Believe Housing Limited

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

Co-operative and Community Benefits Society registered number: 8076

Regulator of Social Housing registered number: 5071

Contents

Board Members, Executive Directors, Advisors and Bankers

Registration numbers

Co-operative and Community Benefit Society registration number	8076
Regulator of Social Housing registration number	5071

Registered office

Coast House
Spectrum Business Park
Seaham
SR7 7TT

Board members

The following individuals served as Board Members from 1 April 2020:

Judith Common (Chair)
Douglas Ross (Vice Chair)
David John Boyes (retired 12 September 2020)
Hazel Dale
Gurpreet Singh Jagpal
John Marshall
Beverley Ann Tindale (resigned 21 October 2020)
Kevin Joseph Shaw
Kevan Joseph Wales
Robert Andrew Auty (appointed 12 September 2020)

The following individuals served as Executive Board members from 1 April 2020:

William Fullen
Robert Alan Smith

Chief Executive	William Fullen
Executive Directors	Robert Alan Smith, Executive Director of Investment, Growth and Performance Nicola Turner, Executive Director of Communities and Customer Services
Secretary	Andrew Coates
Solicitors	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ

Board Members, Executive Directors, Advisors and Bankers (continued)

Bankers	Lloyds Bank Grey Street Branch 4th Floor 102 Grey Street Newcastle upon Tyne NE1 6AG
Independent auditors	Beever and Struthers Chartered Accountants and Business Advisors St George's House 215-219 Chester Road Manchester M15 4JE

Report of the Board

The Board of Believe Housing Limited are pleased to present the Annual Report and Financial Statements for the year ended 31 March 2021.

Strategic Report

Corporate structure and business model

Believe Housing Limited ('believe housing / the Association') is a charitable Co-operative and Community Benefit Society and is registered with the Financial Conduct Authority ('FCA').

believe housing is a registered provider of social housing and is regulated by the Regulator of Social Housing ('the Regulator').

The Association meets the definition of a public benefit entity as set out in Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Housing Statement of Recommended Practice 2018 ('SORP').

At the 31 March 2021, we owned and managed 18,210 social housing properties (2020: 18,076) which represents around 40% of all social housing stock in the County Durham area with a turnover of £67.891m (2020: £66.111m) and a total tangible fixed asset base of £257.505m (2020: £232.056m).

Objectives and strategy

Our Corporate Plan

We operate over a large geographical area, stretching from the remote rural Pennine area of outstanding natural beauty in the west of the county, through Durham City and out to the more densely populated heritage coastline in the east.

Our Corporate Plan covering the three-year period 2019-2022 was approved by the Board in March 2019. An updated version of the Corporate Plan 2020-22, corporate scorecard and associated projects were approved by Board in March 2020.

Our 2020 update to the Corporate Plan affirmed our vision and values for 2020/21 and built on the previous plan reflecting on initial progress, new opportunities and challenges. Our 2020/21 update set out ambitious plans for us to deliver across our three Strategic Pillars:

- believe customer experience
- believe people experience; and
- believe business experience.

Our 2020/21 Plan set out our vision, values and behaviours as follows:

vision and our mission

We believe in life without barriers

If everyone expects more, they can achieve more, and we can transform lives together. It is this power of 'more' that will let people realise what is possible - change perceptions, raise aspirations and create inclusive, vibrant communities.

Our vision for this corporate plan

We will be recognised as a market leader in the housing sector, underpinned by strong foundations, we set the bar for customer satisfaction, people experience and innovation. We are renowned for the role we play in sustaining thriving communities and our peers regularly look to us for inspiration.

Values

Our values were developed by our people and are considered every day when making decisions.

At the point of this plan being approved by Board, the UK had just gone into its first lockdown as a result of the Covid-19 pandemic. An updated version of the action plan was approved by Board in May 2020, reflecting on our ability to deliver some of the key milestones during the pandemic.

We have continued to deliver services and move forward with our plans wherever possible and throughout the year have provided regular updates to Performance and Standards Committee and Board on the impact of Covid-19 on our performance and our ability to deliver on our plans.

Our Objectives

Our strategic objectives are linked to our values and form three strategic pillars as follows:

believe customer experience

Deliver a great customer experience - consistent, reliable, quality, taking responsibility

Building our relationship with customers

Creating thriving places and homes people want to live in

believe people experience

Innovative and creative organisation - don't stand still

Collaborating with others and recognising our success

Invest in and celebrate our people

believe business experience

Respecting and protecting our planet

Being a sound and secure business ready to take opportunities

These strategic objectives are underpinned by a detailed action plan, setting out actions and the performance measures and targets in place to determine what success will look like.

What does value for money mean to us

Value for money and optimising our resources underpins our Corporate Plan and embedded into all policies and procedures, so it remains at the forefront of key decisions and forms an integral part of how we work.

Our approach to value for money is supported by the Performance Management and Added Value Framework which was approved by the Board in May 2020. This framework sets out our approach to both performance management and value for money in one document recognising that these two areas are inextricably linked.

The Board is updated throughout the year on value for money actions and achievements through the quarterly performance report as well as a mid-year review of the Corporate Plan.

The following projects were identified as priorities for the 2020/21 financial year to deliver on our strategic objectives:

believe customer experience

- Digital delivery and customer hub: to deliver a great customer experience, focussing on providing first time resolution and enhancing our digital offer to increase self-serve.

- Customer journey and sustainment: to develop a holistic, customer focussed service to increase sustainment of tenancies and ensure that rental income is maximised.

- Property and repairs improvement: to complete a business review and remodel of all areas of our strategic and operational delivery for repairs to deliver excellent customer experience, high performance, sustaining financial viability and to be fit for the future.

- Customer experience: lettings and marketing: to deliver improvements to our current approach to marketing and letting homes, develop new markets for our homes and look at options for new products to appeal to a broader range of customers.

- Placemaking: to bring together the key elements that make successful and sustainable communities such as management plans, new build and investment decisions, resident engagement and community investment to create a planned approach.

- Homes for 2050: to build upon our commitment to deliver new homes by completing further research and market analysis to define the type and tenure of homes we will be developing in future, as well as the products that enable us to respond to social, ethical and environmental drivers.

believe people experience

- People experience and culture: to transform the HR and Organisation Development functions to form a team which will be the engine for change, simplifying policies/processes to focus energy on making a real difference.

- Corporate Social Responsibility: to maximise the impact of our corporate social responsibility days for employees to make a difference in our communities.

believe business experience

- Green plan: to better understand the environmental impact of our business and our assets and look at ways to improve energy efficiency, reduce waste and reduce our carbon footprint.

- Service charges: to provide a consistent approach to service charges across the organisation

- Data strategy and warehouse: to become a place where data is used throughout the organisation to inform decisions, predict future needs or impacts and drive innovation to be more responsive to customer and employee needs.

In addition to these priorities there has been a focus on maintaining a consistent level of service to customers and incorporating value for money considerations into day-to-day operations and thinking, rather than being an ‘add-on’ considered in isolation.

Achievement of value for money is also incorporated into staff objectives and development plans, confirming that it is the responsibility of everyone, not just senior staff and executives. An added value league has been used for teams to submit their added value achievements for the year which is used to promote learning by providing all teams with details of the key achievements in the year.

What we have achieved in 2020/21

This year has presented a number of challenges as a result of Covid-19, however we have continued to make progress towards the vision set out in our Corporate Plan.

The key achievements contributing to our strategy objectives and the priority projects for 2020/21 include:

- Quickly and successfully mobilising our services to operate from home at the start of the first lockdown period in March 2020;
- Moving our governance arrangements online with Board, Committee and Values Group meetings held online and establishing a Covid-19 Committee to ensure any key decisions could be taken swiftly during the pandemic;
- Conducting over 18,000 calls to our customers to keep in touch and make sure they have the support they need in place;
- Increasing our customer satisfaction from 86% to 86.8% in our annual STAR survey;
- Improving our culture and employee engagement, achieving 2-star status in Best Companies, ranking 12th in the UK's 25 best housing associations to work for and 25th in the North East's 30 best companies to work for;
- Launching our new customer hub giving customers new functions such as call back requests and fully integrated live chat;
- Creating a weekly performance scorecard to monitor the impact of Covid-19, providing up to date information on a range of metrics to the Senior Leadership Team, Performance and Standards Committee and Board;
- Supporting:
    - 91 projects through our small grants programme to help support communities to respond to the challenges of Covid-19
    - 15 larger investment projects across our operating area
    - 101 people into employment;
- Trialling new ways of diagnosing repairs using augmented reality and supporting customers to carry out minor repairs through self-help videos and guided calls to allow repairs to be completed whilst limiting physical contact during lockdown;

- Launching staffcircle, our new system for performance management, innovation and business communication allowing us to create a place for all conversations with employees, their objectives, career development and ideas to be captured in one place;

- Winning the Homebuilder of the Year award at the UK Housing Awards and ranking second in Housing Digital's Top 30 Digital Housing Providers for 2021;

- Winning the Covid Resilience Award at the 2021 Northern Housing Awards;

- Gaining the Housemark Complaints Accreditation for our approach to complaints;

- Completing the review of terms and conditions for our repairs teams and implementing a new structure to deliver the repairs service going forward;

- Implementing a risk-based approach to support new tenants with the introduction of the Housing Matters team;

- Delivering 205 new homes in the year and establishing our five-year Development Strategy to deliver 1,250 new homes in that period; and

- Securing new financing arrangements to support the delivery of the new Development Strategy.

Linking our strategic objectives and performance metrics

The delivery of our strategic objectives is monitored by the Senior Leadership Team, comprising of the Executive Management Team and Directors. The corporate performance scorecard metrics are compared to targets set and discussed with the Senior Leadership Team before being reported through the quarterly performance reports to the Performance and Standards Committee and the Board.

Historic performance is reviewed as well as comparing performance with our peers to help identify trends in performance and drive development of our services. Benchmarking of performance is done through Housemark to understand how our service areas compared to other organisations of a similar size and scope. The peer group used for benchmarking performance has been agreed with Housemark, taking into consideration a variety of factors such as stock size, region, organisation type and services provided.

The criteria typically used is Housing Associations throughout England (excluding London), with a stock size of between 10,000 – 20,000. However, we can also use different groups or tailor who we compare ourselves to depending on the service area we are reviewing.

The trend in performance is also monitored to identify key changes year on year.

Performance indicators are developed based on the Corporate Plan objectives to allow the Board to measure achievement of our objectives and are based on the following principles:

- They reflect the objectives set out in the Corporate Plan.

- Provide insight into the quality of service provision and outcomes for customers, communities and the business.

- They ensure the health of the business is being monitored.
- Inform the scrutiny of services with the Values Group[1] and formulation of recommendations to Board.

We regularly review our Corporate Scorecard in line with our Corporate Plan and associated activities to make sure that our measures are relevant, whilst also ensuring that we retain some indicators year on year to ensure there is some consistency and we can track performance over longer time periods.

The value for money metrics are monitored and reported each quarter to the Performance and Standards Committee and the Board through the management accounts and the performance report.

Our Covid-19 scorecard

In April 2020 we introduced a Covid-19 scorecard to monitor the performance of the business. This scorecard reported on a series of metrics linked to our people, our customers, our business and our property repairs service.

This was monitored on a weekly basis by the Coronavirus Action Team and reported to the Performance and Standards Committee and the Board.

The scorecard covered a range of metrics including information on:

Our People

- Number of days absence
- Number of days emergency leave
- Data on communications (emails, Teams meetings, messages, calls)

Our Customers

- Anti-Social Behaviour and tenancy sustainment cases
- Customer contacts received
- Welfare calls

Our Business

- Rent collection

[1] The Values Group reports to the Performance and Standards Committee and is made up of tenants / leaseholders. It has responsibility for customer insight, service or scrutiny reviews and ensuring assurance over health and safety.

- Direct debits

Property Repairs

- Compliance data
- Repairs data including volume, average time to complete etc

We also introduced a treasury monitoring scorecard which provided a summary of our actual and forecast cash flows, the liquidity we had available and our covenant compliance. This was presented to each Performance and Standards Committee during 2020/21 to provide assurance over our cash and liquidity position.

These scorecards have now been converted into a summary of operational performance and a treasury report which is reported to each meeting of the Performance and Standards Committee.

Our performance metrics 2020/21

The following strategic performance indicators have been monitored during 2020/21 to assess our performance against the corporate objectives set out in our Corporate Plan.

Where possible the historic performance indicator is also included in the table below, however this is not possible for all the indicators as not all of this information has been collected previously. Where it is not possible to include the historic performance data it is noted in the table as n/a.

The following performance indicators are based on information taken from a number of different sources, including our housing management system, HR system and the HACT[2] Value Insight system. Other than the headline social housing cost per unit and reinvestment metrics, which are calculated from the statutory accounts, the figures used in the remaining metrics are not derived from the financial statements. Some of these figures are reported based on the performance period end (for example the end of a rent week) rather than the financial year end.

The performance metrics for each strategic pillar are reported in the table below with further information to our performance for the year. Overall it is acknowledged that 2020/21 has been an unprecedented year and as such our performance at the year end looks different in a number of areas to what we were previously aiming for or expecting.

Customer

Objectives and Supporting Indicators	Target 2020/21	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Customer					
Net promotor score	52	**47.6**	48.5	48.5	54.6

[2] Housing Association's Charitable Trust

Objectives and Supporting Indicators	Target 2020/21	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Overall customer satisfaction score	88%	**86.8%**	86%	85.6%	86.3%
Customer satisfaction with repairs	9.00	**9.30**	8.80	7.80	n/a
Tenancies ending within 12 months	5%	**4.14%**	4.55%	6.11%	5.24%
Proportion of complaints responded to within timescale	85%	**87.58%**	62.3%	n/a	n/a
New supply delivered	275	**205**	231	81	36

We exceeded the targets set in three of our metrics, namely customer satisfaction with repairs, tenancies ending within 12 months and proportion of complaints responded to within timescale. However, we did not achieve the targets set for our net promoter score, overall customer satisfaction and new supply delivered.

Our latest survey of tenants and residents was carried out by an external third party in November / December 2020. The following points are highlighted in connection with our performance scorecard metrics:

- Overall satisfaction has increased from 86.0% to 86.8% with our performance in the top quartile of both the 180 housing providers and 1,290 companies that commission the same survey work.

- Our net promoter score of 47.6 fell short of our stretch target of 52 and decreased marginally in comparison to prior year.

- Our overall satisfaction and net promoter scores were lower than the targets set for 2020/21. Covid-19 has affected customer satisfaction levels for many businesses and organisations and the Customer Satisfaction Index has shown an overall decline in satisfaction over the last 12 months. Our results are therefore particularly positive and reflect the work that has taken place to support customers and continue to deliver services over the course of this year.

- We have been advised that due to the current level of customer satisfaction it is likely we will only see small incremental increases in satisfaction as opposed to large wholescale increases. We are re-evaluating our customer satisfaction and net promoter score targets for the forthcoming year in light of this advice.

- Sessions have been held with each area of the business to understand the survey results and how they can contribute to improving satisfaction going forward. Each area is producing a plan to take this work forward.

