B3 LIVING

Annual Report & Financial Statements 2020

Making a Difference
To local lives

Contents

Board members, Executive Directors, funders, advisors & auditors

Our Board

Anne Shearman
Chair of the Board
Business Psychologist

Chris Fawcett
Vice Chair
Retired Director - Home Improvement

David Biggs
Senior Executive
Managing Director - Rail Industry Property

Jaine Cresser
Assistant Director – Local Authority
Housing and Investment

Mark Davies
Company Director – Property Services
Until December 2019*

Mike Dempsey
Director - Development
Resigned 10 September 2019

Chris Herbert
Retired Chief Marketing Officer

Trudi Kleanthous
Social Housing Professional

Rebecca Lewis
Senior Manager – Housing Development
Appointed 17 December 2019

Steve Nunn
Director – Development
Appointed 21 January 2020

Rosalind Rowe
Chartered Accountant

Nicci Statham
Executive and Life Coach

Paul Tyrrell
Commercial Banker

Steve Woodcock
Chief Executive of B3Living
Appointed 10 September 2019

A special mention

This year we were greatly saddened by the loss of Mark Davies. Mark made a tremendous impact as a member of our Board, and his knowledge and support was instrumental in enabling us to build more affordable homes. Mark was a wonderful character who made an impression on everyone who met him bringing a sharp brain and wit to the Board. It was a privilege to work with him.

Executive Directors

Steve Woodcock
Chief Executive

Chris Ellison
Executive Director
(Operations)
Appointed 7 May 2019

Jon Hayden
Executive Director
(Development)
Appointed 1 July 2019

Claire Howe
Executive Director
(Corporate Services)
Company Secretary

Alex Shelock
Executive Director
(Finance)

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Regulator of Social Housing registration number L4455

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Farewell from the Chair

My legally permitted time on the Board of B3Living is up; therefore I will be leaving with a heavy heart in September this year. A heavy heart because it has been an absorbing and rewarding experience, being part of this organisation during important stages of its development into a strong, confident, ambitious, and effective housing association.

Throughout, B3Living has always been self-questioning about its direction, its services and its effectiveness, never content with the status quo. It has always thought hard about the challenges and opportunities thrown up by internal and external changes and context. B3Living is a locally based organisation passionate about its contribution to the quality of life and opportunity in the Borough of Broxbourne and its environs. It has been sustained throughout by the loyalty and commitment of its whole staff and a shared set of values for social justice.

Anne Shearman
B3Living Chair

I am proud to have led the Board as Chair for the last two years. We have a really strong set of Board members with a wide range of relevant backgrounds, a highly experienced, collaborative Executive and a skilled body of staff whose collective effort never fails to astonish me.

I know I leave B3Living in very good hands. I wish everyone the best in the next phase of its operation which will undoubtedly have many challenges. It has a strong culture, strong leadership and committed, skilled staff. These are the building blocks of a sound, sustainable platform to meet the future and all it brings. I hope my successor finds their term as rewarding as I have, and I wish them all the very best.

> B3Living has been sustained throughout by the loyalty and commitment of its whole staff and a shared set of values for social justice.

Statement from the Chair and Chief Executive

Despite impacting only two weeks at the close of the financial year, COVID-19 and the associated lockdown has dominated all other events.

We are proud of how our staff have responded, how we have kept our essential services going, and how we continue to help some of the most vulnerable people in our society. It is a testament to the B3Living's healthy finances, demonstrated in these statements, and our previous investments in technology and customer services that we have been able to adjust to such unprecedented circumstances so effectively.

Emergency response

299 welfare calls to customers over 70

45 homes made available for people in temporary accommodation during lockdown

102 requests for financial support received online

911 emergency repairs delivered during lockdown

(This covers the period from 16th March – 1st June 2020)

The 2019-20 year has seen a directional movement in three key areas:
- Improving our services to customers.
- Increasing the number of homes that we build.
- Improving our links and joint working with other agencies, enabling us to achieve more.

Our Purpose Research, set to conclude in 2020, will drive a new strategy for the organisation. The project involves extensive quantitative and qualitative study into the Broxbourne housing market and where it applies pressure upon the lives of local people. Armed with these insights, we will maximise the difference we can make locally.

Meanwhile, our value for money (VfM) ethos remains. During the 2019-20 year, we adjusted our strategy to focus not only on cost savings but to achieve a more nuanced approach of cost, quality, and performance. We believe that while this will increase our cost base, it will produce better outcomes: seen through increased customer satisfaction, safer homes, and improved effectiveness of our expenditure.

It is pleasing that our direction of travel has already resulted in a 3% improvement in customer satisfaction, with satisfaction with our repairs rising to well into the nineties. We have committed to improving this further by increasing frontline staff and making a significant investment in customer ethos training.

Our links with other agencies in Broxbourne have also improved, reinvigorating our approach of providing services for our customers with added value. Our collaboration with Emmaus, details of which are included on page 23, has been an excellent example of how, through working in partnership, we can achieve more.

440 new homes over the next three years

During the year we completed 91 new homes (67 affordable homes) and started building out four land-bank sites, all of which will provide much-needed affordable homes when they are complete. Our future pipeline has been strengthened, and we have firm plans in place to invest £100m and deliver 440 new homes over the next three years with an intention to expand this further.

In 2019-20 our commercial subsidiary, Everlea Homes, performed well, generating c. £11m profit from our shares in the Wheat Quarter venture in Welwyn Garden City, complemented further by a return from our joint venture in Elsenham which yielded c. £1m along with 16 new affordable homes. Working closely with Everlea's Board, we have developed a prospectus and growth strategy for the subsidiary and will look to invest in another joint venture opportunity in 2020-21.

B3Living is financially strong and generates good operating margins, so we will continue to innovate and evolve to improve our customer service while upholding our value for money ethos. To this end, we will continue with our £3m investment in our IT infrastructure and systems to promote agile working, better customer engagement, a better digital offering for those customers wanting to interact with us in that way, better document and data management - and automating as many processes as possible.

While we have delivered a significant amount over the last year, as detailed in these statements, we are confident that even more will be delivered during 2020-21 and beyond.

A.J. Shearman

Anne Shearman
B3Living Chair

Steve Woodcock
B3Living Chief Executive

Strategic review

Strategic review

In our work, we endeavour to create better homes, communities and business for local people. B3Living has enjoyed another good year, with significant progress made against our strategic ambitions.

This report outlines how, thanks to our strengthened financial and operational performance, we have been able to forge new community partnerships, step up the pace of our development programme, and gather insights that will enable us to have a greater impact.

B3Living: a strategic overview

Our identity and strategic direction.

About us

B3Living is a charitable social housing provider. Established in 2006 from a large-scale voluntary stock transfer from Broxbourne Borough Council, more than a decade on we own and manage around 5,000 homes for over 10,000 customers. Our operations are concentrated within, and local to, our heartland of Broxbourne, where we employ over 150 colleagues.

Alongside our range of affordable housing solutions for rent and sale, we undertake a wide range of activities to improve the lives of our customers and the wider community. Our charitable status is central to our values. Therefore, we invest every penny of our surplus, and more, into providing good quality homes and services for people who cannot access a home at market rates.

Our strategy is to grow our business to help tackle the housing crisis in our region by building more much-needed homes; proactively supporting our customers to sustain their tenancy; and providing safe, warm and dry homes whilst maintaining financial resilience.

Performance at a glance

Key financials

Surplus	Interest coverage	Gearing	Regulator ratings	Moody's rating
£17m	235%	50%	G1V1	A3
(£11m 2018-19)	*(237% 2018-19)*	*(53% 2018-19)*	*(G1V1 2018-19)*	*(A3 2018-19)*

Operational performance

Customer satisfaction	Total homes (owned and managed)	Rent collected	Occupancy
87.5%	4,899	98.8%	99.7%
(84.0% 2018-19)	*(4,905 2018-19)*	*(99.6% 2018-19)*	*(99.6% 2018-19)*

Property performance

Reinvestment	New affordable homes	Proportion of responsive to planned repairs	Gas and electrical safety compliance
8.0%	67(1.4%)	0.64	100%
(11.7% 2018-19)	*(165 (3.4%) 2018-19)*	*(0.66 2018-19)*	*(100% 2018-19)*

Value for money highlights

Cost per unit	Operating margin (social letting)	ROCE	Customers who think their rent is value for money
£3,514	42.5%	8.9%	87.4%
(£3,650 2018-19)	*48.6% 2018-19)*	*(6.9% 2018-19)*	*(84.0% 2018-19)*

Corporate strategy

We are committed to addressing the acute shortage of affordable homes in our locality by providing a range of sustainable places to live for those who cannot afford the private market. Our Seven-Year Strategy was published in 2016 and through our Purpose Research we expect to develop a new three-year strategy for publication in 2021. Until the new strategy is finalised, B3Living will continue to deliver the following key objectives within our Seven-Year Strategy.

Our team - We understand that B3Living's success and the quality of our customers' homes and the services they receive is down to our team. B3Living is committed to creating an environment where people learn, develop and grow in a way that simultaneously benefits them, the business and our customer.

Our buildings – B3Living has around 10,000 people living in our homes and we take their safety very seriously, therefore we prioritise fire prevention works, gas and electric safety checks, legionella testing and asbestos surveys. We understand the importance of investing in our existing properties to protect the long-term viability of these much-needed homes.

Our customers – Our customers are at the heart of what we do. B3Living is committed to improving its understanding of our customers and their needs and expectations. We recognise the need for effective tenant involvement and scrutiny from a broad spectrum of customers to shape our service and influence our decision-making process.

Our finances – B3Living is a financially sound organisation with operating margins among the top in the sector and a strong balance sheet. To protect our long-term viability B3Living has a set of robust Financial Golden Rules and we carry out comprehensive stress testing on our Financial Plan. B3Living is committed to maintaining our Moody's credit rating of A3 and our regulator's viability rating of V1.

Our new homes – B3Living is predominately located in Broxbourne and we are committed to tackling the acute housing need in our heartland. In 2016 we planned to build 800 new homes over seven years, and we are on course to surpass this target and we are pleased that a majority of these homes will be delivered in Broxbourne.

Our governance - We recognise that the Board leads our organisation. Our Board works closely with our Executive team in a supportive and collaborative way, understanding that we are one team with the same objectives and outcomes but playing different roles to deliver them. The Board consists of 12 members, including the Chief Executive, and appointments are made following skills gap analysis.

Key priorities

Over the last year B3Living completed the restructure of its Executive team and Board; this included the addition of Executive Directors for Operations and Development. The Board reviewed and approved several key strategies, such as, a new asset management strategy, procurement strategy and value for money strategy. These new strategies will provide the business with a strong platform to improve customer satisfaction, increase capacity and financial resilience.

Like many businesses with social objectives, B3Living is reviewing its purpose to ensure we continue to align with the needs of our customers and community.

The key priority for the coming year is to complete our Purpose Research. This is a detailed quantitative and qualitative study which will give us a thorough understanding of the housing crisis in Broxbourne and an indication of how we can make the biggest difference to the local area. This in turn will drive a new overall strategy from 2021 onwards.

The Purpose Research

Understanding the problem in Broxbourne and developing solutions.

22%
growth in lower quartile rents since 2014

545
statutory homeless cases per year

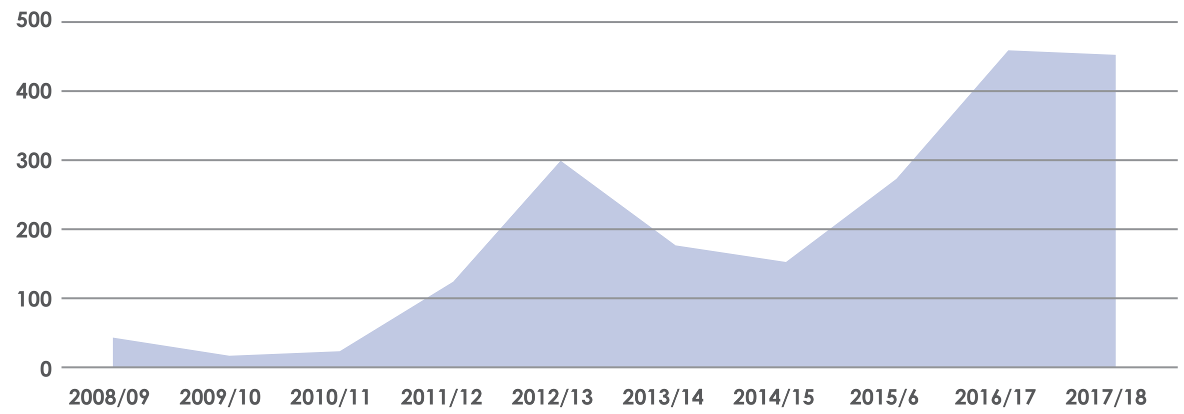
Background & Context

As a stock-transfer organisation, 95% of B3Living's stock is located within the Borough of Broxbourne. This scale of property ownership within such a tight geographical footprint enables the organisation to have a material impact on the communities it serves.

Our purpose

To provide a range of sustainable places to live for those who cannot afford market rates and to ensure we help to create cohesive communities by supporting our customers.

Growth in use of temporary accommodation



In line with the rest of the East and Southeast of England, Broxbourne has a notable housing crisis. Data shows that the crisis is amplified in the borough over and above neighbouring authorities or counterparts elsewhere in the county. Despite being one of the smallest boroughs, Broxbourne contains three of Hertfordshire's ten most deprived wards.

The Borough of Broxbourne has high levels of families living in temporary accommodation or at worst, sleeping rough.

There is also an issue with the hidden homeless: those living in short-term private accommodation, and those unable to afford the market but not eligible for housing support.

Households with support needs owed a homelessness duty

14 per 1,000
Broxbourne

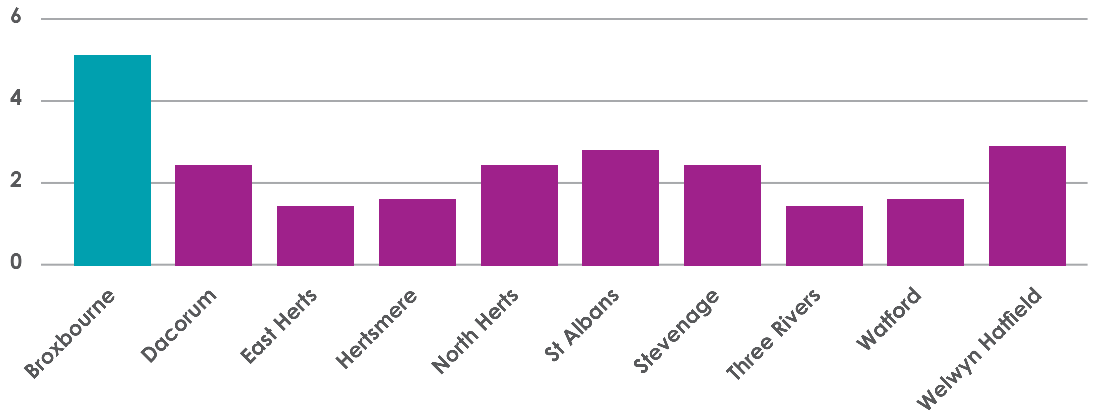
7 per 1,000
Hertfordshire

With a housing crisis within our heartland B3Living's Board agreed to revisit the organisation's 'Purpose', and to consider how it might be shaped and defined to maximise our impact and to provide genuine value for money on our investments.

It was deemed this new 'Purpose' should focus on how B3Living could have an impact on those affected by the housing crisis through its supply of new housing or use of its existing assets, alongside the services and support it, and others deliver.

To understand the issue, and therefore ultimately define where resources and energies should be focused, the Board felt that it needed to develop an understanding of the problem. This research needed to go beyond the secondary data that is in the public domain.

Households homeless & in priority need per 1,000 (2018-19)



The working group

To generate the required level of understanding, B3Living established a working group that consisted of a range of key stakeholders including customers; board members; subject matter experts from the organisation; the Executive; and Broxbourne Borough Council representatives. This working group is led by a board member and regularly reports into the main Board through its normal meeting structures as well as interim progress reports.

Homelessness outcomes

(across five quarters ending at June 2019)

Private rented sector offer accepted
Social housing offer accepted
Other

Broxbourne

Hertfordshire

The working group commissioned an external company, Iceni Projects, to provide expert quantitative and qualitative research and analysis to:

- Identify the specific underlying causes behind the crisis.
- Profile those that might be affected.
- Consider the solutions or activities that might go some way to addressing their issues.

This analysis will then be considered and shaped by the working group and a series of options, impacts and resource implications presented to the Board for their consideration.

The research

The research and analysis plan comes in four key phases:

1. **Firstly** a significant piece of quantitative research that utilised data not only in the public domain but was also cross-referenced against data from several stakeholders in the working group. This report shows some early findings from the research.

2. **Secondly** the working group will use the data to focus on and profile those affected by the crisis.

3. **Thirdly** we will commission detailed qualitative research looking at those people identified as being most adversely affected by the housing crisis.

4. **Finally** once we understand who is affected and the drivers behind their current position, we can generate potential solutions as to how we can best help them.

This stage is expected to further detail the profile and issues, and lead to the development of a series of options regarding where the organisation might best focus its limited resources to maximise its impact. These options are then set to be presented to Board for consideration and decision in October 2020.

To note: the research has recently been impacted by the COVID-19 pandemic, and the project timetable is under regular review.

Following the Board's decision on its main options, the Executive will be charged with writing a new Corporate Strategy (to go live in April 2021), ensuring that delivery of those options is incorporated and the 'Purpose' of the business is delivered.

Mutual support

One of the partners we have recently supported is the charity CHEX, who support young people through innovative projects with the aim of building strong families that contribute to the community. In early 2020, groups from CHEX lent a hand at our Independent Living schemes, constructing raised beds and willow sculptures in the communal gardens. Although this project was disrupted by the 'lockdown', B3Living was able to provide three new laptops for the charity to help them support families remotely.

