Believe Housing Limited

Annual Report and Financial Statements
for the year ended 31 March 2022

Co-operative and Community Benefits Society registered number: 8076

Regulator of Social Housing registered number: 5071

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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 2021:

Judith Common (Chair)
Douglas Ross (Vice Chair)
Hazel Dale
Gurpreet Singh Jagpal
John Marshall
Kevin Joseph Shaw (resigned 17 June 2021)
Kevan Joseph Wales
Robert Auty
David Clouston (appointed 1 January 2022)
Monica Burns (appointed 1 January 2022)
Kelly Henderson (appointed 1 January 2022)

The following individuals served as Executive Board members from 1 April 2021:

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 consolidated Annual Report and Financial Statements for the year ended 31 March 2022.

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'). It is parent to Believe Developments Limited, a wholly owned subsidiary which was incorporated on 19 March 2021 under the Companies Act 2006. Further details of the group structure are set out in note 17.

The group 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 2022, we owned and managed 18,154 homes (2021: 18,210) which represents around 40% of all social housing stock in the County Durham area with a turnover of £69.766m (2021: £67.891m) and a total tangible fixed asset base of £277.845m (2021: £257.505m).

Objectives and strategy

Our Corporate Plan

Our Corporate Plan covering the three-year period 2019-2022 was approved by the Board in March 2019. The Corporate Plan 2021 update was approved by Board in March 2021 for the 2021/22 financial year. The 2021 update reaffirmed our vision for the Corporate Plan which was:

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.

Our corporate vision and values have remained constant and are:

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 2021 Corporate Plan update confirmed that the commitments and plans we had originally set out to deliver remained relevant. However, we recognised the need to understand the impact of Covid-19 on our ability to deliver our commitments and plans in the way we had originally anticipated and reflect on any opportunities that have arisen.

Our overarching corporate objectives were updated to reflect the feedback we had gathered through talking to customers and through engagement with our people to reshape our focus.

Our Objectives

Our strategic objectives link to our values and form three strategic pillars as follows.

customer experience	people experience	business experience
Deliver a great customer experience - easy to deal with	Innovative and creative organisation - don't stand still	Being a sound and secure business ready to take opportunities
Continually developing our relationship with customers – supporting you when you need it	Create meaningful collaborations with others and recognise our success	Respecting and protecting our planet
Creating thriving places and homes people want to live in	Developing a culture we are proud of and recognised for – attracting and maintaining the best people	Embracing equality and inclusion

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

Throughout the 2021/22 financial year we have reviewed and reported on our performance compared to the objectives and targets we set out to achieve to the Performance and Standards Committee and the Board.

What does value for money mean to us

Value for money and optimising our resources underpins our Corporate Plan and is 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 our 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 Performance and Standards Committee and 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 2021/22 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 experience – access and feedback: to deliver a great customer experience, focussing on providing first time resolution and ensure the customer voice is central to our service delivery.

- 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 over 700 new homes by 2022 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.

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

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.

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

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.

What we have achieved in 2021/22

This year has presented a number of challenges as we emerged from Covid-19 lockdowns, however we have continued to make progress towards the vision set out in our Corporate Plan and have not stood still.

The key achievements contributing to our strategic objectives for 2021/22 included:

- The allocation of 1,424 homes to customers.

- Delivery of 74 new homes in 2021/22 with commitment to achieve the 1,250 new homes set out in the five year Development Strategy approved in October 2020.

- Completion of our refinancing exercise at the end of March 2021 and agreement of Environmental, Social and Governance metrics and targets which, if achieved, will reduce the cost of funding to the business.

- Achieving £4.398m in social value across the business through community investment projects, employability support and repairs to improve energy ratings of homes. This has enabled our communities and those working in them to deliver projects and activities which meet their needs supported by our grants programme that was reviewed to provide a more flexible and targeted approach.

- Launching our customer portal to help our customers self-serve at a time which suits them.

- Creation of our Repairs Diagnostic Team to provide a targeted approach to our repairs.

- Launching our Volunteering Framework to give our people information on how we will support them to volunteer and provided opportunities to get involved in activities such as beach cleans, working on allotments and supporting community projects funded through our grants programme.

- Developing a Wellbeing strategy which took into consideration feedback from colleagues across the business.

- Carrying out our first Innovation Festival with over 200 employees taking part across three days to solve key challenges facing the organisation.

- Maintaining a high score in the Culture Survey, demonstrating progress in our work to create a one team culture.

- Establishing a group of data leaders across the business to support the roll out of the Data Strategy and focus on data quality across the business.

- Establishing Green Champions in each directorate to support the delivery of the Green Plan.

- Developing our Digital Strategy to set our aims for digital transformation.

In addition to these achievements, we won a number of awards, in particular for our business wide response to the Covid-19 pandemic.

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 being provided and outcomes for our customers, communities, people and business.

- They ensure the health of the business is being monitored.

- They 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

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

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 quarterly financial reporting and the performance report.

There is also a business scorecard which is reported to each meeting of the Performance and Standards Committee to summarise the operational performance of the business.

Our performance metrics 2021/22

The following strategic performance indicators have been monitored during 2021/22 to assess our performance against the corporate objectives set out in our Corporate Plan.

These 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.

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'.

Objectives and Supporting Indicators	Target 2021/22	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Customer						
Overall customer satisfaction score	87.1%	**80%**	86.8%	86%	85.6%	86.3%
Customer satisfaction with repairs	9 (out of 10)	**4.3 (out of 5)**[3]	9.30 (out of 10)	8.70 (out of 10)	7.80 (out of 10)	n/a

[2] Housing Association's Charitable Trust

3 During the year we changed contractors for the collection of customer satisfaction data and moved from a 1-10 scale (which was the basis for the target set for the year) to a 1-5 scale.

Objectives and Supporting Indicators	Target 2021/22	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Tenancies ending within 12 months	5%	**5%**	4.14%	4.55%	6.11%	5.24%
Proportion of complaints responded to within timescale	85%	**68.24%**	87.58%	62.3%	n/a	n/a
New supply delivered	250 per year	**74**	205	231	81	36
People						
Healthy culture score	70-90	**79**	86	n/a	n/a	n/a
Best companies score	Maintain 2 star rating	**2 star**	2 star	n/a	n/a	n/a
Number of staff involved in corporate social responsibility	135	**154**	50	40	n/a	n/a
Business						
Proportion of customer led self-serve transactions	80%	**48.7%**	46.98%	39.79%	n/a	n/a
% of repairs right first time	98%	**95.48%**	94.41%	79.0%	70.3%	n/a
Average days to complete a repair	8 days	**14 days**	8 days	12 days	15 days	n/a
% of repairs completed in timescale	98%	**89.58%**	95.80%	79.00%	n/a	n/a
Actual social value from completed projects	£2million	**£4,398,107**	£583,007	£2,088,698	n/a	n/a

Objectives and Supporting Indicators	Target 2021/22	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19	Actual 2017/18
Rent collection	98.50%	**99.18%**	99.78%	98.81%	98.08%	99.59%
Fleet mileage	1,206,072 miles	**1,429,081 miles**	1,138,602 miles	1,722,960 miles	n/a	n/a
Headline social housing cost per unit	£3,735	**£3,795**	**£2,999**	£3,308	£3,214	£2,921
Reinvestment	20.42%	**10.71%**	**13.20%**	23.27%	14.41%	13.68%

Overall, 2021/22 has been a difficult year and our business has managed a number of challenges, including high levels of sickness absence (due to Covid-19 and self isolation requirements), delays in the supply of materials, issues with recruitment of staff and increased demand on all of our services. Our region also suffered the impact of severe weather conditions with Storm Arwen, Storm Malik and Storm Corrie all causing significant damage to the local area as they hit in quick succession from November 2021.

The performance metrics and stretch targets we set for ourselves at the start of the financial year were developed in expectation that we would gradually return to a more 'normal' operating environment following the Covid-19 restrictions in 2020/21. Our performance targets for 2021/22 took account of our previous years' performance along with an expectation of improvements that could be achieved which linked to our corporate objectives.

The reality during 2021/22 has been a much more difficult operating environment than we expected with the challenges of Covid-19 lasting longer than anticipated. This along with external drivers such as supply chain challenges and a difficult labour market have all impacted on our performance. Our performance throughout the year has been monitored by the Performance and Standards Committee and the Board with a focus on understanding the underlying reasons for our actual performance. We took the decision not to revise our performance targets during the year as we strived to achieve the best performance possible. We have learned some important lessons from this financial year and going forward we have changed the way in which we set our performance targets to balance striving to achieve our best alongside the reality of the environment we are operating in.

The following paragraphs explain our performance for the year in further detail under each of our strategic pillars.

Customer

Of the five performance targets set for 2021/22 under the customer strategic pillar, we met one target for the year. The following points are highlighted:

- Customer satisfaction from our STAR survey completed in December 2021 was 80%, compared to a target of 87.1% and a prior year result of 86.8%. Whilst this is disappointing and lower than we had hoped to achieve we welcome the feedback from our customers. We understand that customer satisfaction across the market place has generally declined and we are using this feedback in our Moving Forward project to help shape our services going forward.

- Customer satisfaction with repairs at 4.3 out of 5. Our original target was set based on a 1-10 scale for customer satisfaction, however we changed contractor for the collection of customer satisfaction information during the year and moved to a 1-5 scale. Overall, we are pleased with our customer satisfaction with repairs performance for the year. Further commentary on the repairs service performance for the year is set out in a separate section below.

- Tenancies ending within 12 months was 5% for the year and met the performance target set. At the 31 March 2022 this equated to 55 tenancies ending that had started in the previous 12 months. The reasons for tenancies ending are regularly reviewed to ensure we identify any learning and we continue to put in place tailored support for people to help then in sustaining their tenancy. We have also engaged with Durham University on a project to review what supports effective tenancy sustainment which will commence in 2022/23.

- Our complaints performance this year has been particularly challenging. The increase in the volume of customer complaints along with reduced resources due to staff absence has significantly impacted our performance. The volume of complaints has been impacted by the challenges affecting the repairs service in particular which are highlighted below. We recognise that our performance for customer complaints needs to improve and have put in place additional resource across the business to assist in responding to complaints and communicating with customers in a timely manner. We have also engaged with Durham University on a project to understand how we can better log and analyse our complaints data to improve the identification of issues and learning from them. This project will commence in 2022/23.

- We were unable to meet our new supply target of 250 new homes for the year. The timing of our refinancing project restricted our ability to commit to schemes in the run up to the new arrangements being in place at the end of March 2021. There have also been delays of around 8-12 weeks in the completion of new homes on committed schemes on-site primarily due to labour and material issues. In the second half of the year the number of schemes starting on site increased and we have had success in securing homes via section 106 schemes. Our overall target of delivering 1,250 new homes over the five year period to 2025/26 is still on track with a strong pipeline in place.

People

At the end of the year our people metrics show that we met or exceeded the three performance targets set for the year under the people strategic pillar. The following points are noted:

- In December 2021 we ran our third culture survey which showed that we had maintained a strong healthy culture score within the target set for the year. In addition, our second Best Companies survey was conducted in May 2022 and the outcome was that we maintained our 2 star rating. Achieving the targets set for both of these metrics is particularly pleasing given the challenging environment our people have been working in over the last 12 months. We are using the feedback from both of these surveys to inform our Moving Forward project.