New supply delivered fell short of our target for the year with 205 delivered compared to a target of 275. One of the impacts of Covid-19 and the first lockdown was the closure of our development sites for a period of time, resulting in delays of around eight weeks to our schemes. All schemes continued as planned and within the original budgets set with the impact being on the timing of completions.

Satisfaction with repairs was 9.30 out of 10 for the year and reflects the strong performance of this service throughout the year. This is despite changes to the repairs service delivery throughout the year, which included moving to essential repairs during the national lockdowns and dealing with the subsequent backlog of repairs. We continue to analyse feedback from surveys, complaints and compliments to understand areas of improvement and good practice in repairs and respond accordingly.

Our response rates for complaints for the year was 87.58%, exceeding our target of 85% as well as an improvement in comparison to prior year. The number of complaints is lower this year with a reduction of approximately 14% in formal complaints, however the issues dealt with have been complex. We have recently had an internal audit review of our complaints process along with the Housemark Accreditation and Ombudsman self-assessment. All of this feedback will be used to improve our complaints service.

We have continued to provide support and advice to customers to help them manage their tenancies and maximise their income. The scorecard shows that the proportion of tenancies ending within 12 months was 4.14% at the end of the year, which is an improvement on last years performance.

During the year we have reviewed the way in which we work with customers and created a single point of contact for applicants through our Housing Matters Team. This provides effective support at an early stage for the customer with more regular contact for customers who are identified as having a higher risk of tenancy failure. However, we recognise that this figure is likely to have been affected by restrictions arising from Covid-19 and we will be monitoring this closely over the next 12 months to take action where required.

People

Objectives and Supporting Indicators	Target 2020/21	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
People					
Cultural entropy	15%	**11.00%**	24.00%	n/a	n/a
Average days sickness per employee	3 days	**10.8 days**	9.06 days	7.03 days	6.71 days
Number of staff involved in corporate social responsibility	50	**50**	40	n/a	n/a

At the end of the year our people metrics show that we met two of our metrics relating to cultural entropy and corporate social responsibility but failed to meet our target in relation to average days sickness.

In December 2020 we ran our second Culture Survey and the results have shown a significant improvement of our Cultural Entropy reducing from 24% last year to 11% this year. We are working on a plan of actions to take forward the remaining areas of entropy and will focus on how to maintain the culture we have achieved going forward.

Overall the average days absence for the year was significantly higher than the target set of 3 days. Housemark's monthly Covid-19 reporting suggested that absence is 14% higher in the sector compared to the previous year. In comparison, our average absence for 2020/21 is 10.8 days compared to 9.06 days in 2019/20 reflecting a similar trend. Following on from discussions with the Board we have set a more realistic target for 2021/22 for this metric, reflecting on past performance whilst still setting a stretching target.

Our Volunteering Framework was launched during National Volunteers Week in June to support the Corporate Social Responsibility Project. 50 people have confirmed they volunteered during 2020/21 which is consistent with our target for the year. We will be looking to set up a range of opportunities for people during the next year to work towards a target of 135 people volunteering.

Business

Objectives and Supporting Indicators[3]	Target 2020/21	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Business					
Proportion of customer led self-serve transactions	50%	**46.98%**	39.79%	n/a	n/a
Percentage of repairs right first time	95%	**94.41%**	79.0%	70.3%	n/a
Average days to complete a repair	9 days	**8 days**	12 days	15 days	n/a
% of repairs completed in timescale	98%	**95.80%**	79.00%	n/a	n/a
Actual social value from completed projects	£1,500,000	**£583,007**	£2,088,698	n/a	n/a
Rent collection	98.50%	**99.78%**	98.81%	98.08%	99.59%
Fleet mileage	30% reduction	**1,138,602 miles**	1,722,960 miles	n/a	n/a
Headline social housing cost per unit	£3,735	**£2,999**	£3,308	£3,214	£2,921
Reinvestment	20.42%	**13.20%**	23.27%	14.41%	13.68%

Within our business performance metrics, we met four of the nine targets set. From the five performance targets that have not been met, three of the metrics improved in comparison to prior year.

46.98% of all transactions throughout the year have been self-serve led by the customer, an increase from 39.79% in the previous year, but less than the 50% target set. This reflects

[3] The targets for headline social housing cost per unit and reinvestment were revised mid way through the year following the updates made to the 30-year Business Plan to reflect the impact of Covid-19

the change in customer behaviour during the year, and the focus by the business on the following key areas:

- encouraging people to register for our app;
- encouraging people to sign up for direct debit for the payment of their rent; and
- asking customers for their email addresses to allow for quicker, effective communication.

To progress this objective and achieve the target our Digital Strategy will set out a clear plan of our ambitions and actions for digital transformation in 2021/22.

The performance of our repairs service has been monitored through three metrics under the business pillar, along with the customer satisfaction for repairs discussed under the 'customer' heading. The following points are highlighted:

- The percentage of repairs right first time has increased from 79% in 2019/20 up to 94.41% for 2020/21, just falling short of the 95% target for the year. This represents a significant improvement in comparison to the previous year and we continue to investigate repairs not completed right first time to understand what can be done differently.
- The average days taken to complete a repair and the percentage of repairs completed within timescale have fluctuated throughout the year due to Covid-19 restrictions. We moved to an essential repairs service during the first and last quarter of the year due to the national lockdown restrictions in place. Over the year we have responded to repairs on average within 8 days against the target of 9 days.
- Once Covid-19 restrictions eased we started to work through any repairs that had been suspended at the start of lockdown. To assist the inhouse team we have employed additional temporary resource and utilised our subcontractor provision to return to business as usual.
- The percentage of repairs completed in timescale is 95.8% for the year, a significant improvement in comparison to 2019/20 but falling short of the target of 98%. Work continues to improve our repairs service with investment in digital technology alongside the new team structure that was put in place during 2020/21.

Rent collection performance has continued to be strong with 99.78% of rent collected for the year in comparison to a target of 98.5%. This performance reflects the work ongoing with customers to ensure support is in place and checking we have a clear picture of their financial position at the start of their tenancy.

During the year the nature of the projects we have supported through our community investment funding changed as groups responded to the needs of their communities during this challenging period. Our social value for 2020/21 was £583,007 compared to £2,088,698 last year. In total we funded 16 large projects involving over 10,000 participants. These ranged from activities and sports-based projects, arts and yoga, feeding projects such as Greggs Breakfast Club and a community pantry. The reason for the decrease in the social value is because previously our projects supported improvement in the health and wellbeing of participants, which attracted high levels of social value. The focus in 2020/21 has been to maintain or stabilise wellbeing whilst dealing with the challenges of the pandemic and this has attracted a much lower social value.

As part of our objective to respect and protect the planet, we set a target to reduce our fleet mileage by 30% by 2022. At the end of 2020/21 we reported 1,138,602 miles compared to 1,722,960 for the same period in 2019/20, a drop of 34%. This must be considered in the context of Covid-19 restrictions and the periods during the year when we have been operating essential repairs only. Whilst this is a positive reduction, we recognise there is more to be done to improve the operational efficiency of our fleet and this is a key priority for 2021/22.

Mileage is just one element of our overall approach to our corporate objective and in March 2021 the Board approved our first Green Plan. This sets out short, medium and long term plans for reducing our environmental impact. The plan covers our three strategic pillars of customer, people and business. Key actions from this plan form part of our Corporate Plan action plan going forward.

Our headline social housing cost per unit is lower than the original target set at £2,999, however we recognise that Covid-19 has impacted on this metric. Whilst there have been increased costs in some areas, for example personal protective equipment, our costs have been impacted by our inability to deliver our full services to customers due to Covid-19 restrictions. Further details on this metric are set out in the How our costs compare to others section.

Our reinvestment metric is lower than target due to the impact of Covid-19 on our capital investment and development programme. See page 20 for further details.

New build development and our Development Strategy

During 2020/21 we have continued to make progress in delivering new homes with a total of 205 completed in the year, including schemes at Peterlee, Seaham and Easington.

Our new build programme was recognised at the UK Housing Awards 2020 where we won Homebuilder of the Year.

We have also continued our ‘Rent to Buy’ programme which will allow people to rent at an affordable level for five years and then acquire their home should they wish to do so.

Financial performance of all developments is monitored through the quarterly management accounts which are scrutinised by the Performance and Standards Committee and Board.

The management accounts report the actual and forecast position compared to the agreed budget to ensure that the Board are fully informed of progress, and forecast variances, with our development programme.

Our new build programme to date has been a mixture of:

- our current Homes England Shared Ownership and Affordable Homes Programme (2016-2021);

- bidding for properties developed as part of section 106 planning agreements;

- acquisition of 'off the shelf' units from local developers, supported by grant funding from Homes England; and

- development of our current land holdings and land option sites.

In October 2020 the Board approved a five year Development Strategy with plans to grow our development programme alongside our place-based approach to investment, to meet the housing needs of our communities. Our ambition is to:

- commit to develop a further 1,250 homes (250 homes a year) by 2026;

- provide a mix of property types and tenures, including homes for social rent, affordable rent, affordable home ownership and private sale;

- develop our offer for homes for 2050, including our approach to renewable energy solutions, modern methods of construction and SMART homes technology;

- develop an exemplar energy efficient SMART home scheme by 2023, testing a range of renewable energy solutions and other technologies in advance of the government's 2025 off-gas target for new build homes;

- develop an exemplar older persons scheme by 2025;

- create a tax efficient structure that allows us to maximise the potential for market sale homes and joint venture opportunities; and

- embed our development strategy as part of our wider place-based approach to asset management and investment in existing homes.

A development strategy project team was established to deliver the actions needed for the successful implementation of our Development Strategy. The project team had four workstreams: finance, development, legal and governance, which reported to the Development Task and Finish Group set up by the Board to oversee this project.

Refinancing

The aim of the finance workstream was to secure the finance needed to fund our development ambitions and on 31 March 2021 we executed the following funding arrangements:

- Retention of our £75m funding arrangement from the capital markets;

- New long-term funding of £85m secured through a private placement;

- A term loan facility of £50m; and

- New revolving credit facilities totalling £50m.

This resulted in the repayment of some historic facilities and the draw down from our new facilities which is reflected in the Statement of Cash Flows.

Value for Money Metrics

In April 2018 the Regulator issued the value for money metrics and the new Value for Money Standard and Code of Practice.

Our performance for each of the value for money metrics set out in the standard has been set out in the following table alongside a comparison against a bespoke peer group. Our peer group is determined based on providers matching our key defining characteristics of size, location and activities.

Specifically, our peer group contains providers who:

- Own between 10,000 and 20,000 social housing units (believe housing = 18,210);
- Operate primarily in regions with an Annual Survey of Hours and Earnings (ASHE) regional wage index of 0.92 or below (believe housing = 0.88);
- Are large scale voluntary transfer (LSVT) organisations, with no limit on the length of time since the transfer occurred (believe housing = 6 years ago);
- Have less than 7.5% of their social housing stock designated as housing for older people (believe housing = 0%); and
- Have less than 1.0% of their social housing stock designated as supported housing (believe housing = 0%).

This has given us a bespoke peer group containing the following registered providers:

- First Choice Homes Oldham;
- One Manchester;
- Beyond Housing;
- Livv Housing Group; and
- Wythenshawe Community Housing Group.

The comparison looks at our target and actual performance data for 2020/21 and our actual performance data for 2019/20, 2018/19 and 2017/18 alongside the peer group data for 2019/20, which is the most current data publicly available.

It should also be noted that our annual targets for 2020/21 were revised in September 2020 and so reflect our expectations, at that time, of the impact that the Covid-19 pandemic would have on our financial performance for the year.

The following metrics have been calculated based on the Annual Accounts ('FVA') return that is submitted to the Regulator.

	believe housing					*Peer Group*
Value for Money Metric	**Target 2020/21**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Reinvestment	20.42%	13.19%	23.27%	14.41%	13.68%	*6.90%*

Our reinvestment metric for 2020/21 is significantly below both our target for the year and our prior year performance.

The primary reason for this is the disruption caused by the Covid-19 pandemic, which has negatively impacted our ability to deliver our capital investment programme and has delayed the progress of our new build developments.

Expenditure on new properties in 2020/21 was around 41% lower than in 2019/20, whilst expenditure on works to existing properties was 27% lower than the previous year.

Although our target for 2020/21 was revised to reflect the potential impact of Covid-19, this work was undertaken in September 2020 and, at that point, we did not foresee the extended lockdowns that were imposed over the second half of the financial year.

We had expected to be able to catch up on much of our investment and development programme spend during the latter half of 2020/21 to finish the year with a reinvestment position similar to our previous year's performance. However, with lockdown restrictions imposed from November 2020 through to March 2021, it was not possible to catch up these works and so overall expenditure for the year was much lower than had been anticipated.

We have worked to revise our delivery plans for investment in new and existing homes, so that works we were unable to complete during 2020/21 will be caught up as soon as possible during 2021/22 and 2022/23.

All of our new development has continued to progress with around an eight week delay to completions which will be handed over in the first quarter of 2021/22.

Despite the impact of the Covid-19 pandemic, our reinvestment metric continues to be substantially higher than the median of our peer group, reflecting the prominence we place upon investment in both new and existing homes in our corporate plan.

	believe housing					*Peer Group*
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
New supply delivered - non-social housing units	0%	0%	0%	0%	0%	*0%*

We had no plans to develop non-social housing units during 2020/21, which was consistent with our core strategic aims that focus on the provision and development of social housing units.

	believe housing					*Peer Group*
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
New supply delivered - social housing units	1.51%	1.11%	1.17%	0.45%	0.20%	*0.70%*

As noted above, we were unable to fully catch up the delays to our development programme that arose during the first lockdown of the Covid-19 pandemic and so our social housing new supply delivered metric is below the target level we set for the year. However, despite the challenges that Covid-19 has presented, we have still managed to deliver new supply at a similar level to the previous year. For the second year running, we have completed over 200 new homes for our customers and our business.

During 2020/21 our Board approved our ambitious Development Strategy that will see over 1,250 homes developed in the next five years, which will have a positive impact on our new supply delivered metric over this period.

Our new supply delivered metric continues to be higher than our peer group median, demonstrating our focus on developing new homes that meet the needs of our customers. It also reinforces the scale of our ambition; to leverage the resources we have at our disposal to maximise the delivery of the right homes in the right areas for the greatest benefit to our communities.

	believe housing					*Peer Group*
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Gearing	49.36%	45.56%	47.78%	45.31%	51.85%	*51.20%*

To fund our ambitions in a number of areas, including investment in new and existing homes, we completed a refinancing project on 31 March 2021, which has resulted in our overall indebtedness increasing by around £30m (26%) between 31 March 2020 to 31 March 2021. However, despite the increase in drawn debt, our gearing ratio has reduced by 2.2 percentage points in 2020/21 and is 3.8 percentage points below our target for the year.

The ratio has reduced from the position in 2019/20 despite the increase in our overall gross debt because the new debt was drawn close at 31 March 2021 and therefore could not be spent. This meant, while our gross debt was £30m higher, our cash balance was also £23.3m higher than at the end of the previous year and so net debt only increased by £6.7m overall. In addition, the value of our asset base had increased by £25.9m during 2020/21 (due to the new development and investment works we were able to complete) and so the overall effect was to reduce our gearing ratio when compared to 2019/20.