Our development programme

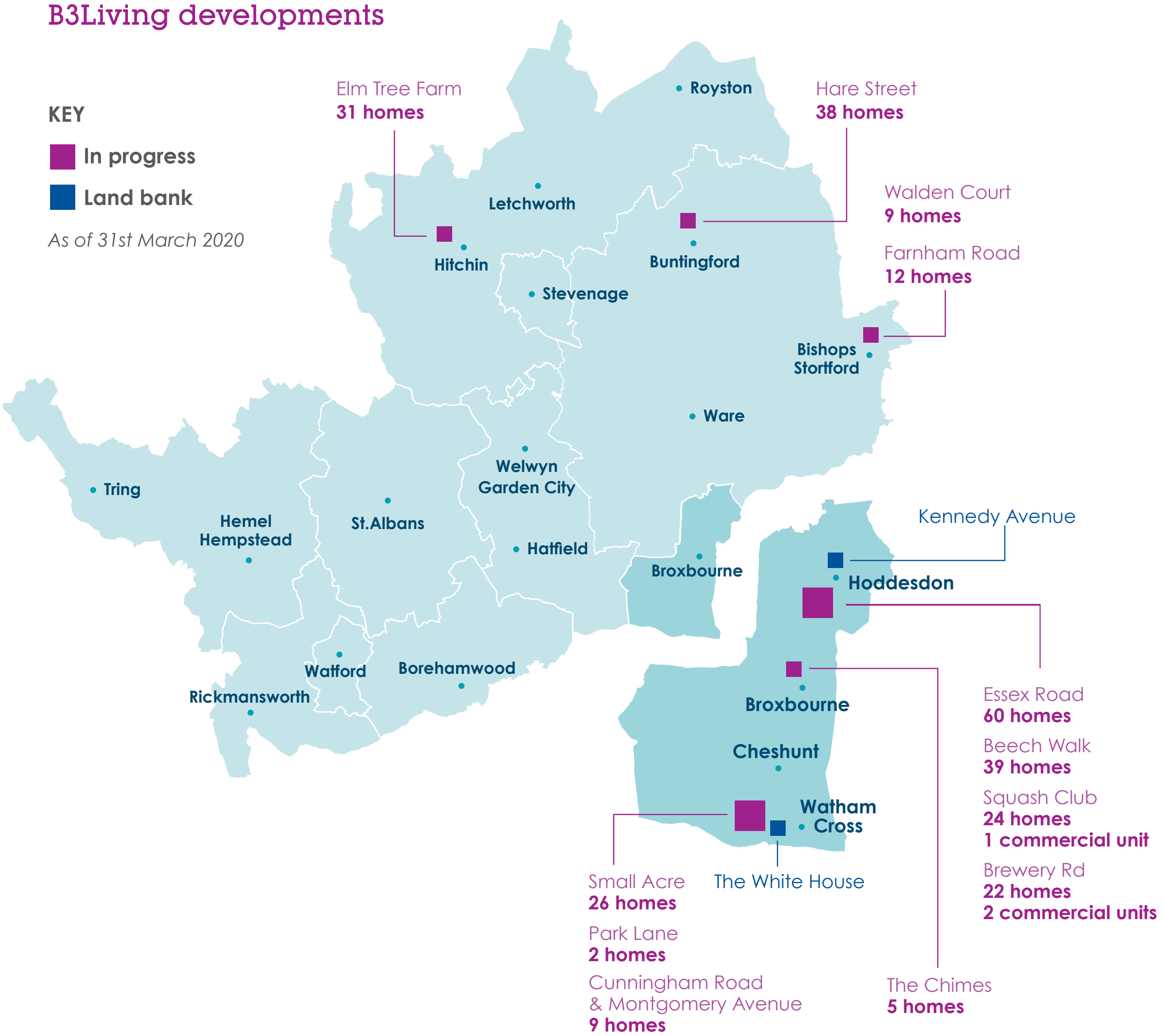
Delivering homes for our community

Within the borough of Broxbourne, the impact of the housing crisis is felt acutely. We remain committed to delivering 800 new homes over seven years, if not outperforming this ambition.

In 2020 we delivered 91 new properties, of which 67 were affordable homes for local people nominated from the local authority's waiting list and 24 were sold outright through our joint ventures. B3Living also started 185 new homes, and we were pleased that the majority of starts were the product of our land-led programme. Through this programme we aim to address the chronic housing need in our local area more proactively. For example, among our four strategic projects within our 'hometown' of Hoddesdon, two schemes will be for people over 55 who need a stable home they can afford.

The map below demonstrates our commitment to supporting the community on our 'doorstep'.

B3Living developments



Homes England

Building homes with grant funding empowers us to design schemes according to local need and to yield true additionality in our affordable housing programme. During the year, B3Living has worked closely with Homes England to build a strong working relationship. In starting eight separate new schemes (with a total of 185 units), we have enabled Homes England to release c. £4m of grant funding.

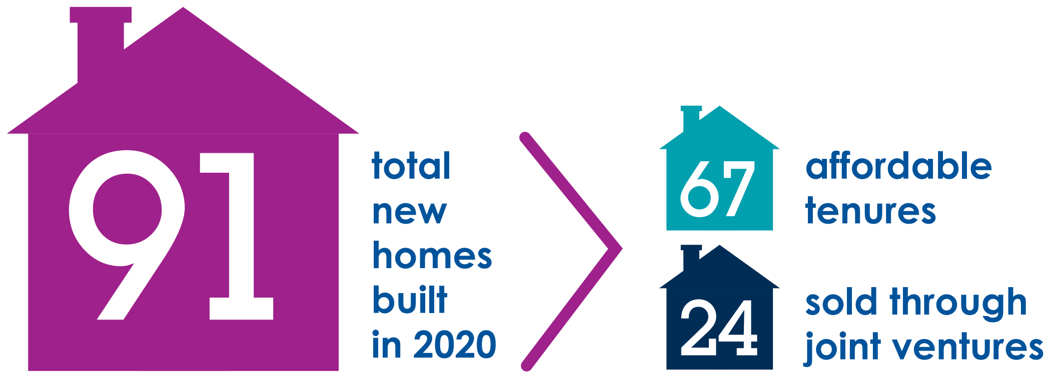
In the coming year, we will continue to work closely with Homes England as we look to generate further opportunities to create new homes, to ensure that we claim outstanding grant and to meet the challenge to our existing programme raised by COVID-19. While the pandemic has created new risks in relation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

Sales

In 2019-20 our shared ownership sales programme generated c. £6.7m of income, which was 98% of the forecast. A total of 41 homes were sold, despite several challenges: in particular, five high-value homes in St Albans designated as housing for over 55s, which required a niche marketing strategy. On 31 March 2020, we had seven unsold homes. Of these, one was exchanged, five were reserved, and the final property was in the marketing stage.

We are forecasting that 34 shared ownership homes will complete during 2020-21, bringing in c. £5.3m in sales income. Our land-led sites, such as Park Lane in Waltham Cross, create affordable homeownership opportunities in the heart of Broxbourne, where they are sorely needed.

The final sales on this site took place during the COVID-19 lockdown. Despite the restrictions of social distancing, our Sales team continued to operate remotely, and to innovate, with reservations secured off plan and handovers finalised without direct contact. We are cognisant that our team will face an evolving situation in 2020-21, but remain confident in their resilience, adaptableness and capacity to deliver sales.



Everlea Homes

The objective to build more affordable homes can be maximised by building homes for private sale. At the start of the financial year, we were engaged in two commercial joint ventures through our subsidiary Everlea Homes, and one of these sites B3Living purchased the Section 106 homes.

The Group is acutely aware of the risks associated with these activities and the potential of contagion back to its social assets. The Group currently follows a policy of retaining profits earned in Everlea within the commercial business. To this end, when Everlea sold its shares in a land promotion company, the Wheat Quarter, in Welwyn Garden, all of the profits (c. £8.8m) earnt were retained in Everlea. Following this approach means that Everlea is now able to fund future partnerships without as much, or potentially any, support from B3Living.

As the Group follows an approach of being risk aware, Everlea has spent the last 12 months:

- Reviewing its strategy.
- Developing a prospectus.
- Understanding its preferred joint venture structure and the required governance.
- Drafting its proforma heads of terms.
- Establishing its red lines.

Once this framework is complete and Everlea has fully exited from its current joint ventures, it will seek new opportunities to grow and support B3Living's affordable housing programme.

Joining forces

In 2019-20, we were able to forge new connections between our organisation and the homelessness charity, Emmaus.

Thanks to this new relationship B3Living has been able to donate several items of decent, but unwanted, furniture to Emmaus. In turn, where new B3Living customers have moved in with little to no possessions, Emmaus has been an invaluable helping hand, helping to kit out their homes and give them the best possible start. We have also been able to identify several customers who have been living in furniture poverty and address their needs with the help of Emmaus and our other local contacts.

When B3Living staff flagged a concern about one customer, they liaised with a relative and discovered that she had been living without some essential furniture, living without a bed for a year while having a medical condition. With the help of Emmaus and the Love Hoddesdon Business Improvement District, we were able to source a new bed, wardrobe and carpets for the customer.

More recently, Emmaus has supported B3Living with its response to the COVID-19 pandemic. Anticipating hotel closures during lockdown, together, and within days, we were able to repair and outfit a designated temporary accommodation unit. This meant we would be able to help customers stay safe and socially distanced even if they found themselves in an emergency situation.

> "Now my aunt feels like she's sleeping in a hotel and that's all thanks to you guys. This has helped my mental health being able to get out and help her and it's helped hers too. She was ready to give up but now she has a new lease of life.
>
> **Relative of the B3Living customer**

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 2019-20 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 December 2019.

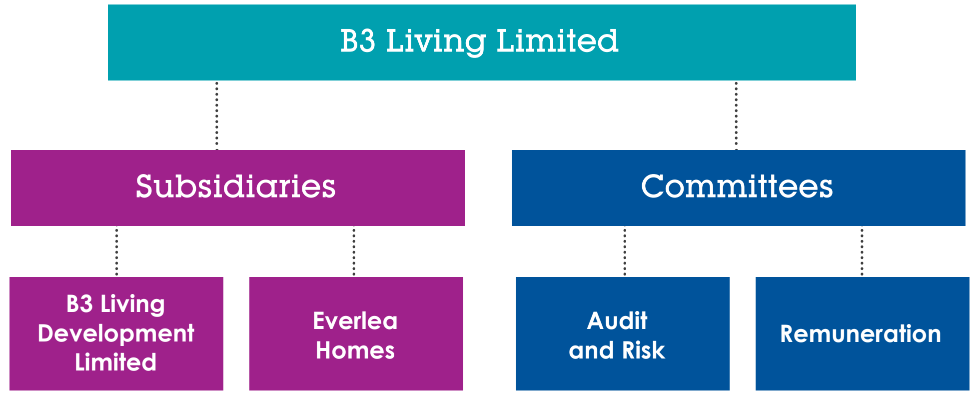
Governance

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 consists of 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 pages 4-5.

The Board has delegated certain responsibilities to two main sub-committees: the Audit and Risk Committee, which meets four times a year and the Remuneration Committee, which meets at least once per year. There are also two subsidiary companies: B3 Living Development Limited which meets four times a year and a commercial development subsidiary called Everlea Homes Ltd that meets four times a year. The Board has delegated some authority for approving schemes to B3 Living Development Limited.



Governance and Financial Viability Standards

Registered providers are required by the regulator, the RSH, 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 the highest rating for governance (G1) and for financial viability (V1), and these ratings continue to be maintained.

In May 2020, B3Living completed an internal review of its performance against the Regulator's Governance and Viability Standards. This was reported to the Board, which confirmed B3Living remained compliant to these standards.

National Housing Federation (NHF) Code of Governance

The Board agreed to comply with all material aspects of the principal recommendations of the current NHF Code of Governance – 'Excellence in Governance'. B3Living is signed up to the NHF code for Mergers, Group Structures and Partnerships.

In May 2020, B3Living completed an internal review of its performance against the 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.

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 further recruitment to this role is underway, with plans for Anne to step down in September 2020.

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.

Financial review

Financial review

After four consecutive years of increasing surpluses, we are happy to be reporting a record surplus for the Group that is unlikely to be matched or surpassed in the years that follow.

This sharp increase in the Group's surplus is predominantly driven by the performance of our commercial activities. Yet we recognise that these commercial activities are inherently risky and must be managed effectively. To manage the Association's exposure to these activities, the commercial company, Everlea Homes, has opted to retain its 2019-20 profits of c. £8m. This decision will provide Everlea with its own resources to make new investments, thereby reducing its reliance on the Association for funding which will limit the risk of contagion back to the Group's social assets.

During the year, the Group generated an operating surplus of £14.3m (2019: £16.4m). The fall in surplus was influenced largely the following factors:

- Decrease in the profitability for our core rental business contributing £11.7m (2019: £12.6m).
- Fewer shared ownership first tranche sales of £1.9m (2019: £2.9m).
- Reduced surplus from property disposals of £0.5m (2019: £0.9m).

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

- General affordable housing - £10.5m (2019: £11.5m)
- Sheltered housing - £0.2m (2019: £0.3m)
- Low-cost home ownership - £0.8m (2019: £0.5m)
- Other activities - £0.4m (2019: £0.2m)

Five year analytical review

Summary of results for the last five years

For the year ended 31 March	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Turnover	34,561	34,665	27,781	26,489	28,949
Cost of sales	(4,725)	(4,865)	(1,033)	(471)	(3,256)
Operating expenditure	(16,085)	(14,259)	(13,816)	(14,538)	(14,978)
Disposal of housing property	502	912	1,054	595	211
Operating surplus	**14,253**	**16,453**	**13,986**	**12,075**	**10,926**
Share of JV profits	8,193	(206)	927	-	-
Net financing costs	(4,980)	(4,969)	(4,858)	(5,189)	(5,118)
Increase/decrease in valuation of investment properties	(35)	(10)	(120)	495	-
Surplus/(deficit) before tax	**17,431**	**11,268**	**9,935**	**7,381**	**5,808**
Taxation	1	(2)	-	-	-
Surplus/(deficit) for the year	**17,432**	**11,266**	**9,935**	**7,381**	**5,808**
Actuarial (loss)/gain in respect of pension schemes	2,037	(1,018)	422	(1,086)	1,141
Total comprehensive income for the year	**19,469**	**10,248**	**10,357**	**6,295**	**6,949**

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 £5.8m in 2015-16 to c £11.3m in 2018-19. The 2019-20 surplus of £17.4m has been achieved through robust financial management, developing new homes, shared ownership first tranche sales, and commercial activities.

Turnover has remained in line with 2018-19 despite another year of 1% rent cuts, this has been achieved by the full-year effect of the 165 homes delivered in 2018-19, the 67 new homes built in 2019-20, increased income from commercial activities, and a stable level of shared ownership first tranche sales income (£7.8m in 2018-19 and £6.7m in 2019-20).

This year we achieved rental and service income of £26.7m against prior performance of £25.9m. 2019-20 was the last year of the government-imposed rent cuts, under the new rent settlement rents will increase by CPI (normally 2%) plus 1% for the next five years.

First tranche shared ownership sales income reduced from £7.8m in 2018-19 to £6.7m in 2019-20, this equated to 22% and 19% of turnover respectively. In the year the Group, via the Association, sold 41 shared ownership homes compared to 48 during 2018-19. The Board view shared ownership as an important and affordable way for people to get on the housing ladder. Therefore it is the Group's intention to keep, development opportunities permitting, shared ownership sales at this level into the future. In 2020-21 we are expecting to sell 34 homes and generate £5.3m of income; however, with current trading conditions there is a risk that these receipts will not be fully realised.

Operating costs have increased significantly from £14.3m in 2018-19 to £16.2m in the current year. The main drivers have been:

- The increased expenditure of £0.9m on repairs and maintenance as the organisation strengthened its focus on customer and building safety. Following the Grenfell fire, the business has increased its spend on independent risk assessments and its investment in fire safety measures. This ensures that we provide safe, warm and decent homes for our customers.
- In 2019-20 B3Living finished delivering a £3m ICT investment programme. This investment has increased our ICT deprecation charge from £86k to £246k in the year.
- The Housing Depreciation charge for the year, which is £0.6m higher than the prior year; however, there was a prior adjustment in the 2018-19 figures.
- Bad debt provision, which was increased to £0.5m to reflect the potential risk of the non-recovery of rent as a result of the COVID-19 pandemic and also the potential for the provision to be used as a hardship fund.

Managing costs is a key focus for B3Living as this enhances our capacity to invest in new and existing homes. We will be doing a business review this year together with introducing a procurement team to help promote value for money and generate savings.

The significant increase in 2019-20 surplus over previous years has been predominantly driven by the Group's decision to exit from one of its commercial subsidiaries, the Wheat Quarter. The Wheat Quarter is a land-promoting business, and after securing a significant planning amendment in December 2018, the shareholders (the Group owning 50% of shares) were asked to consider a management buy-out offer.

The Group accepted £11m for its shares, with 50% of proceeds held as loan notes, attracting commercial interest rates, and the transaction was completed in August 2019.

Net interest costs for the year were c £4.9m, which is comparable to the past two financial years. Interest payments decreased marginally in 2019-20 by c. £0.1m. Several planning delays on our land-led sites resulted in lower development expenditure in 2019-20 compared to 2018-19, this reduced capitalised interest from c. £1.2m to c. £0.8m. However, the effects of this were offset by an increase in interest receivable as the Group agreed to a £5.5m loan note as part of the deal to dispose of its shares in a commercial subsidiary.

The Group's pension liability decreased by £2.0m to £1.6m (2019: £3.6m). The change in B3Living's pension liability is assessed by Hymans Robertson LLP and reflects an increase in asset values within the pension fund against that of our liabilities.

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 2015-16 and 2019-20. 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.

Statement of financial position for the last five years

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fixed Assets					
Housing Properties	217,861	204,630	186,596	159,541	142,772
Other Fixed Assets	4,070	3,458	3,178	3,274	3,407
Investment properties	4,721	3,230	3,240	3,277	1,620
Investments in JVs	949	3,533	3,605	2,081	0
Tangible fixed assets	**227,601**	**214,851**	**196,619**	**168,173**	**147,799**
Current assets					
Stock	6,335	10,586	8,052	5,898	378
Trade and other debtors	10,211	6,798	6,256	5,007	2,422
Agreement to improve existing properties	1,622	5,427	8,614	10,966	13,627
Cash and cash equivalents	13,696	5,472	1,257	2,183	18,107
	31,864	**28,283**	**24,179**	**24,054**	**34,534**
Creditors: amounts falling due within one year	(8,232)	(7,559)	(7,877)	(5,437)	(8,846)
Net current assets	**23,632**	**20,724**	**16,302**	**18,617**	**25,688**
Total Assets less current liabilities	**251,233**	**235,575**	**212,921**	**186,790**	**173,487**
Creditors falling due after more than one year	(177,816)	(175,677)	(160,839)	(142,168)	(135,161)
Provisions for liabilities (including pensions)	(3,488)	(9,438)	(11,867)	(14,763)	(16,135)
Total net assets	**69,929**	**50,460**	**40,215**	**29,859**	**22,191**
Reserves	**69,929**	**50,460**	**40,215**	**29,859**	**22,191**

At the reporting date the Group had tangible fixed assets with a carrying value of c. £228m (2018-19: c. £215m) 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 2019.

Between 2015-16 and 2019-20 the Group's tangible fixed assets' carrying value has increased by c. £79.8m (54%). 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 £13.6m in the provision of new homes and £3.0m improving existing homes. In 2020-21, the Group expects its investment in building new homes to double and its investment in existing homes to rise to over £4m.

At the reporting date the Group, via its commercial subsidiary Everlea Homes, has £2.5m (c. £2.7m inclusive of rolled up interest) invested in Farnham Road LLP, a joint venture with Bellis Homes. The joint venture is expected to deliver 35 new homes (23 for private sale and 12 affordable homes) and complete in 2020-21, with Bellis Homes being the developer.

Stock represents the first tranche element of shared ownership homes for sale; this has reduced in the year, from £10.6m in 2018-19 to £6.3m, reflecting lower than expected development spend in the period and a robust sales programme. The Group expects stock to increase next year as development spend is forecast to increase significantly.