- Our Volunteering Framework was launched during National Volunteers Week in June 2021 to support the Corporate Social Responsibility Project. 154 people have confirmed they volunteered during 2021/22 which exceeded our target for the year.

Business

We met two of the performance targets under the business strategic pillar for the year. The following points are highlighted:

- The proportion of self-serve transactions has continued to increase since this target was established in 2019/20, however we have been unable to meet the very challenging 80% target originally set out in our Corporate Plan. We recognise that we need to ensure our digital offer meets the needs of our stakeholders if we hope to achieve 80% of transactions being self-service. We have continued to progress our Digital Strategy in the year and have conducted a discovery piece of work to review all information and research about our customers and their usage of digital services to help our approach to digital transformation and provide the right options to customers. The Moving Forward project will involve delivering a range of transactions through self-serve which will support our aim of increasing our performance against this metric.

- The percentage of repairs right first time has increased significantly over the last three years, however the performance fell slightly short of the 98% target set for the year. Further commentary on repairs is set out below.

- The average days to complete a repair increased to 14 days in the year, compared to 8 days in the prior year. This was higher than the target set for the year and reflects the challenges highlighted below which have put pressure on this service.

- The percentage of repairs completed in timescale was 89.58% which fell short of the 98% target and decreased in comparison to the previous year. Again, this metric has been impacted by the challenges highlighted below which have put pressure on the repairs service.

- We have exceeded our total social value target for the year which reflects some of the larger projects we have been able to support this year. The performance reported for the year of £4.398m reflects the overall social value return for our business activities, including community investment, improving the energy rating of a property or supporting someone into work.

- Rent collection for the year of 99.18% exceeded our target of 98.50% despite challenging economic conditions. We recognise that there will be increased pressure on household finances going forward and have invested in new technology to support our management of arrears performance.

- Fleet mileage for the year was 1.429m miles which exceeded the target we set by 18.5%. Whilst we have had to move to an essential repairs service at certain points during 2021/22, this has not been to the same extent it was in 2020/21 and our performance target reflected the expectation that mileage would increase in comparison to 2020/21. We are targeting a reduction in fleet mileage to support our Green Plan and therefore are investigating what measures can be put in place to reduce our fleet mileage going forward.

- Our headline social housing cost per unit of £3,795 was slightly higher than our original target set of £3,735. This is mainly driven by a significant increase in the Local Government Pension Scheme ('LGPS') current service cost included in our operating expenditure for 2021/22. This cost is not an operating cash flow but represents a balance calculated by the actuary that is part of the FRS 102 accounting adjustments for pensions. Further information on the headline social housing cost per unit is included within the value for money metrics benchmarking section of this report.

- Our reinvestment metric for the year was 10.71% compared to a target of 20.42%. This metric is impacted by the delivery of new supply which is commented on above. Further information on the reinvestment metric is included within the value for money metrics benchmarking section of this report.

Repairs

During 2021/22 our repairs service has dealt with several challenges which have impacted on the performance metrics reported above as follows:

- An increase in the volume of repairs and demand for the repairs service as people emerged from Covid-19 lockdown;

- An increase in damp and disrepair claims reported by customers;

- High levels of sickness absence due to Covid-19 and periods of self isolation required which have resulted in high numbers of our operatives unable to work during these periods;

- Difficulties in recruiting staff to meet increased demand and volumes;

- Materials supplies impacted by Covid-19, Brexit and other issues such as the blockage of the Suez Canal in March 2021, resulting in delays and difficulties sourcing certain materials at different times in the year; and

- Severe weather conditions at the end of quarter three and into quarter four which resulted in high volumes of fencing and roofing works across our properties.

We have put in place a number of measures to address these challenges across the course of the year, including:

- Setting up a specialist team to focus on damp and disrepair works to ensure these repairs are dealt with promptly and appropriately;

- Putting in place a new approved supplier list to mitigate our risks for materials supplies by spreading our risk and providing options for alternative suppliers if required;

- Establishing an action team, drawing on resources from across the business, to clear the backlog of repairs that built up during the course of the year; and

- A focus on reducing the volume of emergency repairs with joint working between the repairs team and the customer hub to ensure repairs are correctly categorised.

Alongside these actions a full systems review is ongoing for repairs to ensure that our systems and processes are fit for purpose going forward.

Environment, Social and Governance metrics

During 2021/22 we agreed three environment, social and governance metrics and targets which, if achieved, will result in a discount to our agreed funding costs. The three metrics agreed are as follows:

- Average Energy Performance Certificate ('EPC') scores of our housing properties;

- Social value of our investment in community initiatives as determined by HACT; and

- The Best Companies star rating.

At 31 March 2022 our performance compared to the target set for each of these three metrics was as follows:

	Target	Actual
Average EPC scores of our housing properties	68.26	68.10
Social value of our investment in community initiatives	£770,000	£1.77m
Best Companies star rating	2 star	2 star

We have achieved two of the three targets set. The target for the average EPC target for our housing properties had not been met due to delays in some of our planned works contributing to this target. We expect to achieve the target set for this metric in 2022/23.

For 2021/22 we have adopted the Sustainability Reporting Standard published in November 2020 and our first report can be found on our website.

New build development and our Development Strategy

During 2021/22 we have continued to make progress in delivering new homes with a total of 74 completed in the year.

We have 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. We have also secured our first shared ownership properties, a total of seven properties, which will be completed in 2022/23.

A series of performance metrics capturing operational and financial performance information are reported to the Development and Investment Committee every quarter. The financial performance information is also included in the quarterly management accounts which are scrutinised by the Performance and Standards Committee and reported through to the Board.

Our 2021 – 2026 Development Strategy (approved by Board in October 2020) set out our ambition 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 (an average of 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 by establishing Believe Developments Limited, which will allow us to maximise the potential for market sale homes and joint venture opportunities in the future; and
- Embed our development strategy as part of our wider place-based approach to asset management and investment in existing homes.

Our progress in delivering the Development Strategy is monitored by the Development and Investment Committee.

Financing

At the end of March 2021, we successfully completed our refinancing exercise with a mixture of short, medium and long term funding arrangements.

Further detail of our funding arrangements can be found in note 25 of the accounts.

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 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: 18,154);
- Operate primarily in regions with an Annual Survey of Hours and Earnings (ASHE) regional wage index of 0.92 or below (believe housing: 0.91);
- Are large scale voluntary transfer (LSVT) organisations, with no limit on the length of time since the transfer occurred (believe housing: 7 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 2021/22 and our actual performance data for 2020/21, 2019/20 and 2018/19 alongside the peer group data for 2020/21, which is the most current data publicly available.

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

Value for Money Metric	believe housing Target 2021/22	believe housing Actual 2021/22	believe housing Actual 2020/21	believe housing Actual 2019/20	believe housing Actual 2018/19	*Peer Group Actual 2020/21*
Reinvestment	23.38%	10.79%	13.20%	23.27%	14.41%	*10.85%*

Our reinvestment metric for 2021/22 is below both our target for the year and our prior year performance.

The primary reason for this is the reduced expenditure on new development that we have seen during the year, with a fall in expenditure on new homes of around 43%, and a lower number of completions in 2021/22. While we retain our commitment to delivering 1,250 new homes by 2026, work this year has focussed on completing existing schemes and in developing a strong pipeline of future schemes that will allow us to deliver on our ambitions in the years to come.

As Covid-19 disruption has reduced over the course of 2021/22, we have been able to resume delivery of our capital investment programme, which was significantly curtailed by the pandemic during the 2020/21 financial year. As a result, our investment in existing properties has increased by around 43% in 2021/22 and this has helped to offset the reduction in development expenditure and prevent our reinvestment metric from falling below 10% for the year.

Our reinvestment metric has also fallen slightly below our peer group median figure, although it remains broadly comparable. We would anticipate that, with increasing development expenditure and decreasing pandemic-related disruption to our capital investment programme, our reinvestment metric will recover in 2022/23 regaining or exceeding our 2020/21 performance and our peer group median.

	believe housing Target 2021/22	believe housing Actual 2021/22	believe housing Actual 2020/21	believe housing Actual 2019/20	believe housing Actual 2018/19	*Peer Group Actual 2020/21*
New supply delivered - non-social housing units	0%	0%	0%	0%	0%	*0%*

We had no plans to develop non-social housing units during 2021/22, which was consistent with our core strategic aims that focus on the provision and development of social housing units.

	believe housing					Peer Group
	Target 2021/22	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19	*Actual 2020/21*
New supply delivered - social housing units	1.41%	0.40%	1.11%	1.17%	0.45%	*0.65%*

As noted above, we have seen a reduction in the number of new homes completed during 2021/22, with 74 properties completed in 2021/22 compared with 205 in 2020/21. Work this year has focussed on completing existing schemes and in developing a strong pipeline of future schemes. This pipeline is imperative to allow us to deliver our ambitious Development Strategy, approved by our Board in 2020/21, that will see over 1,250 homes developed by 2026.

Our new supply delivered metric has also fallen below that of our peer group but, as we start to see the pipeline of schemes come to fruition, we expect to see our new supply metric increase again in line with, or more than, the median peer group performance.

	believe housing					Peer Group
	Target 2021/22	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19	*Actual 2020/21*
Gearing	50.36%	42.40%	45.58%	47.78%	45.31%	*46.55%*

Our gearing ratio has reduced for the second consecutive year and is lower than both our target and peer group median.

Our overall indebtedness has increased in 2021/22 when compared to the prior year, which is as a result of the drawdown of a £35m deferred tranche of our LGIM private placement completed on 31 March 2022. With this drawdown being completed at the year end, we have increased our level of debt but have not had the opportunity to utilise the funds and so we have also seen a corresponding increase in our cash balance.

During the year, we also made a repayment of £20m on our revolving credit facility so our gross debt figure has only increased by just over £14m overall during the year.

This, combined with the increase in our cash balances, has meant that our net debt has only increased by £0.75m when compared to 2020/21.

We have continued to see the value of our asset base increase in 2021/22 as new properties and investment works on our existing properties were completed. It has increased by around £20.8m (8%) over the year and so, compared to the £0.75m increase in net debt, our asset base has grown more significantly and so our gearing ratio has fallen as a result.

We have seen gearing somewhat below our target figure and this is because the target assumed that we would see higher investment expenditure on both new and existing properties and assumed that this would be funded from cash reserves and additional debt funding. Utilising our cash balance and increasing our indebtedness meant we expected to have a higher gearing ratio at the end of the year than we have actually achieved.

	believe housing					Peer Group
	Target 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
Gearing (continued)	50.36%	42.40%	45.58%	47.78%	45.31%	*46.55%*

Our gearing ratio continues to be lower than the median of our peer group as we have not needed to incur as high a level of debt to fund our current investment works. We anticipate this will change as we increase the level of investment, which will require additional funding and so potentially increase our gearing ratio. We believe 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 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
Headline social housing cost per unit	£3,729	£3,795	£2,999	£3,308	£3,214	*£3,170*

Our headline social housing cost per unit for 2021/22 is higher than both 2020/21 performance and the target for 2021/22. Whilst some areas of our business have seen budgetary underspends during 2021/22, others have seen increasing cost pressures, and these have resulted in an overall increase in our headline cost per unit.

