Believe Housing Limited

Annual Report and Financial Statements
for the year ended 31 March 2023

Co-operative and Community Benefits Society registered number: 8076

Regulator of Social Housing registered number: 5071

Contents

Board Members, Executive Directors, Advisors and Bankers

Registration numbers

Co-operative and Community Benefit Society registration number	8076
Regulator of Social Housing registration number	5071
Registered office	Coast House Spectrum Business Park Seaham SR7 7TT

Board members

The following individuals served as Board Members from 1 April 2022:

Judith Common (Chair)
Douglas Ross (Vice Chair)
Hazel Dale
Gurpreet Singh Jagpal
John Marshall
Kevan Joseph Wales
Robert Auty
David Clouston
Monica Burns
Kelly Henderson

The following individuals served as Executive Board members from 1 April 2022:

William Fullen (resigned 31 March 2023)
Robert Alan Smith
Faye Gordon (appointed 1 April 2023)

Chief Executive	William Fullen (to 31 March 2023) Robert Alan Smith (from 1 April 2023)
Executive Directors	Robert Alan Smith (to 31 March 2023) Faye Gordon (from 1 April 2023), 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 One Express 1 George Leigh Street Manchester M4 5DL

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 2023.

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 (‘Believe Developments’), 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 2023, we owned and managed 18,044 homes (2022: 18,152) which represents around 40% of all social housing stock in the County Durham area with a turnover of £73.945m (2022: £69.766m) and a total tangible fixed asset base of £319.069m (2022: £277.845m).

Objectives and strategy

Our Corporate Plan

In March 2022 the Board approved the 2022 – 2025 Corporate Plan which set out our ambitions for those three years. Our vision and values remained constant from the previous Corporate Plan; however, the 2022 Corporate Plan continued to push forward to enable us to do better for our customers and our people and continue to create a strong and stable business.

Our corporate vision and values remained constant as:

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 Strategic Pillars and Objectives

Everything we do is linked back directly to our vision and values. To do this, we set out three strategic pillars and objectives.

new objectives

existing objectives

Customer	People	Business
Focus on things that will have the biggest impact on current and future customers' experience	Create effective partnerships with other agencies and use our wealth of data to direct activities towards joint priorities	Create the simplest processes and ways of working to deliver customer and colleague needs
Trust our colleagues to use their initiative to find solutions and solve problems as and before they occur and will provide them with the freedom and tools to do this successfully	Enable collaboration between our colleagues so they can work together for the good of our customers	Being a sound and secure business focussed on delivering value.
Create thriving places and homes people want to live in	Develop an employee offer that retains great people and attracts the best people to come and join us	Respecting and protecting our planet
	Innovative and creative organisation – don't stand still	Embracing equality, diversity and inclusion
		Create and deploy digital solutions that deliver effortless processes for maximum customer and colleague benefit

These strategic objectives are underpinned by a detailed action plan that sets out actions and performance measures and targets to determine what success looks like.

Throughout the 2022/23 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 are 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 to deliver on our strategic objectives:

Moving Forward

Moving Forward was the main project that underpinned our Corporate Plan with the aim to 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.

Moving Forward cuts across our three strategic pillars and identified 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.

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 were 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 has been 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 affect us.

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

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

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

What we have achieved in 2022/23

This year has presented a number of challenges due to the economic environment resulting in financial pressures as well as an increased demand on our services, 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 2022/23 included:

- The allocation of 1,424 homes to customers.

- Delivery of 100 new homes in 2022/23 as part of our five year Development Strategy approved in October 2020.

- Achieving £4.379m 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.

- Consistently achieving satisfaction with our repairs service performance levels within the target range across the whole year despite higher demand for our repairs service.

- Invested £243k through our community investment programme and unlocked £204k of match funding. This investment has enabled us to support 111 projects across our operating area.

- We have also supported 326 people with employability and wellbeing support during 2022/23 and of those people, 183 (56%) were supported into work.

- Continuing with 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.

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

- Progressing our Wellbeing strategy which has been further developed following a number of workshops with colleagues across the business.

- Delivering energy efficiency improvements to 1,401 homes bringing us closer to achieving our 2030 target of bringing all homes to EPC Band C and above by 2030.

- Meeting our rent collection targets for the year.

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

- 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.

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 Customer Voice 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 retaining some indicators year on year to provide consistency and allow performance to be tracked 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 2022/23

The following strategic performance indicators have been monitored during 2022/23 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 2022/23	Actual 2022/23	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19
Customer						
Overall customer satisfaction score	80-85%	**78.5%**	80%	86.8%	86%	85.6%

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

[2] Housing Association's Charitable Trust

Objectives and Supporting Indicators	Target 2022/23	Actual 2022/23	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19
Customer satisfaction with repairs	4.1-4.3	**4.3**	4.3 (out of 5)[3]	9.3 (out of 10)	8.7 (out of 10)	7.8 (out of 10)
Tenancies ending within 12 months	4-5%	**4%**	5%	4%	4.5%	6%
Proportion of complaints completed to within timescale	75-90%	**63%**	68%	88%	62%	n/a
New supply delivered	100	**100**	74	205	231	81
Social value from investment	£1.6m	**£4.4m**	£4.4m	£0.6m	£2.1m	n/a
People						
Healthy culture score	70-90	**84**	79	86	n/a	n/a
Best companies score	Maintain 2 star rating	**2 star**	2 star	2 star	n/a	n/a
Business						
% of repairs right first time	94-97%	**92.9%**	95.5%	94.4%	79.0%	70.3%
Average days to complete a repair	12-14 days	**17 days**	14 days	8 days	12 days	15 days
% of repairs completed in timescale	85-90%	**87.5%**	89.6%	95.8%	79.0%	n/a
Rent collection	97-99%	**99.8%**	99.2%	99.8%	98.8%	98.1%
Headline social housing cost per unit	£3,737	**£4,371**	£3,795	£2,999	£3,308	£3,214

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 2022/23	Actual 2022/23	Actual 2021/22	Actual 2020/21	Actual 2019/20	Actual 2018/19
Reinvestment	20.39%	**15.2%**	10.71%	13.20%	23.27%	14.41%
EBITDA-MRI	31%	**-79%**	1.5%	148%	100%	107%

Overall, 2022/23 has been a challenging year due to the economic uncertainty and the impact of the cost of living crisis on the demand for services and cost pressures we've experienced. In addition, we've strengthened our response to issues of damp, mould and condensation through investing in additional resources to increase the number of surveys performed and accelerate any remedial works identified.