Key Financial Performance Indicators for the last five years

Financial Golden Rules	FGR	2020	2019	2018	2017	2016
Debt to Turnover	**< 5.5x**	4.2x	4.5x	5.4x	4.9x	3.7x
Gearing **(covenant 80%)**	**< 65%**	50%	53%	53%	56%	84%
EBITDA MRI Interest Cover **(covenant 110%)**	**>160%**	267%	237%	203%	223%	194%
Social Housing Interest cover	**>150%**	215%	203%	202%	229%	167%
*Operating Margin with dev. sales	**> 35%**	40%	45%	47%	44%	39%
*Operating Margin without dev. sales	**> 40%**	42%	49%	47%	44%	42%
Development Sales as a % of Turnover	**< 30%**	19%	22%	7%	2%	13%
% of HA net asset Invested in Everlea	**< 10%**	1%	9%	6%	0%	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). The FGRs relate solely 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.

Over the period, operating margins, with and without development sales, have remained over 40% despite the compounding effects of four consecutive years of 1% rent cuts, an increased expenditure on customer and building safety, and a significant increase in the bad debt provision in response to COVID-19. The Association's operating margins remain above the sector's upper quartile and its comparable 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.

An increase in development expenditure over the last four years has resulted in a greater proportion of the Association's turnover coming from shared ownership sales receipts. The Group Board see this tenure as an important way to assist people onto the housing ladder, but they acknowledge that exposure must be managed. The FGRs place a limit of 30% of the Associations turnover coming from development sales.

In 2018-19 the Association increased its lending to its commercial subsidiary, Everlea Homes Ltd, to 9% of its net assets. The increase from 2017-18 was driven by the Board's decision to sell the Association's shares in its partly owned subsidiary (50%), the Wheat Quarter Ltd, to Everlea Homes Ltd. In 2019-20, Everlea Homes Ltd accepted a management buy-out offer for its shares, and half of the sales receipt was realised via loan notes, the remainder in cash. The cash receipt from the sale was used to pay down the Association's loan. When the loan note matures, Everlea Home Ltd will retain the proceeds so it can make its own investment without being wholly reliant on the Association for funding. This strategy will help ring-fence Everlea Homes Ltd's commercial activities and its inherent risks away from the Association and its social assets.

Treasury review

B3Living has a robust and comprehensive Treasury Policy and Treasury Management Strategy which is annually reviewed 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 agreements, treasury policy compliance and an economic and lending market review.

B3Living benefits from having a simple treasury portfolio containing two long-term fixed rate loans and three short-term revolving credit facilities, which all share the same terms, and no interest rate swaps. During 2018-19 the Group renegotiated the terms within its bank finance agreements to make them less onerous and more focused on the Association rather than the Group. These changes all help manage the risk inherent with commercial market facing activities within B3Living's commercial subsidiary, Everlea Homes Ltd.

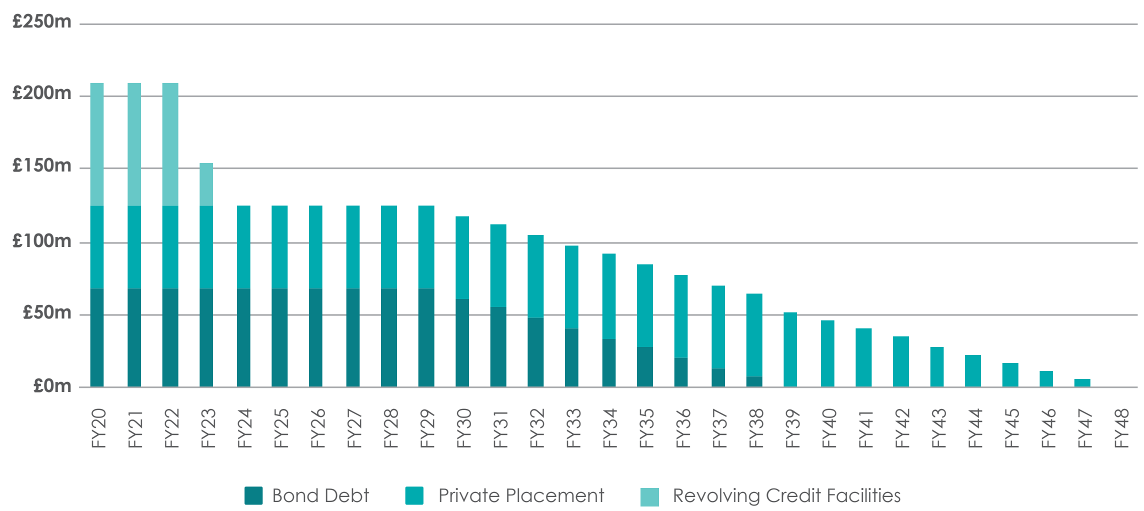
In June 2019 B3Living agreed a £20m "fall back" facility with Barclays. The "fall back" facility was secured to provide additional liquidity should our trading environment become volatile. In March 2020, we drew £10m from this facility to safeguard the business against any funding market disruptions resulting from the Covid-19 pandemic.

Debt and liquidity

As at 31st March 2020, the Group has drawn debt of £160m (2019: £162m) with total loan facilities of £210m (2019: £190m) leaving a facilities headroom of £50m (2019: £28m). £125m or 78.1% (2019: £125m or 77.2%) 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 £35m which matures in March 2024 and April 2022 respectively and one with Barclays of £20m which matures in June 2022. B3Living has drawn £35m from these facilities and this debt has a variable interest rate.

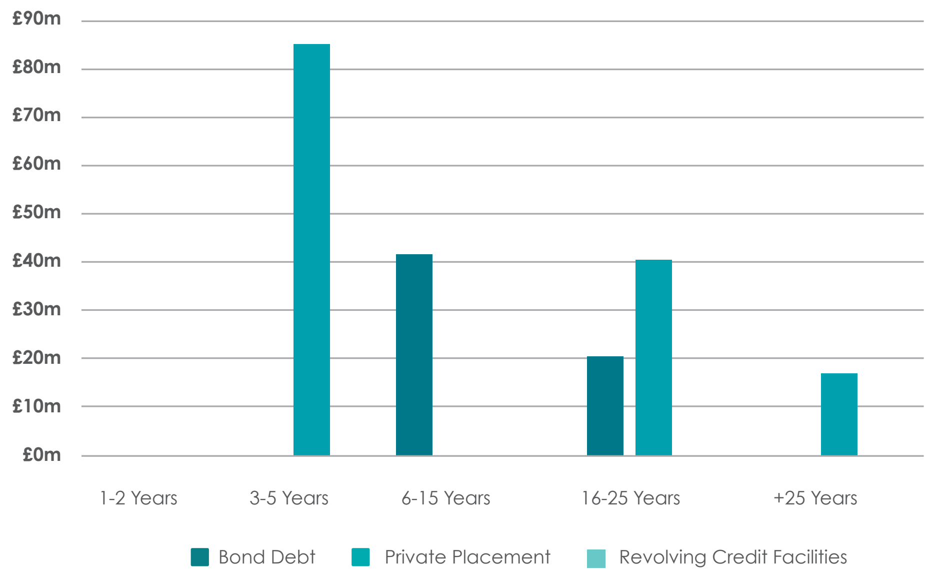
The chart below shows B3Living's sources of finance.

B3Living Funding Profile



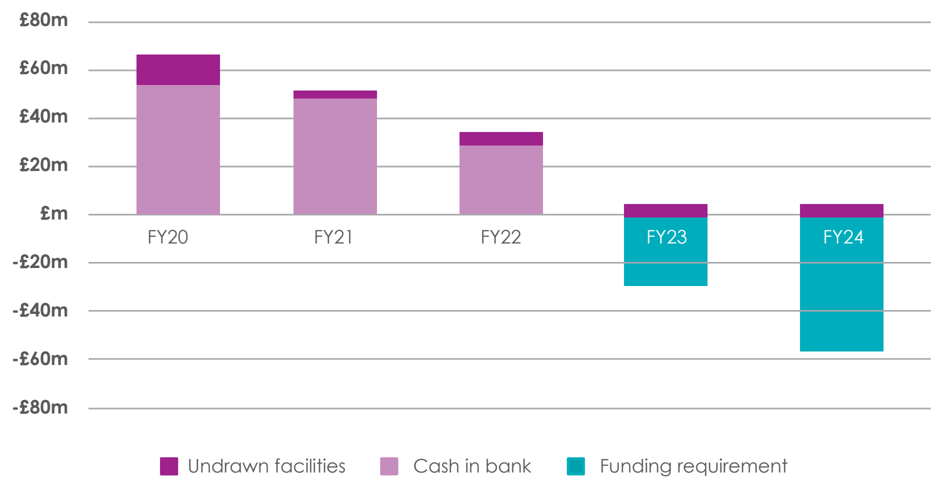
The chart below shows B3living's debt repayment profile. This demonstrates that B3Living does not have any immediate refinancing risk. B3Living will work closely with our Treasury advisors, Savills, to best deal with the mid-term refinancing of the revolving credit facilities. The £20m Barclays revolving credit facility has an option to extend by two further years if required.

Debt Repayment Profile



The chart below shows B3Living's mid-term forecast available liquidity. It illustrates that, to deliver our corporate plan, the business will need to either extend existing revolving credit facilities or source new lines of funding within the next two years.

Forecast Liquidity



In 2019 the Board approved a more rigorous liquidity policy to respond to greater economic uncertainty and housing market conditions. 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 cashflows
- 50% of sales proceeds
- 50% of JV income
- Total committed development spend including grant.

Depending on the development pipeline B3Living may need to secure further facilities in place for FY21 to adhere to the new liquidity policy.

Financial covenants

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

- **EBITDA-MRI** – we have two measures of EBITDA MRI. The tightest definition measures the number of times our financing costs can be paid by our operating profit before depreciation for the year, but including the costs of major repairs. For the year ending 31 March 2020, the interest cover was 2.35 times (2019: 2.37 times). The loan covenant is 1.1 times.
- **Gearing** – this is a measure of our indebtedness, relative to the EUV-SH of completed housing properties. EUV-SH is a proxy for market values of our homes and it reflects that the properties are used for social housing. As at 31 March 2020, the gearing ratio (gearing covenant) was 50% (2019: 53%) 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 2020, the tightest asset cover ratio was 115% (2019: 137%). The asset cover covenant is 110%. We are currently midway through a project to reallocate security to increase the headroom against the tightest loan.

> Amy from B3Living put me forward to a food bank. I have been surviving feeding three kids and myself on £40 week. Today I collected that food parcel. I actually cried.
>
> **B3Living customer, self-employed cleaner unable to work during lockdown**

Value for money

The Group holds value for money at its core, following a simple principle of making every pound count. This is reflected in our corporate objectives, decision-making processes and business plan.

The Board understands the importance of B3Living and the services it provides within our community and to its customers. The Group plays a key role in its local community: building much needed new homes; maintaining its existing homes so they are safe, warm and dry; enabling customers to sustain their tenancies; as well as leading and supporting many community-based initiatives. Delivering value for money will help the Group maximise its potential and its impact for its customers and the wider community.

What value for money means to us

In 2019 the Board reviewed its approach to value for money. The previous value for money agenda was created against the backdrop of the four years of government-imposed rent cuts, which reduced the rent roll by c. £1m. The Value for Money Strategy was primarily focussed on reducing costs and increasing income in order to generate the financial capacity to build 800 new homes over seven years and to invest in new IT systems. This strategy, whilst delivering additional investment capacity, has potentially contributed to a fall in customer satisfaction and a reduction in some areas of stock investment.

With the Government's new five-year rent settlement, which will allow rents to increase by CPI+1%, the Board took the opportunity to reset its Value for Money Strategy. The new strategy takes a more nuanced approach to value for money and is designed to:

- Improve customer satisfaction.
- Improve the quality of our existing homes and secure their long-term viability.
- Promote a cost-aware culture.
- Maintain our financial strength and growth capacity.
- Deliver performance in line with Board expectations.

The strategy outlines a core belief that value for money is achieved when the optimum balance between low cost, high quality and good performance is realised in every area of our business.

To achieve this balance, the strategy promotes the importance of considering quality and performance in our day-to-day working and any procurement exercises. The Board recognises that this approach is likely to increase the Group's operating cost base, which will reduce performance in some key value for money metrics: such as operating margins, return on capital employed and interest coverage.However, the increased focus on quality and performance should generate enhanced customer satisfaction, improve the standard of our existing homes, and ensure the new homes we deliver address the demand within our locality.

Board ownership

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

- Setting stretching key performance targets.
- Setting the annual budget and business plan which include value for money targets.
- Setting a robust investment policy and asset management strategy.
- Including value for money in all decision-making processes.
- Monitoring performance.

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

- Delivering 800 new homes over seven years.
- Investing in new technology to improve performance and customer engagement.
- Developing a robust asset management strategy to ensure the long-term safety and viability of our stock.
- Strengthening financial resilience.

Value for money overview

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 2019).

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

To ensure our peer group offers a good comparison, we selected large-scale voluntary transfer (LSVT) housing associations, local to our area and which have a low supported housing exposure (less than 1% of their stock). The peer group includes:

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

> Thank you Carl from B3Living for all your support through the work carried out. We are over moon with the end result and the painter did an amazing job. He really cares - it's perfect.
>
> B3Living customer, tenant in Waltham Cross

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

Value For Money Metrics*	Peer Average	Sector Median	Sector Upper Quartile	B3Living 18/19	B3Living 19/20	B3Living 20/21 (forecast)	Board VFM Target
Reinvestment	10.7%	6.2%	8.7%	11.7%	8.0%	15.1%	Upper Quartile
New Supply (Social)	2.4%	1.4%	2.5%	3.4%	1.4%	2.8%	Upper Quartile
New Supply (Non-Social)	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	Lower Quartile
Gearing*	52.9%	43.4%	53.9%	76.5%	67.2%	61.8%	Upper Quartile
EBITDA MRI Interest Rate Cover	196.3%	184.2%	238.4%	226.8%	235.1%	214.1%	Median
Headline Social Housing Cost per unit (£k)	3.39	3.69	3.18	3.47	3.51	3.94	Median
Operating Margin (SHL)	32.7%	29.2%	34.6%	48.6%	42.5%	42.3%	Upper Quartile
Operating Margin (Overall)	31.5%	25.8%	30.8%	44.8%	39.8%	42.3%	Upper Quartile
ROCE	3.9%	3.8%	4.7%	6.9%	8.9%	5.5%	Upper Quartile

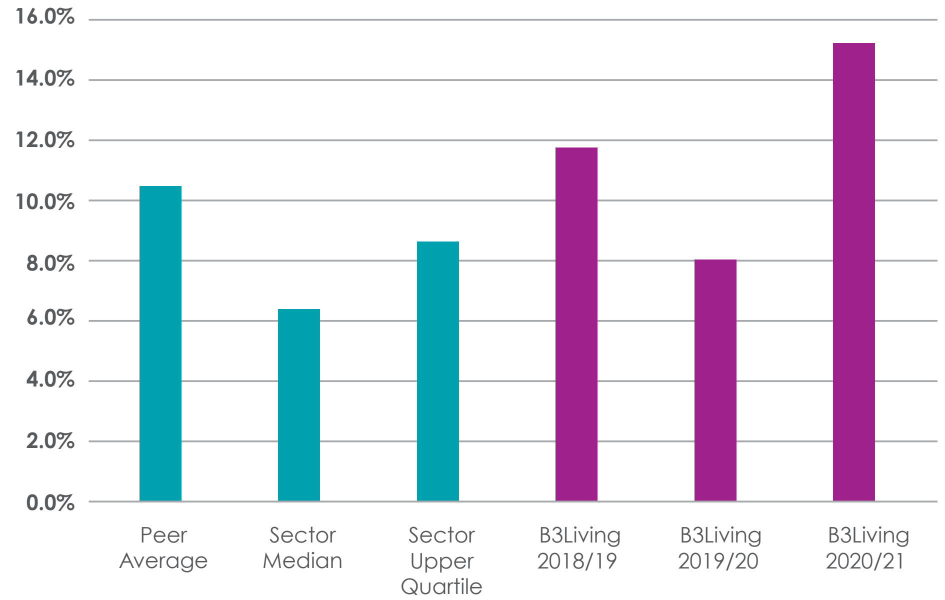
*Sector scores based on 2019-20 results.

The Group continues to prioritise opportunities to deliver much-needed homes within our geographic heartland of Broxbourne borough. We did not achieve the reinvestment levels in 2019-20 that we hoped due to planning delays on key sites and a reduced number of new business opportunities, in part, due to Brexit. However, we have developed a network of potential partners and are well placed, financially and in terms of capabilities, to capitalise upon any new opportunities that arise. It is the Board's ambition to deliver more new homes in our local borough; therefore, we expect the Group's reinvestment performance to continue to outperform the sector's upper quartile and most peers.

The Group's gearing position has improved significantly in the past 12 months as it delivers a surplus of c. £17.4m. This trend is set to continue as the Group continues to generate operating surpluses of c. £9m p.a. and invest c. £100m in the next three years on the provision of much-needed homes within our geographic heartland. The Association's gearing covenant is based on security value and our performance is 50% (2019: 53%) against a covenant limit of 80%.

A detailed review of value for money performance

Reinvestment %

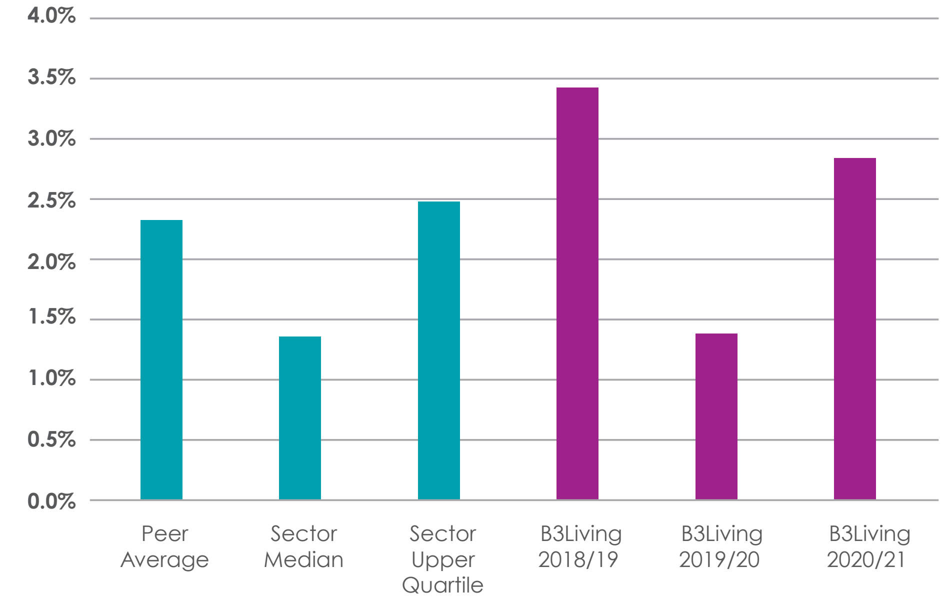


The Group's commitment to increasing the supply of urgently-needed new homes within our local borough is reflected in recent and forecast reinvestment performance. In 2019-20 our performance was in line with the sector's upper quartile but below our peers. Performance in the year was hampered by Brexit and planning delays on key land-led sites. We expect our investment in new homes to increase significantly in 2020-21.