In particular, we have seen high void costs and responsive repair costs during 2021/22. The cost of voids has increased due to a combination of larger clearance jobs, increased volumes of repairs and an increase in major works alongside the Covid secure working practices required to be in place when completing this work.

We have also invested in a specialist team to respond specifically to any repairs associated with dampness to ensure we identify any trends and respond effectively to these issues. Along with the increased volume of repairs and the additional works, there has been an increase in sickness absence within the team, all of which has resulted in an increase in the use of subcontractors and temporary agency staff and, consequently, higher costs to deliver the service.

We have also seen a large increase in our LGPS current service cost, which is included within our overall management costs. The net impact of this has been an increase in the charge to our operating expenditure from £0.698m in 2020/21 to £3.23m in 2021/22 and so is responsible for £139 per unit (17.5%) of the overall increase in our headline cost per unit between 2020/21 and 2021/22. The increase in our LGPS current service cost is largely driven by the reduction in discount rate used by the actuary in their calculations.

Our cost per unit for 2021/22 is also above the median performance of our peer group. It should be noted that the peer group figure is for 2020/21 and so it is difficult to directly compare performance, with much of the 2020/21 financial year impacted by Covid-19 restrictions that inhibited the completion of major repairs work in particular, and so led to lower costs in these areas for many housing associations. Our headline social housing cost per unit for 2021/22 is commented on further in the How our costs compare to others section on pages 27 to 29.

	believe housing					Peer Group
	Target 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
EBITDA MRI[4]/Interest cover	-15.3%	1.5%	148%	100%	107%	*214%*

Our EBITDA MRI interest cover ratio has fallen from 148% in 2020/21 to 1.5% in 2021/22. Although this represents a large drop, our actual performance is above our target position, which was forecast to be -15.3%. The target for the year was negative because we had anticipated that, as Covid-19 restrictions were eased, we would be able to accelerate our capital investment programme and begin to complete the work that was delayed from the 2020/21 financial year alongside our existing planned investment works for this year. This additional capital investment was expected to mean our EBITDA MRI would be negative overall because the total cost of the investment would be in excess of our operationally generated cash and be part funded by cash reserves built up in the previous year when expenditure was curtailed. Whilst we have seen our capital investment expenditure increase by just over £5m (43%) from 2020/21, this is not quite as much as had been anticipated and so our EBITDA MRI interest cover has not fallen to the expected target level.

Alongside the increase in capital investment expenditure in 2021/22, the other key driver of the reduction in EBITDA MRI interest cover is the fall in our operating surplus. Our overall operating surplus has reduced by around a third (£6.1m) between 2020/21 and 2021/22 and the underlying position, after removing the gain on disposal of housing properties, has seen a £8.0m (48%) reduction. The primary reasons for this have been discussed above within the *'headline social housing cost per unit'* section but include increases in void and responsive repair costs and a large increase in our LGPS current service cost that alone accounts for over £3.23m of the observed reduction in operating surplus. The impact of the lower operating surplus and higher capital investment expenditure outweighs a reduction in our interest expense of £1.1m (15%), driven primarily by an absence in 2021/22 of the one-off costs we incurred in 2020/21 as part of our refinancing project.

Our EBITDA MRI interest cover metric continues to be below the median for our peer group, which is 214%. There are a number of contributing factors to this such as our comparatively low depreciation charge, that are an intrinsic characteristic of our organisation and not something that will change on a year-by-year basis. It is also difficult to directly compare performance between the 2020/21 peer group figure and our 2021/22 figure because much of the 2020/21 financial year was impacted by Covid-19 restrictions. The restrictions prevented or reduced works in a number of areas, and so led to lower operating costs and larger surpluses, and consequently higher EBITDA MRI interest cover ratios, for many housing associations.

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

	believe housing					Peer Group
	Target 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
Operating margin - social housing lettings	20.73%	15.09%	27.74%	25.15%	26.20%	25.95%

Our operating margin on social housing lettings (SHL) has materially fallen from 2020/21 to 2021/22 and is also somewhat below our target for the year. Despite our turnover from social housing lettings having increased by around £2m (3%) in 2021/22, this was more than outweighed by the £8.9m (18%) increase in our social housing operating expenditure to significantly depress our SHL operating margin for the year. The reasons for our increased operating costs have been discussed above and include increases in void and responsive repair costs and a large increase in our LGPS current service cost.

We have underperformed in comparison to our 2021/22 target for SHL operating margin, with our actual turnover lower than the target and operating expenditure higher than the target. Our turnover from SHL was around £0.7m lower than we had anticipated, and this is due, in part, to lower-than-expected new build completions during the year, which meant we didn't benefit from the additional rental income these properties provide. As has been noted, there were several areas of unexpectedly high costs during 2021/22 that have impacted our performance versus the target. For example, the £3.23m LGPS current service cost adjustment cost accounts for over 80% of the difference between our actual and target social housing operating expenditure.

Our operating margin on SHL was also some way below the median for our peers. As with other metrics, comparison between 2020/21, when Covid-19 restrictions prevented or reduced works in a number of areas and so led to lower operating costs and larger surpluses for many housing associations, and 2021/22 is not a true like-for-like comparison.

However, even taking into account temporary differences in operating costs, there are some intrinsic differences between believe housing and our peers, particularly with regards our turnover from SHL, that affect our operating margin when compared with others. In 2021/22, our SHL turnover, which constitutes 97.7% of our overall turnover, was £3,756 per unit. This is £798 per unit (17%) below the 2020/21 median for our peer group and means that, even with an identical cost base, our operating surplus would be lower than our peer group median position due to our comparatively lower turnover.

	believe housing					*Peer Group*
	Target 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
Operating margin - overall	20.31%	12.61%	24.62%	24.68%	26.08%	25.00%

Our overall operating margin is somewhat below our social housing lettings operating margin, and, like the SHL operating margin, our actual margin is significantly lower than that reported in the previous year and below the target set for the current year.

Our overall turnover for the year represents a strong performance, being almost £1.9m (2.8%) higher than 2020/21 and also £0.2m (0.3%) higher than the target for the year. However, despite the better than anticipated turnover, our overall margin has declined due to additional costs incurred during the year. Beyond the costs increases we have already noted relating to our social housing lettings, we have also seen increased expenditure on non-social housing activities during the year.

In particular, an expanded development team put in place to deliver our ambitious Development Strategy has seen expenditure on development services increase by £0.57m (343%), while expenditure on our placemaking regeneration scheme in Brandon has meant costs in the community/neighbourhood services category have increased by £0.62m (123%). The nature of these activities is such that they don’t immediately contribute to an increase in our turnover and so act to reduce our operating margin in the short term. However, in the long term, we expect both new development and regeneration to bring benefits that will help to increase our turnover and so have positive long-term contribution to our financial position.

As with our SHL operating margin, our overall margin is also below the median level of our peers. Despite differences in the operating environments between 2020/21 and 2021/22 that have contributed towards the difference between our margin and the peer group median specifically for this year, there are also systematic differences, particularly relating to turnover, that act as a drag on our margin when compared to our peers.

97.7% of our turnover is generated from social housing lettings, compared to a peer group median of 91.4%, and so this is a greater influence on our overall operating turnover than for our peers. It is therefore more difficult for us to maintain operating margins comparable to our peers because we have less ability to influence our overall turnover, due to the overriding influence of social housing turnover on the overall total and the regulation in place governing social rents that restricts the changes that can be made to them. As such, we are left with cost control as the only option on which we can exert influence to improve our overall margin in absolute terms and when compared to our peers. Where costs are subject to a high degree of external pressure and volatility, as they are at the current time, our operating margin is impacted to a greater degree than our peers due to our lower, and less controllable, turnover.

	believe housing					*Peer Group*
	Target 2021/22	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	**Actual 2018/19**	***Actual 2020/21***
Return on capital employed ('ROCE')	5.07%	4.06%	6.62%	8.45%	10.68%	6.20%

In line with a number of our other metrics, we have seen our return on capital employed (ROCE) reduce in 2021/22 and fall below both our target for the year and our peer group median.

The main driver to our performance for this metric is our overall operating surplus for the year. As discussed above, there have been a number of cost pressures during 2021/22 that have resulted in a lower surplus than we had seen in 2020/21 and also than we had expected for 2021/22 when setting our annual target.

Our total assets less current liabilities has increased by £28m (10%) when compared to 2020/21, but is around £18m (5.5%) lower than the forecast figure used to generate our target for 2021/22 (as a result of less capital investment and new build development expenditure than expected during the year). The increase in our total assets less current liabilities since 2020/21 has meant that we have generated a smaller surplus but from a larger asset base and so has exacerbated the fall in our ROCE when compared to the prior year.

Conversely, the fact that our asset base was not as large as we had expected it would be when setting the annual target for 2021/22 has meant that the impact of the lower operating surplus has been somewhat mitigated and the difference between the target and actual performance is less than it would have been had out asset base grown as anticipated.

Our 2021/22 ROCE is lower than our peer group's median and this is also due to the reduction in operating surplus we have seen in the year. Additionally, the value of our total assets less current liabilities is around 27% below our peer group median on a per unit basis. As a result, any variation in our operating surplus has a proportionally larger impact on our ROCE as it represents a larger proportion of our asset base than it does for our peers.

Overall, our metrics for 2021/22 reflect the difficult current operating environment, particularly with regards to external pressures on costs and the impact that has had on our operating surplus for the year. As a result, several metrics report a reduction in performance at the end of 2021/22 compared to our target as well as the prior year.

We continue to monitor the situation with regards further pressure on our cost base and the impact this may have on our financial stability and ensure that actions are taken where required to maintain our overall financial position.

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 (2022 – 2052) which was approved by the Board in March 2022. The value for money metric targets were updated following finalisation of our refinancing project as follows:

	2022/23	2023/24	2024/25	2025/26	2026/27
Reinvestment	23.9%	15.3%	13.3%	11.8%	8.2%
New supply delivered - social housing units	0.9%	2.2%	1.2%	1.4%	1.1%
New supply delivered - non-social housing units	0.0%	0.0%	0.1%	0.2%	0.0%
Gearing	50.9%	50.8%	48.9%	47.4%	43.8%
EBITDA MRI/Interest cover[5]	31.0%	136.2%	190.1%	223.3%	234.8%
EBITDA MRI/Interest cover[6]	149.2%	226.8%	249.4%	311.1%	316.8%
Headline social housing cost per unit	£3,737	£3,670	£3,705	£3,749	£3,793
Operating margin - social housing lettings	19.0%	22.6%	25.6%	25.1%	24.0%
Operating margin - overall	18.2%	21.8%	24.6%	24.2%	23.8%
Return on capital employed	4.7%	5.0%	5.7%	5.3%	4.9%

Investment in properties

- The reinvestment ratio is highest in the first two years of the Plan and includes carried forward resources for capital investment works which could not be completed due to the Covid-19 pandemic.

- The delivery of new supply of social housing units reflects the latest forecasts of completions on our ongoing and pipeline development schemes with completions predominantly in 2023/24 as schemes begun in previous years are finished.

- As part of our development programme, we have ambitions to develop up to 100 homes for open market sale. We are currently exploring the best options for market sale with our development partners and expect to progress this part of our development programme in 2022/23 and beyond. When compared to our overall social housing unit numbers, the scale of our development of market sale properties is very small and this is reflected in the non-social housing supply metric.