Due to the volatile operating environment we were facing at the start of the year, and the effect this has on our ability to set meaningful targets, we delayed our target setting to allow us to use the most recent data to set challenging but realistic targets. Following direction from the Board, targets for 2022/23 were set as a range in recognition of the unpredictable environment we were operating in.

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

Customer

Of the customer metrics that have targets applied, 60% met target. The following points are highlighted:

- Customer satisfaction from our STAR survey completed in December 2022 was 78.5%, compared to a target of 80-85% and a prior year result of 80%. Whilst this is disappointing and lower than we had hoped to achieve we welcome the feedback from our customers. We are using this feedback in the delivery of our Corporate Plan priorities for 2023/24.

- Customer satisfaction with repairs at 4.3 out of 5. We are pleased with our customer satisfaction with repairs performed, however the results of our STAR survey suggest there are further improvements to make to our repairs service overall and we are looking at plans to improve our service further in response to the feedback received.

- Tenancies ending within 12 months was 4% for the year and met the performance target set as well as improving from the prior year figure of 5%. 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 them in sustaining their tenancy.

- Our complaints performance this year has continued to be challenging. The increase in the volume of customer complaints along with reduced resources has impacted our performance. The volume of complaints has been impacted by the challenges affecting the repairs service which are highlighted below.

- We recognised that our performance for customer complaints needs to improve and have introduced a triage process that has helped to resolve many issues using "own it, sort it” where this aligns with Housing Ombudsman guidance on types of issues that can be dealt with as a service request. This has started to reduce the number of Stage 1 complaints. We have also aligned our remedies to Ombudsman guidance as well as reviewing the resource structure and requirements with new roles now in place. The next steps for improving complaints performance is to deliver the remainder of the action plan we developed following an independent review that was completed in quarter three. We have set a comparable target for complaints performance for 2023/24 in recognition that we want to improve our performance in this area.

- We have significantly outperformed our target for social value from investment in community projects with the outcomes achieved across a range of projects. Overall, we invested £243k through our community investment programme and unlocked £204k of match funding. This investment has enabled us to support 111 projects across our operating area. Examples during the year include; supporting the purchase of sports equipment to improve health and wellbeing and social interaction, the support of projects providing warm spaces responding to the energy and cost of living crisis and food bank support.

- Our new supply target for the year was reduced from 250 to 100 for this year to reflect the impact of the re-financing project which completed in March 2021, meaning we were unable to commit to new schemes until this concluded, and the pandemic restrictions on the construction industry. We achieved the revised target of 100 and our annual completions target for 2023/24 will return to 250 new homes in line with our More Homes Better Places strategy.

People

Two of the four people metrics have targets applied and both of these targets were met in 2022/23.

- In December 2022 we ran our culture survey which showed that we had maintained a strong healthy culture score within the target set for the year.

- The 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. A critical part of maintaining a strong culture is our Workforce Strategy. We have progressed the development of the Workforce Strategy following the feedback sessions that took place across the business during quarter three.

Business

Six of the seven business metrics have targets applied, and of these, three met target. The following points are highlighted:

- Customers with a self-serve account narrowly missed target with an outturn of 33.6% against a target of 35-45%. Our Dynamic Response trial, which is part of our Moving Forward project, is focussed on customer engagement through digital channels and the learnings from this trial will be important in our service design going forward.

- Repairs completed within timescale and repairs completed right first time both met target for 2022/23. We have seen an increase in demand for repairs during 2022/23.This reflects the increase in demand for repairs, backlogs from Covid-19 and Storm Arwen and the increased workload resulting from our focus on addressing damp, mould and condensation. This has challenged our ability to complete repairs within timescale and we have seen performance dip at certain points in the year, but overall this met target. In dealing with this increased workload, our right first time rate averaged 92.9% across the year and narrowly missed the target set.

- The average days taken to complete a repair did not meet target at year-end 2022/23 due to the demand for repairs increasing significantly which impacted our ability to complete repairs within the target timescale.

- Rent collection for the year of 99.8% exceeded our target despite challenging economic conditions.

- Our headline social housing cost per unit of £4,371 was significantly higher than our original target set of £3,737. This is primarily due to the increased costs incurred in our repairs services as well as inflationary cost pressures. 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 15.2% compared to a target of 23.9%. This metric is impacted by the delivery of new supply and investment in our existing homes. Further information on the reinvestment metric is included within the value for money metrics benchmarking section of this report.

- Our EBITDA MRI metric of -79% is significantly below target. This has been impacted by higher operating costs as well as increased investment in our existing properties. Further information is included within the value for money metrics benchmarking section of this report.

Environment, Social and Governance metrics

We have three environment, social and governance metrics and targets with two of our funders, 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 2023 our performance compared to the target set for each of these three metrics was as follows:

	Target	Actual	Outcome
Average EPC scores of our housing properties	68.55	69.01	Exceeded target
Social value of our investment in community initiatives	£1.6m	£4.4m	Exceeded target
Best Companies star rating	2 star	2 star	Met target

We have achieved the three targets set and will have these certified for confirmation with funders.