Generating efficiency savings in our general operations has created the capacity to build more homes without adversely impacting on financial resilience. In 2019-20 the Group invested £13.6m (£14m fixed assets) in new and £3m in existing homes, slightly down on the combined spend of £24m in 2018-19.

The Group has delivered, and plans to continue delivering upper-sector performance in accordance with the Board's ambition. The Group's reinvestment performance directly impacts upon development outputs. In 2019-20, we experienced a slight dip in performance due to development timings. However, like we did in 2018-19, we expect to be outperforming the upper quartile and most of our peers in 2020-21.

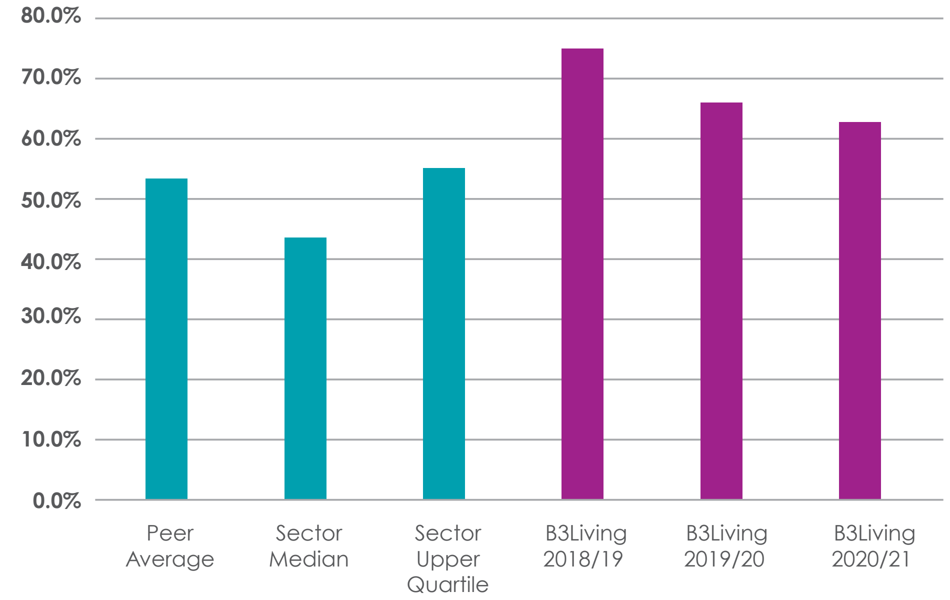
New supply of social housing units %



In 2019-20 we completed 67 new affordable homes, of which 36 were rented and 31 shared ownership. As we continue to be the only housing association building properties in our borough, our development activities represent a crucial supplement to the local supply of affordable housing.

While the Group did not deliver upper-sector performance in 2019-20, we believe this is a timing issue. The average performance across 2018-19, 2019-20 and the forecast performance of 2020-21 is in line with the upper quartile.

Gearing %



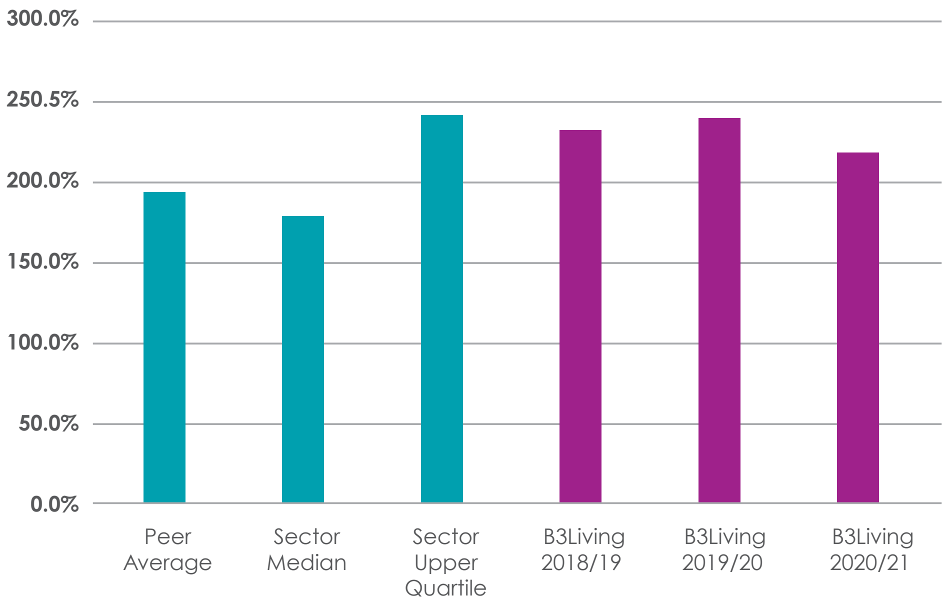
During the year, the gearing ratio (the relationship between debt and social housing assets) was down to 67.2%, from 76.5% in the previous year. This is the result of using most of our free cashflows from our operations to support the growth in our social housing base along with the maturity of two of our commercial joint venture arrangements.

Our gearing ratio is relatively high compared with the wider sector and our peers because:

1. Historically, we have not fully capitalised as much of the Decent Home works completed after transfer.
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 7% to the gearing ratio.

With strong surpluses and reinvestment plans, our gearing is forecast to improve to a more comparable level in the coming years.

EBITDA MRI interest coverage %

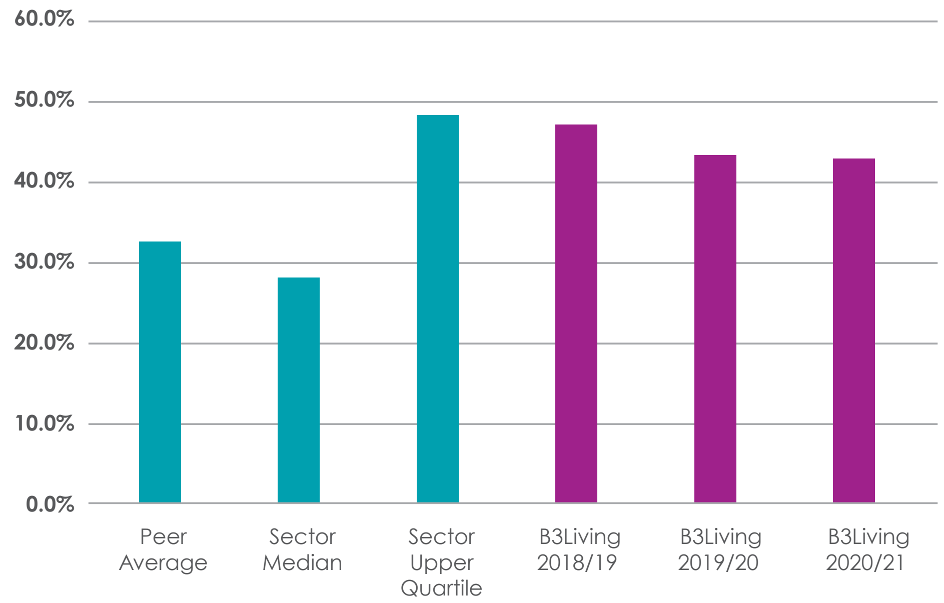


EBITDA-MRI (Earnings before Interest Tax Depreciation and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover interest commitments from the cashflows generated by the core business. EBITDA-MRI in 2019-20 was 235.1% which is marginally up from 2018-19 (226.8%).

Our performance is comparable to the upper quartile and our peers. This shows strong performance considering our commitment to reinvestment. The Board have set a median target to allow the Group to increase debt, thus to increase our investment in new and existing homes.

Our strong EBITDA-MRI coverage reflects our excellent operating margins. These 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 decreased slightly from 48.6% in 2018-19 to 42.5% in 2019-20.

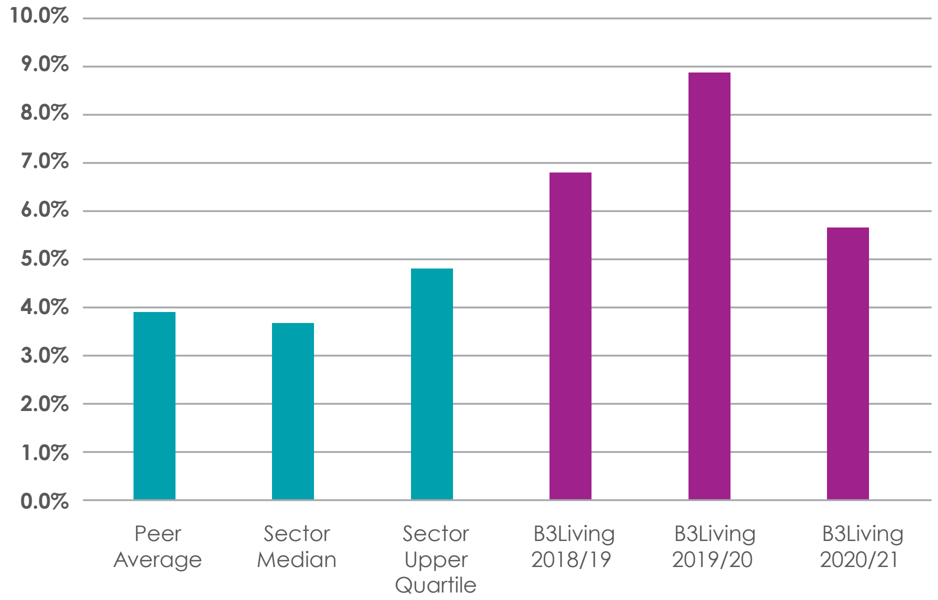
The fall in the margin was due to the compounding effect of the rent cuts, a sharp increase in customer and building safety works, and the substantial provision for bad debts made in the period.

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.

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

> You ladies have been a god save. You really make my day when you call. Since losing my husband and then having lockdown I have felt so lonely. Just hearing your voices makes my day.
>
> **B3Living customer, living on an Independent Living scheme**

Return on capital employed %

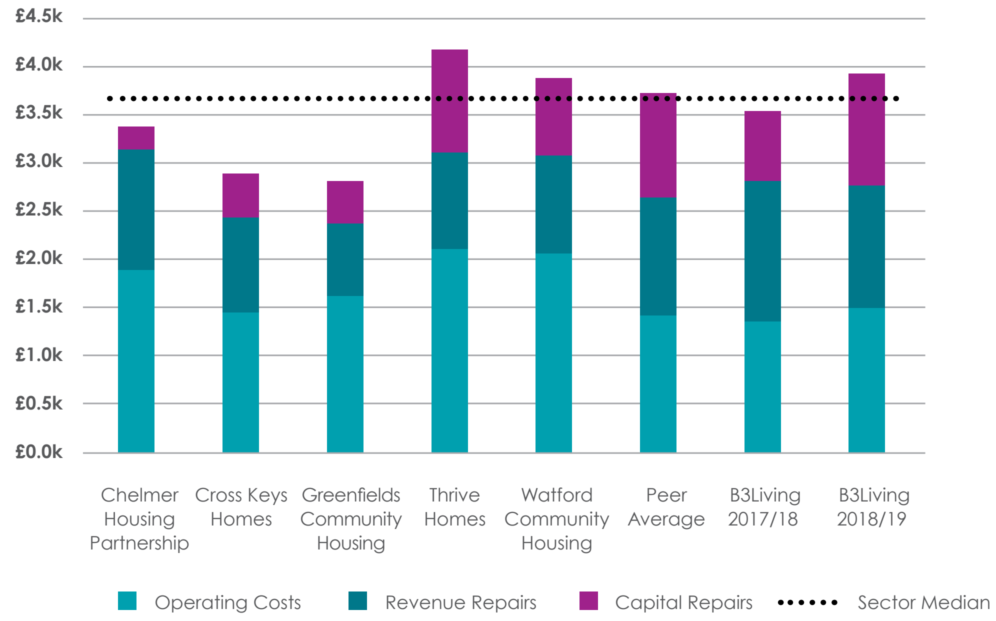


With the Group's strong operating margins and undervalued balance sheet, as demonstrated by our gearing ratio, we have continued to outperform our peers and the sector's upper quartile significantly.

Performance in 2020 has been significantly helped by the maturity of two of our commercial joint ventures.

Our investment policy and cost focus will ensure this performance remains comparable, if not better, than 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. Operating costs have, and are forecast to remain, comparable to the best of our peers at c. £1.5k per unit. In recent years, we have 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, warm and dry homes means that we spend approximately £400-500 per unit more on revenue repairs than our peers and £300 per unit on capital repairs. Capital repairs spend in 2019-20 (£730 per home) was an exceptional 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 we issued fewer but larger contracts, to improve cost, quality and performance.

The total social housing operating cost per unit is comparable to the sector median and this 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/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. Therefore, we expect to invest more per unit than most of the sector on maintenance and the upkeep of our homes.

How we deliver value for money

The Group has concentrated its money saving initiatives on increasing the productivity and effectiveness of its back office, to reduce our overheads and to give a greater level of resource to support the front line service and to 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 2019-20 these savings were reinvested back into the business, especially to support the customer and building safety works. 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.

Service area	2020 Cost £'000	Per home £	2019 Cost £'000	Per home £	2018 Cost £'000	Per home £	2017 Cost £'000	Per home £	2016 Cost £'000	Per home £
Overheads	123	25	94	19	15	3	230	47	261	53
In house repairs service	-	-	17	3	56	11	18	4	15	3
Housing Management & services	-	-	144	29	173	35	277	57	160	33
Total operational VFM	123	25	255	51	244	49	525	108	436	89
Major works	78	16	-	-	-	-	46	9	3	0
Treasury & legal fees	-	-	-	-	-	-	-	-	791	170
Total VFM savings	**201**	**41**	**255**	**51**	**244**	**49**	**571**	**117**	**1230**	**259**

The Group's Value for Money strategy sets out a nuanced approach where value for money is realised when we have generated 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 maximise the return on every pound spent. We believe that simply cutting costs without understanding the impact on our buildings and customers will result in poor decisions; therefore, the Group seeks to manage costs whilst delivering upon our Board's and our customers' expectations. To achieve this we:

- Are market testing all salaries to ensure they are set to the sector median allowing us to recruit the right staff into the business to deliver quality services to our customers without increasing the social housing costs per unit.
- Have developed a robust procurement strategy that aims to maximise savings during the procurement process. Working in partnership with our external advisors, Procurement for Housing, we have improved processes, increased procurement training/ engagement and carried out a detailed analytical review on our expenditure.

- Will be investigating the use of modern methods of construction to deliver new homes at a lower cost as part of our purpose project, including off-site construction and printed homes, and having partnering agreements with contractors.
- Are embedding value for money within our decision-making e.g. in scheme appraisals and business cases and day-to-day operations of the business.
- Have invested in technology where it helps us to become more efficient, for example a new procurement-to-pay system and mobile technology.

Quality

A key outcome of the Group's Value For Money Strategy is to improve customer satisfaction, therefore generating savings that adversely impact on services or reduce the quality of our replacement components would be counter-intuitive to us. The Board understands this approach is likely to increase our cost base and 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 being the cheapest housing association isn't a strategic ambition, but the Group has to be cost aware whilst delivering upon the expectations of our customers. Therefore, we have value for money targets which align our costs to the sector's median and customer satisfaction to the sectors upper quartile. We realise this ambition by:

- Setting challenging productivity targets for our staff, including our Direct Labour Organisation.
- Detailed research qualitative and quantitative to help support the Group's new purpose and corporate strategy.
- Detailed procurement planning for key component items, e.g. roofs, heating, doors & windows, etc, to ensure we achieve the optimum balance between cost and quality.
- Investment in ICT to promote agile working and to automate processes.
- Actively seeking customer feedback to measure the effort and ease in which we operate.
- Closely monitoring complaints and compliments to understand themes and areas of improvement.
- Investing in Customer Ethos training for all staff.

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 the 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 feel it is important that we have a balanced approach to assessing performance where financial and investment performance is viewed alongside customer impact – this approach stops the Group focusing on one area, say financial performance, to the detriment of another, say customer satisfaction. We achieve this by:

- Regular reporting of key performance indicators.
- Embedding the value for money ethos within the procurement process.
- Narrowing our geographic growth focus so we can offer a consistent customer service standard for all our customers.
- Increased focus on customer feedback to ensure we are utilising our resources in the most effective way.
- Reviewing the types of homes we build to ensure they best suit the housing need in our geography.
- Creating partnerships with local agencies and developers to understand how we best work together to serve our community. A partnership approach allows us to focus on the services we are best at providing.

Our value for money metrics

Along with the Regulator's metrics, the Board also monitor 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.

Value For Money Metrics*	B3Living 18/19	B3Living 19/20	B3Living 20/21	Sector Median	Upper Quartile	Board VFM Target
Customer Satisfaction - B3Living Services	84.0%	87.5%	88.0%	87.1%	88.3%	**Upper Quartile**
Customer Satisfaction - Quality of Home	84.9%	85.6%	86.0%	87.0%	89.1%	**Upper Quartile**
Customer Satisfaction - Repairs Service	80.0%	89.9%	87.0%	80.3%	85.6%	**Upper Quartile**
Customer Satisfaction with their Rent	85.8%	87.4%	87.0%	88.0%	90.1%	**Upper Quartile**
Occupancy	99.6%	99.7%	99.7%	99.4%	99.7%	**Upper Quartile**
Rent collected as a % rent due	99.4%	100.4%	99.9%	100.2%	101.0%	**Median**
Overheads as % of turnover	11.3%	13.1%	12.8%	11.2%	10.1%	**Median**
Responsive to planned repairs ratio	0.66	0.64	0.67	0.56	0.45	**Median**

*Sector scores based on 2019-20 results.

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 directly improve our frontline services and/or on new and existing homes. These principles are central to the Group's recently approved Value for Money Strategy.

In 2019-20 we made key changes to our customer ethos and these changes will culminate in the Group launching its new customer strategy in 2020-21. With the pressures of the government-imposed rent cuts many customer facing services were either discontinued or reduced. We feel that these decisions, taken for the right reasons, may have adversely impacted our customer experience which resulted in our customer satisfaction falling below the sector median.

The changes to our approach in 2019-20 have already made an impact, with customer satisfaction with our services increasing by 3.5 percentage points to 87.5%. In 2020-21 we will work with our customers to understand the reasons behind the large increase as we look to build upon this success to achieve the upper quartile performance target set by the Board. However, we are mindful that we currently do not fully understand what impact Covid-19 has had on our customers and their perception of how we have sought to respond to the situation. This could be a significant factor in future customer satisfaction performance.

In the 2020-21 budget the Board approved an increased investment in frontline services, customer and building safety, and the maintenance of our existing homes. These decisions will increase our cost base and adversely impact on some value for money metrics, such as operating margins, interest coverage and return on capital employed. However, any increase in our cost base has been viewed by the Board as an acceptable trade off in the pursuit of enhanced customer satisfaction.