The forecast information used to develop our target metrics for the year did not include the impact of our new funding package because, at the time the forecasts were made, it was not clear the exact nature and value of the funding we would secure.

This, in tandem with lower expenditure in areas such as works to existing properties and new development due to Covid-19, has meant we have a higher cash balance and lower net debt at the end of 2020/21 than had been expected when the targets were revised in September 2020. This has translated into the outturn performance on gearing being lower than the annual target.

Our gearing ratio is lower than the median of our peer group, although this may change in future as we continue to leverage our assets to provide funding for investment in the long-term future of our business. We feel that utilising our available funding and cash reserves to make this investment is the right thing to do and accept that, as a result, we may report a higher gearing ratio than some of our peers in future years.

	believe housing					***Peer Group***
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Headline social housing cost per unit	£3,735	£2,999	£3,308	£3,214	£2,921	*£3,370*

Our headline social housing cost per unit for 2020/21 is lower than both 2019/20 performance and the target for 2020/21, reflecting underspends in key areas such as responsive repairs and major works, where the Covid-19 pandemic has inhibited our ability to complete work during the year and we have been unable to catch up prior to 31 March 2021.

Our cost per unit for 2020/21 is also below the median performance of our peer group, although it should be noted that the peer group figure is for 2019/20 and so it is difficult to directly compare performance with the unprecedented circumstances of the 2020/21 financial year.

Our headline social housing cost per unit for 2020/21 is commented on further in the How our costs compare to others section on pages 27 through to 29.

	believe housing					***Peer Group***
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
EBITDA MRI[4]/Interest cover	-33%	158%	100%	107%	244%	*183%*

Our EBITDA MRI interest cover ratio has increased from 100% in 2019/20 to 158% in 2020/21 and we have also clearly outperformed our target for the year, which was -33%. The target for the year was negative because we had anticipated that the impact of the Covid-19 pandemic on our cost base and income collection would reduce our operating surplus while our interest expense, which has not been impacted by the pandemic, would remain the same. The effect of these two factors was to reduce our EBITDA MRI interest cover target to a negative figure.

However, we have not seen the reduction in income collection or the level of additional cost we had anticipated, and, in addition, we have also seen a significant underspend on our capital investment programme due to the pandemic. Both these factors have combined to produce an EBITDA MRI interest cover ratio that is significantly higher than our target for the year.

[4] Earnings Before Interest, Tax, Depreciation and Amortisation with Major Repairs Included

The increase in the ratio when compared to 2019/20 is also due to the improvement in our underlying operating surplus (excluding gain on disposal of housing properties), which has increased by £0.5m (3.0%), and the pandemic-related underspend on our capital investment programme, which is around £4.5m (27%) lower than in 2019/20. The impact of these differences outweighs an increase in our interest expense of £1.75m (30%), driven primarily by one-off costs associated with our refinancing project, to give a larger improvement in our ratio for 2020/21 when compared to 2019/20.

Our EBITDA MRI interest cover metric remains below the median for our peer group, which is 183%. There are a number of contributing factors to this, including our relatively high capitalised major works figure and relatively low depreciation charge. Our underlying operating performance shows our operating surplus per property (excluding gain on disposal of fixed assets and depreciation expense) is around 18% below that of our peer group. There are two major components to the underlying operating surplus; our turnover and our revenue operating expenditure.

Our analysis of social housing cost per unit shows that our revenue cost per unit (i.e. all costs except our capitalised major repairs) is around 20% below the median of our peer group. However, our turnover per unit is around 24% below the median for our peer group. 97.5% of our turnover comes from social housing lettings and so this will be the focus of further investigation. One area that we are already aware requires further work is service charges which is a Corporate Plan project for 2021/22.

	believe housing					***Peer Group***
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Operating margin - social housing lettings	23.14%	26.00%	25.15%	26.20%	40.20%	19.40%

Our operating margin on social housing lettings (SHL) was higher than both our 2019/20 actual, and 2020/21 target, performance. Our turnover from SHL increased by £1.96m from 2019/20 to 2020/21 as a result of the first social rent increase for five years and this translated into an improved operating margin, which increased by £1.0m when compared with the prior year.

We have outperformed our 2020/21 target for SHL operating margin, and this is as a result of some of our assumptions, particularly for income collection, not materialising during the second half of the financial year. We had forecast rent arrears would be 6%, void rent loss 2.5% and bad debts 4% at the end of 2020/21 but, in reality, they were 2.84%, 1.72% and 0.05% respectively. This meant our income from SHL was higher than we had expected and so our operating margin was also greater than the target set.

Our operating margin on SHL was also some way above the median for our peers. Again, comparison between 2020/21, after social rents were increased by 2.7%, and 2019/20 figures is somewhat misleading. However, comparison between our 2019/20 margin of 25.15% and the peer group median of 19.40% suggests much of the difference is not solely due to the increase in social rents. As in previous years, our depreciation expense continues to be below that of most of our peer group which is driven by our comparatively lower property value, and this helps to improve our reported operating surplus.

Also, as noted above, our turnover per unit, of which 97.5% is derived from social housing lettings, is around 24% below the median for our peer group. It is a testament to our overall control on our cost base that we are able to maintain a SHL operating margin comparable to, or better than, our peers despite having a lower turnover on a per unit basis.

	believe housing					*Peer Group*
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Operating margin - overall	22.93%	24.76%	24.68%	26.08%	41.11%	18.40%

Our overall operating margin is slightly lower than our social housing lettings operating margin, although it is comparable to the margin reported in the previous year and is also higher than the target set for the year. Our performance against target is primarily as a result of Covid-19 related underspends that have meant our expenditure has not reached the level we expected it would, as well as our income collection performance being significantly better than we had forecast it would be. Both of these impacts combined to produce an overall operating surplus around £0.8m (4.5%) higher than anticipated.

The difference between our overall margin and SHL margin is slightly higher than we have seen in previous years. This is due to the increase in other costs which include the depreciation charge on non-social housing assets for the new office accommodation project completed in February 2020. The other costs in 2020/21 include the first full year of depreciation for these assets, reducing the overall operating margin when compared to the margin solely for social housing lettings.

Much like our SHL operating margin, our overall margin is also above the median level of our peers. As noted for our SHL operating margin, our focus on controlling our cost base and delivering value for money is clear from the fact we are able to deliver an overall operating margin higher than the median for our peers, despite the fact that our overall turnover is 24% lower than the peer group median.

	believe housing					*Peer Group*
	Target 2020/21	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	**Actual 2017/18**	***Actual 2019/20***
Return on capital employed (‘ROCE’)	6.20%	6.65%	8.45%	10.68%	16.63%	4.40%

Our ROCE for 2020/21 is higher than the target for the year but has reduced by 1.8 percentage points from 2019/20. Our performance is in excess of the median for our peer group by 2.25 percentage points.

We have outperformed our target for this metric due to our operating surplus being higher than expected. As explained above, the reasons for this are both an overall underspend in key areas of the business due to Covid-19 restrictions preventing full services being provided and also a higher level of income being collected as our expectations regarding levels of rent arrears, void rent loss and bad debts did not materialise.

In addition to this, our total assets less current liabilities are lower than initially forecast (as a result of less capital investment and new build development expenditure during the year) and so we have generated a larger operating surplus from a smaller net asset base. This has resulted in our ROCE exceeding the original target set. When compared to 2019/20 performance, our ROCE has reduced and this is because our overall operating surplus, including the gain on disposal of housing properties, has reduced in 2020/21, while our total assets less current liabilities has increased. This combines to result in a lower ROCE.

The key driver for our lower operating surplus is the significant reduction in the gain on disposal of housing properties. These disposals primarily represent statutory right to buy and right to acquire sales and, as a result of the disruption caused by the Covid-19 pandemic, the number of sales completed in 2020/21 fell by 39 (36%) when compared to 2019/20. This resulted in a reduction in the gain on disposal of fixed assets of £1.47m (45%). Although our underlying operating surplus (excluding the gain on disposal of fixed assets) actually increased by £0.5m, the fall in property sales meant an overall reduction in our operating surplus and consequently also our ROCE.

Our ROCE is higher than our peer group's median and this is due to our low housing property asset value, which is much lower than other associations with a similar number of properties. This means our operating surplus, which is not influenced by the value of our properties, is larger as a proportion of this asset value than other providers.

Overall our metrics for 2020/21 have been strongly impacted by Covid-19. Whilst the various Covid-19 restrictions have prevented us from carrying out the level of investment in our homes that we had planned, we have not seen the anticipated deterioration in income collection. As a result, several metrics report a stronger performance at the end of 2020/21 compared to our target as well as prior year.

Our financial forecasts incorporate the resources needed to catch up and complete all the investment that we were unable to complete in 2020/21. This will be aided by the robust financial position we have maintained amid the uncertainty of the 2020/21 financial year.

Forecast value for money metrics

The value for money metrics are part of the overall performance framework and targets set are based on the Business Plan (2021 – 2051) which was approved by the Board in March 2021. The value for money metric targets were updated following finalisation of our refinancing project as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
Reinvestment	23.4%	16.2%	14.0%	12.7%	11.8%
New supply delivered - social housing units	1.4%	2.0%	1.4%	1.3%	1.0%
New supply delivered - non-social housing units	0.0%	0.1%	0.1%	0.1%	0.1%
Gearing	50.4%	51.3%	50.6%	49.9%	49.2%
EBITDA MRI/Interest cover – the Regulator's calculation	-16.6%	66.0%	152.1%	179.7%	189.4%
EBITDA MRI/Interest cover - Covenant calculation	158.1%	201.2%	211.9%	236.2%	234.1%
Headline social housing cost per unit	£3,729	£3,612	£3,534	£3,554	£3,579

	2021/22	2022/23	2023/24	2024/25	2025/26
Operating margin - social housing lettings	20.7%	22.1%	24.7%	25.7%	25.4%
Operating margin - overall	20.3%	21.3%	23.7%	24.8%	24.8%
Return on capital employed	5.1%	4.8%	5.1%	5.0%	4.7%

Investment in properties

- The reinvestment ratio is highest in the first two years of the Plan, particularly year one, which includes an overlap of the beginning of investment in our new five-year Development Strategy, as well as expenditure to complete existing schemes that are currently underway. Our capital investment programme also shows a slightly higher level of expenditure in years one and two of the Plan and this also contributes to the higher reinvestment metric over this period. This is partly due to the carry forward of budget from the 2020/21 capital investment programme for works needed to our housing properties that could not be carried out due to Covid-19 restrictions.

- The delivery of new supply of social housing units reflects the completion of our current development schemes during year one of the Plan, as well as the outputs from our new five year development programme.

- As part of our development strategy we have ambitions to develop up to 100 homes for open market sale, anticipated to be delivered over four years from 2022/23. The scale of our development of market sale properties is very small and this is reflected in the non-social housing supply metric target.

Financial performance

- Our gearing ratio is comparatively stable over the period, fluctuating around 50%. The metric increases from year one to year two due to the drawdown of a deferred tranche of our private placement funding.

- Our EBITDA MRI interest cover ratio, when calculated using the Regulator's formula, is negative in the first year of the Plan, before increasing to 66% in year two and over 150% from year three onwards. This reflects our approach to investment in growth, which are predominantly recognised in the first year of the Plan. All growth bids are assessed alongside our strategic objectives and priorities to ensure they are consistent with our Corporate Plan.

- The EBITDA MRI funders calculation differs from the Regulators calculation as there are specific adjustments agreed as part of our new funding arrangements.

- The headline social housing cost per unit is at its highest in 2021/22 as it incorporates one-off investment in growth and is at the point when our property numbers are at their lowest point.

- Our operating margin is lowest in 2021/22 reflecting the additional costs included for investment in growth as previously mentioned. Subsequently our operating margin benefits from rent increases and the cumulative impact of costs savings realised form this earlier investment.

- Return on capital employed (ROCE) is around 5% up to 2025/26. This shows the impact of changes to our operating surplus and asset base. Initially our asset base increases more quickly than our operating surplus does, leading to a lower ROCE. This is due to the higher investment in both new and existing properties in 2021/22.

How our costs compare to others

Our headline social housing cost per unit for the year ending 31 March 2021 was £2,999 (2020: £3,308), which is lower than the 2019/20 housing sector median of £3,830 and the peer group median of £3,370.

Further analysis of the headline social housing cost per unit shows the following:

	believe housing				**Housing Sector median**	**Peer Group median**
	2020/21	**2019/20**	**2018/19**	**2017/18**	**2019/20**	**2019/20**
Headline social housing cost per unit	**2,999**	**3,308**	**3,214**	**2,921**	**3,830**	***3,370***
Management cost per unit	1,131	1,110	1,020	864	1,062	*1,125*
Service charge cost per unit	46	48	76	92	441	*252*
Maintenance cost per unit	978	1,069	1,174	971	1,107	*916*
Major repairs cost per unit	807	1,030	906	994	852	*879*
Other social housing cost per unit	37	51	38	0	219	*198*

- Our management cost per unit has increased by £21 per unit (2%) when compared to 2019/20. At £1,131 per unit, our cost per unit is around 6.5% higher than the sector median, but only £6 per unit (0.5%) above the median for our peer group. The 2% increase in 2020/21 is not unexpected in the context of external inflationary pressures on non-pay costs, as well as the impact of the pay award made to our staff in 2020/21 and the increase of 5.5% in our employer pension contributions. Management costs are made up of predominantly back-office service functions and, whilst these areas have not seen the level of pandemic-related disruption our front-line services have, there are still areas where we have seen significantly lower costs as a result of the pandemic, e.g. travel costs and office running costs. There have been some one-off areas of additional expenditure related to Covid-19 and the impact of these is around £21 per unit (2%) of the overall management cost per unit figure. Alongside the increase in our employer pension contribution we have seen a reduction of 47% in our pension deficit cost which equates to a reduction in the management cost per unit of £34 (3%).

- Our service charge cost per unit has fallen by £2 (4%) in 2020/21, from £48 to £46 per unit. These costs are directly linked to the cost to us of providing the services to customers. Whilst we have seen some cost increases, for example in cleaning costs for communal areas of flat blocks, we have also seen reduced costs in other areas such as furniture pack rental (due to reducing customer numbers), door entry systems and district heating. The overall impact of the varying costs has been a modest decrease in 2020/21 when compared to the prior year.

- Our maintenance cost per unit, covering both responsive repairs and planned maintenance, has reduced by £91 (9%) from 2019/20 to 2020/21. Work has continued during 2020/21 on streamlining our repairs service, which was brought completely in-house during 2019/20. Having full control over the service has meant we can work to improve its efficiency and implement changes to deliver a more effective service for a lower overall cost. Both responsive repairs and planned maintenance were impacted by the pandemic and this also has meant that some variable operating costs were lower than during 2019/20. The reduction in cost we have seen this year has meant that our cost per unit has now reduced below the sector median figure of £1,107. However, the unusual nature of the 2020/21 financial year means that it is difficult to compare 2020/21 figures with those from 2019/20. It is likely that other registered providers will have seen reduced maintenance costs during 2020/21 as a result of Covid-19 restrictions although this will only become clear once the sector-wide 2020/21 figures are published by the Regulator of Social Housing. Our cost per unit figure remains higher than our peer group median of £916 and this indicates that we still have more work to complete towards developing a highly efficient and effective repairs service. As continual improvements are made, we expect the cost of the service to continue to decrease and move more closely in line with the median of our peer group in future years.