We have adopted the Sustainability Reporting Standard published in November 2020 and our ESG report can be found on our website.

New build development and our Development Strategy

During 2022/23 we have continued to make progress in delivering new homes with a total of 100 completed in the year. At the end of March 2023, a total of 727 new homes have been completed since our development programme commenced which surpasses our stock transfer assertion to deliver more than 700 new homes by 2022.

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 new shared ownership properties, a total of seven properties, which completed during 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 1,142 homes by 2028. This target has reduced from the original Strategy of 1,250 as part of reviewing our financial plans and priorities when setting our Business Plan approved in May 2023;

- 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;

- Continue to maximise the benefits from Believe Developments Limited and its joint ventures; 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.

During 2022/23 we entered into a joint venture (JV) with Homes by Carlton to invest in their market sale development at Middleton St George which was approved by the Board on 7 December 2022 (Believe Carlton MSG LLP). A second JV with Homes by Carlton for a development at Witton Gilbert received final Board approval in March 2023 (Believe Carlton Witton LLP).

Believe Carlton MSG LLP has planning permission for 148 properties to be developed over the period to March 2028. Believe Carlton Witton LLP has planning permission for 29 properties, due to be completed by August 2025. The joint ventures have been funded via a loan from believe housing limited to Believe Development Limited with interest charged based on the agreed market rate. Profits arising from the JV's will be distributed between Believe Developments limited and Homes by Carlton.

Value for Money Metrics

In April 2018 the Regulator issued the value for money metrics alongside the 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 25,000 social housing units (believe housing: 18,044);

- Operate primarily in regions with an Annual Survey of Hours and Earnings (ASHE) regional wage index of 0.95 or below (believe housing: 0.9);

- Have less than 5.0% 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:

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

The comparison looks at our target and actual performance data for 2022/23 and our actual performance data for 2021/22, 2020/21 and 2019/20. In addition, where possible, we compare our performance to the peer group data for 2021/22, which is the most current data publicly available. The peer group comparison has been more challenging this year due to the volatility in the economic environment resulting in high inflation alongside an increasing demand on our services as we emerged from the Covid-19 pandemic resulting in the prior year data becoming less relevant as a benchmark comparison.

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

	believe housing					***Peer Group***
Value for Money Metric	**Target 2022/23**	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Reinvestment	23.20%	15.21%	10.79%	13.20%	23.27%	*10.05%*

Our reinvestment metric for 2022/23 is below our target for the year but has increased when compared to our prior year performance. The primary reason for the metric being below our annual target is that we have not incurred the level of expenditure on new development that we had anticipated at the beginning of the year. Total development expenditure in 2022/23 was around 58% lower than we had originally expected, with the number of new completions also being around 40% lower than forecast. Our pipeline of development opportunities to deliver our Development Strategy remains strong, however in 2022/23 work on completing existing schemes and starting new schemes has been slower than originally anticipated. However, when compared to 2021/22, our expenditure on new development has increased by 78%. The timing of our refinancing in 2020/21 as well as Covid-19-related disruption slowed down development in 2021/22, however in 2022/23 we have seen our level of development activity and expenditure increase, and this has had the effect of increasing our reinvestment metric for 2022/23.

We have had a 50% (£8.6m) increase in our expenditure on existing properties during 2022/23 when compared to 2021/22. There have been a number of key areas where we have increased investment during the year, including decarbonisation and damp, mould and condensation, which have had the effect of increasing our reinvestment metric for 2022/23.

Our reinvestment metric has increased above the peer group median figure in 2022/23. This has been driven by the expenditure we have incurred both on the development of new properties and works to our existing homes. At £22.5m, our investment in new homes is around £5.3m (31%) higher than the peer group median. However, it is our works to existing properties that is the primary driver of our higher reinvestment metric when compared to our peers. The peer group median investment in existing properties was £8.8m, while our 2022/23 figure was around 193% higher at £25.7m. It is difficult to definitively say why there is such a significant difference when compared to our peer group but it may be explained by the peer group figure being for 2021/22, when pandemic-related disruption prevented a full range of investment works from being completed and depressed the levels of expenditure in that year. This is likely compounded by the additional investment we have made in the current year on decarbonisation, with this widening the gap between our investment value and the peer group prior year median.

	believe housing					*Peer Group*
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
New supply delivered - non-social housing units	0%	0%	0%	0%	0%	*0%*

We had no plans to develop non-social housing units during 2022/23, which was consistent with our core strategic aims that focus on the provision and development of social housing units.

	believe housing					*Peer Group*
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
New supply delivered - social housing units	0.91%	0.55%	0.40%	1.11%	1.17%	*0.65%*

As noted above, we have seen an increase in our expenditure on new homes during 2022/23 and this has also translated into an increase in the number of properties completed, with 100 completions in 2022/23 compared with 74 in 2021/22. As a result, our new supply delivered metric has also increase from 0.40% to 0.55%.

However, our actual performance has not met the level of our target for the year of 0.91%. While we have seen an increase in the level of development activity during 2022/23 as we have moved beyond the period of pandemic-related disruption, the rate of growth has not been as quick as we had anticipated when setting our 2022/23 targets. Our commitment to delivering new homes continues and work this year has focussed on completing existing schemes and in developing a strong pipeline of future schemes to allow us to achieve our ambition.

Our new supply delivered metric has also remained below the level of our peer group median reported in 2021/22, although the gap between our performance and our peers has narrowed in 2022/23. In absolute terms, the peer group median number of new properties developed in 2021/22 was 93 and so our performance in 2022/23 has exceeded that level. However, our peers own and manage an average of around 4,500 fewer existing properties that we do, and hence their metric performance is better than our own.