The Board understands the importance of the business and its social assets to our community therefore we are pleased to achieve upper quartile performance for occupancy.

This shows that we are maximising the social return from our assets by housing as many people as we can. With the impact of welfare benefit reform, our income management team is taking a proactive approach to help our customers manage their tenancies and rent accounts better. This has resulted in good rent collection performance and our strategy of helping our customers pay their rent via automated methods is savings us time and money.

The Group's overheads are marginally over the Board's target of sector median. As a small housing association, it is difficult for us to outperform sector median target we do not have as many homes to spread our fixed costs over. The Board's ambition of deliver more much-needed homes will boost turnover and performance, we are also looking at opportunities to either work with, or buy homes from, other associations in our community to increase the number of homes we manage and our income.

Responsive to planned works ratio is marginally over the Board's target, the increased number of compliance checks is resulting 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 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 cost per unit savings. That said, we will aim to increase efficiency to generate costs savings, however we expect these savings to be reinvested in improving front line service and existing homes. We expect to deliver savings through:

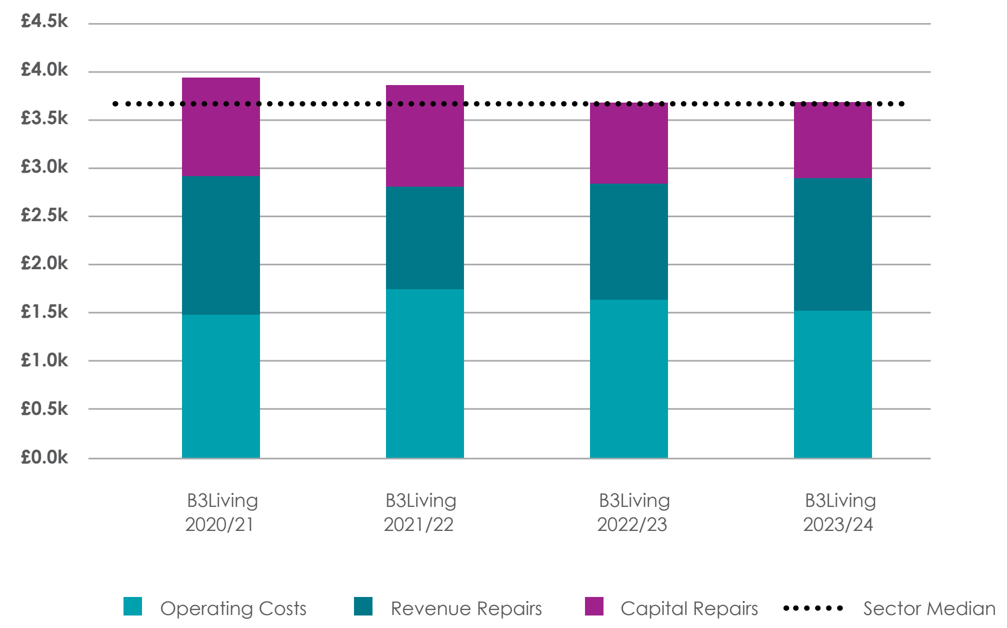
- Better ways of working.
- Increased reliance on IT.
- The delivery of the new asset management strategy.
- Wholesale review of B3Living's procurement process.
- The provision of new homes.

The table below shows the Group's performance against the Regulator's value for money metrics in 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, 2020-21 to 2022-23 we plan to invest c. £100m on 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 2018-19 position.

Value For Money Metrics*	Sector Median	Sector Upper Quartile	B3Living 19/20	B3Living 20/21	B3Living 21/22	B3Living 22/23	Board VFM Target
Reinvestment	6.2%	8.7%	8.0%	15.1%	13.3%	9.0%	**Upper Quartile**
New Supply (Social)	1.4%	2.5%	1.4%	2.8%	2.8%	2.9%	**Upper Quartile**
New Supply (Non-Social)	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	**Lower Quartile**
Gearing*	43.4%	53.9%	67.2%	61.8%	62.2%	60.8%	**Upper Quartile**
EBITDA MRI Interest Rate Cover	184.2%	238.4%	235.1%	214.1%	193.7%	203.9%	**Median**
Headline Social Housing Cost per unit (£k)	3.69	3.18	3.51	3.94	3.96	3.92	**Median**
Operating Margin (SHL)	29.2%	34.6%	42.5%	42.3%	41.3%	42.8%	**Upper Quartile**
Operating Margin (Overall)	25.8%	30.8%	39.8%	42.3%	35.7%	36.8%	**Upper Quartile**
ROCE	3.8%	4.7%	8.9%	5.5%	4.9%	5.0%	**Upper Quartile**

*Sector scores based on 2019-20 results.

A key efficiency metric is operating cost per unit. The table shows the cost per unit increasing from c £3.3k per unit to c £3.9k per unit. 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 cost marginally fall as we deliver 440 new homes to spread our costs across. To improve performance further we will also look carefully at existing stock acquisitions from other housing associations and local authorities, should they generate value for money and align with our growth ambitions.



Governance and controls

Governance and controls

Responsibilities of the Board

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

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

In preparing those financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the 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".

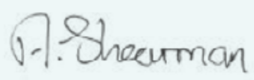
The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from 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 was held on 15 September 2020 at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS.

The report of the Board was approved by the Board on 15 September 2020 and signed on its behalf by:



Anne Shearman
Chair of the Board of B3 Living Ltd
Dated: 15 September 2020

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 on-going review of controls to the Audit & Risk Committee (ARC) but will receive an annual report from the ARC prior to the publication of the financial statements.

Internal controls review process

The Board conducts an annual review of the effectiveness of the systems of internal controls following a more detailed examination by the ARC.

The system of internal controls is designed to manage and mitigate, rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, and 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 process for identifying, evaluating and managing the significant risks faced by the Group is an on-going process and has been the case throughout the year and beyond the date of approval of the annual report and financial statements.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls. Internal controls are embedded within normal day-to-day management and governance processes of the Group. This risk-based approach includes the evaluation of the nature and extent of risks to which the Group is exposed.

Through regular management reporting on internal control issues assurance is provided to the Senior Leadership team, Executive team and the Board. The arrangements include procedures which are monitored by ARC, to ensure that corrective action is taken in relation to any significant control issues.

The Board is responsible for overseeing the framework of delegation and systems of internal control, including risk appetite and strategic risks. The Board reserves certain matters to itself, including determining the long-term business objectives of the Group and any material decisions. The Board has delegated to ARC the responsibility for reviewing 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. ARC is required to meet at least four times a year, and once during the year usually before the approval and publication of the financial statements they meet with the external and internal auditors without the presence of staff.

Delegation of authority and financial regulations set a framework for Board sub committees, the Chief Executive and the Executive Team. Board sub committees 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 covers prevention, detection and reporting of fraud and the recovery of assets and meets the requirements of the Regulator of Social Housing.

The B3Living Group outsources its internal audit function to ensure there is sufficient independence. Internal Auditors report directly to the ARC.

The Group promotes a culture of risk awareness. This process takes the format of staff and member briefings and training sessions and individual involvement in the control framework which underpins the risk registers. The control framework is in place to ensure mitigating activities are carried out and monitored at all levels of the organisation.

Risk management

Risk identification, assessment and mitigation

The Board's risk appetite and its approach to strategic risk identification, assessment and mitigation are reviewed annually and these are embedded as part of the system of internal controls and risk management framework.

The risk management strategy sets out Board and the Executive team's responsibility regarding the identification, assessment and control of significant risks. This includes the review at meetings by the Board and ARC of those risks considered to be of strategic importance to the achievement of objectives. The Executive team regularly reviews the strategic risk register and key risks from key operational segments.

The strategic risk register represents a combination of risks that may impact on our ability to achieve our strategic goals, as well as those that may have a significant impact on our operations.

Strategic Risk	Mitigations
Changes in government policy impacting on B3Living's operating environment and ability to achieve business objectives.	• Strategic risk and planning sessions. • Planning for alternative delivery models. • Plan for efficiency gains. • £20m loan facility to provide additional liquidity. • Internal audit review of Stress Testing. • B3Living's perfect storm mitigating actions were reviewed by ARC. • Semi-annual reviews on the economic and housing environment, which includes government policy.
Adverse Brexit impacting on economic, funding, housing, and trading environments, which could cause a recession, house prices to fall, funding markets to slow and serious supply chain issues.	• Regular economic and housing updates for Board. • Additional liquidity via £20m fall-back facility. • Robust FGRs and prudent financial planning. • Comprehensive stress testing and recovery plans. • Internal audit review of Stress Testing completed. • Robust investment policy that aims to protect against impairment and balances risk with reward. • Due diligence of financial strength of contractors.

Strategic Risk	Mitigations
Inadequate governance framework. This could result in non-compliance with key housing regulatory or statutory requirements, the wrong skill mix on the Board and poor decision making.	• New governance framework. • Comprehensive policies, management training, legal advice. • Adhering to existing procurement regulations and procedures that reflect current regulations. • Ensuring staff are trained and aware of the procurement procedures. • Suitably skilled executives involved in procurement. • Robust management processes including monitoring of new regulatory requirements, policies in place, project groups created when required, staff training provided when required. • Clear reporting in place between Everlea and B3Living Board. • Everlea ring-fenced from Housing Association. • Assistant Company Secretary recruited. • Recruited a Board member with development experience. • Board appraisal and effectiveness recommendations and Board objectives agreed. • Attendance at regulatory updates. • Governance internal audit in 2020.

Strategic Risk	Mitigations
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.	• Health and Safety Compliance control regime in place including policies, procedures, H&S compliance manager clear roles and responsibilities. • Send and Mend Team delivering five years' electrical testing and legionella scheme of control work. • Competent in-house fire safety professional to undertake Fire Risk Assessments and manage consequential works. • Dedicated compliance suppliers and contractors in place for gas safety servicing and repairs, fire safety equipment and asbestos surveys and removals. • Management systems in place. • Internal and external audit regime. • Insurance in place. • Regular staff training in place. • More in depth and robust reporting introduced from in 2019/20 and reported quarterly going forward. • Move to one principle database (QL) via Project Fusion will help address compliance management and reporting. • Internal audit on Fire Safety completed. • Service Improvements and revised approach to be put into place. • Manifest report and action plan considered at Board.
Housing market downturn leading to reduced sales values and/or significant sales delays.	• Switch in tenure types (e.g. shared ownership to affordable rent). • Stress testing of business plan. • Close monitoring of markets' volatility via regular housing market reports. • Specs of new development closely tailored to demand to increase resilience. • Robust investment policy put in place. • Robust Financial Golden Rules approved. • Additional liquidity via £20m Barclay's fall back facility. • Improved daily management through acquisition and implementation of SDS Sequel.

Strategic Risk	Mitigations
Welfare reform leads to significant loss of rental income.	• Advice to affected customers. • Joint working with other agencies to mitigate impact on customers. • Financial assessments at sign up and asking for 1 week rent in addition to the 4 weeks W & S. • Use of Ground 8. • Probationary Tenancies. • Review approach to Universal Credit. • Income Service Improvement Plan in place. • Agreed joint working approach with Job Centre to mitigate UC issues. • UC mitigation plan established.
Failure to manage and deliver development programme, leading to increased costs and reputational risk.	• Monitor of processes and performance. • New development strategy with local focus. • New investment policy and financial regulations. • Regular audit of schemes. • Robust business plan. • Sensitivity analysis and mitigating actions. • Periodic stress testing of business plan. • New development strategy and investment policy approved by the Board of Management.
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 JVs.	• Commission consultants and legal advice to ensure all new JVs are set up in the best possible way and risks and rewards are aligned. • Strengthened the Everlea Board and defined its ToR. • Full Board oversight of Everlea's activities. • JV training to the Everlea Board by both financial and legal advisors.

Strategic Risk	Mitigations
Purpose work is not robust and leads to poor decisions around future strategic direction.	• Board led and regular item on Board agenda. • Positive engagement with partners. • Iceni Projects appointed. • Project Plan agreed. • Project Review meeting. • Purpose Working Group. • Terms of reference for purpose group to be reviewed.
Coronavirus (COVID-19)	• Regular government updates and guidance discussed and followed by the Executive. • Board meeting to discuss impact – 9 April 2020. • Additional stress tests undertaken and an increase in cash liquidity. • Change in working practices to protect customers and staff. • Increased levels of staff engagement to help staff through these challenging times. • Increased number of business continuity meetings and action being put into place, e.g. designate quarantine room, increased cleaning, divide key staff into separate teams, issue further communications to teams. • Creation of Covid-19 risk register.

ARC 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

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. The internal auditor's report directly to ARC has concluded that the Group's system of internal controls are effective and the control environment throughout the year was satisfactory; therefore, no weaknesses were found in controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial accounts.

External Audit

The financial statements for the year ended 31 March 2020 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 ARC.

Fraud

During the year, no incidents of actual or attempted fraud were recorded in the Fraud Register. The Whistleblowing Policy, Anti-Fraud Policy, Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy were reviewed by the Board during 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 ability to repay all debt in accordance with contractual commitments. 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 2019, 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.

> "I now have a perfect home for myself, my partner and our two young babies to live. The house itself is beautiful. It came with absolutely everything you could have asked for, and more. I only had to furnish it. I know many other housing associations do not do this. I am forever thankful to B3Living and their team.
>
> **B3Living customer, new shared owner in Waltham Cross**

Independent auditor's report to the members of B3 Living Limited

Our opinion is unmodified

We have audited the financial statements of B3 Living Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2020 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Equity, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's surplus and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

We were first appointed as auditor of B3 Living Limited by the Board for the period ending 31 March 2007. The period of total uninterrupted engagement for the Group is for 14 financial years ending 31 March 2020. 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.

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.

Key Audit Matters

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

1. Financial Performance, Treasury Management and Loan Covenants

The risk – significant risk high value

The Group posted a full year surplus of £17.4m before actuarial gains on pension schemes (refer to pages 74 (accounting policies) and page 67 (financial disclosures). At 31 March 2020 the Group had borrowings of £160m (refer to pages 79 (accounting policies) and page 102 (financial disclosures).

Our response

Our procedures included the following:

- **Assessment of recoverability:** Reviewed the Group and Association's 2020/21 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 2020 and projected future performance.

Our results

Our audit work concluded that all loan covenants were comfortably met at 31 March 2020. Forecast performance at 31 March 2021 shows a similar position, with gearing and interest cover forecast to be 50% and 221% 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 £13.6m (2019: £18.5m). Refer to pages 74-76 (accounting policies) and pages 95-96 (financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Test of detail:** We agreed a sample of development additions in the year to invoice or certificate.
- **Test of detail:** We reviewed and agreed workings for capitalised interest in the year. This included a review of the Association's weighted average interest rate applied versus the actual paid for its borrowing and to ensure that capitalisation of interest ends when a development reaches practical completion.
- **Test of detail:** We reviewed the Association's policy on overhead capitalisation and that the costs directly related to the development programme. We note that the majority of costs in this regard are the salaries of the development team.
- **Test of detail:** We reviewed amounts capitalised in our sample testing 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.

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 £6.7m (2019: £7.8m). Other property sales (such as staircasing, RTB and asset disposals) generated a further surplus of £502k (2019: £912k). At 31 March 2020, the balance of work in progress relating to completed unsold properties was £1.0m (2019: £1.0m), with a further £5.3m (2019: £8.3m) of work in progress relating to properties under construction.

Refer to page 74 (accounting policies) and pages 84-85 (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 over 50% of the balance (by value) of the Group's stock of properties for sale had been sold post-year end, 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.

4. Accounting Treatment of Joint Ventures – Group, parent Association and subsidiary risk

The risk – significant risk medium value

At 31 March 2019 the Group had investments in two joint ventures, in Wheat Quarter Limited and Farnham Road LLP, via its subsidiary company Everlea Homes Limited. Both joint ventures relate to property development and are dependent upon the satisfactory completion of the agreed projects.

During 2019/20 the Group disposed of its interest in Wheat Quarter Limited. The significant transactions and balances in the 2019/20 financial statements in relation to the Group's joint ventures include:

- Investment in joint venture: £949k (2019 £3,533k)
- Share of surplus from joint venture including profit on disposal of Wheat Quarter Limited: £8,193k (2019 deficit £206k)
- Long-term debtor, loan notes from sale of Wheat Quarter Limited: £5,500k (2019: nil)
- Group's share of impairment of Farnham Road LLP: £1,771k (2019: £nil)

Refer to page 80 (accounting policy) and pages 99-101(financial disclosures).

Our response

Our procedures included the following tests of detail:

- **Wheat Quarter:** We reviewed the calculation of the profit on disposal and the narrative disclosures of the transaction within the accounts, and obtained audit evidence as to recoverability of the debt;
- **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 the calculation of the impairment charge in the year, and considered the justification of these amounts and the adequacy of disclosures in relation to the arrangement.

Our results

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

5. COVID 19 and going concern

The risk – significant risk high value

During the year ended 31 March 2020, COVID-19 had a significant impact on the UK economy and on the activities of housing associations. As auditors we are required to consider the impact of COVID-19 on the financial outlook for the Group, and on the accounting treatments and disclosures within the financial statements.

Refer to pages 79-80 (accounting policy) and pages 99-101 (financial disclosures).

Our response

During the audit we have had active and on-going discussions with management around the Group's response to the virus. Our procedures included the following:

- **Test of detail:** We have reviewed the Group's internal assessment of the implications of COVID-19, and a range of management information relating to actual and forecast performance after the year end.
- **Test of detail:** We have reviewed the Group's long-term financial plans, revised in the light of COVID-19, and the stress testing of those plans and considered the potential impact on the financial statements, as well as on the Group's financial viability into the foreseeable future and its status as a going concern.

Our results

We identified a number of areas where COVID-19 the resulting impact on the economy could impact significantly on the Group. Based on the audit testing we performed, our conclusions are as follows:

- **Impairment:** We have discussed with management their opinion that there was no impairment of the Group's housing stock or work in progress at the year end. We reviewed the Group's own impairment review as at 31 March 2020. We are satisfied with management's view that there is no further impairment required at that date
- **Sales risk and exposure to the property market:** As set out previously in this report, we obtained sufficient audit evidence to form our opinion that the Group's exposure to the property sales market does not create a significant risk to the going concern status of the Group, and that the year end balance of stock and work in progress is not materiality overstated.
- **Investment properties:** Investment properties have a net book value of £4,721k, including a downward revaluation movement of £35k in the year and commercial property additions of £1,526k. The properties are required to be held at fair value in the financial statements. The properties were independently valued as of 31 March 2020. Investment properties would have to decrease in value by 44.4% to have a material effect on the Statement of Financial Position. Downward valuations of investment properties do not have an impact on loan covenants impacting the Statement of Comprehensive Income. We are therefore satisfied that whilst there is some uncertainty in relation to the value of investment properties due to the current economic conditions, this does not impact on the truth and fairness of the financial statements.
- **Pension scheme valuation:** We confirmed that the assumptions used in the calculation of the balances in the financial statements are within reasonable parameters and are in line with the recommendations of the schemes' actuaries. We are satisfied that whilst there is some uncertainty in relation to the pension scheme valuation due to the current economic conditions, this does not impact on the truth and fairness of the financial statements.
- **Rent losses from voids and bad debts:** The Group has adopted a more prudent approach to calculating the rent arrears bad debt provision, increasing the proportion of individual tenant account balances that are provided by 45%. If the previous provisioning methodology was adopted, the provision at 31 March 2020 would reduce by £464k. In April and May 2020 the Group's income collection performance has not changed significantly from its position at the year end, however the Group has seen a marked increase in void properties which is assumed by management to be a temporary issue due to lettings to new tenants being restricted in the second half of March 2020.

