Better
Homes
Communities
Business

Better futures

Value for Money **2024-25**

Value for Money
2024-25

Better futures

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Foreword from our Chief Executive

The past year has continued to test the resilience of the housing sector. While inflation has begun to stabilise somewhat, we remain in a climate of economic uncertainty, driven by high interest rates, geopolitical instability, and increasing regulatory demands. At B3Living, we've responded to these challenges with a steady focus on delivering against our VFM targets and ensuring that every pound spent makes a tangible difference for our customers and communities.

Value for money remains a cornerstone of how we operate. It informs our financial planning, guides our investment decisions, and defines our approach to delivering services. Over the past year, we have continued to balance the imperative of building new affordable homes with the equally important need to invest in the safety, sustainability, and quality of the homes we already manage. Our approach is based on balancing these points whilst ensuring that we remain financially robust. As this report shows, we are continuing to do so with both ambition and prudence.

Our value-for-money performance also reflects our consistent customer focus. Despite widespread sector challenges, our customer satisfaction score has remained at 85% - a significant result given the national trend of declining satisfaction levels. We are proud to report that 88% of our customers believe that we treat them fairly and with respect, and 85% were satisfied with how long our repairs take. This reflects not only our investment in homes but also the dedication of our teams, the impact of our sector-leading voids standard, and the success of our in-house repairs structure.

Our strong foundations and approach to Value for Money has allowed us to take bold steps toward building and acquiring more homes. We approved the construction of 267 new homes, with 180 starting on site, and secured the acquisition of 250 additional homes from another provider. These strategic investments helped us deliver a record growth for B3Living and spread our fixed costs across a greater number of homes, thus improving our business efficiency. They will enable us to deliver affordable housing at a level well above the sector median in the coming years and support our long-term financial strength.

I am particularly proud of the record investment we have made in our existing homes this year, over £11 million, demonstrating our commitment to ensuring all our customers live in homes that are safe, well-maintained, and energy efficient. This included significant progress toward our goal of bringing all accessible homes up to EPC C by 2028. Alongside this, our operating margins remain among the strongest in the sector, enabling us to sustain our investment levels while keeping our financial resilience intact.

As we look ahead, we do so with optimism. Our sector still faces many challenges, but we are better placed than ever to manage these. We will continue to review our cost base, invest wisely, and focus on delivering exceptional customer experiences. These principles are embedded in our Better Futures 2024-27 strategy and underpin our ambition to play a meaningful role in addressing the housing crisis.

Through strategic growth, continued investment in our existing homes, and a steadfast focus on financial sustainability, we are confident that B3Living will continue to provide value for money -today, and for years to come.

Steve Woodcock
Chief Executive Officer

£6,138
Social housing cost per unit
(£4,992 2023-24)

44%
Operating margin (social letting)
(40.5% 2022-23)

4.9%
Return on capital employed
(5.1% 2023-24)

80%
Customers who think their rent is value for money
(40.5% 2022-23)

Value for money highlights

Like many housing associations, financial resilience, investment capacity and value for money (VFM) have been strategically important topics for B3Living over the last year.

With the economic uncertainty not likely to settle in the near future, be it due to geopolitical tensions, unstable inflation or elevated interest rates, we, as a business, dedicated a substantial amount of time and effort during 2023-24 to understanding our cost base and seeking ways to control our operational spend. Managing our cost base to sector median levels is a key goal of our VFM strategy, as we believe in doing this, we can maintain substantial investment capacity in new and existing homes needed to deliver the challenging targets within our Better Futures 2024-27 corporate strategy.

In last year's VFM assessment, we noted that spend on repairs and maintenance had been significantly over budget in the prior two years, and this cost uncertainty was weighing on the Board's appetite to invest in new homes. These cost overruns were not simply caused by high inflation, but also driven by substantive changes within our operating environment, be it from the introduction of the Building Safety Act, Awaab's Law, the Social Housing Act, the Regulator's new Consumer Regulations, etc.

In 2023-24, we finished marginally over budget on repairs and maintenance, but in 2024-25 we finished within target. This financial control has had a direct impact on the Board's appetite to capitalise on opportunities to grow the business through new developments or stock acquisitions. For example, in the year we approved the construction of 267 new homes, with 180 of these starting on site, which will help us deliver new affordable homes at upper sector quartile levels in the coming years. Moreover, we were able to buy 250 homes from Orbit, to further increase our presence in our strategy growth areas as well as providing a boost to our operating margins.

Within this VFM assessment, it is clear that our growth ambitions have not diluted the Board's commitment to improve the services we provide to our customers, or their resolve to invest heavily in the homes we own, including the commitment to bring all properties we can access to EPC C by the end of 2028. We believe these activities are central to maintaining our sector leading customer satisfaction levels and ultimately realising value for money for our customers. This belief is reflected in our customer data, which shows that of our satisfied customer, 94% believe that their homes is well maintained.

Our approach

Our approach

Our approach to value for money is focused on finding the perfect balance between cost, quality, and performance across all our services, internal and external. We believe we can achieve this by using our resources as effectively as possible to generate strong operating margins and interest cover performance. This way, we can maintain our capacity to invest heavily in our existing homes and build more affordable homes that our communities acutely need.

Given the recent economic and operational challenges, value for money has become a key focus in how we run the business. VFM not only guides our budgetary and financial planning approach but also shapes our relationships with customers, suppliers, and other stakeholders. In essence, our VFM approach aims to deliver top-tier customer satisfaction, above-average investment in new and existing homes, while managing costs to sector median levels. To realise these goals, we prioritise efficient cost management, performance improvement, challenging expenditures, and identifying new investment opportunities and innovative ways of working.

In 2023, the Board approved a revised Value for Money Strategy. This strategy is designed to meet our compliance obligations with the Regulator of Social Housing's VFM standard and to embed value for money within our business culture. Our Value for Money Strategy outlines a nuanced approach to achieving value for money, which includes:

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

Our Value for Money Strategy is designed to support our corporate strategy by challenging us to achieve a balance between cost, quality, and performance within every area of the business. This strategy is backed by our customer strategy and changes to our governance structure, which provides a comprehensive framework to help us understand, from a customer's perspective, what the optimal balance looks like. By better understanding our customers, we can deliver on the VFM strategy's objective to enhance the customer journey and experience, ultimately improving customer satisfaction to align with the sector's upper quartile.