We continue to expect that our level of development activity will grow in the coming years and, consequently, our new supply metric will increase in line with, or exceeding, that of our peers.

	believe housing					Peer Group
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Gearing	50.92%	48.71%	42.40%	45.58%	47.78%	*45.55%*

Our gearing ratio has increased in 2022/23 for the first time in three years, although it remains below the target level for the year.

Our overall indebtedness did not change during the year, but we have utilised our existing cash reserves to fund our investments in new and existing homes during the year and so we have seen our cash balance reduce by £37.6m (89%) which was consistent with our financial plans. This reduction in cash has meant a corresponding increase in our net debt position when compared to 2021/22.

We have continued to see the value of our asset base increase in 2022/23 as new properties and investment works on our existing properties were completed. It has increased by around £41.5m (15%) over the year and whilst, compared to the £37.6m increase in net debt, our asset base has grown more significantly, this has not been enough to prevent an increase in our overall gearing metric.

Our gearing metric is just over 2% lower than our target for the year and this is because the target assumed that we would see higher investment expenditure, primarily on new properties, and the expectation was that this would be funded by additional debt funding, as well as from our cash reserves. While we have utilised our cash balance during 2022/23, we have not required any further debt funding to meet our actual expenditure commitments. As a result, our gearing ratio has not increased by as much as we had forecast at the beginning of the year.

We expect that out gearing ratio will continue to increase in future years, as we increase the level of investment in our homes to meet the challenge of decarbonisation and continuing to provide safe and secure homes for our customers. This ongoing investment will require us to drawdown more of our available debt funding and so will increase our gearing ratio in future. 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 will report a higher gearing ratio than some of our peers in future years.

	believe housing					Peer Group
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Headline social housing cost per unit	£3,737	£4,371	£3,795	£2,999	£3,308	*£3,752*

In 2022/23, our headline social housing cost per unit (SHCPU) has increased significantly when compared to both our 2021/22 performance and the target for 2022/23. We have experienced sustained inflationary pressure on costs as well as a rise in demand for our services that have contributed to the increase in costs for the year.

In particular, we have seen the trends of higher void and responsive repair costs established during 2021/22 continue into 2022/23, with a larger volume of jobs being completed and the nature of the works required becoming more complex and multi-faceted. This has contributed to the increase in headline SHCPU in the current year.

Following work done in early 2022/23 to clear the backlog of repairs arising from Covid-19 we expected a reduction in the number of repairs. However, we continued to experience an increased volume of jobs to address condensation, glazing, roofing, drainage and fencing repairs throughout 2022/23. The average cost per job for both responsive repairs and void works also increased due to a combination of additional agency and subcontractors used to cover work volumes, along with inflationary pressures on materials, labour and fuel, and an increase in the complexity and scale of the average repair job increasing.

During 2022/23 we have also begun large-scale work to retrofit our existing homes to achieve and EPC C SAP rating. We secured grant funding from the Social Housing Decarbonisation Fund (SHDF), which has provided 50% of the funding for the work completed, totalling £3.5m in the year. However, for the purposes of the headline SHCPU calculation we cannot net off the grant receipt against the gross cost of the decarbonisation works carried out. As such, our capitalised major repairs expenditure within the overall calculation is £3.5m higher than the true net cost to the business.

Overall, we incurred almost £7m expenditure on decarbonisation during 2022/23 compared to £0.4m in 2021/22 as a result of the successful SHDF grant secured. This was not included in our original target setting and hence contributed to the increase in SHCPU compared to both 2021/22 and our original target metric.

Our cost per unit for 2022/23 is above the median performance of our peer group. This is to be expected as the peer group data relates to 2021/22 and therefore excludes the impact of high inflation and increased demands on services reported as being experienced across the social housing sector.

	believe housing					***Peer Group***
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
EBITDA MRI[4]/Interest cover	31%	-79%	1.5%	148%	100%	*150%*

We've reported a reduction in our EBITDA MRI interest cover ratio from 1.5% in 2021/22 to -79% in 2022/23. This is the second consecutive year we've seen a large fall in this metric, with performance also being below the target level we set for the year.

The reduction in our EBITDA MRI interest cover ratio comes despite an increase of £0.9m (7.6%) in our overall operating surplus for the year. While we have seen significant areas of cost pressure during the year, particularly in relation to responsive repairs and void works, we have also seen an increase in income and reduction in non-social housing costs that has had the effect of increasing our reported overall surplus.

The key driver for the fall in our interest cover ratio between 2021/22 and 2022/23 is the increase in capital investment expenditure, which has risen by £8.6m (50%) when compared to the 2021/22 figure. As noted above, much of this increase relates to decarbonisation works to our homes that we have started during 2022/23 and for which we have secured 50% matched funding from the SHDF. The full gross cost of the work is included within the calculation of EBITDA MRI interest cover and so has had the effect of reducing the metric in the current year. Similarly, the cost of decarbonisation was not included within the calculation when setting our target performance for the year and so this is also a key reason why our performance has fallen some way below the target level. Decarbonisation expenditure covering the period up to the

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

end of 2029/30 is now included within our long-term forecasts and so this discrepancy between target and actual performance should not occur in future years.

Besides decarbonisation investment, we have also seen an increase in other areas of capital investment in 2022/23 when compared to the prior year. We have recorded higher expenditure on major works and capital component replacements reflecting our proactive work and focus on damp, mould and condensation works in the year. As well as taking a zero-tolerance approach to damp internally, we have seen a significant increase in customers reporting instances to us too. We have also taken proactive steps to review our data and identify trends to find and seek out instances of damp, mould and condensation which has resulted in an increased number of building surveys being undertaken. As a result, costs for both surveys and remedial works have been higher than in previous years and so this also, in part, accounts for the reduction in interest cover we have reported for 2022/23. The expenditure in these areas has also been higher than we had originally budgeted for which partly explains why our interest cover is lower than the target set for the year.