Taking the above points into account, we are therefore satisfied with management's assessment that the Group will remain a going concern.

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

The materiality for the audit of the Group, regarding the Statement of Financial Position, for the year ended 31 March 2020 was £2,377k (2019: £1,787k) determined with reference to the average of the following benchmarks:

- 1% of turnover
- 5% of result before tax
- 4% of net assets
- 1% of gross assets

Materiality for the audit of the Statement of Comprehensive Income is an average of the first two benchmarks only at £609k (2019: £563k).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £66k (2019: £89k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the Report of the Board including Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Report of the Board including Strategic Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept adequate accounting records; or
- the Association's financial statements are not in agreement with accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 54, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Board and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout out team and remained alert to any indications of non-compliance throughout the audit.

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.

Use of our Report

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

Beever and Struthers

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

Date: 15 September 2020

Financial statements

Statement of comprehensive income

for the year ended 31 March 2020

		Group		Association	
	Note	March 2020	March 2019	March 2020	March 2019
		£'000	£'000	£'000	£'000
Turnover	3	34,561	34,664	34,561	34,664
Cost of sales	3	(4,725)	(4,865)	(4,725)	(4,865)
Operating expenditure	3	(16,085)	(14,261)	(16,057)	(14,250)
Gains on disposal of housing properties	3	502	912	502	912
Operating surplus	5	**14,253**	**16,450**	**14,281**	**16,461**
Share of surplus from joint ventures		8,193	(206)	-	1,968
Interest receivable	6	771	346	447	460
Interest and financing costs	7	(5,751)	(5,315)	(5,751)	(5,315)
Decrease in valuation of investment properties	10c	(35)	(10)	(35)	(10)
Surplus before tax		**17,431**	**11,265**	**8,942**	**13,564**
Taxation		1	(2)	-	-
Surplus/(deficit) for the year		**17,432**	**11,263**	**8,942**	**13,564**
Initial recognition of multi-employer defined benefit scheme	27	-	(407)	-	(407)
Actuarial (losses)/gains in respect of pension schemes	27	2,037	(611)	2,037	(611)
Comprehensive income for the year		**19,469**	**10,245**	**10,979**	**12,546**

The financial statements on pages 69 to 72 were approved and authorised for issue by the Board on 15 September 2020 and were signed on its behalf by:

A. Shearman

Anne Shearman
Chair of Board

Christopher Fawcett
Board Member

Steve Woodcock
Chief Executive

Claire Howe

Claire Howe
Company Secretary

The notes on pages 73 to 124 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 2020

		Group		Association	
	Note	March 2020	March 2019	March 2020	March 2019
Fixed Assets		**£'000**	**£'000**	**£'000**	**£'000**
Housing Properties at costs	10a	217,861	204,630	217,679	204,630
Other Fixed Assets	10b	4,070	3,458	4,070	3,458
Investment properties	10c	4,721	3,230	4,721	3,230
Investment in subsidiaries	10d	-	-	-	-
Investment in Joint Ventures	10e	949	3,533	-	-
Tangible fixed Assets		**227,601**	**214,851**	**226,470**	**211,318**
Current assets					
Stock	11	6,335	10,586	6,323	10,586
Trade and other debtors	12	10,211	6,798	4,199	11,715
Agreement to improve existing properties	25	1,622	5,427	1,622	5,427
Cash and cash equivalents	13	13,696	5,472	13,188	5,432
		31,864	**28,283**	**25,332**	**33,160**
Less: Creditors: amounts falling due within one year	14	(8,232)	(7,559)	(7,695)	(7,539)
Net current assets		23,633	20,724	17,637	25,621
Total assets less current liabilities		**251,233**	**235,575**	**244,107**	**236,939**
Creditors: amounts falling due after more than one year	15	(177,816)	(175,677)	(177,816)	(175,677)
Provisions for liabilities					
Agreement to improve existing properties	25	(1,622)	(5,427)	(1,622)	(5,427)
Pension provision	29	(1,620)	(3,694)	(1,620)	(3,694)
Other provision	30	(246)	(317)	(246)	(317)
		(3,488)	(9,438)	(3,488)	(9,438)
Total net assets		**69,929**	**50,460**	**62,803**	**51,824**
Reserves					
Non-equity share capital	26	-	-	-	-
Income and expenditure reserve		69,929	50,460	62,803	51,824
Total reserves		**69,929**	**50,460**	**62,803**	**51,824**

The financial statements on pages 69 to 72 were approved and authorised for issue by the Board on 15 September 2020 and were signed on its behalf by:

A. Shearman   Christopher Fawcett   Steve Woodcock   Claire Howe

Anne Shearman Chair of Board
Christopher Fawcett Board Member
Steve Woodcock Chief Executive
Claire Howe Company Secretary

The notes on pages 73 to 124 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 2020

	Group		Association	
	Share capital*	Restated income & expenditure	Share capital*	Restated income & expenditure
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2018	-	40,212	-	39,278
Surplus for the year	-	11,266	-	13,564
Initial recognition of multi-employer defined benefit scheme	-	(407)	-	(407)
Actuarial (losses)/gains in respect of pension schemes	-	(611)	-	(611)
Balance as at 1 April 2019	**-**	**50,460**	**-**	**51,824**
Surplus for the year	-	**17,432**	-	8,942
Actuarial gains in respect of pension schemes	-	**2,037**	-	2,037
Balance as at 1 April 2020	**-**	**69,929**	**-**	**62,803**

*The Group and Association have issued share capital of £9 (2019: £9). The Group and Association had equity at the reporting date of £69,929k (2019: £50,460k) and £62,803k (2019: £51,824k) respectively.

The notes on pages 73 to 124 form an integral part of the financial statements.

Consolidated statement of cashflows

for the year ended 31 March 2020

	March 2020	March 2019
	£'000	**£'000**
Net cash generated from operating activities (see note 21)	**19,949**	**14,978**
Cash flow from investing activities		
Purchase of tangible fixed assets (social housing)	(17,732)	(22,700)
Purchase of other fixed assets	(777)	(901)
Purchase of other investment properties	(1,526)	-
Proceeds from sale of tangible fixed assets	3,320	4,922
Grants received	2,317	2,006
Investments in JVs	10,777	-
Investment income received	328	7
	(3,294)	**(16,666)**
Taxation	-	(2)
Cash flow from financing activities		
Interest paid	(6,431)	(6,095)
New secured loans	10,000	12,000
Repayments of borrowings	(12,000)	-
	(8,431)	**5,905**
Net change in cash and cash equivalents	**8,224**	**4,215**
Cash and cash equivalents at beginning of the year	5,472	1,257
Cash and cash equivalents at end of the year	13,696	5,472
	8,224	**4,215**

The notes on pages 73 to 124 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 so as to obtain benefits from its activities.

The financial statements have been prepared using the line by line consolidation for subsidiaries and equity method for joint ventures entities as appropriate. Group entities are detailed within note 28 to the financial statements. The results of joint ventures have been incorporated into the consolidated financial statements, 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

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 not to disclose the details of related party transactions with wholly owned subsidiaries.

2. (a) Principal accounting policies (continued)

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 operates a VAT shelter arrangement, which was agreed in 2006 with HM Revenue and Customs. This facilitates 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 are reimbursed to the Borough of Broxbourne.

A second VAT shelter was agreed in 2013 and relates to the refurbishment of properties acquired from London Borough of Haringey. 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 ixed 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 re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Housing properties

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

Any subsequent major repairs or capital expenditure to existing properties, which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are derecognised from housing assets. Economic benefits are enhanced if 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 then 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.

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 & fittings	10
Plant & equipment	10
Computers & 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 Statement of Comprehensive Income where 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.

Donated land

Donated land from government sources, such as local authorities, is included in cost at the valuation on donation that 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 the 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 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 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 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 actuary 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 2020 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 is recognised in the Statement of Comprehensive Income.

Supported housing managed by agencies

Income and expenditure in respect of supported housing projects depends 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.

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.

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

Basic financial instruments:

Cash and cash equivalents

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

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

Trade debtors, other debtors, trade creditors and other creditors

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

The carrying values for rent debtors have has 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 is it ceases to be a normal trading transaction, for example, if 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 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 transactions costs. Subsequent to initial recognition, bond issues and housing loans are stated at 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 and 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 amortised cost less transaction costs using an effective interest rate.

Other financial instruments:

Other financial instruments are financial instruments not meeting the definition of basic financial instruments in FRS 102 section 11 are recognised initially at transaction price less transaction costs. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised through the statement of comprehensive income. At the reporting date all of the Association's financial assets and financial liabilities met the definition of basic financial instruments under FRS 102 section 11.

Loan finance issue costs

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

Corporation taxation

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

The subsidiaries sometimes elect to gift aid to the charitable parent and 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 Borough of Broxbourne (BoB), proceeds from right to buy and low-cost home ownership staircasing sales are shared with BoB. On completion of a right to buy or relevant low-cost home ownership sale contract, only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

Agreements to improve existing properties

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

Joint arrangements that are not entities

The Association is party to a joint arrangement with a development partner. The joint arrangement is for the sharing of risks, income and development costs incurred in regard to a development of a scheme. Under FRS 102, where the Association is party to a joint arrangement which is not an entity, the Association's financial statements should reflect directly 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 development of properties with development partners such as private developers or a local authority, that is subject to joint control with these third parties. These 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 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 Maker (CODM) has been identified as the Executive Directors.

The Executive Directors have identified the operating segments as General Needs, Sheltered Housing, Low Cost Home Ownership and other, reflecting the way in which the organisation is operated and managed. As the Group has no activities outside of the UK, segment reporting is not required by geographical region.

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

Low cost home ownership 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.

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

The preparation of the financial statements requires the 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 that 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, 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 be aborted, the costs relating to that project are expensed within the Statement of Comprehensive Income.

Determining whether an impairment review is required (note 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 is the expected cash flows and returns that are expected to accrue from the joint venture. Where the recoverable amount is lower the joint venture is carried at cost less impairment.

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

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

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

Financial instruments that do not meet the definition of being basic under FRS 102 have to be measured at fair value using a hierarchy of estimates which prioritises quoted prices in an active market, then recent transactions of identical assets and finally the use of valuation techniques. In applying this hierarchy, management have to apply a significant amount of judgement and, where available, 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 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 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 lives, which are determined by the length of time the individual component will be used before it is replaced. The management judges the economic lives of the components estimates 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, such as tangible housing asset, invest property and stock. The allocation of the cost of low cost home ownership schemes under construction between stock and housing properties is determined by looking at the predicted amount to be sold as a first tranche sale. This predicted amount is based on the likely demand for the scheme (see note 10a).

Investment properties fair value estimation

The independent valuer uses a valuation technique based on a discounted cash flow model to ascertain the fair value. The fair value of the investment property is sensitive to annual inflation rates, the level of rent increases, the estimated yield and long-term vacancy rates. The key assumptions used to determine the fair value of investment property are further explained (see note 10c).

Joint ventures impairment

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

The recoverable amount is the higher of the future cash flows and returns expected from the joint venture. The future cash flows and returns expected require management estimates of inflows of cash flows, out flows of cash, costs of completing the scheme, costs of exiting the joint venture and finance costs (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 costs. Estimated selling prices are based on estimates of similar properties in the same location and traded in an optimum market where demand and supply assumes perfect market conditions.

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

	Turnover	Cost of Sales	Operating expenditure	Operating surplus 2020	Operating surplus 2019
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 3c)	26,856	-	(15,446)	**11,410**	12,636
Other social housing activities:					
First tranche home ownership sales	6,666	(4,725)	-	**1,941**	2,921
Supporting people	99	-	(99)	**-**	-
Leaseholders	218	-	(256)	**(38)**	(106)
Development costs not capitalised	1	-	(61)	**(60)**	(124)
Community Services	-	-	(131)	**(131)**	(316)
Total other social housing activities	**33,840**	**(4,725)**	**(15,993)**	**13,122**	**15,011**
Activities other than social housing					
Commercial rent	78	-	(2)	**76**	72
Market rent	58	-	(7)	**51**	54
Other	585	-	(83)	**502**	401
Total non-social housing activities	**721**	**-**	**(92)**	**629**	**527**
Total	**34,561**	**(4,725)**	**(16,085)**	**13,751**	**15,538**
Gains on disposal of housing properties	**-**	**-**	**-**	**502**	**912**
Total	**34,561**	**(4,725)**	**(16,085)**	**14,253**	**16,450**

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

	Turnover	Cost of Sales	Operating expenditure	Operating surplus 2020	Operating surplus 2019
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 3b)	26,856	-	(15,443)	**11,413**	12,636
Other social housing activities:					
First tranche home ownership sales	6,666	(4,725)	-	**1,941**	2,921
Supporting people	99	-	(99)	**-**	-
Leaseholders	218	**-**	(256)	**(38)**	(106)
Development costs not capitalised	1	-	(119)	**(118)**	(124)
Resident Involvement	-	-	(131)	**(131)**	(316)
Total social housing activities	**33,840**	**(4,725)**	**(16,048)**	**13,067**	**15,011**
Activities other than social housing					
Commercial rent	78	-	(2)	**76**	72
Market rent	58	-	(7)	**51**	54
Other	585	-	-	**585**	412
Total non-social housing activities	**721**	**-**	**(9)**	**712**	**538**
	34,561	**(4,725)**	**(16,057)**	**13,779**	**15,549**
Gains on disposal of property, plant and equipment	**-**	**-**	**-**	**502**	**912**
Operating surplus	**34,561**	**(4,725)**	**(16,057)**	**14,281**	**16,461**

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

Particulars of income and expenditure	General Housing	Sheltered Housing	Low cost Home ownership	Total 2020	Restated Total 2019
	£'000	£'000	£'000	£'000	£'000
Income					
Rent receivable net of identifiable service charge	23,228	1,597	956	**25,781**	25,060
Service charge income	442	458	-	**900**	819
Net rental income	**23,670**	**2,055**	**956**	**26,681**	**25,879**
Amortised government grants	170	-	5	**175**	130
Turnover	**23,840**	**2,055**	**961**	**26,856**	**26,009**
Operating expenditure					
Management Costs	(2,676)	(803)	(134)	**(3,613)**	(3,488)
Service charge costs	(1,007)	(359)	(49)	**(1,415)**	(1,546)
Responsive	(4,184)	(325)	-	**(4,509)**	(3,557)
Planned cyclical maintenance	(1,284)	(98)	-	**(1,382)**	(1,211)
Bad debts	(565)	(6)	-	**(571)**	(126)
Depreciation	(3,533)	(285)	-	**(3,818)**	(3,269)
Other costs	(131)	(3)	(4)	**(138)**	(176)
Operating expenditure	**(13,380)**	**(1,879)**	**(174)**	**(15,446)**	**(13,373)**
Operating surplus	**10,460**	**176**	**774**	**11,410**	**12,636**
Prior period operating surplus on social housing lettings	11,881	243	510	12,636	-
Voids	**(261)**	**(112)**	**-**	**(373)**	**(273)**

3. (d) Group segmental reporting

Particulars of income and expenditure Group and Association	General Housing	Sheltered Housing	Low cost Home ownership	Other	Total 2020	Restated Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of service charges	23,228	1,597	956	-	**25,781**	25,060
Service charge income	442	458	-	-	**900**	819
Net rental income	**23,670**	**2,055**	**956**	**-**	**26,681**	**25,879**
Amortised government grants	170	-	5	-	**175**	130
Commercial rent	-	-	-	79	**79**	84
Market rent	-	-	-	58	**58**	61
Management fees	-	-	-	585	**585**	436
Supporting people income	-	-	-	99	**99**	95
Leaseholders	-	-	-	218	**218**	193
First tranche home ownership sales	-	-	6,666	-	**6,666**	7,786
Turnover	**23,840**	**2,055**	**7,627**	**1,039**	**34,561**	**34,664**
Operating expenditure						
Cost of Sales - Stock	-	-	(4,725)	-	**(4,725)**	(4,865)
Management Costs	(2,676)	(803)	(134)	(82)	**(3,695)**	(3,505)
Service charge costs	(1,007)	(359)	(49)	-	**(1,415)**	(1,546)
Responsive	(4,184)	(325)	-	-	**(4,509)**	(3,556)
Planned cyclical maintenance	(1,284)	(98)	-	-	**(1,382)**	(1,211)
Bad debts	(565)	(6)	-	-	**(571)**	(126)
Depreciation	(3,533)	(285)	-	-	**(3,818)**	(3,269)
Supporting people costs	-	-	-	(99)	**(99)**	(95)
Development costs not capitalised	-	-	-	(61)	**(61)**	(124)
Other costs	(131)	(3)	(4)	(396)	**(534)**	(828)
Operating expenditure	**(13,380)**	**(1,879)**	**(4,912)**	**(638)**	**(20,810)**	**(19,126)**
Gains on disposal of housing properties	423	-	79	-	**502**	912
Segmental Operating Surplus	**10,883**	**176**	**2,794**	**401**	**14,253**	**16,449**
Share of operating surplus of joint ventures	**-**	**-**	**-**	8,193	**8,193**	(206)
Interest receivable	-	-	-	771	**771**	346
Interest and financing costs	(4,626)	(402)	(723)	-	**(5,751)**	(5,315)
Increase/(decrease) in valuation of investment	-	-	-	(35)	**(35)**	(10)
Operating surplus	**6,257**	**(226)**	**2,070**	**9,330**	**17,431**	**11,264**
Social housing properties	175,240	15,214	27,407	-	**217,861**	204,630
Other fixed assets	3,204	278	501	86	**4,070**	3,458
Investment properties	-	-	-	4,721	**4,721**	3,230
Investment in subsidiaries	-	-	-	-	**-**	-
Investment in Joint Ventures	-	-	-	949	**949**	3,533
	178,444	**15,492**	**27,908**	**5,756**	**227,601**	**214,851**

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 were as follows:

	At start of period	Units acquired or developed	Units sold / demolished	Other move-ments	Period to 31 March 2020
Social housing units					
General Needs	2,716	5	(69)	(4)	2,648
Affordable rental tenure	802	31	-	7	840
Supported Housing	289	-	(3)	(1)	285
Intermediate Rent	6	-	-	(1)	5
Social - Managed by others	49	-	-	-	49
Low Cost Home Ownership	250	31	-	(2)	279
Total social housing units owned and /or managed	**4,112**	**67**	**(72)**	**(1)**	**4,106**
Leaseholders (social managed)	631	-	-	(1)	630
Leaseholders (non-social)	103	-	-	-	103
Leased to others - Associations	55	-	-	1	56
Total units	**4,901**	**67**	**(72)**	**(1)**	**4,895**
Market rented	4	-	-	-	4
Total	**4,905**	**67**	**(72)**	**(1)**	**4,899**