[5] The Regulator’s calculation of interest cover

[6] Calculation of interest cover as set out in our funding agreement

Financial performance

- Our gearing ratio is comparatively stable over the five year forecast period fluctuating at around 50%. The decrease in 2026/27 reflects the expected timescales to deliver the 2021-26 Development Strategy.
- The forecast metrics reflects our approach to investment in growth where costs are predominantly recognised in the first year of the Plan. These additional, one off costs, along with the resources carried forward for capital investment works that could not be carried out due to the Covid-19 pandemic impact on the five year position for the following metrics:
  - EBITDA MRI interest cover ratio for both the Regulator and funders;
  - Headline social housing cost per unit; and
  - Operating margin.
- The EBITDA MRI funders calculation differs from the Regulator's calculation as there are specific adjustments to the calculation set out in our funding agreement.
- Although the headline social housing cost per unit is at its highest in 2026/27, when adjusted for the impact of inflation, the 2022/23 figure is the highest in real terms.
- Return on capital employed (ROCE) varies around 5% up to 2026/27. This metric shows the impact of changes to our operating surplus and asset base. Initially our asset base increases more quickly than our operating surplus due to investment in both new and existing properties, leading to a lower ROCE.

How our costs compare to others

Our headline social housing cost per unit for the year ending 31 March 2022 was £3,795 (2021: £2,999), which is higher than the 2020/21 housing sector median of £3,730 and the peer group median of £3,170. Further analysis of the headline social housing cost per unit shows the following:

	believe housing				**Housing Sector median**	**Peer Group median**
	2021/22	**2020/21**	**2019/20**	**2018/19**	**2020/21**	**2020/21**
Headline social housing cost per unit	**3,795**	**2,999**	**3,308**	**3,214**	**3,730**	***3,170***
Management cost per unit	1,344	1,131	1,110	1,020	1,060	*1,140*
Service charge cost per unit	53	46	48	76	435	*221*

	believe housing				Housing Sector median	Peer Group median
	2021/22	**2020/21**	**2019/20**	**2018/19**	**2020/21**	**2020/21**
Maintenance cost per unit	1,087	978	1,069	1,174	1,108	*856*
Major repairs cost per unit	1,209	807	1,030	906	717	*823*
Other social housing cost per unit	102	37	51	38	198	*128*

- Our management cost per unit has increased by £213 per unit (19%) when compared to 2020/21. At £1,344 per unit, our cost per unit is around 27% higher than the sector median and 18% higher than the median for our peer group. However, £139 per unit of the increase in management cost for 2021/22 can be attributed to the £2.5m increase we have seen in our LGPS current service costs. This is an accounting adjustment calculated by the scheme actuary and not a cash outflow for the organisation. When this is excluded, our underlying management costs have increased by 6.5% when compared to 2020/21 and are around 5.6% above the peer group median. In the context of the external inflationary pressure on both pay and non-pay costs, the increase we have seen in the current year is not unexpected. We have seen staffing costs increase in line with our agreed pay award and have incurred one-off costs relating to placemaking work ongoing in Brandon that have pushed our management cost per unit up this year. Whilst back-office functions were not as heavily impacted by Covid-19 restrictions as our front-line operations, there were still areas where we saw unusually low costs in 2020/21 as a result of the pandemic and so, with the relaxation of Covid-19 restrictions, we have seen a rebound in these costs, as expected.

- Our service charge cost per unit has increased by £7 (15%) in 2021/22, from £46 to £53 per unit. These costs are directly linked to the cost to us of providing the services to customers. This year we have seen cost increases for a number of services, including cleaning costs for communal areas of flat blocks and gas heating costs. Whilst we have also seen reduced costs in some other areas, notably furniture pack rental (due to reducing customer numbers), the overall impact of the varying costs has been an increase in 2021/22 when compared to the prior year. We continue to levy a very limited range of service charges and this is reflected when our service charge cost per unit is compared to both the sector and peer group medians, which are reflective of the more extensive range of service charges levied by other housing associations.

- Our maintenance cost per unit, covering both responsive repairs and planned maintenance, has increased by £108 (11%) from 2020/21 to 2021/22. Both responsive repairs and planned maintenance were impacted by the pandemic and this has meant that, as the services returned to full operation during 2021/22, costs have also increased and so are higher when compared to 2020/21. Even after accounting for the increased volume of work completed in 2021/22, we have also experienced increases in the cost of delivering the services. This is particularly the case with regards void costs and our responsive repairs service. The cost of voids has increased due to a combination of larger clearance jobs than we have previously seen, an increase in the scale and complexity of works required on some properties and the Covid-secure working practices required to be in place when completing the work. We have also invested in a specialist team to respond specifically to any repairs associated with dampness to ensure we identify any trends and respond effectively to these issues. The increase in cost we have seen this year has meant that our cost per unit figure has increased above the median peer group figure, although it remains just below the overall sector median. The unusual nature of the 2020/21 financial year means that it is difficult to compare 2020/21 figures with those from 2021/22. It is likely that other registered providers will have seen an increase in their maintenance costs during 2021/22 as Covid-19 restrictions have been lifted and work has begun to clear any backlogs of jobs that built up while services were reduced or suspended.

- Our cost per unit for major repairs has increased by £402 per unit (50%) from £807 in 2020/21 to £1,209 in 2021/22. As with our maintenance cost, the primary driver for the increase in expenditure on major repairs has been the easing of Covid-19 restrictions that has allowed us to deliver a full programme of improvement works during 2021/22, compared to the very limited work that we were able to deliver during 2020/21. We have also begun to work through the investments that could not be delivered during 2020/21, further adding to the volume and value of work completed. Beyond this, as noted above, we have seen an increasing number of void works of a more complex nature and some of this has been classified as major repairs rather than responsive repairs, thus adding additional cost to this category in 2021/22. Our cost per unit for 2021/22 is significantly higher than both the sector and peer group median figures for 2020/21. However, as discussed above, caution should be applied to any comparison between 2021/22 and 2020/21 figures due to the unprecedented impact the pandemic had on the major works programmes of all housing associations during 2020/21.

- Our ‘other’ social housing costs per unit have increased by £65 (178%) between 2020/21 and 2021/22. These costs relate primarily 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 £27 to £61 per unit. This is due to investment we are making in regeneration work in Brandon, which is a new cost to the organisation in 2021/22. Alongside our work investing in our existing neighbourhoods, we have also increased our investment into developing new properties and this year has seen an increase in the size of our Development Team to allow them to fulfil the ambitions set out in our Development Strategy for 2021-2026. Overall, expenditure on development services has increase by £31 per unit. Our ‘other’ social housing cost per unit still remains lower than both the sector and peer group median and this reflects the fact that, although we have increased our activities in both new development and regeneration, the scale of the work we are undertaking is still comparatively small when compared to other housing associations with more well-established development and regeneration programmes.

What value for money achievements have we made in 2021/22?

We have maintained a close focus on delivering value for money throughout the course of 2021/22 and the hard work of our people has resulted in some new and innovative ways of working. Some of the key value for money achievements over the course of this financial year include:

- Launch of the new customer portal which allows customers to self serve at a time that suits them.

- Procurement of a new fleet of vehicles, moving from a sole contractor to a flexi lease arrangement to better suit the needs of the business and incorporating electric vehicles to support our Green Plan ambitions.

- Entering into a joint working arrangement with Durham County Council to provide value for money ground maintenance services to our customers and our estates.

- Development of power BI reporting across the business, moving away from the manual collation of performance data towards an automated reporting tool that can provide up to date, accurate performance data on key operational areas of the business.

- Securing grant funding of almost £3.4m from the Social Housing Decarbonisation Fund in collaboration with Durham County Council to support works such as loft, cavity wall and underfloor insulation, energy efficient lighting and new heating controls.

- Finalising an agreement on Environmental, Social and Governance metrics and targets for our funding, which, when achieved, reduce the cost of funding to the business.

- Establishing a new subsidiary company, Believe Developments Limited, to provide a more tax efficient structure to deliver the Development Strategy.

- Working in collaboration with the Royal College of Arts to research and understand how best to ensure that our customers are at the heart of introducing new, environmentally focused technology into existing homes as part of our decarbonisation journey.

- Introduction of new technology to automate outbound calling to customers in a pilot area of the business, allowing more efficient working and better use of resources to support our customers and our business.

What did we do with the value for money achieved?

The efficiencies we've achieved have supported our investment in corporate projects and priorities as follows in 2021/22:

- Investment of £12.540m in building and acquiring new homes, contributing towards our Homes for 2050 project.

- Investment in digital technology and software of £0.324m to improve our digital offering to both staff and customers and improve our ways of working.

- Investment in team structures to provide sufficient capacity to deliver services to our customers.

- Investment of £0.183m to support our local community groups through our community grant fund.

Future investment priorities are linked to the future developments which are commented on further at pages 38 to 40.

The value for money impact of our Corporate Plan projects, including the progress made in achieving cost savings target established are monitored through a Project Steering Group and our five year medium term financial plan.

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 2022 we report a surplus before taxation of £5.975m (2021: £10.945m) and total comprehensive income of £23.225m (2021: total comprehensive loss of £4.741m).

The reported surplus is impacted by the following:

- A rent increase based on CPI plus 1% which equated to 1.5%;

- An increase in staffing costs reflecting an agreed pay award for the year;

- Increased current service costs associated with the LGPS as set out in note 27 of these accounts;

- One off costs associated with our placemaking plans at Brandon which include the planned demolition of specific properties; and

- Increased costs for works to void properties, reflecting the nature of the works required.

The remeasurement movement relating to the pension scheme impacts the reported total comprehensive income of £23.225m (2021: total comprehensive loss of £4.741m). For the year ended 31 March 2022 there was a gain of £17.250m (2021: loss of £15.686m) which increases the reported surplus for the year.

Statement of Financial Position

The Statement of Financial Position reports a net current assets position of £28.750m (2021: £20.830m) and a total net assets position of £72.453m (2021: £49.228m).

This position is impacted by the increase in cash of £14.123m taking the year end cash balance to £42.150m, mainly due to the following financing cash flows:

- Receipt of the deferred private placement at the end of the year of £35m; and
- Repayment of £20m which had been drawn down from our revolving credit facility at the end of March 2021.

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 2022 are reported at a net book value of £278.984m (2021: £258.823m). 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 2022, is £275.702m (2021: £254.918m).

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

Intangible fixed assets have a net book value of £1.139m at the 31 March 2022 (2021: £1.318m) and relate to our computer software, mainly our housing management system.

Pensions

The Statement of Financial Position incorporates the pension liability for the Durham County Council Pension Fund ('the Pension Fund') of £57.605m (2021: £70.203m).

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 2022 under the Pension Fund. A key contributor to the decrease in the net pension liability is the remeasurement gain recognised for the assets and liabilities which totalled £17.250m for the year which is reported in the Statement of Comprehensive Income.

The latest triennial valuation of the Pension Fund at 31 March 2022 is now underway and the outcome will be advised later in 2022/23.

Loans

The Statement of Financial Position includes outstanding loans totalling £159.026m (2021: £144.173m). The loans include the receipt of the deferred private placement totalling £35m at the end of the financial year and the repayment of the £20m revolving credit facility during 2021/22. The net impact of these movements has been an increase in drawn funding of £15m.