- Our cost per unit for major repairs has reduced by £223 per unit (22%), from £1,030 in 2019/20 to £807 in 2020/21. As with our maintenance cost, the primary driver for the reduction in expenditure on major repairs has been the Covid-19 pandemic, which has restricted our ability to carry out a full programme of improvement works during the year. After the end of the first national lockdown, during which no works could be completed, we amended our planned programme of improvements to bring forward external improvements that we could complete while keeping our customers and staff safe while, at the same time delaying internal improvement works where safety would be more difficult to guarantee. However, despite this, we were still unable to complete a full programme of work for the year as subsequent lockdowns affected the delivery of this work. As such, our expenditure in this area is significantly lower than in previous years. We have developed plans to ensure the required investment work outstanding from 2020/21 will be completed by the end of 2022/23. Our cost per unit for 2020/21 is below both the sector and peer group median figures for 2019/20. However, as discussed above, caution should be applied to any comparison between 2020/21 and 2019/20 figures due to the unprecedented impact the pandemic had on our work in this area since March 2020.

- Our 'other' social housing costs per unit have decreased by £14 (27%) from 2019/20 to 2020/21. These costs relate to our new build development team and our expenditure on investment in our communities. The element of this cost relating to investment in our communities has increased from £26 to £27 per unit. In particular, expenditure on community projects increased by around 40% as we made a clear commitment to support our communities through the challenges of the pandemic. The overall reduction in 'other' costs per unit was driven by a large fall in cost for our new build development team, from £25 to £9 per unit. This is due to a reduction in expenditure relating to unadopted footpaths which was part of a five-year commitment in the transfer agreement and therefore ended in 2019/20. At £37 per unit, our cost in this area is still significantly lower than both the sector and peer group medians and this reflects the fact that, unlike other registered providers, our core offering to customers remains primarily our social housing lettings, with little diversification into ancillary services beyond this.

What value for money achievements have we made in 2020/21?

As always, we have maintained a close focus on delivering value for money throughout the course of 2020/21 and the hard work of our people has resulted in cost savings being achieved and additional value being created for our customers and our business. We have captured hundreds of value for money achievements throughout the year and highlights of these include:

- Reviewing the specification of the ironmongery required for our fire door replacement works to ensure that the same specification is used across all our properties. This means that we now require a smaller range of stock for repair works and there is a greater chance that the correct spare will be in stock when required.

- Introducing electronic document signing software across the business to improve process efficiency and help to maintain our service provision at a time when face-to-face contact between staff and customers has been severely restricted.

- Insourcing our electrical testing service to improve our control over the quality of the service provided, increasing our capacity to deal with emergencies and realising an overall cost saving when compared to our previous arrangements.

- Creating a digital cleaning standard for void properties with an electronic checklist, helping to improve the standard of cleaning and reducing our costs and re-let times.

- Introducing First Touch mobile working for Neighbourhood Officers allowing them to record their estate inspections electronically, with the information being updated to our housing management system automatically. This ensures that tasks and referrals are always kept up to date and improves operational efficiency.

What did we do with the savings?

The efficiencies we've achieved have supported our investment in corporate projects and priorities as follows in 2020/21:

- Investment of £21.687m in building and acquiring new homes, contributing towards our Homes for 2050 project;
- Investment in digital technology and software of £0.319m to improve our digital offering to both staff and customers and improve our ways of working; and
- Investment of £0.151m to support our local community groups through our community grant fund and our coronavirus crisis fund which was launched in April 2020 to support community groups, schools or organisations through the pandemic.

Future investment priorities are linked to the future developments which are commented on further at pages 38 and 39 and include:

- Expansion of our development team to deliver our new build Development Strategy approved in October 2020;
- Additional investment to support our community investment, customer engagement and employability teams, building on the work already undertaken and enhance our investment into communities, widen our customer engagement approach and support more of our customers into employment;
- Investment in digital developments providing additional support for customers through initiatives such as a chatbot and repairs operative on way;
- Covid-19 planning for any additional unforeseen costs that may materialise as we enter a period of recovery; and
- Investment in additional support for tenancy sustainment teams reflecting the demand on this service over the last 12 months.

The value for money impact of our Corporate Plan projects, including the progress made in achieving cost savings target established will be monitored through our Performance and Added Value Framework. Achievement of any cost savings identified is one of the key measures of success that will be monitored throughout the delivery of our Corporate Plan projects.

Review of the business

Reported surplus

For the year ended 31 March 2021 we report a surplus before taxation of £10.945m (2020: £13.814m) and total comprehensive loss of £4.741m (2020: total comprehensive income of £8.517m).

The reported surplus is impacted by the following:

- Our first rent increase based on CPI plus 1% which equated to 2.7%;
- An increase in staffing costs reflecting the agreed pay award and a 5.5% increase in employer pension contributions following the triennial review of the local government pension scheme;
- Covid-19 impacting on costs and services with additional costs associated with personal protective equipment and work on void properties; and
- One off costs associated with the refinancing project.

The remeasurement movement relating to the pension scheme impacts the reported total comprehensive loss of £4.741m (2020: total comprehensive income of £8.517m). For the year ended 31 March 2021 there was a loss of £15.686m (2020: loss of £5.297m) which takes the surplus for the year of £10.945m (2020: £13.814m) into a negative position. Note 26 to the accounts provides further detail on the movement of assets and liabilities within the pension scheme for the year.

Statement of Financial Position

The Statement of Financial Position reports a net current assets position of £20.830m (2020: net current liabilities of £1.836m) and a total net assets position of £49.228m (2020: £53.969m).

This position is impacted by the following:

- An increase in cash of £23.312m taking the year end cash balance to £28.027m, mainly due to the new funding drawn in the year; and
- A balance of £3.489m for social housing grant receivable which is included within debtors at the year end.

The key balances within the Statement of Financial Position are fixed assets, pensions and loans which are commented on further below.

Fixed assets

Our fixed assets are stated at cost and at the 31 March 2021 are reported at a net book value of £258.823m (2020: £233.498m). This is made up of intangible assets, housing properties and other fixed assets.

Housing properties are categorised as tangible fixed assets as their intended use is for the social benefit they provide. The net book value of housing properties, which is the main component of the fixed assets at 31 March 2021, is £254.918m (2020: £228.933m).

The increase in our housing properties reflects both the investment in our existing properties and our new development programme.

We experienced minor delays on our development schemes during the first Covid-19 lockdown as a result of development sites shutting down for a period of time. All schemes have progressed in the year as expected, but there has been a delay of around eight weeks to handovers for completed properties.

Our capital investment programme was also impacted by Covid-19 and we worked closely with our strategic partner to reshape the work programme to maximise the work that could be delivered safely during the Covid-19 lockdowns. Some works, particularly internal investment, could not be completed in 2020/21 due to lockdown restrictions and have therefore been incorporated into the capital investment programme for 2021/22.

Intangible fixed assets have a net book value of £1.318m at the 31 March 2021 (2020: £1.442m) and relate to software for the housing management system.

Pensions

The Statement of Financial Position incorporates the pension liability for the Durham County Council Pension Fund ('the Pension Fund') of £70.203m (2020: £52.655m).

This represents the actuarial estimation, prepared for the purposes of statutory accounts as required by FRS 102, of the net liability at the 31 March 2021 under the Pension Fund. A key contributor to the increase in the net pension liability is the remeasurement loss recognised for the assets and liabilities which totalled £15.686m for the year which is reported in the Statement of Comprehensive Income.

The latest triennial valuation of the Pension Fund was as at 31 March 2019 which resulted in an increase in our employer contribution rates from 16.1% to 21.6% from 1 April 2020.

Loans

The Statement of Financial Position includes outstanding loans at an amortised cost of £144.173m (2020: £114.091m). This balance relates to both existing loans that were drawn down previously and new financing arrangements which were executed on 31 March 2021.

The loans have been accounted for as basic financial instruments under FRS 102 and are therefore measured at amortised cost.

Interest rate risk

We manage our exposure to movements in interest rates by entering into fixed interest rate arrangements. Our Treasury Management Policy requires that a minimum of 70% of our drawn funding is at a fixed interest rate. At 31 March 2021 86% of our drawn loans were at fixed rates (2020: 100%). Details of our funding arrangements are set out in note 24.

Our new term loan and revolving credit facilities use the Sterling Overnight Index Average ('SONIA') as the reference rate.

Statement of Cash Flows

At 31 March 2020 we report a cash position of £28.027m (2029: £4.715m).

The key cash flow movements in the year have been:

- Capital investment totalling £33.632m in new and existing properties;

- Drawn down a further £10m from our revolving credit facility in April 2020 to provide additional liquidity as mitigation for the uncertain impact of Covid-19; and

- Repayment and draw down of new funding at the end of the financial year.

Asset sales through right to buy transactions and other asset disposals have contributed £2.514m (2020: £4.348m) of cash to the business. These cash surpluses will be used to invest in our existing housing properties and new developments.

Going concern

We have mixture of short, medium and long-term debt facilities in place, which provide sufficient resources to finance committed reinvestment and development programmes, along with our day to day operations.

In October 2020 the Board approved a five-year Development Strategy to deliver a further 1,250 new homes alongside our existing development programme. This started a refinancing project to secure the funding needed to achieve our ambitions. On 31 March 2021 we completed our refinancing project having increased our available funding from £150m to £260m.

Our funding facilities at 31 March 2021 are as follows:

- £75m long term funding arrangement ending on 31 March 2040;

- £85m private placement, of which £35m is deferred for one year, ending on 30 September 2058;

- £50m ten year term loan facility; and

- £50m five year revolving credit facility.

At 31 March 2021 we had drawn debt of £145m and had an available cash balance of £28.027m.

Our Statement of Financial Position reports a net current assets position at the end of March 2021 of £20.827m compared to a net current liabilities position at the end of March 2020 of £1.836m.

This year end position is predominantly due to the increase of £23.312m in our available cash balance at the end of the year. This increase reflects the new funding received at 31 March 2021 alongside the repayment of legacy funding arrangements. Our cash balance provides us with sufficient liquidity for the next 12 months without having to draw down any further borrowing. In line with our note purchase agreement, deferred private placement funding of £35m will be received on 31 March 2022.

We produce a 30-year Business Plan each year which helps us to understand our long term financial position. The Business Plan is developed based on a number of key economic assumptions as follows:

- Inflation rates

- Voids, arrears and bad debts
- Interest rates
- Right to buy sales
- Other asset disposals and demolitions

Our approved annual operating budget provides the starting position as year one of the 30 years. This budget reflects the start of the Covid-19 recovery period and therefore incorporates the potential impact of this on our finances for the next financial year by:

- Managing Covid-19 risk: incorporating contingencies into our repairs budget to build in the flexibility to meet potential challenges in service delivery as we come out of lockdown.
- Planning for Covid-19: the budget includes provision for unplanned costs associated with Covid-19.
- Supporting recovery: our budgets include additional financial provision to support the growth of our Community Investment and Employability services which will support the local community as we emerge from lockdown.

Our latest Business Plan was approved by the Board on the 24 March 2021 and reflects our five-year Development Strategy and our investment in Corporate Plan priorities. It shows that we are able to service our debt facilities whilst continuing to comply with our financial covenants. The first refinancing risk arises due to the expiry of our revolving credit facility. Our Treasury Management Policy requires that this position is reviewed two years prior to the refinancing risk arising to provide sufficient time to review facilities and future funding requirements.

Our Business Plan was subjected to a series of stress test scenarios linked to our strategic risks which look at the financial impact of specific risks materialising and their impact on the Business Plan. These stress test scenarios help us to identify the areas of greatest sensitivity and the mitigating actions that would be required if a stress test scenario or something similar occurred. In addition, a training session was conducted with the Board in January 2021 to look at the impact of different scenarios on the Business Plan and determine the mitigations required.

Our financial forecasts are most sensitive to the following stresses / changes:

- Significant increased costs linked to our capital investment programme, whether due to a new decent homes standard or the decarbonisation agenda with no reciprocal grant funding;
- Circumstances where the impact is to materially reduce income, for example a change in rent policy resulting in lower than planned social rent income, alongside rising costs; and
- a macro economic downturn which results in significant increases in property related costs such as capital investment, repairs and maintenance and development with no change to our income base.

We monitor our key economic assumptions that have the greatest impact on the Business Plan on a monthly basis to ensure prompt mitigating action can be taken if necessary, in line with our Financial Disaster Recovery Plan.

In April 2020 we introduced a Covid-19 scorecard and Treasury Covid-19 scorecard to monitor both the performance of the business and our finances. These were reported to the Performance and Standards Committee and Board throughout the year. These scorecards have been developed into a business scorecard which is monitored by the Senior Leadership Team and available to the wider business to provide insight into operational performance in key areas.

Our financial forecasts include prudent assumptions to reflect the potential impact of uncertainties such as:

- potential costs associated with any backlog of repairs following periods of lockdown; and
- the impact on our customers of the end of the furlough scheme and the withdrawal of the additional £20 per week Universal Credit payment.

In addition, financial provision has been made for capital investment works that could not be completed in 2021/22 due to the pandemic.

Cash flows are monitored close through daily and three-day scorecards and there are no concerns over the cash position or liquidity available to the business which would impact on the going concern assessment.

We have reviewed and updated our going concern assessment and reported it to the Audit Committee on the 9 June 2021. This assessment has included consideration of the impact of Covid-19 and assessment of significant judgements, estimates and uncertainties that could impact on the long-term business plan and the going concern assumption.

There are no changes in assumptions or significant judgements, estimates and uncertainties identified from this work which impact on the going concern assumption basis for the preparation of the financial statements.

On the basis of this information, management and the Board have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, the going concern basis has been adopted for the preparation of the financial statements.

Principal risks and uncertainties

The Risk Management Framework sets out our approach to risk management, including a policy statement, strategy, the Board Risk Attitude Statement and roles and responsibilities for managing risk. The Risk Management Framework is reviewed bi-annually by the Risk Management Working Group (‘RMWG’) and the Audit Committee before being recommended for approval by the Board.

Our strategic risk register is monitored and reviewed by the RMWG and reported to the Executive Management Team, Audit Committee and the Board on a quarterly basis.

During the year the RMWG has kept the strategic risk register under review, taking into consideration internal and external developments and the latest Sector Risk Profile published by the Regulator. A comparison was undertaken between the Regulator's Sector Risk Profile and our strategic risks to ensure there were no omissions in our risk register. It was agreed by the RMWG, the Audit Committee and the Board that the strategic risk register captures the risks relevant to us that are identified in the Regulator's Sector Risk Profile.