Governance and oversight

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

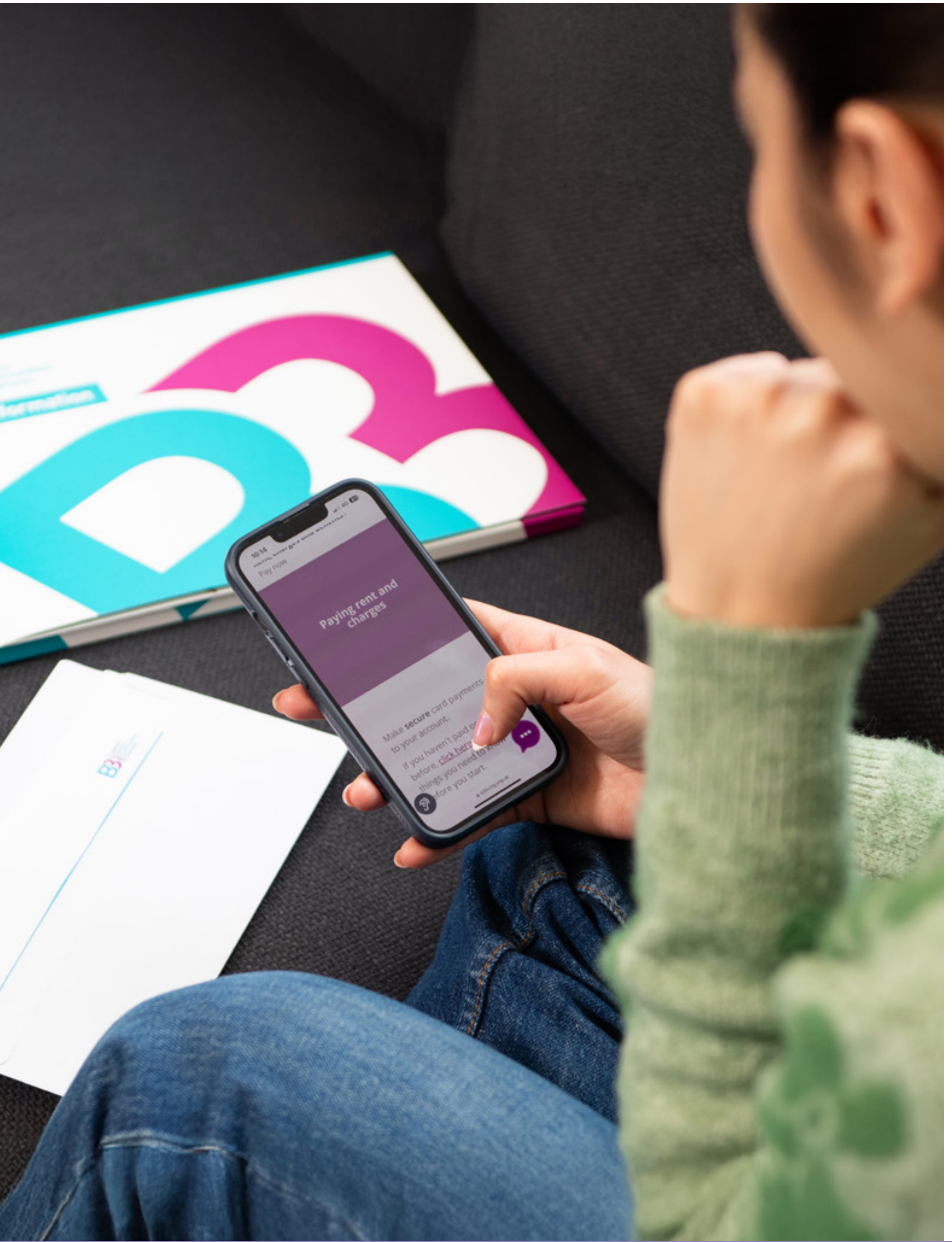
We believe our Value for Money Strategy reflects this understanding, and its delivery will help maximise our impact for existing and future customers as well as the wider community.

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

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

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

- Ensure that our customers receive an excellent service.
- Prioritise investment in our homes.
- Support our customers to sustain their tenancies.
- Bring all our homes to at least EPC C by the end of 2028.
- Provide new homes within the communities we serve.
- Use our values and culture as a foundation for our commitment to corporate responsibility.



Value for money performance

As outlined in the April 2018 Value for Money Standard and subsequent technical guidance issued by the Regulator, we have measured our performance against the Regulator's value for money metrics, our peers' performance, the sector median, and the highest performing sector quartile for each metric (Global Accounts 2024). This comprehensive approach ensures that we are not only meeting regulatory standards but also striving for excellence in every aspect of our operations.

To ensure our peer group offers a good comparison, we selected large scale voluntary transfer (LSVT) housing associations of a similar size, local to our area, which have a low supported housing service exposure. This selection process allows us to benchmark our performance against organisations that operate under similar conditions, providing a more accurate and meaningful comparison. By doing so, we can identify areas for improvement and implement best practices that have proven successful in similar contexts.

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

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

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

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

Our performance and achievements

Our performance and achievements

The table below illustrates our Board's value for money targets in comparison to performance across the sector and among our peers. The values listed for our sector align with our Board's target for each metric. For instance, our Board aims for at least sector median levels of reinvestment; therefore, the table presents the sector's median performance in 2023-24 (7.80%). Conversely, our target for social housing letting operating margin is the sector's upper quartile (25.9%), so the figure presented is the sector's upper quartile score. These benchmarks can be compared with our peers' metrics for the 2023-24 year and B3Living's performance in the financial year just closed (2024-25).

It is important to note that our 2024-25 data is being compared to the sector's median and peers' performance from 2023-24. Therefore, these might not fully reflect the effects of the turbulent economic and operating environment. We expect our 2024-25 performance to show a stronger position when compared to the sector and our peers' performance for the equivalent period.

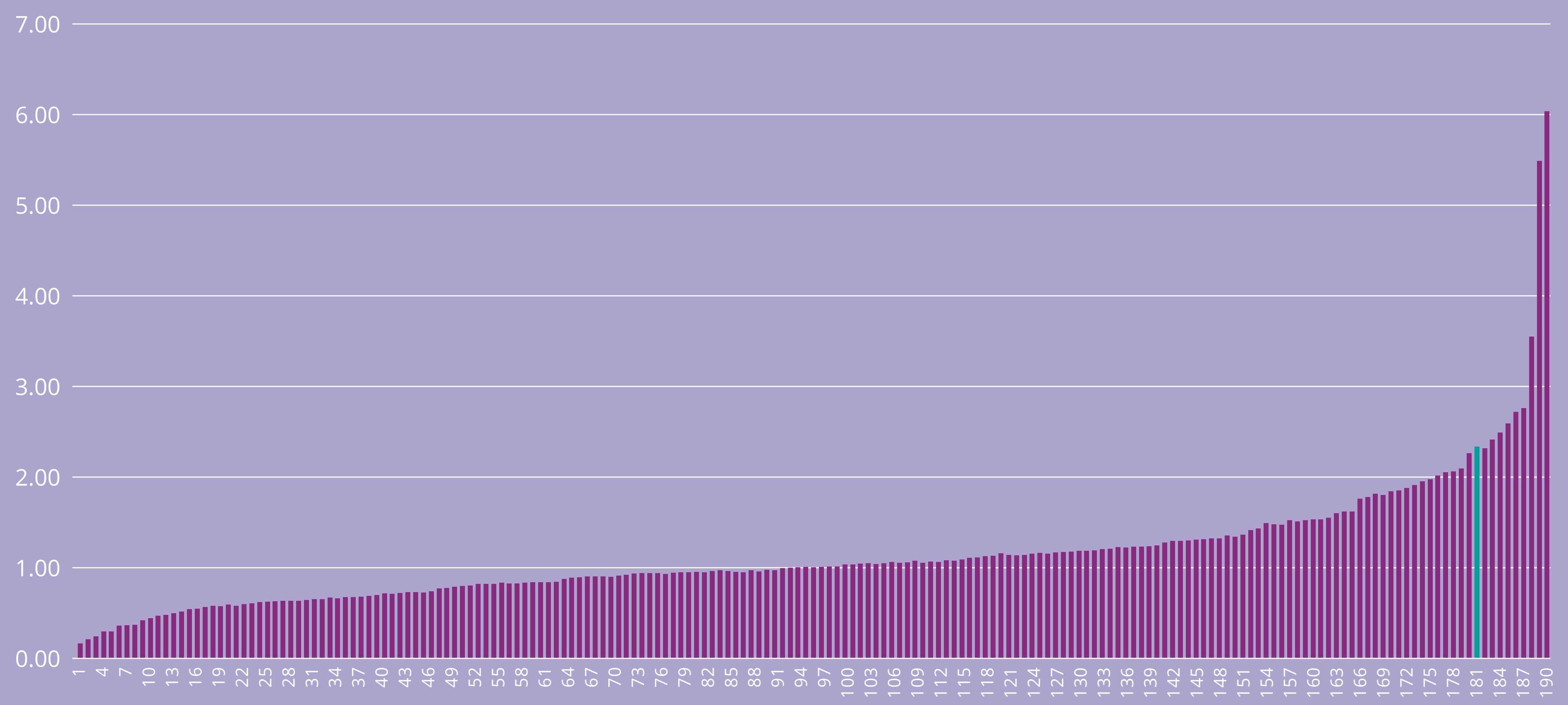
To provide greater context and to help see through one-year peaks and troughs, we also include five-year average performance for the sector, our peers, and B3Living for each metric. This approach allows us to identify trends and make more informed decisions, ensuring that we continue to deliver value for money and achieve our strategic objectives.

