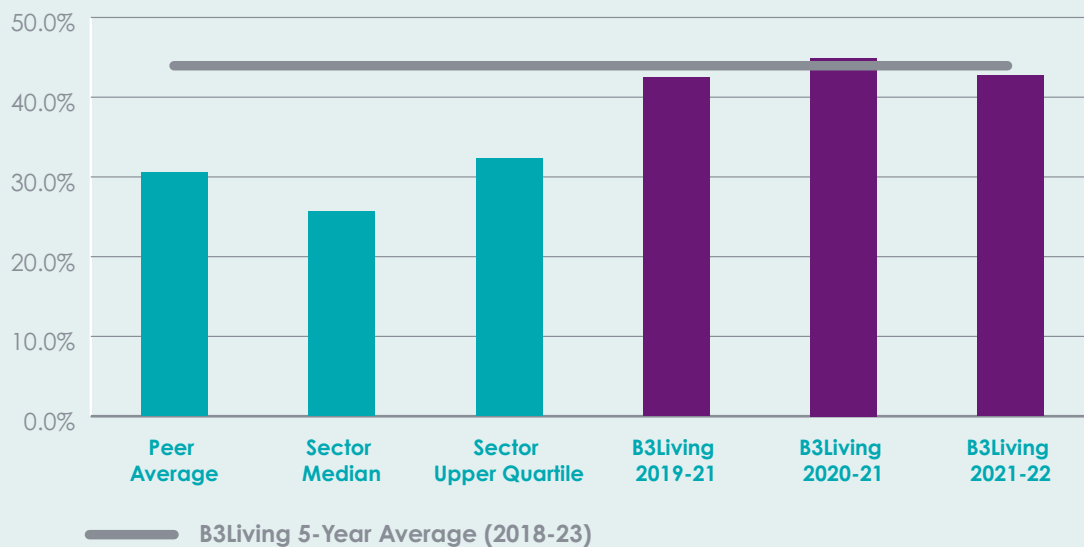
EBITDA-MRI (Earnings before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover interest commitments from the cash flows generated by the core business. EBITDA-MRI in 2020-21 was 221% which is marginally down from 2019-20 (235%) as B3Living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

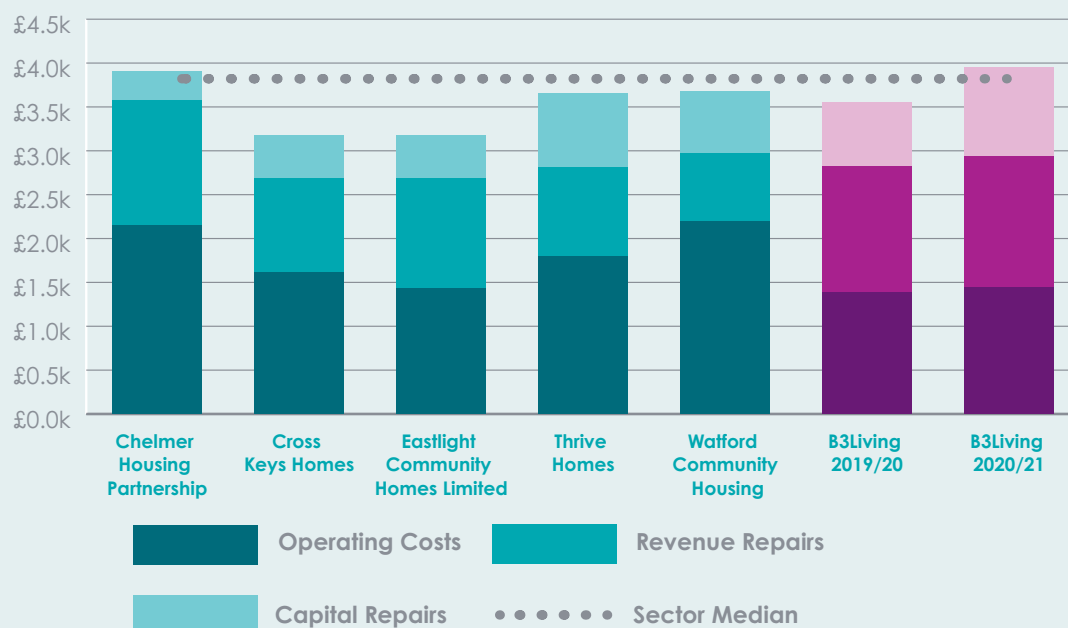
Return on capital employed %



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



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.



Case study Sustaining tenancies

"When the pandemic hit last year, I was barely surviving to feed us.

"I had seven months of sheer hell. Amy has listened patiently to me rant, moan, cry and given me endless support, solid advice and made me feel like I wasn't alone. And Helen kept me and my children alive last year supplying us with food parcels. They both are stunning examples of kindness."

Self-employed cleaner and single mother of three. Following her divorce, she found herself in rent arrears but, as she did not pay sufficient tax to qualify for a UTR number, she was entitled to no financial support from the Government. Our Rents and Community Development team helped her to access food parcels and support with her benefits.

Name removed to protect her identity.

B3Living value for money metrics

Along with the Regulator's metrics, the Board also monitors its own value for money performance indicators (see the table below). The metrics are designed to ensure the Group is delivering upon its customers' expectations, using 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.

	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

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.

Improving our performance

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, 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 become 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 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.

Giving vulnerable customers peace of mind when they need it most.

Case study

Collecting with care

The B3Living Rents team leads on rent collection combined with tenancy sustainment and income support. Faced with unprecedented demand due to the pandemic, they:

- Set up a 'Bromsbury Financial Support Group', which included Bromsbury Borough Council, the DWP, and 12 other local partners, to share information, pressures, and funding opportunities.
- Established a dedicated, fast-track service with the Hertfordshire Money Advice Unit with whom they now liaise weekly. In its first six months, the service raised £28,000 for 37 B3Living customers.

- Set up a fast-track service for customers with debt-advice charity StepChange. This partnership now offers same day and 'live' handovers, giving vulnerable customers peace of mind when they need it most.
- Introduced detailed sustainability assessments for new customers.

Although legal action was unavailable, the Rents team closed 2020-21 with the lowest arrears performance to date for B3Living. This demonstrates how a holistic, bespoke approach can bring partners together and pay off for both the organisation and the customer.

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.

	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

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%).

The chart 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.



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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.