Our operational risk control self-assessment process creates a risk register of day to day operational activities and identifies and assesses the control framework that mitigates those risks. Where appropriate action plans are set out to improve the control framework. This is reviewed on an annual basis by each area of the business to ensure the self-assessment is up to date.

To ensure we are proactive and alert to detecting potential threats, opportunities and emerging developments in the external landscape, a new horizon risks approach was developed in the year.

This horizon risk radar supports business planning and anticipates inherent risks enabling mitigation plans to be developed before the risk materialises. The horizon risk radar is discussed with the RMWG to identify the risks most relevant to our business and determine the actions required to mitigate these risks. This information is presented as part of the quarterly risk report to the Audit Committee and the Board.

A review of the Strategic Risk Register was approved by the Board in July 2020 and confirmed the following 11 strategic risks:

- **Agile Business:** believe housing do not create a transformational culture, innovation and digital platform to adapt quickly to a changing operational environment, resulting in people resistance, financial risk and unachieved opportunities.

- **Political Uncertainty:** Failure to understand changes in Government policy and the effects of political uncertainty, restricts our ability to achieve the Corporate Plan and impacts on the Business Plan.

- **Asset Investment & Growth:** Inadequate business intelligence and due diligence leads to poor decision making on capital investment and development, resulting in threats to customer safety, increased financial risk, poor product quality and reputational damage.

- **Cyber Threat & Business Resilience:** Poor control frameworks for IT governance, cybersecurity and cloud-based services leads to an increased threat of cyber attacks, loss of data and business disruption, resulting in service delivery failure, financial cost and loss of reputation.

- **Robust Financial Management:** Ineffective stress testing and financial management leads to inability to manage budgeted turnover, covenants and pension fund liabilities, resulting in regulatory downgrade. Ineffective planning and oversight of performance targets leads to poor value for money.

- **Governance & Compliance:** Failure to comply with laws and regulations relevant to believe housing and inappropriate governance arrangements leads to potential for financial loss, poor decision making, reputational damage or unsatisfactory regulatory grading.

- **Data Quality:** Poor technology, data processing and information security lead to data integrity and quality risks, impacting on the reliability of performance monitoring and decision making which could pose a risk to customers.

- **Fraud:** Internal or external fraud leads to financial loss and / or regulatory downgrade where failure in the system of internal control occurs. Damage to believe housing brand and critical implications for viability and delivery of corporate plan objectives.

- **Health & Safety Building Compliance:** Failure to comply with consumer standards and statutory health, safety and environmental legislation as a result of poor decisions on stock quality, inadequate compliance reporting and deficient management controls, resulting in risk to customer safety, significant fines, loss of reputation and regulatory downgrade.

- **Reputation:** Lack of organisational commitment to effective Board and Management oversight, strong communication, and focus on quality and operational performance leads to poor reputation of believe housing.

- **Global Pandemic**: Lack of appropriate operational and financial response during the pandemic to ensure continuity of essential customer services, leading to noncompliance with statutory and regulatory obligations.

The impact of these risks on our business have been monitored by the RMWG, the Audit Committee and the Board throughout the year. The risk associated with cyber threat has been particularly heightened during the pandemic and there are a series of controls in place to mitigate this risk which are highlighted within the Internal Controls Statement.

Brexit

During the course of the year the RMWG have monitored the risk of Brexit and its potential impact on the business as part of the political uncertainty strategic risk. A risk assessment exercise for each operational area has been completed to identify areas where Brexit may have the greatest impact and prioritise any actions required to mitigate this risk.

The area of greatest risk is linked to our supply chain and the potential impact on availability of materials from our suppliers. We continue to monitor our supply chain closely and have alternative arrangements in place if necessary to mitigate the supply chain risk.

We are also monitoring the risk of Brexit and its impact on the Privacy Shield and data sharing. The Audit Committee is updated through the quarterly risk reports on any developments in this area and the potential impact on our business.

Governance arrangements

The Board consists of nine non-executives and two executive members. During 2020/21 there were three Board sub committees, the Audit Committee, the Performance and Standards Committee and the Remuneration and Nominations and HR Committee. Membership of these committees is made up of non-executive and executive Board members.

Following the Board's approval of the Development Strategy in October 2020 a Development Task and Finish Group was established to oversee the implementation of the development project plan. The membership of the Task and Finish Group consisted of three non-executive Board members and two executive Board members. In March 2021, following the successful completion of this project, the Board approved a new Development and Investment Committee as a sub- committee of the Board.

There is also a Values Group which is made up of tenants / leaseholders and has responsibility for customer insight, service or scrutiny reviews and ensuring assurance over health and safety. The Values Group reports into the Performance and Standards Committee.

In response to Covid-19 the Board set up a Covid-19 Committee to meet as and when required during the Covid-19 crisis, allowing for timely decision making as necessary.

In the latter part of 2019/20, we were subject to an In Depth Assessment by the Regulator which was concluded in 2020/21. The outcome of this was a G1 (governance) / V2 (viability) rating which are both compliant ratings and remain unchanged from the previous year.

Future developments

The following key projects have been identified for 2021/22 to deliver on our Corporate Plan objectives:

customer experience	people experience	business experience
• Customer experience - feedback and satisfaction	• Developing a culture we are proud of and recognised for – attracting and maintaining the best people	• Digital plan (new)
• Customer experience - lettings and marketing	• Corporate social responsibility	• believe green plan (new)
• Investing in our communities (new)	• Working the believe way (new)	• Service charge review
• Placemaking		• Data and analytics
• Property and repairs improvement - phase 2		• Homes for 2050

believe customer experience

- Customer experience – feedback and satisfaction: to deliver a great customer experience, focussing on providing first time resolution and ensure the customer voice is central to our service delivery.

- Customer experience: lettings and marketing: to deliver improvements to our current approach to marketing and letting homes, develop new markets for our homes and look at options for new products to appeal to a broader range of customers.

- Investing in our communities: to increase our investment and support to communities and help the recovery from Covid-19.

- Placemaking: to bring together the key elements that make successful and sustainable communities such as management plans, new build and investment decisions, resident engagement and community investment to create a planned approach.

- Property and repairs improvement: to complete a business review and remodel of all areas of our strategic and operational delivery for repairs to deliver excellent customer experience, high performance, sustaining financial viability and to be fit for the future.

believe people experience

- Developing our culture / working the believe way: to develop a culture we're proud of and recognised for which attracts and maintains the best people

- Corporate Social Responsibility: to maximise the impact of our corporate social responsibility days for employees to make a difference in our communities.

believe business experience

- Digital plan: to maximise the use of technology whilst also creating a clear understanding of how this supports our overall vision and setting clear principles for effective delivery of digital projects.

- Green plan: to better understand the environmental impact of our business and our assets and look at ways to improve energy efficiency, reduce waste and reduce our carbon footprint.

- Service charge review: to provide a consistent approach to service charges across the organisation.

- Data and analytics: to become a place where data is used throughout the organisation to inform decisions, predict future needs or impacts and drive innovation to be more responsive to customer and employee needs.

- Homes for 2050: to build upon our commitment to deliver new homes by completing further research and market analysis to define the type and tenure of homes we will be developing in future, as well as the products that enable us to respond to social, ethical and environmental drivers.

Each project is underpinned by a detailed plan setting out the objectives, milestones and performance measures and targets which link to our Corporate Performance Scorecard and will be monitored throughout 2020/21.

Internal controls statement

Assessment of the effectiveness of internal controls

The Board is our ultimate governing body and is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of our assets and interests. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

The Board delegates the ongoing review of internal controls to the Audit Committee and receives an annual report from the Audit Committee.

Day to day management of the business is the responsibility of the Executive Management Team.

Scope of Assurance

The Board understands that the internal controls system is designed to manage rather than eliminate all risks. The internal control framework is designed to manage and mitigate, as far as possible, the significant risks that may threaten its ability to meet strategic objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks we face is ongoing and has been in place throughout the financial year commencing 1 April 2020 up to the date of approval of the Annual Report and Financial Statements.

Assurance on the efficiency, economy and effectiveness of our services and operations is obtained by placing reliance on the existing internal control framework, which encompasses the following key elements:

- A streamlined governance structure with clear, Board-approved terms of reference and a scheme of delegation for the Board and its sub-committees;
- Using Task and Finish Groups when appropriate to oversee specialist projects with clear terms of reference and delegation of authority from the Board;
- A Values Group predominantly made up of tenants which reports into the Performance and Standards Committee and is responsible for customer insight, service or scrutiny reviews and ensuring assurance over health and safety and compliance matters;
- A clear forward plan for each Board and Committee and a compliance calendar setting out regulatory and similar returns that must be submitted for monitoring by the governance team and reported through to the Board;
- Robust strategic business planning processes linked to our Corporate Plan and supported by detailed financial budgets and forecasts;
- A Risk Management Framework with a Board statement of risk attitude and tolerance, together with a risk management policy statement, principles, process and specific roles and responsibilities. The Framework is reviewed bi-annually by the RMWG, Audit Committee and Board;
- A RMWG that meets on a quarterly basis throughout the year and monitors strategic risks to make recommendations to Audit Committee and Board;
- Clear strategic risks aligned to our strategic objectives;

- Quarterly review of strategic risks and mitigating actions by the Audit Committee and the Board;
- Consideration of the impact of Board discussions and decisions on strategic risks at each Board meeting;
- A robust approach to treasury management set out in the Treasury Management Policy which is reviewed annually;
- Monitoring and reporting of performance indicators by the Senior Leadership Team which consists of the Executive Management Team and Directors;
- Quarterly performance reports presented to the Performance and Standards Committee and the Board, setting out the progress of performance against targets and any issues or trends identified which require management focus;
- Up to date policies on whistle blowing, anti-fraud and corruption and anti-money laundering approved by the Audit Committee;
- An Annual Fraud Report presented to the Audit Committee setting out the work done throughout the year in relation to fraud and fraud prevention and a standing item on the Audit Committee agenda to discuss fraud;
- Private meetings between the external auditors, internal auditors and Audit Committee members at least once a year to allow for discussion of matters without management present;
- A Board approved code of conduct for Board, Committee and Values Group members and employees and a probity policy for staff;
- Annual appraisal of Board and Committee members and implementation of a training and development plan for members;
- Regular monitoring of loan covenants and forecasting of cash flows and future funding requirements;
- A robust stress testing approach, developed in conjunction with the Audit Committee and Board, linking to the strategic risk register with a corresponding mitigation strategy;
- Regular scenario testing and stress testing of the Business Plan to understand the impact of different development opportunities. In January 2021 a training event was carried out with the Board covering the impact of stress test scenarios on our Business Plan and the mitigations required;
- A Financial Disaster Recovery Framework, approved by the Board, which establishes our approach to identifying appropriate mitigating actions in the event of a financial stress situation;
- Financial Regulations which set out the overall control framework for all financial transactions supported by detailed policies and procedures in each service area;

- Board approval, due diligence and appraisal of all significant new initiatives, strategic decisions and capital commitments, such as the new build development schemes;

- An outsourced internal audit service delivering a risk-based approach to develop the annual and three-year risk based internal audit plan which is approved and monitored by the Audit Committee;

- Ongoing monitoring of forthcoming legislative and regulatory changes to ensure compliance with any new requirements, for example gender pay gap reporting;

- A series of controls to manage cyber security risks, including two factor authentication, regular back ups and patching of our IT systems, penetration testing at least annually and cyber security awareness training for all of our staff; and

- An Assets and Liabilities Register supported by a Board approved policy and manual which is updated quarterly by management. The Assets and Liabilities Register was the subject of an internal audit review in 2019/20 with the outcome of a low risk report highlighting two low priority and one advisory recommendation which have all been actioned.

Effectiveness of the Key Control Framework

We draw upon a number of sources of assurance on an ongoing basis to establish the effectiveness of key controls which include:

- Internal and external audit reports;

- Assessment by external and regulatory bodies;

- Industry accreditations;

- Stakeholder feedback;

- Risk management reports;

- Performance management information;

- Financial performance information;

- Self-assessment against industry standards and best practice.

The Internal Audit Annual Report presented to Audit Committee on 29 June 2021 highlighted the results of the 2020/21 internal audit work on our system of governance, risk management and control. The Internal Auditors stated that:

'In our opinion, based on the reviews undertaken, the follow-up audits completed during the period, and in the context of materiality:

- *The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, financial and internal control frameworks and governance arrangements for the period under review.*

- *Based on our sample testing, risk management, financial and internal control frameworks and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.'*

Internal audit recommendations are followed up internally by managers every quarter to provide assurance that actions are being implemented. The Audit Committee receive an annual, evidence based follow up review from the internal auditors to provide independent assurance on the progress of implementation of recommendations in the year.

There is an ongoing process to identify, evaluate and manage key strategic risk exposures and this has been in place throughout the 2020/21 financial year.

The Board has reviewed the effectiveness of the system of internal control for the accounting period commencing 1 April 2020 up to the date of approval of the Annual Report and Financial Statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

National Housing Federation Code of Governance

The adoption of the 2015 National Housing Federation Code of Governance ('the Code') was confirmed by the Board in May 2020 along with an action plan to ensure and enhance continued compliance with the Code.

The 2015 Code applied for the 2020/21 financial year and the annual report on compliance against the 2015 Code reported in May 2020 and identified no areas of non-compliance.

In April 2021 the Board agreed to adopt the 2020 National Housing Federation Code of Governance along with an action plan to address areas of noncompliance. Work is progressing to complete these actions and ensure compliance with the 2020 Code for 2021/22 onwards.

Merger, Group Structures and Partnerships Code

We have adopted the voluntary code for Mergers, Group Structures and Partnerships published by the National Housing Federation.

In 2020/21 there has been no activity to report under this code.

Compliance with Governance and Financial Viability Standard

The Regulator's Governance and Financial Viability Standard (the Standard) was updated in April 2015. This was accompanied by a new Code of Practice, which provides guidance to registered providers to ensure compliance with the Standard.

The Standard requires registered providers to assess their compliance with it at least annually and Boards are required to report their compliance with the Standard within their annual accounts.

Compliance with the Regulator's revised Governance and Financial Viability Standard is monitored by management and is formally reviewed by the Board annually. The Board received a report setting out compliance with the Governance and Financial Viability Standard on the 11 August 2021 alongside these financial statements.

We confirm our compliance in full with the requirements of the Governance and Financial Viability Standard.

Employee engagement and involvement

We are committed to engaging and involving our employees and keeping them up to date with business developments. We use Workplace by Facebook as the main method of communication with staff across the organisation. Workplace incorporates regular updates from different service areas across the business as well as updates from the Executive Management Team.

There are also regular meetings of managers and teams to provide updates on key developments across the business. The (virtual) leadership conference gives an update on the Corporate Plan and associated projects that are underway to ensure staff understand our strategic priorities and how they impact on the different areas of the business.

In 2020/21 we launched staffcircle our new system for performance management, innovation and business communication, creating a place for all conversations with employees, their objectives, career development and ideas to be captured one place.

Our Wellbeing Policy sets out our approach to ensuring the wellbeing of our staff and building on the outputs of the wellbeing pilot project completely previously. We continue to provide access to occupational health services for all staff and have provided mental health awareness training and access to additional mental health support during the Covid-19 pandemic.