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 2022 100% of our drawn loans were at fixed rates (2021: 86%). Details of our funding arrangements are set out in note 25.

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

Statement of Cash Flows

At 31 March 2022 we report a cash position of £42.150m (2021: £28.027m).

The key cash flow movements in the year have been:

- Capital investment totalling £29.837m in new and existing properties;
- Repayment of £20m revolving credit facility in September 2021; and
- Receipt of £35m deferred private placement funding at the end of March 2022.

Asset sales through right to buy transactions and other asset disposals have contributed £4.935m (2021: £2.514m) of cash to the business.

Our cash surpluses will be used to invest in our existing housing properties and new developments.

Going concern

Our business activities are focussed on the provision of social and affordable housing customers and supporting our local communities. In March 2021 our 100% owned subsidiary company, Believe Developments Limited, was incorporated to support the delivery of our new homes strategy.

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.

Our funding facilities at 31 March 2022 are as follows:

- £75m long term funding arrangement ending on 31 March 2040;
- £85m private placement ending on 30 September 2058;

- £50m ten year term loan facility; and
- £50m five year revolving credit facility.

At 31 March 2022 we had drawn debt of £160m and had an available cash balance of £42.150m.

Our Statement of Financial Position reports a net current assets position at the end of March 2022 of £28.750m.

The year end cash position increased due to the receipt of the deferred private placement balance of £35m on 31 March 2022 as expected. Our cash balance provides us with sufficient liquidity for the next 12 months without having to draw down any further borrowing.

We produce a five year medium term financial plan and a 30 year Business Plan each year which helps us to understand our medium and long term financial position. These plans are developed based on a number of key assumptions, including:

- Inflation rates;
- Voids, arrears and bad debts performance;
- Interest rates; and
- Right to buy sales.

Our approved annual operating budget provides the starting position as year one of the 30 years. The budget incorporates the potential impact of the current economic environment, reflecting on factors such as cost inflation and the impact of supply chain challenges.

The latest financial plans were approved by the Board on the 23 March 2022 and reflect the latest economic assumptions along with our Development Strategy and Corporate Plan priorities. The plans show 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 in March 2026. 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.

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. This is discussed with the Risk Management Working Group and reported to the Audit Committee and the Board.

We use a business scorecard to monitor key areas of operational performance across the business and this is monitored by the Senior Leadership Team and available to the wider business to provide insight our performance. The business scorecard is also reported to the Performance and Standards Committee at each meeting.

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 8 June 2022. This assessment has included consideration of the impact of the current economic climate 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 annually 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, we have embedded horizon risk scanning as part of our approach to risk management.

We have a horizon risk radar which summarises emerging risks across the following sectors:

- Environmental / Developmental;
- Social / Political / Economic;
- Technological; and
- Regulatory / Legal.

The horizon risks are rated based on their potential impact (categorised as high, medium or low) and the time horizon (already impacting, within one to five years or within five to ten years). The horizon risks support our business planning by anticipating risks and their impact and 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:** Failure to monitor internal and external factors which impact on our financial position, resulting in poor value for money, non-compliance with covenants, regulator downgrade and an inability to meet our financial obligations.

- **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 following the pandemic and there are a series of controls in place to mitigate this risk which are highlighted within the Internal Controls Statement.

Governance arrangements

The Board consists of ten non-executives and two executive members. During 2021/22 there were four Board sub committees, the Audit Committee, the Performance and Standards Committee, the Development and Investment Committee and the Remuneration and Nominations and HR Committee. Membership of these committees is made up of non-executive and executive Board members.

There is also a Values Group which is made up predominantly of tenants / leaseholders with additional membership of independent and staff members. This group has responsibility for customer insight, service or scrutiny reviews and ensuring assurance over health and safety and reports into the Performance and Standards Committee.

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. Our G1 / V2 ratings were confirmed by the Regulator in its regulatory judgement on the 27 October 2021.

Believe Developments Limited

On the 19 March 2021 Believe Developments Limited was incorporated under the Companies Act 2006 and registered with Companies House. Believe Developments Limited is a wholly owned subsidiary, established to support the delivery of our 2021 – 2026 Development Strategy. The principal activities of Believe Developments Limited are the development of new properties.

The first financial reporting period for Believe Developments Limited is the period from incorporation to the 31 March 2022. The results of Believe Developments Limited have been consolidated into our financial statements and are part of the Group information set out in this Annual Report and Financial Statements.

Future developments

In March 2022 the Board approved the 2022 – 2025 Corporate Plan which sets out our ambitions for the next three years. Our vision and values remain constant; however, the new Corporate Plan continues to push forward to enable us to do better for our customers and our people which will continue to create a strong and stable business.

Moving Forward is the main project that will underpin our new Corporate Plan and has the opportunity to completely transform our operating model, drive decision-making to the people having direct contact with our customers and provide an effortless service to be proud of. At the end of three years, we want to make sure that our service really is meeting our customers' expectations and that believe housing is an organisation that everyone wants to be part of.

Moving Forward cuts across our three strategic pillars and has the following priorities:

believe customer experience

In the last six months we have carried out our biggest review of our customer offer, pulling together all the feedback we have received from customers through all our surveys, focus groups and complaints information to help us understand what people think we are doing well and where we can improve. By considering this alongside an understanding of the external environment and the challenges we think we will be facing over the next three years, we are undertaking our biggest review of how we deliver services to our customers, focussing on the things that customers told us were most important.

We aim to deliver an effortless experience to our customers, focusing on the following key areas:

- **Improving communication**: customers are frustrated when we don't keep them updated and keep in touch on the things that matter to them

- **Dealing with issues effectively**: where a customer has more than one issue for us to resolve we don't deal with this as well as we should and customers have to repeat a situation to multiple people

- **Making it easy to deal with us**: it can be confusing for customers (and our people) to know who needs to deal with a problem for them. We have lots of teams working hard to support our customers but our customers want to be able to speak to one person about their issue and not get lost in the system.

believe people experience

Our business can't work without committed, enthusiastic employees and our people experience underpins our ability to deliver on all of our ambitions within this plan.

Building on what we achieved during the pandemic, the following areas of focus have been identified to support the development of our customer offer:

- Ensuring that our employee offer helps us to retain and attract the best people.

- Empowering our people with the tools and autonomy to make decisions and solve problems.

- Continuing to work on our culture so we're in the best place to take the business forward.

- Creating effective partnerships with other agencies and using our wealth of data to direct activities towards joint priorities.

believe business experience

> The last year has shown once again that to be a sound and secure business, we need to be prepared for the unexpected and flexible enough to respond.

Our focus is to continue to plan the best we can for the future, stress testing our business to help us understand the potential impact of different scenarios and keeping updated with the external factors that will affect us.

By focussing on getting the basics right for our customers and providing an effortless service we will simplify processes and ways of working, removing unnecessary time and effort for our customers.

Through the Moving Forward project, we will identify areas where we can work more efficiently or generate savings to ensure we maintain a strong financial position.

We will continue to work towards the challenge of decarbonisation and a net zero business by 2050.

Each of these strategic pillars is underpinned by detailed objectives and plans along with specific achievements and measurements of success. This will be monitored through the Corporate Performance Scorecard which is reported each quarter to the Performance and Standards Committee and the Board.

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 2021 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 annually by the RMWG, Audit Committee and Board;
- A RMWG that meets on a quarterly basis throughout the year with a remit of monitoring strategic risks and scanning horizon 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 and horizon risks 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;

- An annual review of compliance against the adopted code of governance with actions identified for continual improvement;

- An annual effectiveness review of our governance arrangements and a formal review of governance arrangements every three years;

- Annual appraisal of Board and Committee members and implementation of a training and development plan for members;

- Quarterly financial reporting setting out the management accounts and a treasury report which provides a more detailed review of treasury activities and assurance over loan covenants and cash and liquidity of the business;

- 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 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;

- 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.

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 8 June 2022 highlighted the results of the 2021/22 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 and this is reviewed by the RMWG. 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 2021/22 financial year.

The Board has reviewed the effectiveness of the system of internal control for the accounting period commencing 1 April 2021 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 2020 National Housing Federation Code of Governance ('the Code') was approved by the Board in April 2021 along with an action plan to address areas of noncompliance.

There were a number of actions identified to ensure compliance with the Code and the majority of these actions have been completed.

There are two areas of non-compliance with the Code identified as follows:

- Holding to account the organisation's subsidiary boards, committees and senior staff for the exercise of any powers delegated to them. Currently all Board sub-committees provide an annual report to the Board summarising their work for the year. This will include a report from our subsidiary's Board when these reports are received by the Board in October 2022.

- The organisation annually publishes information about the appointment of new board members, and above the diversity, skills and attributes of all of the Board members. Although this information is available it is not collated and therefore Board member information, including diversity, skills and attributes, will be included in the governance area of the website from September 2022 following the launch of our new website.

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 2021/22 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 is accompanied by a 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 Standard on the 10 August 2022 alongside these financial statements.

As noted above, two areas of non compliance with the NHF Code of Governance 2020 we have adopted have been identified. There is an action plan in place to address these two areas which will be completed by October 2022. With this exception, we confirm our compliance 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 team meetings and an e-magazine publication which is distributed to all employees and provides updates on key developments across the business.

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.

In December 2021 we completed our third culture audit which showed we continued to have a healthy culture score of 79. This places us amongst the best performing organisations for culture compared to the global average of 50 and the industry average of 55. 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 audit we took part in our second Best Companies engagement survey, giving us an opportunity to understand current levels of engagement with our people. The outcome of this was that we have maintained our 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.

In 2021/22 there has been a review of our work around equality, diversity and inclusion undertaken Positive about Inclusion, by an external third party. The outcome of this work was to endorse our approach to equality, diversity and inclusion with a range of good practice identified.

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 2022. 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 10 August 2022 and signed on behalf of the Board by:

Judith Common

Chair of the Board

Independent auditor's report to the members of Believe Housing Limited

Opinion

We have audited the financial statements of Believe Housing Limited ('the Association') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. 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 2022 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's Responsibilities set out on page 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: 26 August 2022

Consolidated Statement of Comprehensive Income

	Note	2022	2021
		£'000	£'000
Turnover	3	69,766	67,891
Operating expenditure	3	(60,967)	(51,082)
Gain on disposal of fixed assets	3/7	3,695	1,791
Operating surplus	6	12,494	18,600
Interest receivable	8	11	19
Interest and finance costs	9	(6,530)	(7,674)
Surplus on ordinary activities before taxation		5,975	10,945
Tax on surplus on ordinary activities	13	-	-
Surplus for the year		5,975	10,945
Remeasurement income/(loss) in respect of pension scheme	27	17,250	(15,686)
Total comprehensive income/(loss) for the year		23,225	(4,741)

The results relate wholly to continuing activities.

The accompanying notes on pages 57 to 101 form part of these financial statements.