	Board set VFM Targets	Sector Five-year average 2020-2024	Sector 2023-24	Peers* Five-year average 2020-2024	Peers* 2023-24	B3Living Five-year average 2020-2024	B3Living 2024-25
Value for Money Metrics							
Reinvestment	**Median**	6.80%	7.80%	10.95%	12.22%	10.61%	**14.05%**
New supply (social)	**Median**	1.49%	1.43%	2.44%	2.41%	2.36%	**0.16%**
New supply (non-social)	**Lower quartile**	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
Gearing**	**Upper quartile**	53.87%	55.07%	57.56%	59.34%	65.21%	**59.68%**
EBITDA MRI Interest Rate Cover**	**Median**	147.28%	121.69%	159.62%	129.24%	197.11%	**129.76%**
Headline social housing cost per unit (£k)	**Median**	4.21	5.15	4.09	4.87	4.24	**6.14**
Operating margin (SHL)	**Upper quartile**	29.24%	25.87%	27.46%	24.75%	43.28%	**47.10%**
Operating margin (overall)	**Upper quartile**	25.32%	23.21%	26.92%	24.97%	38.91%	**39.87%**
Return on Capital Employed (ROCE)	**Upper quartile**	4.09%	3.36%	3.48%	2.99%	5.80%	**4.95%**

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

Capitalised Repairs

1. B3Living's investment levels against other housing associations. Note: B3Living's spend relates to 2024-25 while the sector's data comes from the global accounts 2023-24.



In 2024-25, our reinvestment was 14%, significantly greater than our VFM target of the sector median (7.8%).

This performance is driven by three main factors. Firstly, we have made a strong start in achieving our corporate target of 400 starts on sites between 2024-27. In 2024-25 alone, we started the construction of 180 affordable homes within our existing communities. Secondly, we completed the purchase of 250 homes from Orbit, all of which were in our strategic geography and predominantly houses with very good EPC ratings. This strategic investment not only supports our mission but also strengthens our position to continue addressing the housing crisis effectively. Thirdly, we made a sector leading investment of £11.5m or £2.35k per property in the improvement of our existing homes.

In recent years, our prudent approach has resulted in new supply (social) performance falling to just 0.2%. However, looking at the 5-year trend, the peaks in previous years mean that our average performance was 2.36%, which is significantly greater than our target and comparable to our peers. We are confident that the new starts on site achieved in 2024-25 will secure strong performance into the future.

To ensure this investment is sustainable, the Board has set sector upper quartile VFM targets for operating margins and aims to manage our cost per unit to sector median levels. These objectives will allow us to produce strong interest coverage and Return on Capital Employed (ROCE) performance.

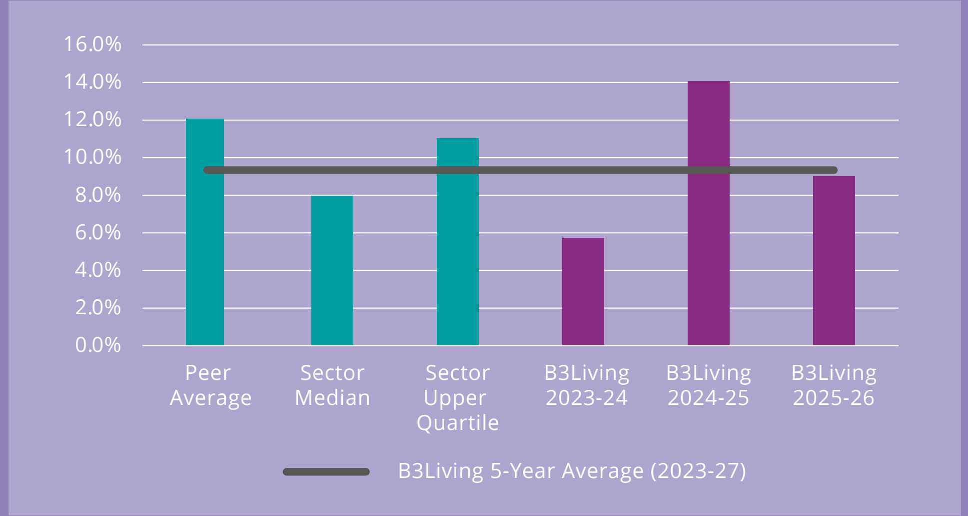
Our gearing position continues to be one of the highest in the sector at 59.70%, although it has improved substantially over recent years (75.60% in 2019). While our gearing has improved, we have made a conscious decision to continue tackling the housing crisis locally by leveraging our financial strength. Therefore, we expect our gearing to remain between 55-65% in the mid to long-term. To support the levels of investment, we are currently making in new and existing homes, we aim to generate surpluses of approximately £10m per annum to ensure our debt growth is sustainable and our financial resilience is maintained. Our funder gearing covenant is based on security value, and our performance is 46% (2024: 41%) against a covenant limit of 80% and our internal Financial Golden Rule limit of 65%.

Value for money performance

Detailed review of value for money performance

The following charts compare our historic and forecast performance against our peers, the sector median, and upper quartile from the 2024 global accounts. Each chart also includes B3Living's rolling five-year average, covering the period from April 2023 to March 2027 – it is important to note that this is a different 5-year period used in the previous section.

This approach provides greater context by blending historic and forecast performance, thereby lessening the impact of annual fluctuations caused by the ebbs and flows of the development programme.



Reinvestment %

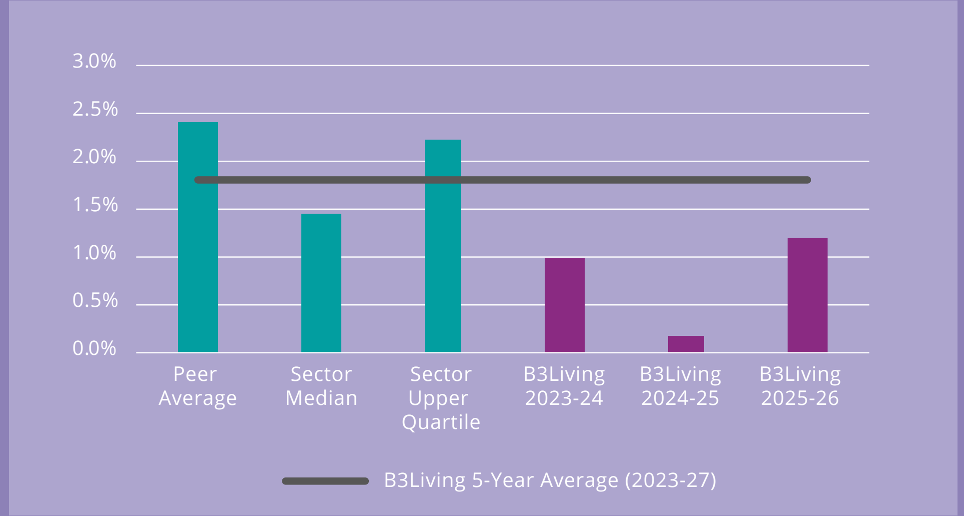
A key ethos within our value for money strategy centres on generating strong operating margins and interest cover to support our investment ambitions in new and existing homes. With the recent uncertainties within our cost base and the challenges within our operating environment the Board chose a sector median reinvestment VFM target.