The other driver of our reduced interest cover when compared to both our performance in 2021/22 and the target for 2022/23 is the higher interest costs we have reported for the year. In 2022/23, our interest costs have been £0.95m (15%) higher than in 2021/22, while they are around £2.2m (40%) higher than the figure used in our target calculation.

In terms of performance versus target, the key difference is that our interest expense reported at the 2022/23 year-end includes £1.5m interest on our LGPS pension net defined benefit liability. This is an accounting entry made at the end of the financial year based on figures provided by the scheme actuary which is not included within the calculation used to determine our target for the year and so contributes to our target interest cover being higher than the actual reported performance. With regards 2022/23 interest expense when compared to 2021/22, the main reason for this difference is that on 31 March 2022 we drew down a £35m deferred tranche of our Legal & General Investment Management private placement and so the interest expense reported for 2022/23 includes the cost of this funding, while the 2021/22 figure does not.

Our EBITDA MRI interest cover metric continues to be significantly below the median for our peer group, which was 150% in 2021/22. Whilst the 2021/22 median for our peer group is likely to have reduced in 2022/23, there are some long-standing contributing factors to our EBITDA MRI interest cover being significantly lower than our peers, particularly with regards to our SHL and overall turnover and these are discussed in further detail below in the operating margin sections. The impact of our comparatively low turnover is that we report correspondingly smaller operating surpluses, and this feeds directly into our lower interest cover ratio. While our costs and their drivers are similar to our peers, our income base is not which depresses our interest cover metric.

Beyond the underlying differences in our operational financial position, the other factor contributing to our interest cover being lower than our peers is our comparatively high level of capital expenditure during 2022/23. As has been discussed above, our increased figure for 2022/23 represents a combination of investment in decarbonisation works and higher costs incurred for other major works. The comparison of this position with that of our peers is difficult because there is significant variability in how advanced different registered providers are with decarbonisation investment. Similarly, the issues arising from damp, mould and condensation have gained prominence and become a key priority during 2022/23 and so the level of expenditure in these areas is likely to be higher for many registered providers in 2022/23, but this will not be reflected when looking back at their reported expenditure for 2021/22.

	believe housing					*Peer Group*
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Operating margin - social housing lettings	19.03%	13.86%	15.09%	27.74%	25.15%	*19.15%*

Our operating margin on social housing lettings (SHL) has fallen for the second consecutive year and is some way below our target for the year. Despite our turnover from social housing lettings having increased by around £2.6m (3.8%) in 2022/23, this was more than outweighed by the £3.1m (5.3%) increase in our social housing operating expenditure resulting in a lower operating margin for the year. The reasons for our increased operating costs have been discussed above and includes inflationary and demand-led pressures on our responsive repairs and void costs, as well as other cost pressures in areas such as insurance and energy costs.

We have underperformed in comparison to our 2022/23 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 £0.9m 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 2022/23 that have impacted our performance versus the target. For example, our void costs in 2022/23 were around £1.5m higher than had been anticipated. In addition, our LGPS current service cost adjustment for 2022/23 was £2.16m and, as an actuarial accounting adjustment this is not forecast in our operational forecasts and cash flows but has increased our final reported operating expenditure.

Our operating margin on SHL is also below the median reported for our peers in 2021/22. Accepting that the peer group median information relates to the prior year and therefore does not reflect the impact of factors such as high inflation and increased demand on services experienced in 2022/23, our social housing cost per unit for 2022/23 is around £619 per unit (16.5%) higher than the peer group median in 2021/22. When capitalised major repairs expenditure, which does not impact upon our SHL operating margin, is excluded, our revenue SHL expenditure per unit for 2022/23 is actually £118 per unit (3.9%) below the peer group median figure reported in 2021/22. This indicates that it isn't our SHL operating expenditure that is driving our SHL operating margin when compared to our peers because our expenditure, on a per unit basis, is actually slightly below the peer group median.

The difference in margin is due to our turnover from SHL. Analysis of the figures shows in 2022/23, our SHL turnover, which constitutes 96% of our overall turnover, was £3,924 per unit. This is £701 per unit (15%) below the 2021/22 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 the impact of our comparatively lower turnover.

It is difficult to identify the exact reasons for this disparity in turnover per unit between ourselves and our peers. However, we know that not all of our properties are let at the full formula rent level and, since the stock transfer in 2015, there has been no mechanism available to us to address this issue other than when a tenancy terminates. This means our rate of reversion to formula rent has been constrained by our tenancy turnover rate and we still have more than half of our homes let at a sub-formula rent level. In the past there have been mechanisms available to registered providers to converge rents to the formula rent level during a tenancy and it is possible others in our peer group were able to utilise this to ensure most, if not all, of their properties are now let at formula rent.

	believe housing					Peer Group
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Operating margin – overall	18.21%	13.66%	12.61%	24.62%	24.68%	*19.50%*

Our overall operating margin is slightly below our social housing lettings operating margin, and, as noted previously is significantly lower than the target set for the current year.

Only 4% of our overall operating expenditure relates to non-social housing (NSH) activities and so our overall operating margin performance is disproportionately impacted by our SHL activities. The explanation of our performance in this area, set out above in the *Operating margin – social housing lettings* section, is also relevant in explaining why our overall margin reported for 2022/23 is below the target set for the year.

Our overall turnover for the year is 6% higher than 2021/22 and includes income on the first tranche sale of seven newly completed shared ownership homes of £0.5m which was not originally forecast.