The financial statements on pages 52 to 101 were approved and authorised for issue by the Board on 10 August 2022 and signed on its behalf by:

Judith Common Chair of the Board	John Marshall Board Member	Andrew Coates Secretary

Association Statement of Comprehensive Income

	Note	2022	2021
		£'000	£'000
Turnover	3	69,766	67,891
Operating expenditure	3	(60,967)	(51,082)
Gain on disposal of fixed assets	3/7	3,695	1,791
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Judith Common
Chair of the Board

John Marshall
Board Member

Andrew Coates
Secretary

Consolidated Statement of Changes in Reserves

	Note	Income and Expenditure Reserve £'000 2022	Income and Expenditure Reserve £'000 2021
Balance at the beginning of the year		49,228	53,969
Surplus for the year		5,975	10,945
Other comprehensive income/(loss) for the year	27	17,250	(15,686)
Balance at the end of the year		72,453	49,228

The accompanying notes on pages 57 to 101 form part of these financial statements.

Association Statement of Changes in Reserves

	Note	Income and Expenditure Reserve £'000 2022	Income and Expenditure Reserve £'000 2021
Balance at the beginning of the year		49,228	53,969
Surplus for the year		5,975	10,945
Other comprehensive income/(loss) for the year	27	17,250	(15,686)
Balance at the end of the year		72,453	49,228

The accompanying notes on pages 57 to 101 part of these financial statements.

Group and Association Statement of Financial Position

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Intangible fixed assets					
Intangible fixed assets	14	1,139	1,318	1,139	1,318
		1,139	1,318	1,139	1,318
Tangible fixed assets					
Tangible fixed assets – housing properties at cost	15	275,702	254,918	275,462	254,918
Tangible fixed assets – other	16	2,143	2,587	2,143	2,587
		277,845	257,505	277,605	257,505
Current assets					
Stock	18	425	75	325	75
Debtors	19	3,239	6,966	3,255	6,966
Cash at bank and in hand		42,150	28,027	42,135	28,027
		45,814	35,068	45,715	35,068
Creditors: amounts falling due within one year	20	(17,064)	(14,238)	(16,725)	(14,238)
Net current assets		28,750	20,830	28,990	20,830
Total assets less current liabilities		307,734	279,653	307,734	279,653
Creditors: amounts falling due after more than one year	21	(176,841)	(159,372)	(176,841)	(159,372)
Provision for liabilities					
Pension provision	27	(57,605)	(70,203)	(57,605)	(70,203)
Other provisions	24	(835)	(850)	(835)	(850)
Total net assets		72,453	49,228	72,453	49,228
Reserves					
Income and expenditure reserve		72,453	49,228	72,453	49,228
Total reserves		72,453	49,228	72,453	49,228

The accompanying notes on pages 57 to 101 form part of these financial statements. The financial statements on pages 52 to 101 were approved and authorised for issue by the Board on 10 August 2022 and signed on its behalf by:

Judith Common Chair of the Board	John Marshall Board Member	Andrew Coates Secretary

Consolidated Statement of Cash Flows

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	29	26,419	24,972
Cash flow from investing activities			
Purchase of intangible fixed assets		(324)	(319)
Purchase of tangible fixed assets		(29,837)	(33,632)
Proceeds from sale of tangible fixed assets		4,935	2,514
Grant received		3,023	6,268
Interest received		11	19
		4,228	(178)
Cash flow from financing activities			
Interest paid		(5,104)	(6,510)
New secured loans		35,000	80,000
Repayment of borrowings		(20,000)	(50,000)
		14,123	23,312
Net change in cash and cash equivalents		14,123	23,312
Cash and cash equivalents at beginning of the year		28,027	4,715
Cash and cash equivalents at end of the year		42,150	28,027

The accompanying notes on pages 57 to 101 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.

Believe Developments Limited is a company incorporated under the Companies Act 2006.

The country of incorporation for both Believe Housing Limited and Believe Developments Limited is the United Kingdom and their registered address is Coast House, Spectrum Business Park, Seaham, SR7 7TT.

2. Accounting policies

Basis of accounting

These financial statements of the group and association 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 2022. 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. In March 2021 our 100% owned subsidiary company, Believe Developments Limited, was incorporated to support the delivery of our new homes strategy. 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.

Our funding facilities at 31 March 2022 are as follows:

- £75m long term funding arrangement ending on 31 March 2040;
- £85m private placement ending on 30 September 2058;
- £50m ten year term loan facility ending 31 March 2031; and
- £50m five year revolving credit facility ending 31 March 2026.

At 31 March 2022 we had drawn debt of £160m and had an available cash balance of £42.150m.

Our Statement of Financial Position reports a net current assets position at the end of March 2022 of £28.750m.

This year end cash position increased due to the receipt of the deferred private placement balance of £35m on 31 March 2022 as expected. Our cash balance provides us with sufficient liquidity for the next 12 months without having to draw down any further borrowing.

We produce a five year medium term financial plan and a 30 year Business Plan each year which helps us to understand our medium and long term financial position. These plans are developed based on a number of key assumptions, including:

- Inflation rates
- Voids, arrears and bad debts performance
- Interest rates
- Right to buy sales

Our approved annual operating budget provides the starting position as year one of the 30 years. The budget incorporates the potential impact of the current economic environment, reflecting on factors such as cost inflation and the impact of supply chain challenges.

The latest financial plans were approved by the Board on the 23 March 2022 and reflect the latest economic assumptions along with our Development Strategy and Corporate Plan priorities. The plans show 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.

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. This is discussed with the Risk Management Working Group and reported to the Audit Committee and the Board.

We use a business scorecard to monitor key areas of operational performance across the business and this is monitored by the Senior Leadership Team and available to the wider business to provide insight our performance. The business scorecard is also reported to the Performance and Standards Committee at each meeting.

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 8 June 2022. This assessment has included consideration of the impact of the current economic climate 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.

- 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 asset and 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 considers 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: there is an obligation 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 valuation and allocation of pension assets, 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: an estimate of the recoverable value of rental, trade and other debtors is made in determining the bad debt provision. 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: an estimate of any provisions at the end of the financial year is made 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.

Basis of consolidation

The group accounts consolidate the accounts of the association and its subsidiary at 31 March using the purchase method.

The consolidated financial statements incorporate the financial statements of the association and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiary are included in total comprehensive income for the account period from 1 April to 31 March. The subsidiary applies accounting policies that are consistent with the Group accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in subsidiary

Investment in the subsidiary is accounted for at cost less impairment in the individual financial statements.

Associates and joint ventures

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control. In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

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 grant conditions have been complied with 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

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 Group 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 Group 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 Group 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 Group 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 sale 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

Major components which comprise its housing properties are separately identified, and depreciation charged 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.

Depreciation rates of the major components of 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 there is a present obligation (legal or constructive) as a result of a past event, it is probable that there will be a requirement 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.

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 annual rent expense is recognised in 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 include 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 specifically drawn to finance 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

Group

	2022				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	68,194	-	(59,760)	3,692	12,126
Activities other than social housing activities					
Lettings	171	-	-	-	171
Other	1,401	-	(1,207)	3	197
	1,572	-	(1,207)	3,695	368
	69,766	**-**	**(60,967)**	**3,695**	**12,494**

	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	-	(49,767)	1,791	18,221
Activities other than social housing activities					
Lettings	184	-	-	-	184
Other	1,510	-	(1,315)	-	195
	1,694	-	(1,315)	-	379
	67,891	**-**	**(51,082)**	**1,791**	**18,600**

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

Association

2022	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	68,194	(59,760)	-	3,692	12,126
Activities other than social housing activities					
Lettings	171	-	-	-	171
Other	1,401	(1,207)	-	3	197
	1,572	(1,207)	-	3	368
	69,766	**(60,967)**	**-**	**3,695**	**12,494**

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	-	(49,767)	1,791	18,221
Activities other than social housing activities					
Lettings	184	-	-	-	184
Other	1,510	-	(1,315)	-	195
	1,694	-	(1,315)	-	379
	67,891	**-**	**(51,082)**	**1,791**	**18,600**

4. Particulars of income and expenditure from social housing lettings

Group

	General needs Housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2022 Total £'000	2021 Total £'000
Rent receivable net of identifiable service charges	67,381	-	-	67,381	65,430
Service charges receivable	468	-	-	468	542
Amortised government grants	345	-	-	345	225
Turnover from social housing lettings	**68,194**	**-**	**-**	**68,194**	**66,197**
Management	(26,251)	-	-	(26,251)	(21,376)
Service charge costs	(970)	-	-	(970)	(839)
Routine maintenance	(16,552)	-	-	(16,552)	(14,314)
Planned maintenance	(3,176)	-	-	(3,176)	(3,502)
Major repairs expenditure	(4,835)	-	-	(4,835)	(2,752)
Bad debts	(302)	-	-	(302)	(31)
Depreciation of housing properties	(7,674)	-	-	(7,674)	(6,467)
Impairment of housing properties	-	-	-	-	(486)
Operating costs on social housing lettings	**(59,760)**	**-**	**-**	**(59,760)**	**(49,767)**
Gain on disposal of fixed assets	**3,692**	**-**	**-**	**3,692**	**1,791**
Operating surplus on social housing lettings	**12,126**	**-**	**-**	**12,126**	**18,221**
Void losses (being rental income lost as a result of the property not being let, although it is available for letting)	(1,443)	-	-	(1,443)	(1,689)

Particulars of turnover from non-social housing lettings

	2022 £'000	2021 £'000
Non-social housing		
Commercial units	170	183
	170	**183**

4. Particulars of income and expenditure from social housing lettings

Association

	General needs Housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2022 Total £'000	2021 Total £'000
Rent receivable net of identifiable service charges	67,381	-	-	67,381	65,430
Service charges receivable	468	-	-	468	542
Amortised government grants	345	-	-	345	225
Turnover from social housing lettings	**68,194**	**-**	**-**	**68,194**	**66,197**
Management	(26,251)	-	-	(26,251)	(21,376)
Service charge costs	(970)	-	-	(970)	(839)
Routine maintenance	(16,552)	-	-	(16,552)	(14,314)
Planned maintenance	(3,176)	-	-	(3,176)	(3,502)
Major repairs expenditure	(4,835)	-	-	(4,835)	(2,752)
Bad debts	(302)	-	-	(302)	(31)
Depreciation of housing properties	(7,674)	-	-	(7,674)	(6,467)
Impairment of housing properties	-	-	-	-	(486)
Operating costs on social housing lettings	**(59,760)**	**-**	**-**	**(59,760)**	**(49,767)**
Gain on disposal of fixed assets	**3,692**	**-**	**-**	**3,692**	**1,791**
Operating surplus on social housing lettings	**12,126**	**-**	**-**	**12,126**	**18,221**
Void losses (being rental income lost as a result of the property not being let, although it is available for letting)	(1,443)	-	-	(1,443)	(1,689)

Particulars of turnover from non-social housing lettings

	2022 £'000	2021 £'000
Non-social housing		
Commercial units	170	183
	170	**183**

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:

Group and association

	No. of units as at 1 April 2021	No. of additions	No. of disposals	No. of units as at 31 March 2022
Social housing				
General needs housing				
- social rent	17,686	-	(130)	17,556
- affordable rent	289	62	-	351
- intermediate rent	232	12	-	244
Low cost home ownership	3	-	-	3
Total owned and managed	**18,210**	**74**	**(130)**	**18,154**

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

6. Operating surplus

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
This is arrived after charging/crediting:				
Depreciation of social housing properties	7,674	6,467	7,674	6,467
Impairment of social housing properties	-	486	-	486
Depreciation of non-social housing properties	22	21	22	21
Depreciation of other tangible fixed assets	542	537	542	537
Gain on disposal of fixed assets	3,691	1,791	3,691	1,791
Operating lease rentals				
• land and buildings	290	340	290	340
• other	1,308	912	1,308	912
Auditors' remuneration (excluding VAT)				
• Fees payable for the audit of the financial statements	39	39	39	39
• Grant audit work	-	-	-	-
• Tax compliance work	3	4	3	4
• VAT and employment tax advisory work	4	3	4	3
Total amount payable to the auditors	46	46	46	46

The auditor's remuneration is allocated in full to believe housing. No auditor's remuneration has been allocated to the subsidiary company.