The positive reaction to the Board's challenge in 2023-24 to control our cost base coupled with greater certainty on rent growth over the coming years, the Board's appetite to take more risk to grow the business has resulted in reinvestment levels greater than the sector's upper quartile level as well as our peer group.

This reinvestment performance is driven by three key elements, firstly, the acquisition of 250 homes from Orbit, secondly, the development team starting the construction of 180 new homes, and lastly, a significant investment in improving the quality, safety and energy efficiency of our customers' homes.

To ensure this increased level of investment in new and existing homes is sustainable, the Executive and Board are working with the business to maintain the Housing Association's surplus at around £10m per annum.

In 2024-25 the Group invested around £42.0m in acquiring and building new homes and over £11.5m in existing properties. This record level of investment is expected to fall in 2025-26 to around £30m in new homes and £9m in existing homes.



New supply of social housing units %

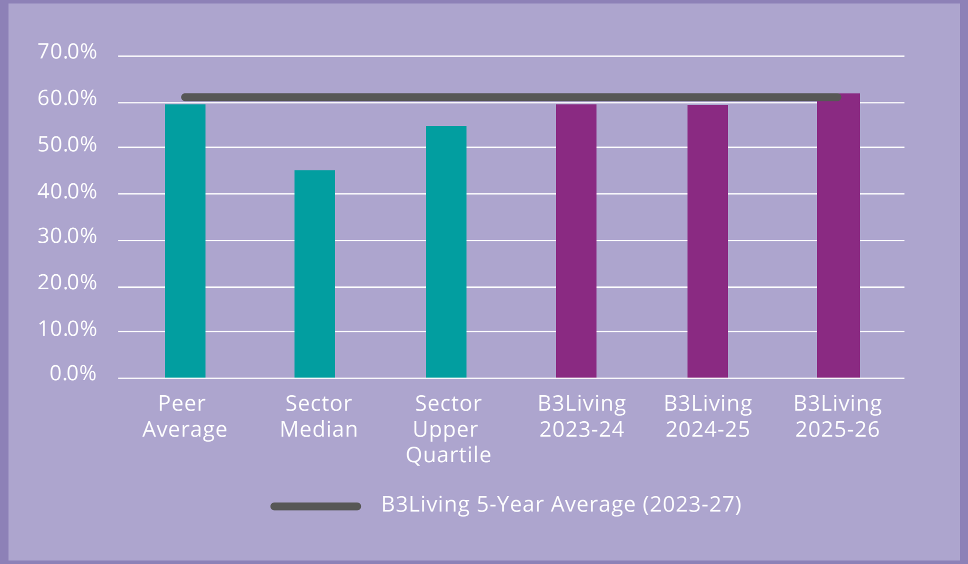
Due to uncertainties within the business and our operating environment, our reinvestment levels during 2022-23 and 2023-24 were comparatively low compared to our historic levels and peers. This cautious approach to building new homes is reflected in our supply of new social homes during 2023-24 and 2024-25.

It is important to note that in 2022-23, we delivered a record number of new homes (256), as our largest scheme to date, Cheshunt Lakeside (195 homes), was completed. Our average performance over the last five years has been 2.38% annual growth, which is greater than the sector upper quartile over this period (2.1%) and in line with our peers.

With 180 new affordable homes started on site during 2024-25, we are confident that our performance will start to improve and will exceed the Board's VFM target of the sector median.

Our ambition for delivering new affordable homes is also being balanced against a unique circumstance where Housing Associations are proactively seeking to dispose of stock outside of their core geography. These stock sales provide smaller Housing Associations, such as B3Living, with a rare opportunity to generate significant growth and strong financial returns.

With the challenges in the sector, we expect new affordable homes supply performance to fall in the coming years as Housing Associations divert investment away from delivering new homes to improving existing stock. B3Living aims to continue to follow a balanced approach towards investing in new and existing homes.

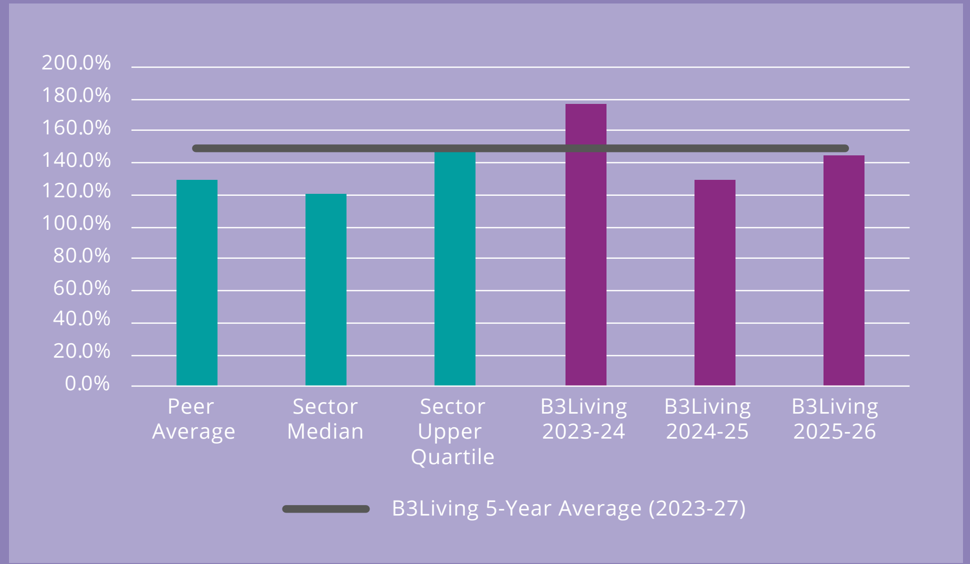


Gearing %

During the year, our gearing ratio (the relationship between debt and social housing assets) increased marginally by 0.4 percentage points to 59.7%. This reflects the £53 million investments made by B3Living in acquiring stock, starting the construction of new homes, and improving the quality, safety, and energy efficiency of existing homes.

The Board understands that we are operating near the sector's highest decile for gearing. However, as a social housing provider, it is important that we continue to contribute to the delivery of new affordable homes. Therefore, it is our intention to invest in new and existing homes at least at sector median levels, and above if capacity allows.

To deliver this level of investment and manage our gearing position within a range of around 55-65%, we will need to keep generating annual surpluses of around £10 million. a year. Additionally, we will work with Homes England and other Government agencies to secure grant funding.



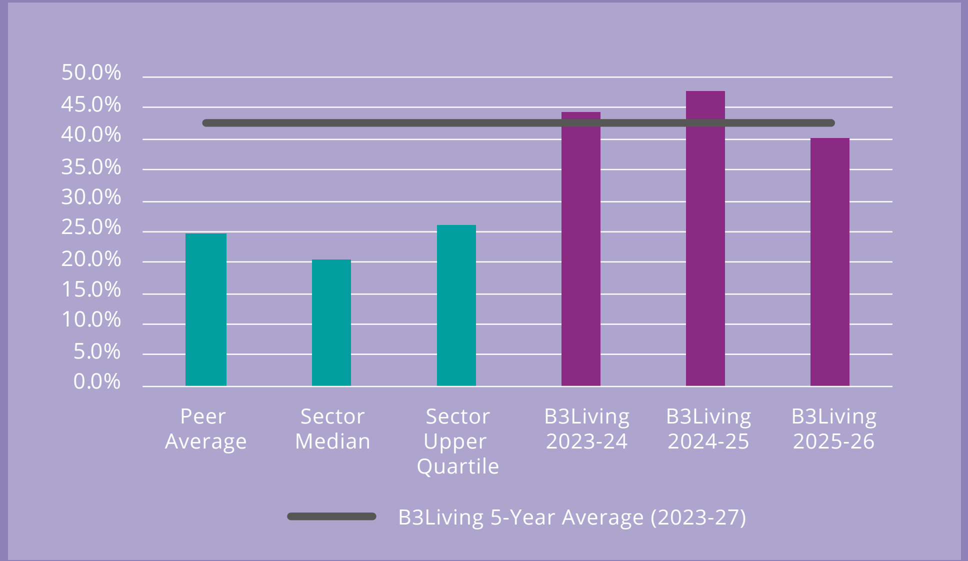
EBITDA MRI interest coverage %

EBITDA MRI (Earnings Before Interest, Tax, Depreciation, and Amortisation with Major Repairs Included) is a measure of the Group's ability to cover interest commitments from the cash flows generated by the core business. In 2024-25, our EBITDA MRI interest cover was 129.8%, which is comparable to our peers' performance in 2023-24 (129%).