However, despite the better-than-anticipated turnover, our overall margin has not increased at the same rate due to additional costs incurred during the year, which almost solely relate to SHL. Our NSH expenditure has decreased by £0.5m (17%) in 2022/23 and this has primarily been driven by a reduction in costs relating to placemaking and regeneration.

The increase in NSH income, coupled with the reduction in NSH expenditure, has meant the surplus on these activities has increased and has had the effect of increasing our overall operating margin for 2022/23 when compared to the 2021/22 figure. This has meant the difference between the SHL, and overall margins is less than it has been in previous years.

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 2021/22 and 2022/23 there are also differences, particularly relating to turnover, that act as a drag on our margin when compared to our peers.

96% of our turnover is generated from social housing lettings, compared to a peer group median of 93%. It is more difficult for us to maintain operating margins comparable to our peers as more of our turnover is subject to government regulation of social rents which restricts changes that can be made.

As noted above in the *Operating margin – social housing lettings* section, our turnover per property from SHL is around 15% lower than the peer group median. Given turnover from SHL makes up such a high proportion of our overall operating margin, the impact of the lower SHL turnover also restricts our overall operating margin in comparison to that of our peers.

	believe housing					Peer Group
	Target 2022/23	**Actual 2022/23**	**Actual 2021/22**	**Actual 2020/21**	**Actual 2019/20**	***Actual 2021/22***
Return on capital employed ('ROCE')	4.67%	4.17%	4.06%	6.62%	8.45%	*4.30%*

We've seen our return on capital employed (ROCE) increase by 0.11% in 2022/23, although it remains below our target for the year.

In 2022/23, our overall operating surplus has increased by £0.94m when compared to 2021/22. This represents a 7.5% increase and, while we have also seen an increase in our total assets less current liabilities of £14.2m, this only represents a 4.6% increase and so the overall effect has been an improvement in our ROCE when compared to the prior year.

Our ROCE for the year has been 0.5% lower than the target performance primarily as a result of us reporting a lower level of operating surplus. As discussed above, there has continued to be significant inflationary and demand-led cost pressures on our business during 2022/23 which has resulted in our overall operating surplus being 16% lower than we had originally forecast.

Our total assets less current liabilities are also lower than we had expected when setting our target for the year, by around £22.8m (6.6%). The fact that our asset base was not as large as we had expected it would be when setting the annual target for 2022/23 has meant that the impact of the lower operating surplus has been somewhat mitigated and the difference between the target and actual performance is smaller than it would have been had out asset base grown as anticipated.

Our 2022/23 ROCE is lower than our peer group's median from 2021/22 with the difference continuing to be driven by our lower operating surplus and value of total values less current liabilities when compared to the peer group median from the prior year. This means any variation in our operating surplus has a proportionally larger impact on our ROCE as it represents a larger proportion of our asset base.

Overall, our metrics for 2022/23 continue to reflect the volatile current operating environment, particularly with regards to external inflationary pressure 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 2022/23 compared to our target as well as the prior year.

We continue to monitor the situation with regards further pressure on our expenditure and the impact this may have on our financial stability and are actively developing plans to re-base and better control our costs, while still delivering efficient and effective services for our customers.

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 (2023 – 2053) which was approved by the Board in May 2023.

	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Reinvestment	20.3%	15.0%	10.8%	11.7%	8.4%
New supply delivered - social housing units	1.5%	1.0%	1.2%	0.8%	0.6%
New supply delivered - non-social housing units	0.0%	0.0%	0.0%	0.0%	0.2%
Gearing	53.7%	54.2%	55.3%	55.0%	52.4%
EBITDA MRI/Interest cover	-103.5%	-38.4%	17.5%	55.5%	82.3%

	2023/24	2024/25	2025/26	2026/27	2027/28
Headline social housing cost per unit	£4,552	£4,627	£4,640	£4,595	£4,639
Operating margin - social housing lettings	13.4%	16.5%	18.7%	20.3%	20.7%
Operating margin - overall	12.7%	15.9%	18.2%	18.7%	19.3%
Return on capital employed	3.4%	4.0%	4.2%	4.2%	4.2%

Investment in properties

- The reinvestment ratio is highest in the first two years of the Plan, particularly year one, which includes the highest expenditure on new development. The ratio generally reduces over time and closely follows the profile of our forecast expenditure on new development, which is focussed on the first five years of the Plan to 2027/28.

- The delivery of new supply of social housing units reflects the latest forecasts of completions on our ongoing and pipeline development schemes. The highest level of expenditure on new development is forecast for 2023/24 and we expect to see the impact of this in terms of new completions in 2023/24 as well.

- The Plan includes expenditure on an, as yet uncommitted, market sale development of 46 units, with the units completing during 2027/28. 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.

Financial performance

- Our gearing ratio is comparatively stable over the period, fluctuating around 52-55%. The ratio increase, from ~54% in years one and two, to ~55% in years three and four, is due to an increase in our debt requirements. There is a small fall in overall debt in year five and that, coupled with an increase in the value of our asset base from new build completions and investment in our existing properties, means our gearing metric falls back to around 52% at that point.

- Our EBITDA MRI interest cover ratio is -103.5% in the first year of the Plan but then increases each year thereafter to reach 82.3% by year five. The 2023 Plan reflects the impact of our updated economic assumptions, the 2023/24 rent cap and organisation-wide cost pressures and ongoing decarbonisation spend (excluding grant funding), all of which have a negative effect on our EBITDA MRI metric. Future improvements in this metric reflect the impact of the plans we are currently developing to re-base and control our future operating costs, as well as the removal of non-recurring costs included within the 2023/24 budget. The forecast metric performance is also impacted by revisions we have made to our long-term capital investment programme, which now has higher levels of investment required in the first ten years of the Plan, with a reduction in investment requirements in the latter part of the Plan.