Our report on our gender pay gap can be found at our website: www.believehousing.co.uk.

In December 2020 we completed our second culture audit which showed a significant improvement of our cultural entropy score which reduced to 11%. This places us amongst the best performing organisations for culture. We are working on a plan of actions to take forward the remaining areas of entropy and will focus on how to maintain the great culture we have achieved going forward.

Following on from the culture survey we took part in the Best Companies engagement survey in January 2021, giving us an opportunity to understand current levels of engagement with our people. We achieved an overall rating of a two star organisation.

Equality, diversity and inclusion

We are committed to equal opportunities and this is demonstrated through our approach to recruitment and selection through to accessing training and career development.

Our Equality, Diversity and Inclusion policy supports our commitment to removing all direct and indirect discrimination and eradication of any harassment or victimisation that may occur. Our policy is that less favourable treatment of anyone on the grounds of age, sex, race / ethnicity / origin, disability, religion, sexual orientation, marital status or familial / caring responsibilities will not be tolerated.

We aim to ensure that prospective and current employees are afforded equal and fair treatment in relation to recruitment, selection, terms and conditions or employment, training and promotion. All recruitment, development and promotion opportunities are based on fair and equitable job related criteria.

Employees with disabilities

Our policy is that people with disabilities should have full and fair consideration for all vacancies and where it is possible, reasonable adjustments will be made to meet the needs of disabled employees.

Statement of Board members' responsibilities

The Board are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Association and 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 (January 2019). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

In case of each Board member in position at the date the Report of the Board is approved, that:

(a) in so far as each member is aware, there is no relevant audit information of which the auditors are unaware; and

(b) each member has taken all the steps that he/she ought to have taken as a member to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The Report of the Board, including the Strategic Report, reporting on Value for Money and the Statement of Board members responsibilities, was approved on the 11 August 2021 and signed on behalf of the Board by:

Judith Common
Chair of the Board

Independent Auditor’s Report to Believe Housing Limited

Opinion

We have audited the financial statements of Believe Housing Limited (‘the Association’) for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. 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 Association’s affairs as at 31 March 2021 and of its income and expenditure for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the 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 are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the Association has not maintained a satisfactory system of control over transactions; or
- the Association has not kept proper accounting records; or
- the Association's financial statements are not in agreement with books of account; 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 Member's Responsibilities set out on pages 45 and 46, 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 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 Association or to cease operations, or has 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.

- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.

- We enquired of the Board about actual and potential litigation and claims.

- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 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
215-219 Chester Road
Manchester
M15 4JE
Date: 25 August 2021

Statement of Comprehensive Income

	Note	2021	2020
		£'000	£'000
Turnover	3	67,891	66,111
Operating expenditure	3	(51,082)	(49,798)
Gain on disposal of fixed assets	3/7	1,791	3,257
Operating surplus	6	18,600	19,570
Interest receivable	8	19	169
Interest and finance costs	9	(7,674)	(5,925)
Surplus on ordinary activities before taxation		10,945	13,814
Tax on surplus on ordinary activities	13	0	0
Surplus for the year		10,945	13,814
Remeasurement loss in respect of pension scheme	26	(15,686)	(5,297)
Total comprehensive (loss)/ income for the year		(4,741)	8,517

The results relate wholly to continuing activities.

The accompanying notes on pages 55 to 95 form part of these financial statements.

The financial statements on pages 51 to 95 were approved and authorised for issue by the Board on 11 August 2021 and signed on its behalf by:

Judith Common
Chair of the Board

Douglas Ross
Board Vice Chair

Andrew Coates
Secretary

Statement of Changes in Reserves

	Note	Income and Expenditure Reserve £'000 2021	Income and Expenditure Reserve £'000 2020
Balance at the beginning of the year		53,969	45,452
Surplus for the year		10,945	13,814
Other comprehensive income for the year	26	(15,686)	(5,297)
Balance at the end of the year		49,228	53,969

The accompanying notes on pages 55 to 95 form part of these financial statements.

Statement of Financial Position

	Note	2021	2020
		£'000	£'000
Intangible fixed assets			
Intangible fixed assets	14	1,318	1,442
		1,318	1,442
Tangible fixed assets			
Tangible fixed assets – housing properties at cost	15	254,918	228,933
Tangible fixed assets – other	16	2,587	3,123
		257,505	232,056
Current assets			
Stock	17	75	115
Debtors	18	6,966	5,024
Cash at bank and in hand		28,027	4,715
		35,068	9,854
Creditors: amounts falling due within one year	19	(14,238)	(11,690)
Net current assets / (liabilities)		20,830	(1,836)
Total assets less current liabilities		279,653	231,662
Creditors: amounts falling due after more than one year	20	(159,372)	(123,374)
Provision for liabilities			
Pension provision	26	(70,203)	(52,655)
Other provisions	23	(850)	(1,664)
Total net assets		49,228	53,969
Reserves			
Income and expenditure reserve		49,228	53,969
Total reserves		49,228	53,969

The accompanying notes on pages 55 to 95 form part of these financial statements. The financial statements on pages 51 to 95 were approved and authorised for issue by the Board on 11 August 2021 and signed on its behalf by:

Judith Common Chair of the Board	Douglas Ross Board Vice Chair	Andrew Coates Secretary

Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	28	24,972	23,571
Cash flow from investing activities			
Purchase of intangible fixed assets		(319)	(327)
Purchase of tangible fixed assets		(33,632)	(56,372)
Proceeds from sale of tangible fixed assets		2,514	4,348
Grant received		6,268	6,771
Interest received		19	169
		(178)	(21,840)
Cash flow from financing activities			
Interest paid		(6,510)	(4,849)
New secured loans		80,000	0
Repayment of borrowings		(50,000)	0
		23,312	(26,689)
Net change in cash and cash equivalents		23,312	(26,689)
Cash and cash equivalents at beginning of the year		4,715	31,404
Cash and cash equivalents at end of the year		28,027	4,715

The accompanying notes on pages 55 to 95 form part of these financial statements.

Notes to the financial statements

1. Legal status

Believe Housing Limited is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing. The country of incorporation for Believe Housing Limited is the United Kingdom and its registered address is Coast House, Spectrum Business Park, Seaham, SR7 7TT.

2. Accounting policies

Basis of accounting

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for registered social housing providers, and comply with 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 and the Housing and Regeneration Act 2008.

The financial statements are presented in sterling (£).

The financial statements are prepared on the historical cost basis of accounting.

Going concern

Our business activities are focussed on the provision of social and affordable housing customers and supporting our local communities. Further details on our activities, financial position and factors likely to affect our future development are set out the Report of the Board.

We have mixture of short, medium and long-term debt facilities in place, which provide sufficient resources to finance committed reinvestment and development programmes, along with our day to day operations.

In October 2020 the Board approved a five-year Development Strategy to deliver a further 1,250 new homes alongside our existing development programme of 765 homes. This started a refinancing project to secure the funding needed to achieve our ambitions. On 31 March 2021 we completed our refinancing project having increased our available funding from £150m to £260m.

Our funding facilities at 31 March 2021 are split as follows:

- £75m long term funding arrangement ending on 31 March 2040;
- £85m private placement, of which £35m is deferred for one year, ending on 30 September 2058;
- £50m ten year term loan facility; and

- £50m five year revolving credit facility.

At 31 March 2021 we had drawn debt of £145m and had an available cash balance of £28.027m.

Our Statement of Financial Position reports a net current assets position at the end of March 2021 of £20.830m compared to a net current liabilities position at the end of March 2020 of £1.836m.

This year end position is predominantly due to the increase of £23.312m in our available cash balance at the end of the year. This increase reflects the new funding received at 31 March 2021 alongside the repayment of legacy funding arrangements. Our cash balance provides us with sufficient liquidity for the next 12 months without having to draw down any further borrowing. In line with our note purchase agreement, deferred private placement funding of £35m will be received on 31 March 2022.

We produce a 30 year Business Plan each year which helps us to understand our long term financial position. The Business Plan is developed based on a number of key economic assumptions as follows:

- Inflation rates
- Voids, arrears and bad debts
- Interest rates
- Right to buy sales
- Other asset disposals and demolitions

Our approved annual operating budget provides the starting position as year one of the 30 years. This budget reflects the start of the Covid-19 recovery period and therefore incorporates the potential impact of this on our finances for the next financial year by:

- Managing Covid-19 risk: incorporating contingencies into our repairs budget to build in the flexibility to meet potential challenges in service delivery as we come out of lockdown.
- Planning for Covid-19: the budget includes provision for unplanned costs associated with Covid-19.
- Supporting recovery: our budgets additional financial provision to support the growth of our Community Investment and Employability services which will support the local community as we emerge from lockdown.

Our latest Business Plan was approved by the Board on the 24 March 2021 and reflects our five-year Development Strategy and our investment in Corporate Plan priorities. It shows that we are able to service our debt facilities whilst continuing to comply with our financial covenants. The first refinancing risk arises due to the expiry of our revolving credit facility. Our Treasury Management Policy requires that this position is reviewed two years prior to the refinancing risk arising to provide sufficient time to review facilities and future funding requirements.

Our Business Plan was subjected to a series of stress test scenarios linked to our strategic risks which look at the financial impact of specific risks materialising and their impact on the Business Plan. These stress test scenarios help us to identify the areas of greatest sensitivity and the mitigating actions that would be required if a stress test scenario or something similar occurred. In addition a training session was conducted with the Board in January 2021 to look at the impact of different scenarios on the Business Plan and determine the mitigations required.

Our financial forecasts are most sensitive to the following stresses / changes:

- Significant increased costs linked to our capital investment programme, whether due to a new decent homes standard or the decarbonisation agenda with no reciprocal grant funding;

- Circumstances where the impact is to materially reduce income, for example a change in rent policy resulting in lower than planned social rent income, alongside rising costs; and

- a macro economic downturn which results in significant increases in property related costs such as capital investment, repairs and maintenance and development with no change to our income base.

We monitor our key economic assumptions that have the greatest impact on the Business Plan on a monthly basis to ensure prompt mitigating action can be taken if necessary, in line with our Financial Disaster Recovery Plan.

In April 2020 we introduced a Covid-19 scorecard and Treasury Covid-19 scorecard to monitor both the performance of the business and our finances. These were reported to the Performance and Standards Committee and Board throughout the year. These scorecards have been developed into a business scorecard which is monitored by the Senior Leadership Team and available to the wider business to provide insight into operational performance in key areas.

Our financial forecasts include prudent assumptions to reflect the potential impact of uncertainties such as:

- potential costs associated with any backlog of repairs following periods of lockdown; and

- the impact on our customers of the end of the furlough scheme and the withdrawal of the additional £20 per week Universal Credit payment.

In addition, financial provision has been made for capital investment works that could not be completed in 2021/22 due to the pandemic.

Cash flows are monitored through daily and three day scorecards and there are no concerns over the cash position or liquidity available to the business which would impact on the going concern assessment.

We have reviewed and updated our going concern assessment and reported it to the Audit Committee on the 9 June 2021. This assessment has included consideration of the impact of Covid-19 and assessment of significant judgements, estimates and uncertainties that could impact on the long-term business plan and the going concern assumption.

There are no changes in assumptions or significant judgements, estimates and uncertainties identified from this work which impact on the going concern assumption basis for the preparation of the financial statements.

On the basis of this information, management and the Board have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, the going concern basis has been adopted for the preparation of the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the financial statements where these judgements and estimates have been made include the following:

Significant management judgements

- Categorisation of property assets: the categorisation of property assets as investment properties or fixed assets is a matter of judgement and is based on the intended use of the property. Where the property is used for social benefit it is categorised as a fixed asset. Only property which is intended to be used for commercial return or capital appreciation is categorised as an investment property.

- Allocation of components within existing housing property assets: the allocation of components within housing property assets that transferred from Durham County Council is a matter of judgement. Management have considered the nature and type of housing property and allocated components for the opening housing property asset balances using the National Housing Federation matrix developed to assist registered providers with component accounting as a basis for the allocation of components to the housing properties at transfer.

- Allocation of components for new development: the allocation of components for newly developed properties is a matter of judgement and has been based on an analysis of components for different property sizes obtained from an independent third-party expert.

- Accounting for pension liabilities: management have reviewed the assumptions set out by the actuary in the calculation of the pension liability and have determined that they are both reasonable and appropriate.

- Accounting for loans as basic financial instruments: Loans are accounted for at amortised cost. The judgement applied is in interpreting the guidance set out in FRS 102 in the context of each funding agreement in place. Management have undertaken a review of the terms of each funding agreement alongside the criteria to be considered in classifying loans. In management's judgement all of the loans meet the criteria of a basic financial instrument and are therefore accounted for at amortised cost.

- Assessment of impairment: a review of the indicators of impairment set out in applicable accounting standards has been undertaken to understand if there is any impairment of housing property assets to be recognised in the financial statements. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. There are no indicators of impairment identified. This assessment applies management judgement in whether the indicator of impairment is applicable, and the key indicator of impairment has been identified as void performance.

  Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

  Management consider individual schemes to be cash generating units when assessing the recoverable amount for impairment purposes. Voids and void performance have been reviewed alongside consideration of the impact of relevant external factors. Judgement has been applied as to whether there is any impairment of housing properties based on this information. This is considered to be a reasonable approach to assessing impairment of our social housing properties.

Estimation uncertainty

- Useful lives of depreciable assets: the annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investment, economic utilisation and the physical condition of the assets.

- Defined benefit obligations: the Association has obligations to pay pension benefits to employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

- Recoverability of debtors: the Association makes an estimate of the recoverable value of rental, trade and other debtors. When assessing the recoverability of these balances, management considers factors including the ageing profile of debtors, performance information and historical experience of recovering outstanding balance. See the debtors note for the net carrying amount of debtors and the associated bad and doubtful debt provision.

- Provisions: the Association makes an estimate of any provisions at the end of the financial year based on the information available to management. When assessing any potential liability management considers the latest information from third parties, the method of calculation of the liability and historical evidence to determine the balance.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year and other services included in the invoiced value (excluding VAT where recoverable) of goods and services supplied in the period and grants receivable in the year.

Rental income is recognised from the point when a property becomes available for letting, net of any voids.

Service charges

Service charge income and costs are recognised on an accruals basis.

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model. Government grant for housing properties is only allocated to an individual component if it relates specifically to that individual component.

Grants relating to revenue are recognised in income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the Association will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or current liabilities.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position within creditors until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released as income in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income.

Taxation

The Association has charitable status and therefore is outside the scope of corporation tax on its charitable activities by virtue of Part 11 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Taxation of Chargeable Gains Act 1992.

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 end of the reporting period is included as a current liability or asset.

Interest payable

Interest payable is charged to income and expenditure in the period to which it relates.

Loan finance issue costs

Loan finance issue costs are amortised over the life of the related loan. Loans are stated in the statement of financial position at the amount of the net proceeds after issue, less capitalised issue costs of debt. Where loans are redeemed during the year, any redemption penalty and any connected loan finance costs are recognised in the statement of comprehensive income account in the year in which the redemption took place.