In last year's VFM assessment, we expected our EBITDA MRI interest cover performance in 2024-25 to fall sharply to around 125%. This forecasted decline was driven by the completion of our Social Housing Decarbonisation Fund (SHDF) programme, which required an investment of £3.8 million.

Despite debt rising faster than expected due to a stock acquisition, high interest rates, and the successful completion of the SHDF programme, we managed to outperform expectations and position our performance within the sector's median and upper quartile.

With interest rates and gilts continuing to remain high, it will be important for B3Living to maintain high interest cover performance to support the viability of building new affordable homes.

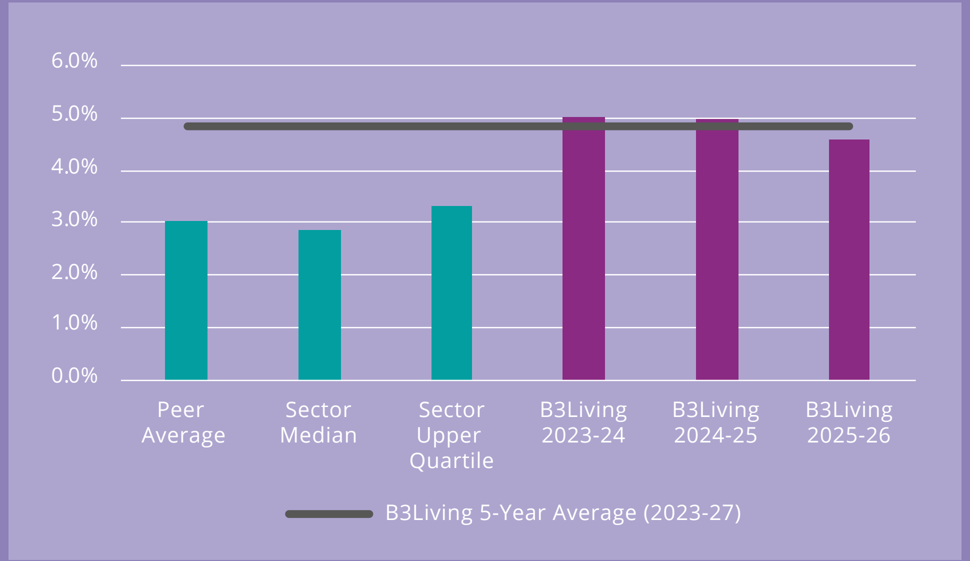


Social housing operating margin %

A key strength of B3Living is our operating margins. Our performance is driven by several key factors. Firstly, around 24% of our stock is affordable rent, which is approximately twice the sector's average. Secondly, our proximity to London means our local market rents are higher than many of our peers. Despite these factors, plus two years of significant rent increases, around 80% of our customers believe our rent provides value for money.

Thirdly, we have grown significantly in recent years. In 2022-23, we delivered a record number of new affordable homes, 258, and in 2024-25, we achieved record growth with 315 homes, predominantly driven by a 250-property stock acquisition. These new properties allow us to spread our fixed costs across a greater number of homes, thereby generating efficiencies.

With further global uncertainties, it will be important for B3Living to continue generating strong operating margins to allow us to invest in the improvement of existing homes while seeking to build new affordable homes.



Return on capital employed %

We are currently outperforming our peers and the sector's upper quartile. As a Housing Association with a gearing position near the top decile in the sector, it is important that we generate strong surpluses and ROCE performance to allow us to sustainably invest in new and existing homes.

With our strong operating margins, we expect performance to continue between 4%-5%, which exceeds the Board's value for money target of sector upper quartile level (3.4%).

However, with the elevated cost of new debt, it will be challenging to continue bringing new affordable homes into management without weakening our ROCE. Therefore, it will be important to keep generating strong interest coverage performance to provide meaningful support for our new developments, especially during these challenging times.

Case study:
Customer influence on procurement of new grounds maintenance service

Over the last year, we observed feedback trends on our grounds maintenance service and made the strategic decision to appoint a new contractor for future years. We responded to customer feedback by holding a customer consultation to include customers in the selection process.

Over 350 customers voted for Broxbourne Environmental Services Trading (BEST) Ltd., part of Broxbourne Council, which were appointed ahead of spring.

Cost

As a local authority trading company, BEST Ltd. offered a competitive and transparent pricing structure. By working with a council-owned provider, we are reinvesting in the local economy while ensuring good value for money for our customers. The new contract includes a clearer service specification, which helps ensure that the work being paid for is being carried out as agreed. This means our customers can have greater confidence that their service charge reflects real value.

Quality

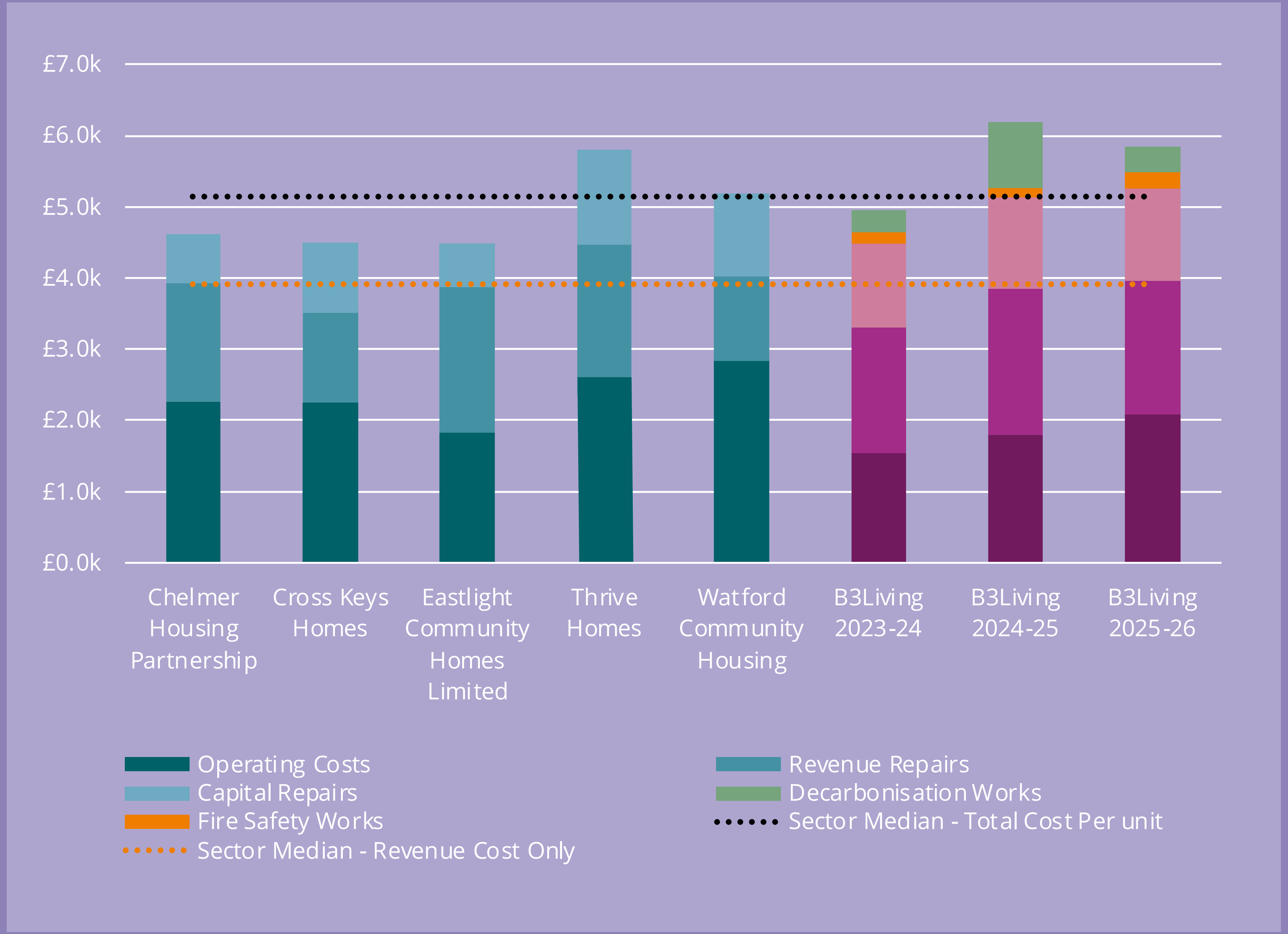
Prior to the appointment of BEST, customers had expressed dissatisfaction with certain aspects of ground maintenance, particularly around grass cutting. Since BEST took over, the grass in communal gardens is being cut more regularly (every three weeks), and we have extended the cutting season to include March and October.