7. Gain on disposal of fixed assets

Group and association

	RTB/RTA[7] £'000	Other disposals £'000	2022 Total £'000	2021 Total £'000
Disposal proceeds	4,622	316	4,938	2,514
Carrying value of Fixed Assets	(1,243)	-	(1,243)	(673)
	3,379	316	3,695	1,841
Recycled capital grant fund	-	-	-	(50)
Gain on disposal of fixed assets	**3,379**	**316**	**3,695**	**1,791**

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

8. Interest receivable and other income

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Bank interest receivable and similar income	**11**	**19**	**11**	**19**

9. Interest payable and finance costs

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Loans interest payable:				
• Loans repayable < 5 years	-	1,557	-	1,557
• Loans repayable > 5 years wholly or in part	4,522	3,137	4,522	3,137
	4,522	4,694	4,522	4,695
Fees and charges	583	733	583	733
Loan breakage costs	-	1,083	-	1,083
Net finance costs for pensions (note 27)	1,425	1,164	1,425	1,164
	6,530	7,674	6,530	7,674
Interest payable capitalised on housing properties under construction	-	-	-	-
	6,530	**7,674**	**6,530**	**7,674**

No interest payable has been capitalised in the year (2021: £nil) as no loans or borrowings have been specifically drawn to finance development activities.

10. Employees

Group and association

Average monthly number of employees:	**2022 Number**	**2021 Number**
Administration	161	119
Housing, support and care	411	417
	572	**536**

Expressed as full-time equivalents:

Administration	156	115
Housing, support and care	396	403
	552	**518**

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

Employee costs:

	2022 £'000	**2021 £'000**
Wages and salaries	17,412	15,870
Social security costs	1,753	1,668
Other pension costs	3,651	3,325
	22,816	**20,863**

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 27.

At 31 March 2022 unpaid pension contributions totalled £2k (2021: £3k).

10. Employees (continued)

Group and association

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

	2022 Number	2021 Number
£60,001 to £70,000	15	19
£70,001 to £80,000	20	15
£80,001 to £90,000	-	2
£90,001 to £100,000	5	-
£100,001 to £110,000	2	2
£110,001 to £120,000	-	2
£120,001 to £130,000	-	-
£130,001 to £140,000	7	4
£140,001 to £150,000	1	1
£150,001 to £160,000	-	1
£160,001 to £170,000	-	1
£170,001 to £180,000	-	-
£180,001 to £190,000	1	1
£190,001 to £200,000	-	-
£201,001 to £210,000	2	2
£260,001 to £270,000	-	-
	53	**50**

11. Board and committee members remuneration

Group and association

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:

	2022 Salary	2022 Expenses	2022 Total	2021 Total
	£	£	£	£
Robert Auty	5,600	135	5,735	3,121
Monica Burns	1,400	-	1,400	-
David Clouston	1,400	-	1,400	-
Judith Common	15,000	-	15,000	15,000
Hazel Dale	7,050	204	7,254	7,050
Kelly Henderson	1,400	-	1,400	-
Gurpreet Singh Jagpal	7,050	-	7,050	5,636
John Marshall	5,600	-	5,600	5,600
Douglas Ross	11,460	-	11,460	11,460
Kevan Joseph Wales	6,363	45	6,408	5,600
Kevin Joseph Shaw	1,522	-	1,522	6,248
Beverley Ann Tindale	-	-	-	2,972
David John Boyes	-	-	-	3,182
	63,845	**384**	**64,229**	**65,869**

The total amount of remuneration (i.e. salary) paid as a percentage of turnover was 0.09% (2021: 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.

William Fullen and Robert Alan Smith are also Board Directors of Believe Developments Limited, the wholly owned subsidiary company of believe housing. They are not remunerated for this role.

Members of our Values Group received total remuneration of £7,780 (2021: £2,500) in the financial year.

12. Key management personnel

Group and association

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 £1,755k (2021: £1,568k).

Executive Directors and Directors

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

	2022	2021
	£'000	£'000
Wages and salaries	1,211	1,102
Benefits in kind	-	-
Pension contributions	318	267
National insurance contributions	154	131
	1,683	**1,500**

William Fullen, the Chief Executive, as the highest paid executive, received aggregate emoluments of £187k (2021: £183k). 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 2022 (2021: £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 £nil (2021: £24k).

13. Tax on surplus on ordinary activities

Group and association

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on surplus for the year	-	-
Tax on surplus on ordinary activities	**-**	**-**

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:

	2022 £'000	2021 £'000
Surplus on ordinary activities before taxation	5,975	10,945
Tax on profit at standard UK tax rate of 19%	1,135	2,080
Effects of:		
Non-taxable expense	(1,135)	(2,080)
Current tax charge for the year	**-**	**-**

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

Group and association

	Assets under construction £'000	Software £'000	Total £'000
Cost			
At 1 April 2021	305	2,279	2,584
Additions	324	-	324
Completions	(441)	441	-
Disposals	-	-	-
At 31 March 2022	188	2,720	2,908
Accumulated depreciation			
At 1 April 2021	-	1,266	1,266
Charged in the year	-	503	503
Released on disposal	-	-	-
At 31 March 2022	-	1,769	1,769
Net book value			
At 31 March 2022	**188**	**951**	**1,139**
At 31 March 2021	305	1,013	1,318

15. Tangible fixed assets – housing properties

Group

	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Completed shared ownership Housing under construction £'000	Total housing properties £'000
Cost						
At 1 April 2021	266,776	3,730	7,453	18	-	277,977
Additions	1,353	-	11,039	-	388	12,540
Works to existing properties	16,442	27	-	-	-	16,469
Works for existing properties in progress	641	-	-	-	-	641
Schemes completed	8,299	-	(8,299)	-	-	-
Disposals	(2,544)	(33)	-	-	-	(2,577)
Transfer to current assets	-	-	-	-	(151)	(151)
At 31 March 2022	290,967	3,724	10,193	18	237	305,139
Depreciation and impairment						
At 1 April 2021	(22,966)	(92)	-	(1)	-	(23,059)
Depreciation charged in the year	(7,674)	(22)	-	-	-	(7,696)
Impairment loss	-	-	-	-	-	-
Depreciation released on disposal	1,315	3	-	-	-	1,318
At 31 March 2022	(29,325)	(111)	-	(1)	-	(29,437)
Net book value						
At 31 March 2022	**261,642**	**3,613**	**10,193**	**17**	**237**	**275,702**
At 31 March 2021	243,810	3,638	7,453	17	-	254,918

15. Tangible fixed assets - housing properties (continued)

Association

	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Completed shared ownership Housing under construction £'000	Total housing properties £'000
Cost						
At 1 April 2021	266,776	3,730	7,453	18	-	277,977
Additions	1,353	-	10,799	-	388	12,540
Works to existing properties	16,442	27	-	-	-	16,469
Works for existing properties in progress	641	-	-	-	-	641
Schemes completed	8,299	-	(8,299)	-	-	-
Disposals	(2,544)	(33)	-	-	-	(2,577)
Transfer to current assets	-	-	-	-	(151)	(151)
At 31 March 2022	290,967	3,724	9,953	18	237	304,899
Depreciation and impairment						
At 1 April 2021	(22,966)	(92)	-	(1)	-	(23,059)
Depreciation charged in the year	(7,674)	(22)	-	-	-	(7,696)
Impairment loss	-	-	-	-	-	-
Depreciation released on disposal	1,315	3	-	-	-	1,318
At 31 March 2022	(29,325)	(111)	-	(1)	-	(29,437)
Net book value						
At 31 March 2022	261,642	3,613	9,953	17	237	275,462
At 31 March 2021	243,810	3,638	7,453	17	-	254,918

15. Tangible fixed assets - housing properties (continued)

Housing properties book value, net of depreciation

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Freehold land and buildings	275,702	254,918	275,462	254,918

Expenditure on works to existing properties

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£’000**
Components capitalised	17,110	11,945	17,110	11,945
Amounts charged to income and expenditure	19,728	17,816	19,728	17,816
	36,838	**29,761**	**36,838**	**29,761**

Finance costs

There are no finance costs included in the cost of housing properties (2021: £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.

There is no impairment charge for the 2021/22 financial year.

16. Tangible fixed assets - other

Group and association

	Furniture fixtures and ICT/office equipment £'000	Total £'000
Cost		
At 1 April 2021	3,717	3,717
Additions	98	98
Disposals	-	-
At 31 March 2022	3,815	3,815
Accumulated depreciation		
At 1 April 2021	(1,130)	(1,130)
Charged in the year	(542)	(542)
Release on disposal	-	-
At 31 March 2022	(1,672)	(1,672)
Net book value		
At 31 March 2022	**2,143**	**2,143**
At 31 March 2021	2,587	2,587

17. Investment in subsidiaries

Group and association

As required by FRS 102 and the Housing SORP, the financial statements consolidate the results of Believe Developments Limited.

Believe Developments Limited is a wholly owned subsidiary company with the association having operational control and approval of all activities undertaken by the subsidiary. This financial period to 31 March 2022 represents the first accounting period for Believe Developments Limited and the first time its results have been consolidated into the believe housing financial statements.

Believe Developments Limited is a non-regulated company incorporated under the Companies Act 2006. The registered office is the same for all the group entities.

The investment in Believe Developments Limited totalled £2 at the 31 March 2022.

18. Stock

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Raw materials and consumables	175	75	175	75
Work in progress	250	-	150	-
	425	**75**	**325**	**75**

19. Debtors

	Group		Association	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year				
Rent and service charges receivable	3,728	4,800	3,728	4,800
Less: provision for bad and doubtful debts	(2,159)	(2,817)	(2,159)	(2,817)
Net rental debtors	1,569	1,983	1,569	1,983
Trade debtors	92	107	86	107
Social Housing Grant Receivable	-	3,489	-	3,489
Prepayments and accrued income	1,575	1,387	1,575	1,387
Other debtors	3	-	3	-
Amounts owed by group undertakings	-	-	22	-
	3,239	**6,966**	**3,255**	**6,966**

20. Creditors: amounts falling due within one year

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	1,311	1,660	1,311	1,660
Rent and service charges received in advance	830	1,606	830	1,606
Recycled capital grant fund (note 23)	-	50	-	50
Social housing grant received in advance	1,557	3,040	1,557	3,040
Deferred grant income (note 22)	390	328	390	328
Pension creditor	2	3	2	3
Other taxation and social security	568	412	568	412
Other creditors	35	14	35	14
Accruals and deferred income	12,371	7,125	12,032	7,125
Amounts owed to group undertakings	-	-	-	-
	17,064	**14,238**	**16,725**	**14,238**

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

Group and association

	2022	2021
	£'000	£'000
Debt (note 25)	160,000	145,000
Borrowing costs unamortised	(974)	(827)
	159,026	144,173
Deferred grant income (note 22)	17,815	15,199
	176,841	**159,372**

22. Deferred Grant Income

Group and association

	2022	2021
	£'000	£'000
At 1 April	15,527	9,484
Grant received in the year	3,023	6,268
Released to income in the year	(345)	(225)
At 31 March	**18,205**	**15,527**
Amounts to be released within one year	390	328
Amounts to be released in more than one year	17,815	15,199
	18,205	**15,527**

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

23. Recycled Capital Grant Fund

Group and association

	2022	2021
	£'000	£'000
At 1 April	50	-
Grants recycled	-	50
Interest accrued	-	-
Recycling of grant: new build	(50)	-
At 31 March	-	50
Amounts 3 years or older where repayment may be required	**-**	**-**

The recycled capital grant fund capital was used to help fund the development of 18 new homes at Ashdale Road, Consett during 2021/22.