4. Gains on disposals of property, plant and equipment

	March 2020	March 2019
	£'000	£'000
Right to buy and acquire		
Proceeds	1,686	2,835
Cost of sales	(1,323)	(2,597)
Total surplus	**363**	**238**
Staircasing		
Proceeds	88	571
Cost of sales	(9)	(525)
Total surplus	**79**	**46**
Other Disposals		
Proceeds	1,546	1,152
Cost of sales	(1,486)	(524)
Total surplus	**60**	**628**
Total surplus	**502**	**912**

5. Operating surplus

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Operating surplus (all relating to continuing activities- included within operating costs) is stated after charging/(crediting):				
Auditors' remuneration (excluding VAT):				
In their capacity as auditors	47	31	39	29
Operating lease payments	214	265	214	265
Depreciation:				
Tangible Fixed Assets - housing properties	3,818	3,269	3,818	3,269
Accelerated depreciation on component	166	96	166	96
Other fixed assets	312	134	312	134
Amortisation of grant funding	(175)	(130)	(175)	(130)
Surplus on sale of fixed assets	502	912	502	912

6. Interest receivable and similar income

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Interest receivable and similar income	771	346	446	460

7. Interest and financing costs

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than five years	6,212	6,224	6,212	6,224
Costs associated with financing	312	249	312	249
On recycled capital grant fund and disposable proceeds funds	-	-	-	-
Less: Interest capitalised***	(860)	(1,242)	(860)	(1,242)
	5,664	**5,231**	**5,664**	**5,231**
Interest on pension scheme liabilities	-	467	-	467
Expected return on employer assets	87	(383)	87	(383)
	87	**84**	**87**	**84**
Total Interest payable and similar charges	**5,751**	**5,315**	**5,751**	**5,315**

***The weighted average interest on borrowing of 3.9% (2019: 3.79%) was used for calculating capitalised interest.

8. Tax on surplus

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
(a) Analysis of tax charge in year				
UK corporation tax on surplus	1	**(2)**	-	-
(b) Factors affecting tax charge for the year				
Surplus before tax	**17,431**	**11,268**	**8,942**	**13,564**
Surplus multiplied by corporation tax rate in the UK of 19% (2018: 19%)	3,312	2,141	1,699	2,577
Effects of:				
Non-taxable charitable activities	(3,311)	(2,143)	(1,699)	(2,577)
Total tax charge	**1**	**(2)**	**-**	**-**

9. (a) Employee Information

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

	Group and Association	
	2020	2019
	No.	No.
Executive Team	5	4
Development and Sales	9	11
Finance	8	14
Corporate Services	19	12
Service Delivery	106	132
	147	173

Employee costs:	Group and Association	
	2020	2019
	£'000	£'000
Wages and salaries	4,956	4,679
Social security costs	496	455
Other pension costs	604	605
Termination payment	63	325
Less: Capitalised salaries	(1,091)	(1,007)
	5,028	5,057

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	
	2020	2019
	£'000	£'000
£60,000 to £70,000	2	5
£70,000 to £80,000	1	1
£80,000 to £90,000	1	1
£90,000 to £100,000	1	-
£100,000 to £130,000	2	-
£130,000 to £140,000	1	1
£150,000 to £160,000	1	-
£210,000 to £220,000*	-	1
	9	9

*In the previous year this includes loss of office £98k for an Executive Director.

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 £649k (2019: £537k).

	Group and Association	
	2020	2019
	£'000	£'000
Wages and salaries	537	363
Expense allowances	-	-
Pension contributions	63	37
Termination benefits*	-	98
	600	498

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

Non-executive Board member remuneration for the year ended 31 March 2020

		Group and Association	
Non-executive Board Member		**2020**	**2019**
		£'000	**£'000**
Anne Shearman	Chair	9	7
Sandra Royer	Chair (resigned 18 September 2018)	-	4
Chris Fawcett	Vice chair	6	6
Chris Herbert		4	4
Mark Davies	(Deceased)	4	5
Jaine Cresser		3	1
David Biggs		6	3
Nicci Statham		4	2
Rosalind Rowe		4	1
Trudi Kleanthous		4	1
Paul Tyrrell		5	1
Karen Forbes-Jackson	Resigned 18 September 2018	-	1
Rebecca Lewis	Appointed December 2019	1	-
Michael Dempsey	Resigned 10 September 2019	-	2
Steve Nunn	Appointed January 2020	1	-
		51	**39**

Remuneration payable to the highest paid director in relation to the period of account amounted to £137,000 (2019: £196,000 including loss of office £98,000) excluding pension contributions. In the prior year, the highest paid Executive Director was previous Director of Development & Asset Management.

Steve Woodcock is the Chief Executive of B3Living Group. He received remuneration for the year ending 31 March 2020 totalling £137,000 (2019; £11,000).

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

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

	Completed Social housing properties held for letting	Social housing properties under construction	Shared ownership properties under construction	Completed Shared ownership housing properties	Total 2020
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	187,439	13,345	8,915	15,515	**225,214**
Additions during year	-	11,265	2,348	-	**13,613**
Improvements	2,985			-	**2,985**
Interest capitalised	-	505	354	-	**859**
Schemes completed in year	7,995	(7,995)	(4,764)	4,764	**-**
Assets held for sale	-	-		71	**71**
Transfers	(982)	730	252	-	**-**
Disposals	(354)	-	-	(6)	**(360)**
Component Disposals	(303)	-	-	-	**(303)**
At 31 March 2020	**196,780**	**17,850**	**7,105**	**20,344**	**242,079**
Depreciation & impairment					
At 1 April 2019	**(20,584)**	-	-	-	**(20,584)**
Charged in year	(3,818)	-	-	-	**(3,818)**
Transfers	-	-	-	-	**-**
Component Disposals	119	-	-	-	**119**
Disposals	65	-	-	-	**65**
At 31 March 2020	**(24,218)**	**-**	**-**	**-**	**(24,218)**
Net book value					
At 31 March 2020	172,562	17,850	7,105	20,344	217,861
At 31 March 2020	166,855	13,345	8,915	15,515	204,630

Additions to the Group's housing properties during the year include capitalised interest of £859k (2019: £1,241k) and capitalised administration costs of £468k (2019: £561k).

Existing Use Value - Social Housing

As at 31 March 2020 the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) is £329m (2019: £310m). The carrying amount of these social housing properties is £322m (2019: £303m). The EUV-SH valuation includes £7.5m (2019: £7.0m) for garages.

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

Expenditure on works to existing properties	**2020**	**2019**
	£'000	**£'000**
Amounts capitalised	2,985	**4,155**
Amounts charged to income and expenditure account	5,933	4,784
Total	**8,918**	**8,939**

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

	Completed Social housing properties held for letting	Social housing properties under construction	Shared ownership properties under construction	Completed Shared ownership housing properties	Total 2020
	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	187,439	13,345	8,915	15,515	225,214
Additions during year	-	11,107	2,324	-	**13,431**
Improvements	2,985			-	**2,985**
Interest capitalised	-	505	354	-	**859**
Schemes completed in year	7,995	(7,995)	(4,764)	4,764	**-**
Assets held for sale	-	-		71	**71**
Transfers	(982)	730	252	-	**-**
Disposals	(354)	-	-	(7)	**(360)**
Component Disposals	(303)	-	-	(8)	**(303)**
At 31 March 2020	**196,780**	**17,692**	**7,081**	**20,344**	**241,897**
Depreciation & impairment					
At 1 April 2019	**(20,584)**	-	-	-	**(20,584)**
Charged in year	**(3,818)**	-	-	-	**(3,818)**
Transfers	-	-	-	-	**-**
Component Disposals	119	-	-	-	**119**
Disposals	65	-	-	-	**65**
At 31 March 2020	(24,218)	-	-	-	**(24,218)**
Net book value					
At 31 March 2020	172,562	17,692	7,081	20,344	217,669
	166,855	13,345	8,915	15,515	204,630

Additions to the Association's housing properties during the year include capitalised interest of £859k (2019: £1,241k) and capitalised administration costs of £468k (2019: £561k).

Existing Use Value - Social Housing

As at 31 March 2020 the valuation for social housing properties on an Existing Use Value - Social Housing (EUV-SH) is £329m (2019: £310m). The carrying amount of these social housing properties is £322m (2019: £303m). The EUV-SH valuation includes £7.5m (2019: £7.0m) for garages.

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

Expenditure on works to existing properties	2020	2019
	£'000	£'000
Amounts capitalised	2,985	**4,155**
Amounts charged to income and expenditure account	5,933	4,784
Total	**8,918**	**8,939**

10. (b) Tangible fixed assets – other fixed assets

						Group and Association	
	Leasehold Offices	Freehold Offices	Furniture, Fixtures & Fittings	IT & Office Equipment	Motor vehicles	Plant & Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	**63**	**2,652**	**318**	**3,498**	**95**	**141**	**6,767**
Additions during year	-	-	-	924	-	-	**924**
Disposals	(63)	-	-	(2,311)	(35)	(91)	**(2,500)**
At 31 March 2020	**-**	**2,652**	**318**	**2,111**	**60**	**50**	**5,191**
Depreciation & impairment							
At 1 April 2019	(63)	(176)	(301)	(2,573)	(79)	(117)	**(3,309)**
Charged in year	-	(44)	(5)	(246)	(12)	(5)	**(312)**
Disposals	63	-	-	2,311	35	91	**2,500**
At 31 March 2020	**-**	**(220)**	**(306)**	**(508)**	**(56)**	**(31)**	**(1,121)**
Net book value							
At 31 March 2020	**-**	**2,432**	**12**	**1,602**	**4**	**19**	**4,069**
At 31 March 2019	**-**	**2,476**	**17**	**925**	**16**	**24**	**3,458**

10. (c) Group and Association tangible fixed assets – investment properties

	Market Rented properties completed	Commercial property	Total
	£'000	£'000	£'000
At 1 April 2019	1,630	1,600	3,230
Additions during year	-	1,526	1,526
Completed during the year	-	-	-
Disposals	-	-	-
Fair value movements	(35)	-	(35)
At 31 March 2020	**1,595**	**3,126**	**4,721**

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 of loss of £35k (2019: £10k) 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 first, on identification of transactional evidence in the market, that is the sales and lettings; second, an interpretation of that evidence; and third, an application of that evidence, with suitable adjustment per the valuer's judgement, in the valuation of the property.

Commercial properties

Investment properties were valued at 31 March 2020 by Paul Wallace which is a professionally-qualified local independent valuer. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

In valuing the properties, the following significant assumptions were used:

Discount rate	7%
Annual inflation rate	1%

Level of long-term rent increase

Rent increases relate solely to market value. There is an indication that office rents are increasing slightly in the foreseeable future but as yet firm evidence does not exist.

As at 31 March 2020 and 31 March 2019 there were neither restrictions on the realisability of investment property income nor on the contractual obligations relating to purchase, construction, development, repair or maintenance of investment properties.

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:

	2020	2019
	£	£
Everlea Homes Limited	2	2
B3 Living Development Limited	2	2
	4	4

10. (e) Investments in joint ventures

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

Both joint ventures are not regulated by the Regulator of Social Housing. The Group and Association own 50% of the net assets in both joint ventures and do not control the strategic direction of the company but have joint influence in appointing directors for the company. The joint ventures have been accounted as investments in the subsidiaries and have been accounted under equity method in the consolidated accounts.

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

Joint Venture Entity	Partner(s)	Group Interest /Voting Rights	Nature of Business
Wheat Quarter Ltd*	Fooks Property Company and Plutus Estates	50% owned by Everlea Homes Ltd	Develops and sell properties
Farnham Road LLP	Bellis Homes Ltd	-	Develops and sell properties

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

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

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
Share of turnover	11,002	(206)	-	1,968
Share of cost of sales	(1,038)	-	-	-
Impairment	(1,771)	-	-	-
Share of operating surplus for the year	8,193	**(206)**	-	**1,968**
Share JV of net assets				
At start of the year	**3,533**	-	-	-
Additions	-	2,812	-	-
Share of retained surplus	-	721	-	-
Impairment	(1,771)	-	-	-
Disposals	(813)	-	-	-
At end of the year	**949**	**3,533**	-	-

Analysis of investment by each joint venture

	Wheat Quarter Ltd	Farnham Road LLP	Total 2020	Total 2019
	£'000	£'000	£'000	£'000
At 1 April	920	**2,613**	3,533	3,605
Additions	-	107	107	2,811
Impairment	-	(1,771)	(1,771)	-
Disposals	(920)	-	(920)	(2,883)
At 31 March	**-**	**949**	**949**	**3,533**

Due to Covid-19 which has led to some delays on construction the Group has taken a prudent view and has impaired the investment in the joint venture in Farnham Road LLP as the expected returns from the joint venture are not anticipated to materialise mainly because of reduction is property sales prices and increase in both development costs to complete the scheme and finance costs. The impairment charge from Farnham Road LLP has been disclosed under share of the joint venture in the SOCI.

Joint venture as a business strategy remain profitable to the Group as evidenced by the surpluses from the disposal of its interest in Wheat Quarter Limited. The Joint venture activities are undertaken by the subsidiary Everlea to insulate the social housing assets from commercial activities.

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

Analysis of share of profits by joint venture - Group

	Wheat Quarter Ltd	Farnham Road LLP	Total	Total
	£'000	£'000	£'000	£'000
Share of Turnover	11,002	-	11,002	2,677
Cost of sales	(1,038)	-	(1,038)	(2,883)
Impairment	-	(1,771)	(1,771)	-
At 31 March	**9,964**	**(1,771)**	**8,193**	**(206)**

Analysis of share of profits by joint venture - Association

	Wheat Quarter Ltd	Farnham Road LLP	Total	Total
	£'000	£'000	£'000	£'000
Share of Turnover	-	-	-	1,968
Cost of sales	-	-	-	-
Impairment	-	-	-	-
At 31 March	**-**	**-**	**-**	**1,968**

11. Stock – Properties for sale

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Shared ownership – completed	1,023	1,004	1,023	1,004
Shared ownership – under construction	5,312	8,263	5,300	8,263
Land held for sale	-	1,319	-	1,319
	6,335	**10,586**	**6,323**	**10,586**

Stock recognised in cost of sales as an expense was £4,725k (2019: £4,865k). An impairment charge of £nil (2019: £165k) has been recognised during the year. None of the stock is pledged as collateral against borrowing by the Group and Association (2019: £nil).

During the prior year, the Group and Association changed the development intention on stock classified in the prior year as outright sales – under construction to first tranche sales. The change in intention did not lead to an impairment adjustment because the costs to completion are lower than the net realisable values of these homes.

12. Trade debtors and debtors

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Rent arrears	1,182	1,111	1,182	1,111
Less: provision for bad debts	(641)	(325)	(641)	(325)
	541	**786**	**541**	**786**
Prepayment and accrued income	2,194	681	2,188	610
Other debtors	758	571	613	571
Inter company debtors	-	-	857	311
	3,493	**2,038**	**4,199**	**2,278**
Long-term debtors				
Loan to subsidiary undertaking	-	-	-	4,677
Loan to joint arrangement	6,718	4,760	-	4,760
	10,211	**6,798**	**4,199**	**11,715**

On lending is to joint arrangements and this is secured against land. The interest on lending to joint arrangements is at market rates.

13. Cash and cash equivalents

	Group		Association	
	March 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Cash in hand and at bank	13,491	5,268	12,983	5,228
Cash held for leaseholders and low cost home ownership	205	204	205	204
	13,696	**5,472**	**13,188**	**5,432**

Of the £13,696k (2019: £5,472k) cash and cash equivalents, £205k (2019: £204k) is not available for general use. The unavailable cash is made up of the sinking fund for leaseholders' future major repairs £67k (2017: £67k) and Epping Council's share of the Open Market low cost home ownership units £137k (2019: £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 2020	March 2019	March 2020	March 2019
	£'000	£'000	£'000	£'000
Trade creditors	2,546	1,912	1,679	1,910
Rent and service charges received in advance	1,216	835	1,216	835
Taxation and social security	136	127	136	127
Accruals and deferred income	3,719	4,280	3,059	4,262
Deferred grants due to be released in 1 year (note 17)	177	180	177	180
Recycled grants due to be released in 1 year (note 17)	207	10	207	10
Inter company creditors	-	-	990	-
Other creditors	231	215	231	215
	8,232	**7,559**	**7,695**	**7,539**

15. Creditors: Amounts falling due after more than one year

	Group and Association	
	March 2020	March 2019
	£'000	£'000
Debt (note 16)	160,000	162,000
Less Issue costs	(1,705)	(1,885)
	158,295	**160,115**
Deferred capital grant (note 17)	19,362	15,261
Recycled capital grant fund (note 18a)	159	301
	177,816	**175,677**

The Group and Association have a £85m (2019: £65m) revolving credit facility. At year end the facility had an undrawn balance of £50m (2019: £28m). During the year, the Group and Association had a net repayment of £2m (2019: net draw down of £12m).

16. Debt analysis

	Group and Association	
	2020	2019
Analysis of debt (note 15)	**£'000**	**£'000**
Bond and note purchase agreement	125,000	125,000
Revolving credit facility	35,000	37,000
	160,000	**162,000**

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 £35m and £30m and one RCF with Barclays of £20m entered in the 2019-20 financial year. £30m (2019: £28m) of the facilities were undrawn at the year end.

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.

16. Debt analysis (continued)

As at 31 March 2020

	Effective interest rate	Total Amount	Within 1 Year	2 Year	1-2 Year	2-3 Year	3-4 Year	4-5 Year	Over 5 Year
	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revolving credit facility									
Lloyds	1.643	50,000	-	-	-	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**

As at 31 March 2019

	Effective interest rate	Total Amount	Within 1 Year	2 Year	1-2 Year	2-3 Year	3-4 Year	4-5 Year	Over 5 Year
	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revolving credit facility									
Lloyds	1.643	37,000	-	-	-	-	37,000	-	-
Bond stock									
Fixed rate	4.823	68,000	-	-	-	-	-	-	68,000
Fixed rate	3.778	57,000	-	-	-	-	-	-	57,000
		162,000	**-**	**-**	**-**	**-**	**37,000**	**-**	**125,000**

The Group and Association had undrawn down facilities of £50m (2019: £28m).

17. Deferred capital grant

As at 31 March 2020, £175k of capital grants had been amortised (2019: £130k) in the year.