Most customers asked for cuttings to be collected as they felt it made communal areas look neater. While we were not able to arrange for this, the grass being cut more frequently is naturally generating fewer clippings, and they are not being left on pathways and in doorways.

Performance

We have built performance monitoring into the contract with BEST, including regular audits, joint inspections and asking our customers for feedback. This helps ensure accountability and gives us a clear view of whether standards are being met.

So far, feedback from both residents and staff suggests that the service has improved since the change in contractor. Some customers have reported that communal areas are looking better maintained, and staff have reported fewer complaints about grounds maintenance overall.



Cost per unit*

Our approach to cost control and our value for money ethos have resulted in solid cost per unit performance, achieving our VFM target of the sector median (£5.13k) in 2023-24, although this was slightly higher than our peers' average (£4.87k), according the to the Global accounts 2023-24. Our operating costs are forecast to remain comparable to the best of our peers at approximately £2.07k per unit by 2025-26. This performance has been aided by significant growth in our units between 2023 and 2025. Furthermore, our low operating costs are also a legacy benefit from the Board's decisions in response to the four-year period of rent cuts. During this period, we made substantial operational cost savings by reducing our headcount and investing in new IT to increase productivity. Savings in these back-office areas have allowed the business to increase its investment in our core housing and repairs service without materially impacting overall performance.

The Board recognises the strong correlation between providing well-maintained homes and customer satisfaction. Recent research from the TSM surveys over the past two years, which covered between 20-25% of our rented customers, revealed that 85% of them were satisfied with B3Living services overall. Of this cohort, 92% were satisfied that their homes were well maintained. Conversely, among those dissatisfied with B3Living, 62% were not satisfied with the condition of their homes – where appropriate these customers' homes have been added to our routine stock condition surveys programme for 2025-26 to assure ourselves that the homes are in a good condition.

Our commitment to providing high-quality, safe, and energy-efficient homes means we typically spend around £400-£500 more per property annually on capital repairs compared to our peers. However, in 2024-25, the £11.5m (£2.35k per unit) investment we made in our existing homes resulted in our capital expenditure being more than twice that of our peers (£0.95k).

Following two consecutive years of significant rent increases, our customers have expressed a desire for increased investment in their homes, particularly in ways that will help them reduce energy bills. Our commitment to increasing the energy efficiency of our least efficient homes is reflected in the level of decarbonisation expenditure per unit. The primary driver for this expenditure is the delivery of our Social Housing Decarbonisation Fund (SHDF) programme in 2024 and 2025, along with the Warm Homes wave 3 programme, which will be implemented between 2026 and 2028. The Board aims to bring all accessible homes to at least EPC C by the end of 2028. To support this goal, we have recently completed energy efficiency surveys on all our homes. In early 2025-26, we will analyse these results and develop a programme to achieve this target, which may result in further cost per unit pressures for the business.

The chart also shows that we spend a further £400-£500 per unit more on revenue repairs. The majority of this additional revenue spend has been driven by two key factors: firstly, the amount we have needed to spend on customer and building safety works; secondly, the introduction of our sector-leading voids standard, which involves decorating and carpeting each property before letting. We believe that, aside from the fire safety works, which are predominantly fire door replacements and a potential building cladding issue, these costs have peaked and will stabilise in future years.

Case study:
Investing in warm homes for our customers

B3Living's priority is not just about building more much-needed affordable homes, but also about improving the quality of the homes under our management and the estates in which they are situated. We want our customers to have more than just a roof over their heads; we want them to be and feel safe, comfortable and supported. For this reason, we are continuing to invest money in our homes to improve quality, safety and energy efficiency. We also believe that a key driver for good customer satisfaction lies in the quality of the homes that our customers live in.

Thanks to a £1.2m investment from the Government's Warm Homes Fund, we are improving the energy efficiency of 136 homes by installing measures such as wall insulation, solar panels and new windows and doors.

Cost

This latest wave of the Warm Homes Fund builds on the progress we made under Wave 2.1 of the then Social Housing Decarbonisation Fund (SHDF), which we accessed through the Greener Herts Consortium alongside settle and Watford Community Housing.

Thanks to the investment, many of our homes will have more efficient heating systems, better insulation and fit-for-purpose windows and doors mean that less heat is lost, and customers are therefore spending less money on fuel. In some cases, solar panels are helping fuel costs go further as customers are able to 'sell back' any renewable energy they don't use.

For our business, accessing sustainability-related funding allows us to invest into the future our homes which will result in fewer large-scale retrofitting projects in the long-term. As a not-for-profit, the funding will also enable our reach to expand farther than our limited resources would have otherwise allowed.

Quality

As well as saving money for our customers and helping improve their health and wellbeing, we are reducing carbon emissions and making great strides towards net zero. Climate change poses a serious threat—not just to the environment, but to people's health and quality of life, with the greatest burden falling on those who are already disadvantaged. Therefore, it is essential that our homes are resilient to the growing impacts of climate change. By investing into the fabric of our homes, we are extending the amount of time our customers can comfortably live in them.

Early feedback on the previous wave has been positive, with many residents telling us their homes felt noticeably warmer over winter. By increasing the comfort of our customers, we are hopefully also improving their quality of life and overall satisfaction with B3Living.

Performance

We are committed to improving the quality of our homes to prevent any issues from developing in the future. So far, through our retrofitting programme we have identified energy performance certificates for 100% of our homes. Knowing the performance of our homes allows us to be strategic about how we allocate future funds for sustainability related improvements. In 2024-25, we brought 85% of our homes to EPC C which places us on target to meeting corporate strategy's targets of 100% EPC C by 2028.

Our value for money metrics

Our value for money metrics

Alongside the Regulator's metrics, our Board also monitors its own value for money performance indicators (see the table below).