24. Provisions for liabilities and charges

Group and association

	Legal provision £'000	Dilapidation provision £'000	Total £'000
At 1 April 2021	835	15	850
Additions	-	-	-
Charge in the year	-	(15)	-
At 31 March 2022	**835**	**-**	**835**

Legal provision

The legal provision estimates amounts potentially owed as a result of the outcome of a legal case against Southwark Council which continues to present a 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. Agreement was reached in 2021/22 on the dilapidation amount payable to the landlord and this has now been paid.

25. Debt analysis

Group and association

	2022 £'000	2021 £'000
Drawn debt profile		
Bank and building society loans at fixed rates of interest	160,000	125,000
Bank and building society loans at variable rates of interest	-	20,000
	160,000	**145,000**

In September 2021, believe housing repaid £20m of the revolving credit facility leaving £0m drawn against this facility.

In March 2022, £35m of private placement funding was received, this had previously been deferred by one year. The full £85m private placement is now drawn.

As at 31 March 2022 the funding arrangements are as follows:

- £75m long term facility ending 31 March 2040;
- £85m private placement 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 4.14%.

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 2022 believe housing had undrawn loan facilities of £100m (2021: £80m).

26. Non-equity share capital

Shares of £1 each issued and fully paid

	2022 No.	2021 No.
At 1 April	8	9
Shares issued/(surrendered) during the financial year	2	(1)
As at 31 March	**10**	**8**

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.

27. Pensions

Group and association

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 triennial valuation of the LGPS was at 31 March 2019 which determined the employer contribution levels up to March 2023. The triennial valuation as at 31 March 2022 of the LGPS is currently underway.

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

27. Pensions (continued)

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

	2022 £'000	2021 £'000
Amounts charged to operating expenditure:		
Current service cost	(7,710)	(4,766)
Past service cost	(188)	-
Curtailment costs	-	(619)
Employer contributions paid	4,671	4,687
Total operating debit	(3,227)	(698)
Amounts included in interest payable:		
Interest on net defined benefit liability	(1,425)	(1,164)
Remeasurement (loss)/ gain recognised on defined benefit pension Scheme	17,250	(15,686)
Total debit to the Statement of Comprehensive Income	**12,598**	**(17,548)**

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

Present values of provision	2022 £'000	2021 £'000
Present value of funded obligations	(146,629)	(151,862)
Fair value of scheme assets	89,158	81,804
	(57,471)	(70,058)
Present value of unfunded obligations	(134)	(145)
Net pension liability	**(57,605)**	**(70,203)**

27. Pensions (continued)

Reconciliation of opening and closing provisions

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

	2022 £000	2021 £'000
Opening defined benefit obligation	(152,007)	(115,709)
Current service cost	(7,710)	(4,766)
Past service cost	(188)	-
Interest on scheme liabilities	(3,187)	(2,645)
Actuarial gain / (loss)	15,784	(30,373)
Contributions by scheme participants	(1,135)	(1,024)
Benefits paid	1,680	3,129
Curtailment costs	-	(619)
Closing defined benefit obligation	**(146,763)**	**(152,007)**

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

	2022 £000	2021 £'000
Funded	(146,629)	(151,862)
Unfunded	(134)	(145)
Closing defined benefit obligation	**(146,763)**	**(152,007)**

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

	2022 £'000	2021 £'000
Opening fair value of scheme assets	81,804	63,054
Interest on scheme assets	1,762	1,481
Remeasurement (losses) / gains on assets	1,466	14,687
Contributions by employer	4,671	4,687
Contributions by scheme participants	1,135	1,024
Benefits paid	(1,680)	(3,129)
Closing fair value of scheme assets	**89,158**	**81,804**

27. Pensions (continued)

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

	2022	2021
	%	%
Equities	55.3	55.1
Property	6.8	6.3
Government bonds	15.0	15.9
Corporate bonds	5.9	18.0
Cash	2.5	4.7
Other	14.5	-

The principal actuarial assumptions as at the reporting date were:

	2022	2021
	%	%
Discount rate	2.7	2.1
Rate of increase in pensions in payment	2.9	2.7
Rate of pension accounts revaluation rate	2.9	2.7
Inflation (consumer price index)	2.9	2.7
Salary increase	3.9	3.7

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:

	2022	2021
Males		
Future lifetime from age 65 (aged 65 at accounting date)	22.1	22.3
Future lifetime from age 65 (aged 45 at accounting date)	23.2	23.3
Females		
Future lifetime from age 65 (aged 65 at accounting date)	24.2	24.3
Future lifetime from age 65 (aged 45 at accounting date)	25.7	25.8

28. Capital commitments

Tangible fixed assets

	2022 £'000	2021 £'000
Capital expenditure		
Expenditure contracted for, but not provided for in the financial statements	61,166	18,728
Expenditure authorised by the Board, but not contracted	24,926	51,848
	86,092	**70,576**

Expenditure for future development schemes is included within capital commitments where the individual scheme has been approved by Board.

The above commitments will be financed through future cash generation from operating activities, existing borrowing facilities and social housing grant of £14,840k (2021: £9,829k).

29. Net cash inflow from operating activities

	2022 £'000	2021 £'000
Surplus for the year	5,975	10,945
Adjustments for non-cash items:		
Pension adjustment	4,652	1,862
Depreciation of intangible fixed assets	503	443
Depreciation of tangible fixed assets	8,238	7,024
Impairment of tangible fixed assets	-	486
Amortisation of social housing grant	(345)	(225)
Recycled capital grant	-	(50)
Surplus on sale of housing properties	(3,691)	(1,791)
(Increase)/decrease in stock	(350)	40
Decrease/(Increase) in debtors	3,727	(1,942)
Increase/(decrease) in creditors	2,779	2,421
Increase/(decrease) in provisions	(15)	(814)
Adjustments for investing or financing activities:		
Interest payable	5,104	6,510
Interest received	(11)	(19)
Amortisation of loans	(147)	82
Net cash flow from operating activities	**26,419**	**24,972**

30. Analysis of changes in net debt

	At 1 April 2021 £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2022 £'000
Cash	28,027	14,123	-	42,150
Bank loans due greater than one year	144,173	15,000	(147)	159,026
Total	**172,200**	**29,123**	**(147)**	**201,176**

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

31. Operating leases

Group and association

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

	2022 £'000	2021 £'000
Within one year	267	268
Between two and five years	1,055	1,055
Greater than five years	2,049	2,313
	3,371	**3,636**

32. Related party transactions

Group and association

The Association has taken advantage of the exemption available under FRS 102 (paragraph 33.1A) which allows transactions between the group entities not to be disclosed as related party transactions.

The group consists of the following entities:

Believe Housing Limited	Registered provider with the Regulator of Social Housing	Parent	Social landlord and provides central services
Believe Developments Limited	Limited company not registered with the Regulator of Social Housing	Subsidiary	Provides development services to Believe Housing Limited

The Directors of Believe Developments Limited are also members of the Board of Believe Housing Limited and therefore related party disclosures for the Association are the same as for the group.

There was one tenant board member during the financial year. There were also seven tenants and one leaseholder who served as members of the Values Group during the financial year.

The tenancies and lease are on normal commercial terms and the members were not able to use their position to their advantage.

32. Related party transactions (continued)

Aggregate rent and service charges received from serving tenant and leaseholder board, committee and Values Group members during the year totalled £33,243 (2021: £32,339). There was £357 owed at 31 March 2022 from tenant and leaseholder board, committee and Values Group members (2021: £57).

The following Board and Committee members who served during 2021/22 were also councillors at Durham County Council during the year:

- Kevin Joseph 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 £3,776,157 of expenditure with Durham County Council (2021: £3,653,630). At 31 March 2022, a balance of £44,345 was outstanding between the organisation and Durham County Council (2021: £20,688).

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 £23,397 (2021: £24,778) from Durham County Council. At 31 March 2022, an outstanding balance of £2,000 (2021: £2,018) was owed by Durham County Council to the organisation.

All arrangements with Durham County Council are on normal commercial terms and neither of the councillors who also served as Board or Committee Members were able to use their position to the advantage of either party.

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 (2021: £996). There was no balance outstanding at 31 March 2022 (2021: £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 £6,902 was paid to Prosper Procurement by believe housing for procurement services (2021: £5,920). There was no balance outstanding at 31 March 2022 (2021: £nil). The expenditure was incurred on a normal commercial basis and Robert 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 North East England Chamber of Commerce. During the year £2,232 was paid to North East England Chamber of Commerce by believe housing for membership services (2021: £2,174). There was no balance outstanding at 31 March 2022 (2021: £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.

31. Contingent liabilities

Group and association

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[8]. 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 23 of these financial statements.

[8] Previously the Homes and Communities Agency

32. VAT Shelter arrangement

Group and association

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 2022 £2.0m (2021: £2.2m) has been received by believe housing under the VAT shelter scheme, of which 50% has been paid to Durham County Council.

33. Grants and financial assistance

Group and association

	Social housing grant £'000	**Other grants £'000**	**Total 2022 £'000**	**Total 2021 £'000**
At 1 April	15,565	12	15,577	9,484
Grants received in the year	3,021	2	3,023	6,268
Grants recycled from the recycled capital grant fund	(50)	-	(50)	50
Amortised in the year	(345)	-	(345)	(225)
At 31 March	**18,191**	**14**	**18,205**	**15,577**

34. Intra-group transactions

Believe Developments Limited is a company incorporated under the Companies Act 2006, registered number 13278183. Believe Developments Limited is a wholly owned subsidiary of believe housing.

There has been no apportionment, recharge or allocation of any turnover, costs, assets or liabilities between believe housing and Believe Developments Limited.

The turnover reported in Believe Developments Limited financial statements relates to actual costs incurred on development schemes which have been recharged to believe housing as the schemes are no longer going ahead. The turnover represents recovery of the actual costs incurred on these development schemes only.

There is an intragroup loan agreement facility in place between Believe Developments Limited and believe housing which allows Believe Developments to draw down loan funding from believe housing up to a facility limited of £40m.

In the period to 31 March 2022 there have been no loans put in place under the intra group loan agreement.

At the 31 March 2022, Believe Developments owed £22,419 to believe housing.

35. Ultimate parent undertakings and controlling party

There is no ultimate parent undertaking and controlling party.