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	**15,441**	**12,554**
Received during the year	4,327	2,104
Transfer from DPF	-	886
Recycled to RCGF	(55)	(63)
Amortised during the year	(175)	(130)
Other	-	90
At 31 March	**19,538**	**15,441**
To be released in 1 year	177	180
To be released after 1 year	19,361	15,261
	19,538	**15,441**

18. (a) Recycled capital grant fund

	Group and Association	
	2020	2019
	£'000	£'000
At start of the year	311	283
Inputs to RCGF:		
Grants recycled	55	63
Transfer from contingent grants (Stock transfer)	-	41
Other adjustments	-	(76)
Interest accrued	-	-
At the end of the year	**366**	**311**
Recycling of grant:		
New build	-	-
At the end of the year	**366**	**311**
Amount due to be released < 1 year (note 14)	207	10
Amount due to be released > 1 year (note 15)	159	301
	366	**311**

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

18. (b) Disposal proceeds fund

	Group and Association	
	2020	2019
	£'000	£'000
At start of the year	-	886
Inputs to DPF:		
Net Right to buy receipts	-	-
Interest accrued	-	-
	-	**886**
Use/allocation of funds:		
New build	-	(886)
At end of year	**-**	**-**
Amount due to be released < 1 year	-	-
Amount due to be released > 1 year	-	-
Amounts three years old or older where repayment may be required	**-**	**-**

19. Capital commitments

	Group and Association	
	2020	2019
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	17,847	34,409
Capital expenditure that has been authorised by the Board but has not yet been contracted for	28,666	23,014
	46,513	**57,423**
The Association expects these commitments to be financed by:		
Social Housing Grant	5,346	6,630
Proceeds from the sales of properties	26,823	30,310
Committed loan facilities	14,344	20,483
	46,513	**57,423**

The expenditure authorised by the Board but not contracted is in respect of new build housing.

The Group and Association expect that these commitments will be financed internally from cash generated from trading and grant funding, with the balance coming from the revolving credit facility. The Group and Association had undrawn loan facilities of £50m (2019: £28m), therefore the Group and Association have sufficient funding headroom to meet all obligations and commitments.

20. Operating leases

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

	2020	2019
	£'000	£'000
Land and buildings		
Less than one year	4	4
More than one year and less than five years	-	5
In five years or more	-	-
	4	**9**
Others:		
Less than one year	27	8
In two years or more and less than five years	151	367
In five years or more	-	-
	178	**375**

The lease on buildings relates to Holdbrook Court, and this is due to expire in 2021. The operating leases relate to various head office machinery and equipment.

21. Group reconciliation of operating surplus to net cash inflow from operating activities

	2020	2019
	£'000	£'000
Comprehensive income for the year	**19,469**	**10,248**
Adjustment for non-cash items		
Depreciation of tangible fixed assets	4,198	3,423
Depreciation write-off	(166)	(201)
Government grants utilised in the year	(175)	(130)
Decrease / (increase) in stock	4,251	(2,534)
(Increase) / decrease trade and other debtors	(481)	2,645
Decrease / (increase) in trade and other creditors	(1,323)	(316)
Increase /(decrease) in provisions	(71)	(3,580)
Pension gains and losses	(37)	1,151
Surpluses from the sales of fixed assets	(502)	(912)
Share of operating surplus of joint ventures	(8,913)	(96)
FV changes - investment properties	35	10
Interest payable	5,751	5,315
Interest received	(771)	(346)
Taxation	-	2
Actuarial Gains/(losses) in respect of pension schemes	(2,037)	1,018
Net cash generated from operating activities	**19,948**	**15,697**

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

	Group and Association	
	March 2020	March 2019
	£'000	£'000
Decrease in cash	8,224	**4,215**
Cash inflow from increase in net debt and lease finance	2,000	(12,000)
Increase in net debt from cash flows	**10,224**	**(7,785)**
Total changes in net debt for the period:		
Net debt at 1 April	(156,528)	(148,743)
Net debt at 31 March	**(146,304)**	**(156,528)**

23. Analysis of net debt

	Group and Association		
	1 April 2019	Cash flow	31 March 2020
	£'000	£'000	£'000
Cash at bank and in hand	5,472	8,224	**13,696**
Bank overdraft	-	-	-
Changes in cash	5,472	8,224	**13,696**
Bond Issue	(125,000)	-	**(125,000)**
Housing loans	(37,000)	2,000	**(35,000)**
Changes in debt	(162,000)	2,000	**(160,000)**
Net debt	**(156,528)**	**10,224**	**(146,304)**

24. Financial liabilities

Borrowing facilities

The facilities available at 31 March 2020 in respect of which all conditions precedent had been met were as follows:

	Group		Association	
	2020	2019	2020	2019
	£'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	160,000	162,000	160,000	162,000
	160,000	**162,000**	**160,000**	**162,000**

At the reporting date the Group's loan drawn down facilities and bond issued were £160m (2019: £162m). This is made up of £57m bond raised in January 2013, £68m note purchase agreement raised in February 2015 and £35m revolving credit facility drawn down over the last three years.

The Group had £50m unused revolving credit facility at the year-end (2019: £28m).

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 25th March 2013.

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 2020 the gross values of the balances that had been offset, have been reduced to £74k (2019: £3,871k). VAT arising on the works during the period totalled £286k (March 2019: £587k).

London Borough of Haringey

The Association was party to a transfer of 91 of housing properties from London Borough of Haringey on 25 March 2013, with an obligation to carry out works pursuant to the development. At the point of the transfer of the properties the gross values of the balances of £3,581k have been recognised as both an asset and liability in the statement of financial position. At 31 March 2020 the gross values of the balances have been reduced to £1,548k (2019: £1,556k) with VAT arising on the works during the period totalling £1k (March 2019: £166).

26. Share capital

	Group		Association	
	2020	2019	2020	2019
	No.	No.	No.	No.
Shares of £1 each issued and fully paid				
At start of year	9	9	9	9
Issued during year	2	1	2	1
Redeemed	(2)	(1)	(2)	(1)
At end of year	**9**	**9**	**9**	**9**

The shares do not have a right to any dividend or distribution in a winding-up. Each share has full voting rights.

27. Income and expenditure reserves

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At start of year	50,460	39,913	51,824	39,278
Surplus during the year	17,432	11,565	8,942	13,564
Actuarial (losses)/gains	2,037	(538)	2,037	(538)
Initial recognition of multi-employer pension scheme	-	(480)	-	(480)
At end of year	**69,929**	**50,460**	**62,803**	**51,824**

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

All the subsidies and joint venture entities are non-regulated bodies. The only regulated body in the Group is the parent entity B3 Living Limited.

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name of subsidiary Undertaking	Principal activity	Interest	Legal status
B3 Living Development Limited	A company with non-charitable status undertaking design and build on behalf of the B3Living and its subsidiaries	Wholly owned subsidiary	Company registered by shares and incorporated in England and Wales
Everlea Homes Ltd	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 arms length to its subsidiaries. The Association waived its fees to both B3 Living Development Ltd and Everlea Homes Ltd as these have recently commenced trading. 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	1 April 2019	Movement	31 March 2020
		£'000	£'000	£'000
B3 Living Limited	Everlea Homes Ltd	4,931	(4,315)	616
B3 Living Limited	B3 Living Development Limited	41	199	240
		4,972	**(4,116)**	**856**

B3Living charged interest of £118k (2019: £185k) and £284 (2019: £nil) to Everlea Homes Ltd and B3 Living Development Ltd respectively for the intercompany loans.

During the year ended 31 March 2019, Everlea disposed off its interest or ownership stake in Wheat Quarter Ltd, a joint venture partnership with Fooks Property Company and Plutus Estates. Everlea had a 50% share of the joint venture. The sale generated a surplus of £8.7m in Everlea Homes Ltd.

B3Living had a joint arrangement with Beechwood Homes Limited to jointly develop the Elsenham scheme and this joint arrangement ended during the year when it completed developing the scheme. The joint arrangement realised a surplus of £341k which has been reported as part of operating profits. B3Living also on-lent to the joint arrangement at market rates and received interest of £117k (2019 £251k). The amounts previously on-lend to the joint arrangement were fully repaid to B3Living during the year.

At the reporting date B3Living had provided on-lending facilities of £5.5m (2019: £nil) to Wheat Quarter Ltd. The on-lending facilities accrue interest at market rates. At the reporting date interest of £0.3m was capitalised and forms a total on-lending total of £5.8m.

Everlea Homes is in a joint venture with Bellis Homes and had invested capital of £2,720k into the joint venture. Everlea Homes had on-lent £883k at the reporting date (2019: £nil) to the Farnham joint venture. The facility is on-lend at market rates.

Farnham Rd joint venture has a 100% owned subsidiary called Foll Ltd. Foll Ltd owns land which Farnham Rd LLP has been granted a licence to occupy and develop. All house sales take place through Foll Ltd.

Both Everlea and B3 Living Development have at the reporting date elected to pay gift aid of £145k (2019: £Nil) and £45k (2019: £nil) respectively to the parent entity B3 Living Limited. None of the gift aid has been accrued in the accounts in line with the requirements of FRED 68: Payments by subsidiaries to their charitable parents that qualify for gift aid.

B3 Living Development Ltd provided design and build services to B3 Living Ltd, the parent entity. During the year B3 Living Development Ltd generated £4,481k (2019: £nil) from design and build services to the parent. At the end of the reporting period B3Living owed B3 Living Development Ltd £990k (2019: £nil) in un-invoiced design and build works. These were accrued as income in B3 Living Development Ltd's accounts.

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

The Board had no tenant members during year one (2019: the Board had one member for part of the year who held a tenancy agreement on normal terms and this member could not use their position to their advantage). Total rent charged to the Tenant Board member was nil (2019: £nil). There were no arrears on their tenancies during the reporting period ending 2020 (2019: £nil).

29. Pensions

Group and Association

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

Social Housing Pension Scheme (SHPS)

B3 Living Limited participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is 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 are the net pension provision provided in the Statement of Financial Position.

Social Housing Pension Scheme (SHPS)

	Group and Association	
Analysis of the net pension liabilities	2020	2019
	£'000	£'000
Fair value of plan assets	1,723	**1,585**
Present value of defined benefit obligation	(2,037)	(2,196)
Net pension surplus (deficit)	**(314)**	**(611)**

	Group and Association	
Amount charged to the Statement of Comprehensive Income	2020	2019
	£'000	£'000
Current service cost	(35)	**(79)**
Expenses	(3)	(3)
Past service cost	-	-
Total operating charge	**(38)**	**(82)**

	Group and Association	
Net interest charged to the Statement of Comprehensive Income	2020	2019
	£'000	£'000
Expected return on pension scheme assets	38	**38**
Interest on pension liabilities	(52)	(51)
Net interest charge	**(14)**	**(13)**

29. Pensions (continued)

	Group and Association	
Analysis of the amounts recognised in Other Comprehensive Income	2020	2019
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	21	**98**
Actuarial gains/(losses) on scheme liabilities	253	(171)
Actuarial gain/(loss) recognised in Other Comprehensive Income	**274**	**(73)**

	Group and Association	
Movement in surplus/(deficit) during the year	2020	2019
	£'000	£'000
Association's share of scheme deficit at beginning of year	(611)	-
Movement in year	-	(496)
Current service cost	(35)	(79)
Employer contributions	75	9
Expenses	(3)	(3)
Net interest charge	(14)	(14)
Actuarial losses/(gains)	274	(28)
Association's share of scheme deficit at end of year	**(314)**	**(611)**

	Group and Association	
Changes in present value of defined benefit obligation are as follows	2020	2019
	£'000	£'000
Defined benefit obligation at start of period	2,196	1,917
Current service cost	35	79
Interest cost	52	51
Expenses	3	3
Employee contributions	14	23
Actuarial losses/(gains)	(253)	130
Benefits paid	(10)	(7)
Closing defined benefit obligation	**2,037**	**2,196**

29. Pensions (continued)

	Group and Association	
Changes in the fair value of plan assets are as follows	2020	2019
	£'000	£'000
Fair value of plan assets at start of period	1,585	1,421
Expected return on assets	38	37
Contributions by members	14	23
Contributions by employer	75	9
Actuarial losses/(gains)	21	102
Benefits paid	(10)	(7)
Closing fair value of plan assets	**1,723**	**1,585**

	Group and Association	
Assets	2020	2019
	£'000	£'000
Global Equity	252	267
Absolute Return	90	137
Distressed Opportunities	33	29
Credit Relative Value	47	29
Alternative Risk Premia	121	91
Fund of Hedge Funds	1	7
Emerging Markets Debt	52	55
Risk Sharing	58	48
Insurance-Linked Securities	53	45
Property	38	36
Infrastructure	128	83
Private Debt	35	21
Opportunistic Illiquid Credit	42	-
Corporate Bond Fund	98	74
Liquid Credit	1	-
Long Lease Property	30	23
Secured Income	65	57
Liability Driven Investment	572	580
Net Current Assets	7	3
Total assets	**1,723**	**1,585**

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.

29. Pensions (continued)

Financial assumptions	2020 % p.a	2019 % p.a
Discount rate	2.34%	2.36%
Inflation (RPI)	2.53%	3.24%
Inflation (CPI)	1.53%	2.24%
Salary Growth	2.53%	3.24%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

Life expectancy at age 65	(Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

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 employees to B3Living. Below are the net pension provisions provided in the Statement of Financial Position.

Hertfordshire County Council Pension Fund (HCCPF)

	Group and Association	
Analysis of the net pension liabilities	2020	2019
	£'000	£'000
Present value of defined benefit obligation	(15,184)	**(16,854)**
Fair value of scheme assets	13,878	13,771
Net pension surplus (deficit)	**(1,306)**	**(3,083)**

29. Pensions (continued)

Financial assumptions	2020 % p.a	2019 % p.a
Pension Increase Rate (CPI)	1.9%	2.5%
Salary Increase Rate	2.3%	2.6%
Discount Rate	2.3%	2.4%

Mortality assumptions	Males	Females
Current Pensioners	21.9 years	24.1 years
Future Pensioners*	22.8 years	25.5 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 2020:	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	8%	1,583
0.5% decrease in Real Discount Rate	1%	258
0.5% increase in the Pension Increase Rate (CPI)	8%	1,297

	Group and Association	
Actual return on plan assets	**2020**	**2019**
	£'000	**£'000**
Interest income on plan assets	330	345
Return/(loss) on plan assets excluding amounts included in net interest	(94)	623
Actual return on plan assets	236	968

The major categories of plan assets as a percentage of total plan assets	2020	2019
	£'000	**£'000**
Equities	48%	50%
Bonds	38%	38%
Property	10%	8%
Cash	4%	4%

29. Pensions (continued)

	Group and Association	
Analysis of the amount charged to the Statement of Comprehensive Income	**2020**	**2019**
	£'000	**£'000**
Current service cost	191	247
Past service cost (including curtailments)	-	25
Total operating charge	191	272

	Group and Association	
Analysis of the amount charged to the Statement of Comprehensive Income	**2020**	**2019**
	£'000	**£'000**
Expected return on pension scheme assets	330	345
Interest on pension liabilities	(403)	(413)
Net interest charge	**(73)**	**(68)**

	Group and Association	
Analysis of the amounts recognised in Other Comprehensive Income	**2020**	**2019**
	£'000	**£'000**
Actuarial gains/(losses) on pension scheme assets	(94)	623
Actuarial gains/(losses) on scheme liabilities	1,857	(1,161)
Actuarial gain/(loss) recognised in Other Comprehensive Income	**1,763**	**(538)**

	Group and Association	
Movement in surplus/(deficit) during the year	**2020**	**2019**
	£'000	**£'000**
Association's share of scheme deficit at beginning of year	**(3,083)**	**(2,543)**
Movement in year	-	-
Current service cost	(191)	(247)
Past service cost (including curtailments)	-	(25)
Employer contributions	278	338
Net interest charge	(73)	(68)
Actuarial losses/(gains)	1,763	(538)
Association's share of scheme deficit at end of year	**(1,306)**	**(3,083)**

29. Pensions (continued)

	Group and Association	
Changes in present value of defined benefit obligation are as follows:	**2020**	**2019**
	£'000	**£'000**
Opening defined benefit obligation	16,854	15,350
Current service cost	191	247
Past service cost	-	25
Interest cost	403	413
Employee contributions	28	42
Actuarial losses/(gains)	(1,857)	1,161
Benefits paid	(435)	(384)
Closing defined benefit obligation	**15,184**	**16,854**

	Group and Association	
Changes in the fair value of plan assets are as follows:	**2020**	**2019**
	£'000	**£'000**
Opening fair value of plan assets	13,771	12,807
Expected return on assets	330	345
Contributions by members	28	42
Contributions by employer	278	338
Actuarial losses/(gains)	(94)	623
Benefits paid	(435)	(384)
Closing fair value of plan assets	**13,878**	**13,771**

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the previous formal valuation as at 31 March 2020.

30. Other provisions

The Group and Association have two other provisions for liabilities and they are analysed as follows:

	Group and Association			
	Onerous Contract	**Other Contract**	**Total 2020**	**Total 2019**
	£'000	**£'000**	**£'000**	**£'000**
At start of year	114	203	**317**	**791**
Provided during the year	-	-	**-**	**-**
Released during the year	(71)	-	**(71)**	**(474)**
At the end of the year	**43**	**203**	**246**	**317**

Onerous contract - The Group and Association made a provision for a contract that is no longer expected to generate the economic benefits 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 the 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:

	Group and Association	
	2020	**2019**
	£'000	**£'000**
Government funding received to date	20,631	16,360
Grant amortised to date (contingent liabilities)	(1,093)	(918)
Grants via Stock transfer from another Registered Provider	2,500	2,500
Contingent Grants via Stock transfer	(2,500)	(2,500)
At 31 March	**19,538**	**15,442**

32. Financial instruments and financial management

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

Financial management

The 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 Association are detailed in the Report of the Board.

The 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 Association.

The Association actively manages 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.

The financial instruments are set out below:

	Group		Association	
	March 2020	**March 2019**	**March 2020**	**March 2019**
Financial assets measured at amortised cost	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents (note 13)	**13,696**	5,472	**13,188**	5,432
Rent arrears (note 12)	**541**	786	**541**	786
Loan to joint arrangement (note 12)	**6,718**	4,760	**-**	**7,277**
Other debtors (note 12)	**758**	571	**613**	571
Prepayment and accrued income (note 12)	**1,985**	331	**1,985**	331
Total financial assets measured at amortised cost	**10,002**	**6,448**	**3,139**	**8,965**
Total financial assets	**23,698**	**11,920**	**16,327**	**14,397**
Financial liabilities measured at amortised costs				
Trade creditors (note 14)	**2,546**	**1,912**	**1,679**	**1,910**
Rent and services charges received in advance (note 14)	**1,216**	**835**	**1,216**	**835**
Other Creditors	**230**	**215**	**231**	**215**
Accruals and deferred income (note14)	**3,719**	4,280	**3,060**	4,262
Recycled capital grant fund (note 18.a)	**311**	311	**311**	311
Disposal Proceeds fund	**-**	-	**-**	-
Debt (note 15)	**158,295**	160,115	**158,295**	160,115
Total financial liabilities measured at amortised costs	**167,317**	**167,668**	**164,792**	**167,648**
Total financial liabilities	**167,317**	**167,668**	**164,792**	**167,648**

32. Financial instruments and financial management (continued)

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 bondholders 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 meets its 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 also 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.

Annual Report & Financial Statements 2020

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B3Living

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Co-Operative and Community Benefit Societies Act registration no. 29876R
HM Revenue and Customs (Charities Division number XR92753)

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

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