These metrics are designed to ensure the Group is meeting its customers' expectations, using its assets effectively, and employing its finite resources in the right areas. In December 2023, the Board modified our VFM metrics to focus more on customer experiences and perceptions of us. In addition to setting the metrics, the Board has established challenging sector-leading targets. Achieving these targets underpins our corporate strategy, budget setting, and business planning processes.

	B3Living 2022-23 Actual	B3Living 2023-24 Actual	B3Living 2024-25 Actual	B3Living 2025-26 Forecast	Sector Median	Upper Quartile	Board VFM Target
Value for money metrics							
Customer Perception - B3Living Services	85.4%	84.6%	84.7%	86.0%	73.2%	79.5%	Upper Quartile
Customer Perception - Repairs Service	84.0%	84.9%	84.0%	85.0%	73.3%	78.9%	Upper Quartile
Customer Perception - Trust in B3Living	n/a	75.4%	87.7%	87.0%	79.4%	84.7%	Upper Quartile
Customer Perception - Quality of Home	88.1%	82.4%	83.0%	80.0%	72.7%	78.7%	Upper Quartile
Customer Perception - Safe Home	n/a	83.2%	83.8%	85.0%	79.0%	84.6%	Upper Quartile
Customer Perception - Communal Areas Home	n/a	70.9%	70.4%	72.0%	66.8%	72.3%	Upper Quartile
Customer Perception - Rent Level	87.7%	84.3%	80.0%	85.0%	82.0%	86.0%	Upper Quartile
Overheads as a % of turnover	11.1%	16.4%	16.9%	14.5%	14.9%	12.0%	Median
% Spend from Framework agreements	63.0%	74.0%	82.0%	85.0%	n/a	n/a	85.0%

Key

Board VFM target

We strive to generate operational efficiencies to create capacity for investing in the services we provide, such as our repairs service, dealing with anti-social behaviour, and helping customers who are struggling financially. Ensuring we get things right the first time is key. Customer satisfaction data shows a strong correlation between repeat repairs and customer dissatisfaction, and a similar relationship exists when we do not deal with complaints effectively.

In 2024-25, we completed the first full year of our new in-house repairs restructure, where additional resources were recruited to manage the repair teams, promote a customer-focused culture, and drive efficiency gains through better resource allocation and improved repair diagnoses. Furthermore, during 2025-26, we plan to make a series of proactive investments to reduce future response repair demands, with a primary focus on damp and mould and drainage interventions.

In 2024-25, we recruited two resources dedicated to dealing with complaints in line with ombudsman and customer expectations. These new recruits have made a substantial impact, ensuring that every month our complaints are dealt with within the agreed timelines. Additionally, we are committed to enhancing our customer engagement by implementing advanced IT solutions to streamline communication and feedback processes. This will help us better understand and address customer needs, ultimately improving overall satisfaction and service quality.

We believe that a key driver for good customer satisfaction lies in the quality of the homes that our customers live in. B3Living has a long history of investing in our homes at upper sector quartile levels. For example, in 2023-24, we invested £1.55k per property to improve the quality, safety, and energy efficiency of our homes, compared to the sector's upper quartile investment level of £1.32k. In 2024-25, this investment increased to £2.35k per property, making us one of the largest investors in existing homes in the sector.

The table shows that since 2022-23, our overall customer satisfaction performance has been very consistent, ranging between 84-85%. This consistency should not be seen as stagnant performance, especially when considering the headwinds B3Living and our customers have faced over that period. These challenges include recent negative press towards the sector, especially in relation to damp and mould, and significant changes in our operating environment, such as the heightened role of the Ombudsman, the requirements from the Building Safety Act, Awaab's Law, the Social Housing Act, and the new Consumer Regulations. Additionally, the economic environment has pushed inflation recently into double digits and increased rents by around 7%, twice.

Given these headwinds, it is not surprising that many housing associations have seen their customer satisfaction levels fall. For instance, in 2020-21, the sector upper quartile performance for overall customer satisfaction was 91%. This fell to 85% in 2022-23 and further declined to 79% in 2023-24.

Therefore, achieving a performance of around 85% is excellent. However, the Board has made it clear that our customer journey is not complete, and we need to continue improving. They have demonstrated this commitment by making "excellent customer experiences" a central theme of the 2024-27 Corporate Strategy - providing a demonstrable link with our VFM goals and corporate targets.

To further enhance customer satisfaction, we are implementing several initiatives. These include developing our network of over 260 engaged customers, reconfiguring our governance structure to incorporate direct customer input on key strategies and policies as well as scrutiny, utilising data, especially from surveys, to better understand our customers and what impacts, positively and negatively, on their experiences. These actions, along with embedding our Customer Strategy and Customer Ethos, will help us continue to meet our customer satisfaction target of sector upper quartile into the future.

We are pleased to see that over 80% of our customers believe their rent level represents value for money, even though this is significantly lower than the 87.7% achieved in 2022-23. We believe the downward trend is driven by a few key factors, firstly, around 24% of our rented homes pay affordable rent, which is generally more expensive than social rented, secondly, against a backdrop of a cost-of-living crisis, our rents increased by 7% and 7.7% in 2023-24 and 2024-25 respectively. During our annual rent consultations with customers regarding the 2024-25 rent increase, they were clear that if rent had to increase at the rates stated, then they wanted to see B3Living using this money to invest in their homes. We believe we have met this challenge with a record £11.5m invested in improving existing homes in the year coupled with the Board's commitment to bring all our homes to EPC C by the end of 2028 – two years ahead of schedule. We monitor customer feedback to see if these investments are changing their views on the rents we charge.

Whilst the Board wants to invest more in our existing homes, they are still keen to ensure we are getting VFM for every pound we spend. Therefore, the Board felt it was important for the business to utilise its procurement function, as tendering is an excellent opportunity to assess what the business and our customers want from our contractors. This way, we can aim to achieve the optimum balance between cost, quality, and performance across the business. In 2021, the business created a procurement function, and since then, we have significantly increased the amount we spend on contracts or framework agreements, whether in our own name or via a third party. Consequently, the Board has set a VFM target of 85% of our expenditure being made via a contract or framework agreement, and this year we have made significant steps towards realising this ambition.

Case study:
Centralising our complaints service

Our colleagues work hard to ensure our customers receive an excellent service. Over the last year, we experienced a significant improvement in our complaints handling which can be largely attributed to the centralisation of our complaints process and the appointment of our Resolution Leads in June. Improving the structure of our teams with these new roles has enriched customer experience, prevented maladministration cases against our business and boosted efficiency and collaboration among colleagues. Thus, the benefits of investing in our teams are being reaped in close to every aspect of our organisation.

Cost

Improving the way we deal with complaints has significant financial outcomes on our business. Complaints that are left undealt can escalate into disrepair claims which can result in legal action, and therefore, high legal costs. Early intervention through our Resolution Leads prevents such scenarios and allows for our customers' issues to be addressed faster. Though the resolution process may involve compensation costs, preventing any form of maladministration generates savings and avoids ensuing reputational damage and higher compensation payments.

Quality

The ultimate purpose of our new complaints is to ensure our customers have better experiences with us. Our post-complaint survey found that 58% of people who had made a complaint were satisfied with how we dealt with their complaint - a 19% increase from last year. Considering that we received 23% more complaints than last year, we can report a better performance despite the higher volume of complaints. Throughout the year, we reached the top 10 of 203 landlords across the country for how we handle complaints. A key factor in this improvement is our complaints team's personalised approach which involves ensuring complaints are handled in the agreed timescales, improving communication with our customers, and identifying areas of improvement across teams.