Financial instruments

Financial instruments are accounted for in accordance with sections 11 and 12 of FRS 102.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial liabilities

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan, to the extent that it is probable that some or all of the facility will be drawn down.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Debtors on agreed payment plans are incorporated into the bad and doubtful debt provision; therefore there is no additional discounting of these balances.

Creditors

Short term creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee benefits

Short term employee benefits are recognised as an expense in the period in which they are incurred.

Pensions

The Association participates in the Durham County Council Pension Fund (‘DCCPF’) which is a defined benefit local government pension scheme. Scheme assets are measured at their fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. A net surplus is only recognised to the extent that it is recoverable by the Association through reduced contributions or through refunds from the plan.

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 the Statement of Comprehensive Income.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs and interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that could result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Assets under construction

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements.

No depreciation is charged during the period of construction.

Disposal of fixed assets

The gain or loss on disposal of fixed assets is recognised in the Statement of Comprehensive Income as a separate line above the operating surplus / deficit.

Depreciation of housing properties

The Association separately identifies the major components which comprise its housing properties, and charges deprecation so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties on a straight line basis as follows:

-	Kitchen	20 years
-	Bathroom	30 years
-	Electrical Installation (Partial or Full)	30 years
-	Heating Installation	15 years
-	Windows & Doors	30 years
-	Structural	50 years
-	Roof	50 years
-	Lifts	30 years
-	Garage blocks	50 years

Freehold land is not depreciated. Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Intangible fixed assets

Intangible fixed assets; computer software is measured at cost. Computer software is amortised over its estimated useful life of 5 years, on a straight-line basis. A de minimus level of £1,000 is applied for the capitalisation of intangible fixed asset expenditure. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. Amortisation is charged to operating expenditure within the Statement of Comprehensive Income.

Other tangible fixed assets

Other tangible fixed assets are measured at cost. A de minimus level of £1,000 is applied for the capitalisation of other tangible fixed asset expenditure. Depreciation is provided on a straight-line basis to write down the cost of the asset to its estimated residual value over its expected useful life. Depreciation is provided as follows:

-	Furniture, fixtures and fittings	3 - 10 years
-	Computers and office equipment	5 years
-	Motor vehicles	5 years

No depreciation is charged on freehold land.

Donated land and other assets

Donated land or other donated assets are recognised on donation and measured at their market value, taking into account any restriction on the use of that asset.

Where the asset is donated by a government source, the market value of the asset donated is accounted for as a government grant and recognised to income over the life of the asset.

Where the asset is donated by a private, non-government organisation, the market value of the asset donated is recognised as income once any associated performance-related conditions have been met.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised as the present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost within expenditure in the period it arises.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Association.

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises the annual rent expense equal to amounts owed to the lessor as expenditure.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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.

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.

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

Continuing activities

2021

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	66,197	0	(49,767)	1,791	18,221
Activities other than social housing activities					
Lettings	184	0	0	0	184
Other	1,510	0	(1,315)	0	195
	1,694	0	(1,315)	0	379
	67,891	0	(51,082)	1,791	18,600

2020

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	64,236	0	(49,052)	3,257	18,441
Activities other than social housing activities					
Lettings	209	0	0	0	209
Other	1,666	0	(746)	0	920
	1,875	0	(746)	0	1,129
	66,111	0	(49,798)	3,257	19,570

4. Particulars of income and expenditure from social housing lettings

	General needs Housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2021 Total £'000	2020 Total £'000
Rent receivable net of identifiable service charges	65,430	0	0	65,430	63,448
Service charges receivable	542	0	0	542	620
Amortised government grants	225	0	0	225	168
Turnover from social housing lettings	66,197	0	0	66,197	64,236
Management	(21,376)	0	0	(21,376)	(21,098)
Service charge costs	(839)	0	0	(839)	(863)
Routine maintenance	(14,314)	0	0	(14,314)	(15,716)
Planned maintenance	(3,502)	0	0	(3,502)	(3,598)
Major repairs expenditure	(2,752)	0	0	(2,752)	(2,207)
Bad debts	(31)	0	0	(31)	(176)
Depreciation of housing properties	(6,467)	0	0	(6,467)	(5,394)
Impairment of housing properties	(486)	0	0	(486)	0
Operating costs on social housing lettings	(49,767)	0	0	(49,767)	(49,052)
Gain on disposal of fixed assets	1,791	0	0	1,791	3,257
Operating surplus on social housing lettings	18,221	0	0	18,221	18,441
Void losses (being rental income lost as a result of the property not being let, although it is available for letting)	(1,689)	0	0	(1,689)	(1,253)

Particulars of turnover from non-social housing lettings

	2021 £'000	2020 £'000
Non-social housing		
Commercial units	183	208
	183	208

5. Accommodation in management and development

At the end of the financial year the number of units in management for each class of accommodation was as follows:

	No. of units as at 1 April 2020	No. of additions	No. of disposals	No. of units as at 31 March 2021
Social housing				
General needs housing				
- social rent	17,757	0	(71)	17,686
- affordable rent	184	105	0	289
- intermediate rent	132	100	0	232
Low cost home ownership	3	0	0	3
Total owned and managed	18,076	205	(71)	18,210

The Association does not own or lease any supported housing units.

6. Operating surplus

	2021 £'000	2020 £'000
The operating surplus is arrived after charging/(crediting):		
Depreciation of social housing properties	6,467	5,394
Impairment of social housing properties	486	0
Depreciation of non-social housing properties	21	18
Depreciation of other tangible fixed assets	537	182
Gain on disposal of fixed assets	1,791	3,257
Operating lease rentals		
• land and buildings	340	482
• other	912	878
Beever and Struthers auditors' remuneration (excluding VAT)		
• Fees payable for the audit of the financial statements	34	0
Grant Thornton auditors' remuneration (excluding VAT)		
• Fees payable for the audit of the financial statements	5	42
Fees payable for other services:		
• Grant audit work	0	2
• Tax compliance work	4	11
• VAT and employment tax advisory work	3	11
Total amount payable to the auditors	46	66

7. Gain on disposal of fixed assets

	RTB/RTA[5] £'000	Other disposals £'000	2021 Total £'000	2020 Total £'000
Disposal proceeds	2,462	52	2,514	4,348
Carrying value of Fixed Assets	(668)	(5)	(673)	(1,091)
	1,794	47	1,841	3,257
Recycled capital grant fund	(50)	0	(50)	0
	1,744	47	1,791	3,257

[5] RTB/RTA refers to right to buy / right to acquire

8. Interest receivable and other income

	2021 £'000	2020 £'000
Bank interest receivable and similar income	19	169
	19	169

9. Interest payable and finance costs

	2021 £'000	2020 £'000
Loans interest payable:		
• loans repayable < 5 years	1,557	655
• loans repayable > 5 years wholly or in part	3,137	3,811
	4,694	4,466
Costs associated with financing	733	383
Loan breakage costs	1,083	0
Net finance costs for pensions (note 26)	1,164	1,076
	7,674	5,925

10. Employees

Average monthly number of employees:	**2021 Number**	**2020 Number**
Administration	119	118
Housing, support and care	417	401
	536	519

Expressed as full-time equivalents:		
Administration	115	114
Housing, support and care	403	388
	518	502

Full time equivalents are calculated based on a standard working week of 37 hours.

Employee costs:

	2021 £'000	**2020 £'000**
Wages and salaries	15,870	15,054
Social security costs	1,668	1,486
Other pension costs	3,325	2,288
	20,863	18,828

Employees are members of either the Durham County Council Local Government Pension Fund or the People's Pension Fund.

Further information on the Durham County Council Local Government Pension Fund is given in note 26. At 31 March 2021 unpaid pension contributions totalled £0 (2020: £4k).

10. Employees (continued),

The full-time equivalent number of staff whose remuneration payable in the period was greater than £60,000 (including Executive Directors and Directors) is:

	2021 Number	2020 Number
£60,001 to £70,000	19	10
£70,001 to £80,000	15	2
£80,001 to £90,000	2	3
£90,001 to £100,000	0	1
£100,001 to £110,000	2	2
£110,001 to £120,000	2	4
£120,001 to £130,000	0	0
£130,001 to £140,000	4	2
£140,001 to £150,000	1	0
£150,001 to £160,000	1	0
£160,001 to £170,000	1	0
£170,001 to £180,000	0	2
£180,001 to £190,000	1	0
£190,001 to £200,000	0	1
£201,001 to £210,000	2	0
£260,001 to £270,000	0	1
	50	28

11. Board and committee members remuneration

The following table shows the salary and expenses paid to non-executive Board members of believe housing during the year in their role as Board and Committee members:

	2021			2020
	Salary	**Expenses**	**Total**	**Total**
	£	**£**	**£**	**£**
Beverley Ann Tindale	2,972	0	2,972	5,251
David John Boyes	3,182	0	3,182	6,917
Douglas Ross	11,460	0	11,460	11,217
Gurpreet Singh Jagpal	5,600	36	5,636	5,490
Hazel Dale	7,050	0	7,050	8,012
John Marshall	5,600	0	5,600	2,945
John McGurk	2,500	0	2,500	1,222
Judith Common	15,000	0	15,000	15,890
Kevan Joseph Wales	5,600	0	5,600	5,566
Kevin Joseph Shaw	6,248	0	6,248	5,251
Robert Andrew Auty	3,080	41	3,121	0
	68,292	77	68,369	67,761

The total amount of remuneration (i.e. salary) paid as a percentage of turnover was 0.10% (2020: 0.10%). Individual and collective performance appraisals, including 360-degree feedback, are carried out each year to assist in determining whether payment to Board and Committee members remains appropriate.

Executive Board members, William Fullen and Robert Alan Smith are not remunerated in their role as Board members.

12. Key management personnel

Key management personnel

Key management personnel are defined as Board members and the Senior Leadership Team. The Senior Leadership Teams includes all Executive Directors and Directors.

Total compensation payable to key management personnel in the year was £1,568k (2020: £1,671k).

Executive Directors and Directors

Total compensation payable to Executive Directors and Directors is as follows:

	2021 £'000	2020 £'000
Wages and salaries	1,102	1,124
Benefits in kind	0	0
Pension contributions	267	345
National insurance contributions	131	140
	1,500	1,609

William Fullen, the Chief Executive, as the highest paid executive, received aggregate emoluments of £189k (2020: £179k). The Chief Executive was an ordinary active member of the Durham County Council Local Government Pension Scheme until November 2017 when he withdrew as an active member from the scheme. Therefore, no pension contributions were paid into the Durham County Council Local Government Pension Scheme on behalf of the Chief Executive in the year to 31 March 2021 (2020: £nil). There are no enhanced benefits or special terms to his membership of the pension scheme.

During the year, the aggregate compensation for loss of office of key management personnel was £24k (2020: £217k).

13. Tax on surplus on ordinary activities

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on surplus for the year	0	0
Tax on surplus on ordinary activities	0	0

Factors affecting tax charge for the current year

On the basis that current income and gains are applied for charitable purposes, believe housing should fall within the tax exemptions available to charitable entities.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2021 £'000	2020 £'000
Surplus on ordinary activities before taxation	10,945	13,814
Tax on profit at standard UK tax rate of 19%	2,080	2,625
Effects of:		
Non-taxable expense	(2,080)	(2,625)
Current tax charge for the year	0	0

Factors that may affect future tax charges

On the basis that future income and gains will be applied for charitable purposes, believe housing should fall within the tax exemptions available to charitable entities.

14. Intangible fixed assets

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 1 April 2020	100	2,180	2,280
Additions	319	0	319
Completions	(114)	114	0
Disposals	0	(15)	(15)
At 31 March 2021	305	2,279	2,584
Accumulated depreciation			
At 1 April 2020	0	838	838
Charged in the year	0	443	443
Released on disposal	0	(15)	(15)
At 31 March 2021	0	1,266	1,266
Net book value			
At 31 March 2021	305	1,013	1,318
At 31 March 2020	100	1,342	1,442

15. Tangible fixed assets – housing properties

	Social housing properties held for letting	Non-social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	229,643	3,704	13,109	18	246,474
Additions	8,525	0	13,162	0	21,687
Works to existing properties	10,894	34	0	0	10,928
Works for existing properties in progress	1,017	0	0	0	1,017
Schemes completed	18,818	0	(18,818)	0	0
Disposals	(2,121)	(8)	0	0	(2,129)
At 31 March 2021	266,776	3,730	7,453	18	277,977
Depreciation and impairment					
At 1 April 2020	(17,468)	(72)	0	(1)	(17,541)
Depreciation charged in the year	(6,467)	(21)	0	0	(6,488)
Impairment loss	(486)	0	0	0	(486)
Depreciation released on disposal	1,455	1	0	0	1,456
At 31 March 2021	(22,966)	(92)	0	(1)	(23,059)
Net book value					
At 31 March 2021	243,810	3,638	7,453	17	254,918
At 31 March 2020	212,175	3,632	13,109	17	228,933

15. Tangible fixed assets - housing properties (continued)

Housing properties book value, net of depreciation

	2021 £'000	2020 £'000
Freehold land and buildings	254,918	228,933

Expenditure on works to existing properties

	2021 £'000	2020 £'000
Components capitalised	11,945	16,415
Amounts charged to income and expenditure	17,816	19,314
	29,761	35,729

Social housing assistance

	2021 £'000	2020 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	225	168
Held as deferred grant income	15,527	9,484
Grant in advance	3,040	2,438
	18,792	12,090

Finance costs

There are no finance costs included in the cost of housing properties (2020: £nil).

Impairment

The Association considers individual schemes to be separate cash generating units when assessing for impairment in accordance with the requirements of FRS 102 and the SORP 2018.

The impairment charge of £486k (2020: £0) relates to assets that have been approved for decommissioning.

16. Tangible fixed assets - other

	Furniture fixtures and ICT/office equipment £'000	Total £'000
Cost		
At 1 April 2020	3,721	3,721
Additions	0	0
Disposals	(4)	(4)
At 31 March 2021	3,717	3,717
Accumulated depreciation		
At 1 April 2020	(598)	(598)
Charged in the year	(536)	(536)
Release on disposal	4	4
At 31 March 2021	(1,130)	(1,130)
Net book value		
At 31 March 2021	2,587	2,587
At 31 March 2020	3,123	3,123

17. Stock

	2021 £'000	2020 £'000
Raw materials and consumables	75	115

18. Debtors

	2021 £'000	2020 £'000
Due within one year		
Rent and service charges receivable	4,800	4,342
Less: provision for bad and doubtful debts	(2,817)	(2,237)
Net rental debtors	1,983	2,105
Trade debtors	107	401
Social Housing Grant Receivable	3,489	0
Prepayments and accrued income	1,387	2,518
	6,966	5,024

19. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	1,660	1,870
Rent and service charges received in advance	1,606	1,770
Recycled capital grant fund (note 22)	50	0
Social housing grant received in advance	3,040	2,438
Deferred grant income	328	201
Pension creditor	3	1
Other taxation and social security	412	393
Other creditors	14	58
Accruals and deferred income	7,125	4,959
	14,238	11,690

20. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Debt (note 24)	145,000	115,000
Borrowing costs unamortised	(827)	(909)
	144,173	114,091
Deferred grant income (note 21)	15,199	9,283
	159,372	123,374

21. Deferred Grant Income

	2021	2020
	£'000	£'000
At 1 April	9,484	5,319
Grant received in the year	6,268	4,333
Released to income in the year	(225)	(168)
At 31 March	15,527	9,484
Amounts to be released within one year	328	201
Amounts to be released in more than one year	15,199	9,283
	15,527	9,484

The amounts to be released within one year includes grants received for assets under construction until they are completed.