- The headline social housing cost per unit is at its highest in 2025/26 although, when adjusted for the impact of inflation, the 2023/24 figure is the highest in real terms. As our property numbers increase, non-recurring cost pressures are removed and the impact of our corporate savings targets are realised, the cost per unit reduces in real terms and, after factoring in inflation, remains relatively stable between £4,550-£4,650 per unit.

- Our operating margin is lowest in 2023/24 reflecting the compound impact of a capped rent increase alongside a higher cost base, with the inclusion of cost pressures, discussed above. As these one-off costs pressures are removed and our plan to re-base our operating costs is realised, our operating margin rises.

- Return on capital employed (ROCE) varies around 4% for the first five years of the Plan, initially increasing between 2023/24 and 2024/25 before plateauing from then onwards. This variability is linked to a mismatch in the rates of change between our operating surplus and asset base. Initially our operating surplus increases more quickly than our asset base but, by year three, the annual rate of increase in our operating surplus has slowed and is more comparable to the rate of increase in our asset base and therefore our ROCE is maintained at the same level.

How our costs compare to others

Our headline social housing cost per unit for the year ending 31 March 2023 was £4,371 (2022: £3,795), which is higher than the 2021/22 housing sector median of £3,752 and the peer group median of £4,150. Further analysis of the headline social housing cost per unit shows the following:

	believe housing				**Housing Sector median**	**Peer Group median**
	2022/23	**2021/22**	**2020/21**	**2019/20**	**2021/22**	**2021/22**
Headline social housing cost per unit	**4,371**	**3,795**	**2,999**	**3,308**	**3,752**	***4,150***
Management cost per unit	1,384	1,344	1,131	1,110	1,321	*1,133*
Service charge cost per unit	55	53	46	48	233	*471*
Maintenance cost per unit	1,263	1,087	978	1,069	1,043	*1,232*
Major repairs cost per unit	1,617	1,209	807	1,030	1,042	*921*
Other social housing cost per unit	51	102	37	51	101	*203*

- Our management cost per unit has increased by £40 per unit (3%) when compared to 2021/22. At £1,384 per unit, our cost per unit is around 22% higher than the median for our peer group, but only 5% higher than the sector 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 and is perhaps lower than might have been expected given the increase is well below the level of CPI inflation experienced in 2022/23. Staffing costs have increased in line with our agreed pay award, and we have seen significant increases in areas such as insurance and energy costs. The level of inflation seen during 2022/23 means that it is difficult to make meaningful comparisons with the peer and sector median figures from the previous year, although it is clear that our management cost per unit is still likely to be some way above that of our peers even after taking account of inflation. From the information publicly available it isn't possible to assess what might be driving the difference in cost base, but we acknowledge that we have work to do to re-assess our costs and exert tighter control over them in future and are currently developing specific plans for how we will achieve this.

- Our service charge cost per unit has increased by £2 (3.8%) in 2022/23, from £53 to £55 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 and electric costs. We have seen reduced costs in some other areas, notably furniture pack rental (due to reducing customer numbers), however the overall impact of the varying costs has been a modest net increase in 2022/23 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 £176 (16%) from 2021/22 to 2022/23. As has been discussed above within the narrative accompanying the overall social housing cost per unit metric, we have seen the trends of higher void and responsive repair costs established during 2021/22 continue into 2022/23, with a larger volume of jobs being completed and the nature of the works required becoming more complex. Focussed work in early 2022/23 cleared the backlog of repairs arising from Covid-19 successfully, however we did not see a fall in the number of repairs jobs with an increase in volumes particularly relating to condensation, glazing, roofing, drainage and fencing repairs. We also saw an increase in the cost per job completed during the year, with inflationary pressures affecting our non-pay costs such as materials, our annual pay award increasing staffing costs and also additional costs on agency and sub-contract labour required to deliver the higher-than-anticipated volume of work arising during the year. The increase in cost we have seen this year has meant that our cost per unit figure continues to be above the median peer group figure and is now some way above the overall sector median. Given the inflationary cost pressures within the wider economy during 2022/23, it is likely that our peer group and the sector median costs will have increased in 2022/23, however it is impossible to confirm the level of increase that will be seen. Our repairs service is an area of focus for us going forward as we respond to the Better Social Housing Review and customer feedback received through our STAR survey to better understand and compare our costs and volume of repairs work.

- Our cost per unit for major repairs has increased by £408 per unit (34%) from £1,209 in 2021/22 to £1,617 in 2022/23. The primary driver for this increase has been the investment work in decarbonisation that we have begun at scale in 2022/23. This expenditure has been 50% match funded by wave one of the Social Housing Decarbonisation Fund but, for the purposes of the calculation of the cost per unit metric, we report the full gross cost of the works, rather than the net cost that is 50% lower. This work accounts for £384 per unit of the overall £408 increase seen during the year. As explained above within the narrative accompanying the overall social housing cost per unit metric, we have also seen an increase in other areas of capital investment in 2022/23 when compared to the prior year. We have recorded higher expenditure on major works and capital component replacements. We have also taken proactive steps to review our data and identify trends to seek out instances of damp, mould and condensation and this has resulted in an increased number of building surveys being undertaken and therefore higher costs. Our cost per unit for 2022/23 is significantly higher than both the sector and peer group median figures for 2021/21. While caution should be applied to comparisons between 2022/23 and 2021/22, particularly given the growth in prominence during the year of issues relating to damp, mould and condensation it is clear that our major repairs cost per unit is still high when compared to our peers and the wider sector. We have further work to do to understand what is driving our higher investment costs compared to others.