Performance

Internally, the appointment of our Resolutions Leads has resulted in better business performance. For instance, in April 2023-24, the number of complaints responded to on time was at 82% whereas in 2024-25, it rose to 95%. Since the Resolutions Leads joined us, this figure reached 100% at various points of the year. The impact of a centralised service has also brought clarified the complaints process for all other teams which, in turn, has led to better accountability and higher rates of first-time fixes. It has also allowed for better compliance with the Housing Ombudsman and placed us in a better position to prepare for the Regulator's Consumer Standards.

Value for money into the future

Value for money into the future

The 2024-25 financial results reflect our commitment to value for money with our core operating margins over 40% and healthy interest coverage. Our Corporate Strategy recognises that cost management is key to us protecting financial resilience whilst doing more for our existing and future customers. The Board understand that reductions in spend in certain areas could adversely impact on customer experiences, therefore we expect to need to tweak or reallocate our expenditure to achieve our cost forecasts to ensure all spend is effective and proactively contributes to our strategic objectives. That said, we will aim to increase efficiency to generate costs savings, but we expect these savings to be reinvested in improving frontline services and existing homes. We expect to deliver savings through:

- Challenging how we work to improve performance and reduce wastage.
- Utilising IT to improve services, data quality and communication.
- The delivery of our new Asset Management Strategy, including disposing of underperforming homes.
- The delivery of our improved approach to procurement.
- The provision of new homes and acquiring, when advantageous, homes from other Housing Associations.

The table below shows our performance against the Regulator's value for money metrics compared to our peers. Our reinvestment levels in 2023-24 were lower than expected due to a challenging market for house builders and high interest rates adversely impacting development viability. Consequently, the business took a cautious approach towards the provision of new homes, especially given the cost uncertainties we were experiencing.

With a better understanding of our cost base, the Board feels more confident in increasing our investment in new and existing homes. For example, during 2024-25, the development team started construction of 267 new affordable homes, and B3Living acquired 250 homes from Orbit. Furthermore, aside from the sector-leading investment of approximately £2.35k per unit in improving existing homes, we plan to invest a further £2k per unit per year in existing homes between 2025-26 and 2028-29. This level of investment will result in us outperforming our VFM target of the sector median for reinvestment and increasing our supply of new social homes to over 2.4% by 2027-28. These annual investments will positively contribute towards providing a property and neighbourhood our customers are proud to call home.

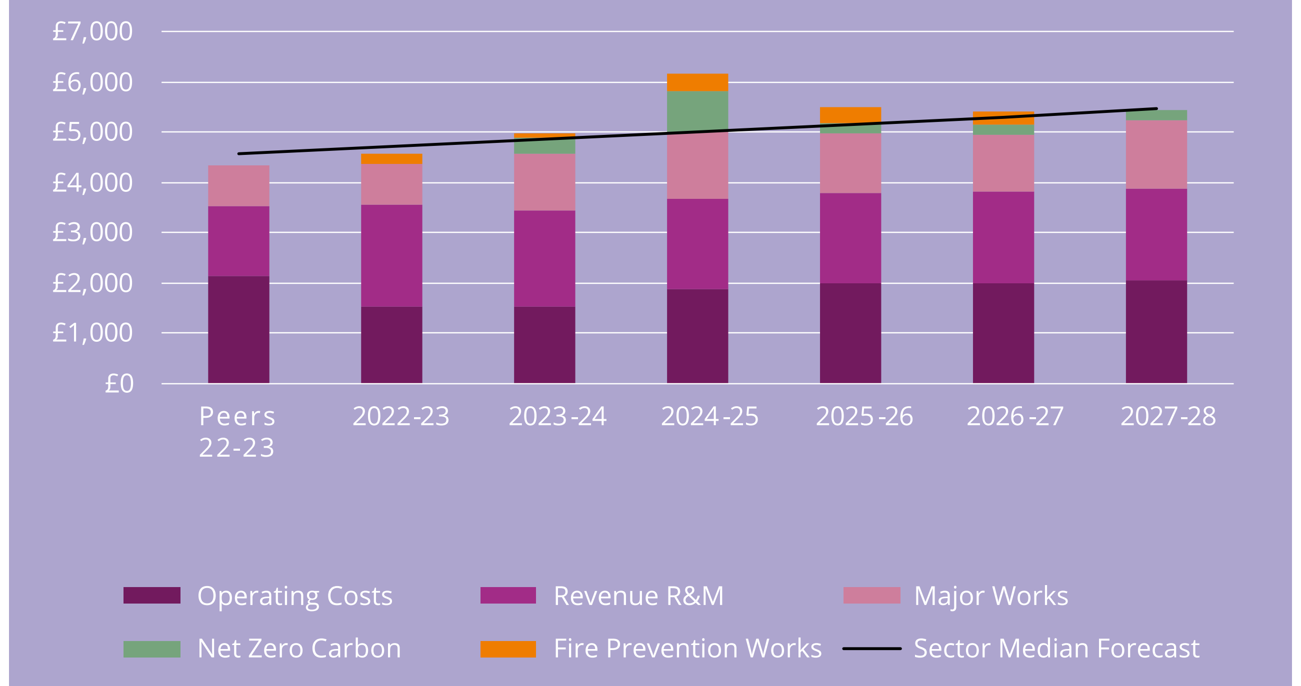
However, it is important to note that this level of investment is only sustainable if we continue to manage our cost base to generate strong operating margins and interest cover performance.

	Peer average 2023-24	Sector median 2023-24	Sector upper quartile 2022-23	Board VFM target	B3Living Actual 2022-23	B3Living Actual 2023-24	B3Living Forecast 2024-25	B3Living Forecast 2025-26	B3Living Forecast 2026-27
Value for money metrics									
Reinvestment	12.22%	7.80%	11.05%	Sector Median	5.72%	14.05%	8.90%	10.00%	7.59%
New supply (social)	2.41%	1.43%	2.23%	Sector Median	1.00%	0.16%	1.20%	1.58%	2.48%
Gearing	59.34%	45.62%	55.07%	Upper Quartile	59.30%	59.68%	62.80%	62.83%	61.78%
EBITDA MRI Interest Rate Cover	129.24%	121.69%	151.15%	Sector Median	176.20%	129.76%	144.20%	131.48%	159.71%
Headline social housing cost per unit (£k)	4.87	5.15	6.46	Sector Median	4.94	6.14	5.79	6.27	6.03
Operating margin (SHL)	24.75%	20.43%	25.87%	Upper Quartile	43.99%	47.10%	40.73%	40.91%	41.81%
Operating margin (overall)	24.97%	18.33%	23.21%	Upper Quartile	37.46%	39.87%	39.49%	41.02%	40.13%
Return on Capital Employed (ROCE)	2.99%	2.79%	3.36%	Upper Quartile	5.07%	4.95%	4.55%	4.75%	5.06%

As we deliver our energy efficiency upgrades alongside essential fire safety remediation works, our EBITDA MRI performance is temporarily expected to be suppressed, falling to around 130% in 2026-27. However, once the programme has been completed, performance is expected to return to a level well above the sector median and our peer average. Strong interest cover performance is essential to support the financial viability of our new homes, especially as interest rates and long-term gilts remain elevated.

A key efficiency metric is operating cost per unit. The table below shows the cost per unit increasing from approximately £4,940 per unit in 2023-24 to around £6,270 per unit in 2026-27. The chart below breaks down the five key cost components and compares them with the sector median forecast, based on the 2023-24 outturn increasing by 2% per annum.

The chart indicates that in the mid-term, our cost per unit is likely to exceed our sector median target. However, the key cost drivers, such as decarbonisation and fire safety, are expected to diminish in the mid-term as we complete the replacement of all our fire doors, finish any cladding remediation works, and bring all our homes to EPC C by the end of 2028. By excluding these two elements, the core cost per unit of the business remains below our sector median target throughout the period.



Cost per unit breakdown

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