22. Recycled Capital Grant Fund

	2021	2020
	£'000	£'000
At 1 April	0	0
Grants recycled	50	0
Interest accrued	0	0
At 31 March	50	0
Amounts 3 years or older where repayment may be required	0	0

The recycled capital grant fund will be used for the development of 18 new homes at Ashdale Road, Consett

23. Provisions for liabilities and charges

	Restructure provision £'000	Legal provision £'000	Dilapidation provision £'000	Total £'000
At 1 April 2020	499	835	330	1,664
Additions	0	0	0	0
Charge in the year	(499)	0	(315)	(814)
At 31 March 2021	0	835	15	850

Restructure provision

The restructure provision was for early retirement and voluntary redundancy scheme commitments based on applications received and approved prior to the year end. The scheme is now complete and all liabilities paid during the year

Legal provision

The legal provision estimates amounts potentially owed as a result of the outcome of a legal case against Southwark Council. There was another case in October 2020 which presents continued risk. The timing of payments is uncertain and it is considered unlikely any payments will be made in the next 12 months.

Dilapidation provision

The dilapidation provision estimated the costs to return office accommodation where the lease has been terminated to the landlord in accordance with the terms of the lease. At the year end this relates to one office lease. Negotiations have been finalised with the landlord and it is likely that this liability will be paid within the next 12 months.

24. Debt analysis

	2021 £'000	2020 £'000
Drawn debt profile		
Bank and building society loans at fixed rates of interest	125,000	105,000
Bank and building society loans at variable rates of interest	20,000	10,000
	145,000	115,000

believe housing was funded through a £150m loan facility which was agreed at transfer on 13 April 2015. There were four elements to this loan facility:

- Tranche A, a £75m long term facility ending 31 March 2040;
- Tranche B1, a 5-year revolving facility of £20m, expiring March 2022;
- Tranche B2, a 10-year revolving facility of £45m expiring March 2025; and
- Tranche B3, a 12-year revolving facility of £10m expiring March 2027.

At 31 March 2020 a total of £115m was drawn down; £75m from the long-term facility and £40m from the revolving facility.

In April 2020 a further £10m was drawn from the revolving facility taking the total drawn down from the revolving facility to £50m.

Following the refinancing project during 2020/21, the long term facility remained unchanged, however the revolving facilities were terminated and the drawn balance of £50m was repaid on 31 March 2021.

At 31 March 2021 the funding arrangements are as follows:

- £75m long term facility ending 31 March 2040;
- £85m private placement (of which £35m is deferred for one year) ending 30 September 2058;
- £50m ten year term loan facility; and
- £50m five year revolving credit facility.

Fixed interest rates on borrowings range from 2.56% to 4.19%.

Variable rate loans are referenced to the Sterling Overnight Index Average (‘SONIA’) plus 1.0% – 1.6%.

All loans are secured by fixed charges over housing properties.

As at 31 March 2021 believe housing had undrawn loan facilities of £80m (2020: £35m).

25. Non-equity share capital

Shares of £1 each issued and fully paid

	2021 No.	2020 No.
At 1 April	9	6
Shares issued/(surrendered) during the financial year	(1)	3
As at 31 March	8	9

The shares provide members with the right to vote at general meetings but do not provide any rights to interest, dividends, bonuses or distributions on winding-up.

Only Board Members defined in the rules are eligible to be shareholders and a closed shareholding regime is therefore in place.

26. Pensions

The Association is an admitted body of the Durham County Council Local Government Pension Scheme. The disclosures below relate to the funded liabilities within the Durham County Council Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme (the 'LGPS').

The LGPS is a funded defined benefit plan with benefits earned to the 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earning Scheme.

Details of the benefits earned over the year covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

Funding/Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Information on the framework for calculating contributions to be paid is set out in the LGPS regulations 2013 and the Fund's Funding Strategy Statement.

The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2023.

The Fund Administering Authority, Durham County Council, is responsible for the governance of the Fund.

McCloud/Sargeant judgement and GMP equalisation

The pension liability calculations includes an estimate of the potential impact of the McCloud/Sargeant case and Guaranteed Minimum Pension equalisation on the reported pension figures.

Impact of transfer of staff from Mears

Following the transfer of staff from Mears to believe housing in July 2019, the actuary for the Local Government Pension Scheme needs to determine the value of assets and liabilities to be transferred into the believe housing part of the pension scheme.

This work is ongoing and no allowance has been made in the reported pension figures for these assets and liabilities due to the level of uncertainty over the exit valuation in respect of Mears. Management have been involved in discussions with the Local Government Pension Scheme on this matter. Based on these discussions management have determined that the risk of material misstatement of the pension figures reported in these financial statements is low.

26. Pensions (continued)

The amounts recognised in the Statement of Comprehensive Income as required by FRS 102 are as follows:

	2021 £'000	2020 £'000
Amounts charged to operating expenditure:		
Current service cost	(4,766)	(4,568)
Past service cost	0	(640)
Curtailment costs	(619)	0
Employer contributions paid	4,687	3,889
Total operating debit	(698)	(1,319)
Amounts included in interest payable:		
Interest on net defined benefit liability	(1,164)	(1,076)
Remeasurement (loss)/ gain recognised on defined benefit pension Scheme	(15,686)	(5,297)
Total debit to the Statement of Comprehensive Income	(17,548)	(7,692)

The amounts recognised in the Statement of Financial Position as required by FRS 102 are as follows:

Present values of provision	2021 £'000	2020 £'000
Present value of funded obligations	(151,862)	(115,570)
Fair value of scheme assets	81,804	63,054
	(70,058)	(52,516)
Present value of unfunded obligations	(145)	(139)
Net pension liability	(70,203)	(52,655)

26. Pensions (continued)

Reconciliation of opening and closing provisions

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

	2021 £000	2020 £'000
Opening defined benefit obligation	(115,709)	(107,446)
Current service cost	(4,766)	(4,568)
Past service cost	0	(640)
Interest on scheme liabilities	(2,645)	(2,672)
Actuarial loss	(30,373)	(1,650)
Contributions by scheme participants	(1,024)	(948)
Benefits paid	3,129	2,215
Curtailment costs	(619)	0
Closing defined benefit obligation	(152,007)	(115,709)

The defined benefit obligation may be analysed between wholly unfunded and wholly or partly funded schemes as follows:

	2021 £000	2020 £'000
Funded	(151,862)	(115,566)
Unfunded	(145)	(139)
Closing defined benefit obligation	(152,007)	(115,705)

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

	2021 £'000	2020 £'000
Opening fair value of scheme assets	63,054	62,483
Interest on scheme assets	1,481	1,596
Remeasurement (losses) / gains on assets	14,687	(3,647)
Contributions by employer	4,687	3,889
Contributions by scheme participants	1,024	948
Benefits paid	(3,129)	(2,215)
Closing fair value of scheme assets	81,804	63,054

26. Pensions (continued)

The fair value of the major categories of scheme assets as a percentage of total scheme assets are as follows:

	2021	2020
	%	%
Equities	55.1	47.1
Property	6.3	8.1
Cash	15.9	28.5
Government bonds	18.0	12.3
Corporate bonds	4.7	4.0

The principal actuarial assumptions as at the reporting date were:

	2021	2020
	%	%
Discount rate	2.1	2.3
Rate of increase in pensions in payment	2.7	1.9
Rate of pension accounts revaluation rate	2.7	1.9
Inflation (consumer price index)	2.7	1.9
Salary increase	3.7	2.9

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on future lifetime (years) from retirement age 65 are:

	2021	2020
Males		
Future lifetime from age 65 (aged 65 at accounting date)	22.3	22.2
Future lifetime from age 65 (aged 45 at accounting date)	23.3	23.2
Females		
Future lifetime from age 65 (aged 65 at accounting date)	24.3	24.2
Future lifetime from age 65 (aged 45 at accounting date)	25.8	25.7

27. Capital commitments

Tangible fixed assets

	2021 £'000	2020 £'000
Capital expenditure		
Expenditure contracted for, but not provided for in the financial statements	18,728	30,471
Expenditure authorised by the Board, but not contracted	51,848	30,915
	70,576	61,386

In October 2020 the Board approved a five year Development Strategy to deliver a further 1,250 new homes. This is not included in the capital commitment figures noted above as individual development schemes are subject to Board approval prior to any contract being entered into. Expenditure for future development schemes are included within capital commitments where they have been approved by Board.

The above commitments will be financed through future cash generation from operating activities (£19,560k), existing borrowing facilities (£41,187k) and social housing grant (£9,829k).

28. Net cash inflow from operating activities

	2021 £'000	2020 £'000
Surplus for the year	10,945	13,814
Adjustments for non-cash items:		
Pension adjustment	1,862	2,395
Depreciation of intangible fixed assets	443	409
Depreciation of tangible fixed assets	7,024	5,595
Impairment of tangible fixed assets	486	0
Amortisation of social housing grant	(225)	(168)
Recycled capital grant	(50)	0
Disposal of assets under construction	0	0
Surplus on sale of housing properties	(1,791)	(3,257)
(Increase)/decrease in stock	40	(52)
Decrease/(Increase) in debtors	(1,942)	(381)
Increase/(decrease) in creditors	2,421	434
Increase/(decrease) in provisions	(814)	251
Adjustments for investing or financing activities:		
Interest payable	6,510	4,849
Interest received	(19)	(169)
Amortisation of loans	82	(149)
Net cash flow from operating activities	24,972	23,571

29. Analysis of changes in net debt

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2021
Cash	4,715	23,312	0	28,027
Bank loans due greater than one year	114,091	30,000	82	144,173
Total	118,806	53,312	82	172,200

The other non cash movement relates to amortisation of borrowing costs.

30. Operating leases

The future minimum lease payments that believe housing is committed to make under non-cancellable operating leases are as follows:

	2021 £'000	2020 £'000
Within one year	268	357
Between two and five years	1,055	1,052
Greater than five years	2,313	2,163
	3,636	3,572

31. Related party transactions

There were two tenant board members during the financial year. There were also eight tenants who served as members of the Values Group during the financial year.

Their tenancies are on normal commercial terms and they were not able to use their position to their advantage.

Aggregate rent received from serving tenant board and committee members during the year totalled £32,339 (2020: £39,142). There was £57 owed in rent arrears at 31 March 2021 from tenant board and committee members (2020: £330).

The following Board and Committee members who served during 2020/21 were also councillors at Durham County Council during the course of the year:

- David Boyes (Board member)
- Kevin Shaw (Board member)
- June Clark (Values Group member)

There are a number of contractual arrangements between believe housing and Durham County Council, including various service level agreements and transfer commitments. During the year the organisation incurred £3,653,630 of expenditure with Durham County Council (2020: £3,489,241). At 31 March 2021, a balance of £20,688 was outstanding between the organisation and Durham County Council (2020: £284,839 net debit).

believe housing also receives income from Durham County Council for specific services and arrangements provided by the organisation. During the year the organisation recognised income of £24,778 (2020: £8,997) from Durham County Council. At the 31 March 2021, an outstanding balance of £2,018 (2020: £nil) was owed by Durham County Council to the organisation.

All arrangements with Durham County Council are on normal commercial terms and none of the councillors who are also Board or Committee Members are able to use their position to the advantage of either party.

31. Related party transactions (continued)

Judith Common, the Chair of the Board, is also a Board member of Women in Social Housing (North East region). During the year £996 was paid to Women in Social Housing by believe housing for membership services (2020: £800). There was no balance outstanding at 31 March 2021 (2020: £nil). The expenditure was incurred on a normal commercial basis and Judith Common was not able to use her position to the advantage of either party.

Robert Alan Smith, a member of the Board, is also a Board member of Prosper Procurement Limited. During the year £5,920 was paid to Prosper Procurement by believe housing for procurement services (£2020: £9,217). There was no balance outstanding at 31 March 2021 (2020: £nil). The expenditure was incurred on a normal commercial basis and Alan Smith was not able to use his position to the advantage of either party.

John Marshall, a member of the Board, is also Chair of the Board of Directors of North East England Chamber of Commerce. During the year £2,174 was paid to North East England Chamber of Commerce by believe housing for membership services (2020: £2,117). There was no balance outstanding at 31 March 2021 (2020: £nil). The expenditure was incurred on a normal commercial basis and John Marshall was not able to use his position to the advantage of either party.

32. Contingent liabilities

Grants

The stock transfer from Durham County Council included 95 properties located within Durham City and the Wear Valley that had been originally developed using grant provided by Homes England[6]. The value of the government grant funding provided by Homes England was £5.034m. The original grant agreement contains an obligation, in the event of one of the properties being disposed of, to repay the original grant attributable to the property along with an additional payment relating to the proceeds received for the property.

Having taken ownership of these properties, believe housing is now responsible for the repayment of the grant in the event of the housing properties being disposed. The timing and value of any repayment is uncertain as they depend upon the specific circumstance of any future disposal. As such, no estimate of the total value of this contingent liability can be made at the current time. In the event of a disposal being agreed but not completed prior to the end of the reporting period, a provision will be recognised in the financial statements for the full value of the repayment to be made to Homes England. One property from the original 95 properties that were funded by this grant has been sold and an amount of £0.050m agreed with Homes England to be recycled through the recycled capital grant fund. This is shown in note 22 of these financial statements.

[6] Previously the Homes and Communities Agency

33. VAT Shelter arrangement

A VAT sharing arrangement from the established VAT shelter agreed with HMRC was set up through the transfer agreement with Durham County Council in April 2015. At transfer Durham County Council were contracted to acquire the benefit of the agreed qualifying works (£318.689m) plus the housing properties at a price equal to the agreed value of the properties in their existing condition (£114.4m).

This arrangement has enabled VAT to be recovered on qualifying works relating to repair and improvement costs that would otherwise have been expensed.

At 13 April 2015 an amount of £114.4m was paid over to Durham County Council, which represented the value of the properties transferred in their current condition, plus the value of the qualifying works of £318.689m, less the amount due to be incurred under the Development Agreement in relation to the anticipated cost of the qualifying works. The impact of these two transactions is that whilst Durham County Council has a legal obligation to complete the improvement works; this work has been contracted back to believe housing who are also legally obligated. The underlying substance of the transaction is therefore that believe housing acquired the housing properties in their existing condition at their agreed value, and will complete certain qualifying works in repairing and improving properties as necessary and in line with commitments to tenants which will be accounted for when incurred or committed to.

At the 31 March 2021 £2.2m (2020: £3.3m) has been received by believe housing under the VAT shelter scheme, of which 50% has been paid to Durham County Council.

34. Ultimate parent undertakings and controlling party

There is no ultimate parent undertaking and controlling party.