- Our ‘other’ social housing costs per unit have decreased by £51 (50%) between 2021/22 and 2022/23. These costs relate primarily to our new build development team and our expenditure on investment in our communities. The decrease is partly due to a fall in costs relating to regeneration work in Brandon, where many of the costs to help customers relocate and to prepare the site for the regeneration works were recognised during 2021/22 and so the costs incurred have fallen by comparison in 2022/23. Overall, our ‘other’ social housing cost per unit remains much 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 2022/23?

We have maintained a close focus on delivering value for money throughout the course of 2022/23 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:

- 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 new materials supply arrangement to provide value for money in the provision of materials across our operating area.

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

- Further 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 £6.8m from the Social Housing Decarbonisation Fund in collaboration with Tees Valley Combined Authority to support works such as loft, cavity wall and external wall insulation, energy efficient lighting, Solar PV and new heating controls.

- Introduction of a working group to reduce No Access, including a review of our communications and new technology to automate outbound calling to customers, allowing more efficient working and better use of resources to support our customers manage their appointments.

- Working with a wider range of contractors and local SMEs to deliver our asset investment strategy resulting in improved customer satisfaction from 85% to 94%.

- Achieving our agreed Environmental, Social and Governance metrics and targets for our funding, which will reduce the cost of funding to the business in the future.

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 2022/23:

- Investment of £25.432m in building and acquiring new homes, contributing towards our Homes for 2050 project.

- Investment in digital technology and software of £0.162m 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 £0.243m 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 35 to 36.

The value for money impact of our Corporate Plan projects, including the progress made in achieving cost savings targets established are monitored through our performance scorecard 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 2023 we report a surplus before taxation of £6.583m (2022: £5.975m) and total comprehensive income of £52.738m (2022: of £23.225m).

The reported surplus is impacted by the following:

- A rent increase based on CPI plus 1% which equated to 4.1%;
- 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 and Farnham Road, Durham, which include the planned demolition of specific properties; and
- Increased costs for property repairs and works to void properties, reflecting the higher volume and nature of the works required.

The remeasurement movement relating to the pension scheme impacts the reported total comprehensive income of £52.738m (2022: of £23.225m). For the year ended 31 March 2023 there was a gain of £46.155m (2021: gain of £17.250m) which increases the reported surplus for the year. The remeasurement movement is an accounting adjustment and does not represent cash or income.

Statement of Financial Position

The Statement of Financial Position reports a net current liabilities position of £6.008m (2022: net current assets £28.750m) and a total net assets position of £125.191m (2022: £72.453m).

This position is impacted by the reduction in cash of £37.592m taking the year end cash balance to £4.558m. This is due to the receipt of our deferred private placement of £35m at the end of March 2022 increasing prior year cash balances, alongside timing of development and investment payments.

The Business Plan assumes additional drawdown of our revolving funding from April 2023 as part of the ongoing programme of investment in our existing and new properties.

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 2023 are reported at a net book value of £319.813m (2022: £278.984m). 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 2023, is £319.069m (2022: £275.702m).

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 £0.744m at the 31 March 2023 (2022: £1.139m) 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 £15.085m (2022: £57.605m).

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 2023 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 £46.155m 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 completed and incorporated into the numbers reported.

Loans

The Statement of Financial Position includes outstanding loans totalling £159.065m (2022: £159.026m). There has been no drawdown of funding during 2022/23.

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 2023 100% of our drawn loans were at fixed rates (2022: 100%). 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 2023 we report a cash position of £4.558m (2022: £42.150m).

The key cash flow movements in the year have been:

- Capital investment totalling £51.454m;
- Loans to joint ventures totalling £8.2m;
- Grant received of £5.358m; and

- Asset sales through right to buy transactions and other asset disposals have contributed £4.648m (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 to our 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 a 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 2023 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 2023 we had drawn debt of £160m and had an available cash balance of £4.558m.

Our Statement of Financial Position reports a net current liabilities position at the end of March 2023 of £6.008m.

The year end cash is lower than the equivalent period last year because of the timing of payments for our development programme and investment in our existing properties. In line with our Business Plan additional funding drawdowns will be made in April to meet the ongoing programmes of investment in our existing and new properties.

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;
- Rent setting policy; 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 17 May 2023 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.

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 into our performance. The business scorecard is also reported to the Performance and Standards Committee at each meeting alongside the Corporate Performance scorecard.

Cash flows are monitored through a daily and three day forecast 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 7 June 2023 and Board on the 5 July 2023. 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 confirmed the following 11 strategic risks:

- **People and Culture:** believe housing fail to attract, recruit and retain the right talent.
- **Global Uncertainty:** Failure to understand changes in Government policy and the effects of political and global uncertainty.
- **Asset Investment & Growth:** Inadequate business intelligence and due diligence leads to poor decision making on capital investment and development.

- **Cyber Threat & Business Resilience:** Poor control frameworks for IT governance, cybersecurity and cloud-based services leads to an increased threat of successful cyber-attacks, loss of data and business disruption.

- **Financial Performance:** Failure to monitor internal and external factors which impacts on our income collection and financial position.

- **Governance & Compliance:** Failure to comply with laws and regulations relevant to believe housing and inappropriate governance arrangements.

- **Data Quality:** Poor technology, data processing and information security lead to data integrity and quality risks.

- **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.

- **Reputation:** Lack of organisational commitment to effective Board and Management oversight, strong communication, and focus on quality and operational performance exposes us to increased scrutiny from the media and hostile press.

- **Customer Experience:** failure to deliver excellent services and a great customer experience.

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 Financial Performance has been particularly heightened due to the economic uncertainty, alongside detailed discussions regarding our approach to ensure properties are safe and suitable homes for our tenants. There are a series of controls in place to mitigate these risks which are highlighted within the Internal Controls Statement.

Governance arrangements

The Board consists of ten non-executives and two executive members. During 2022/23 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 the Customer Voices group which is made up predominantly of tenants 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

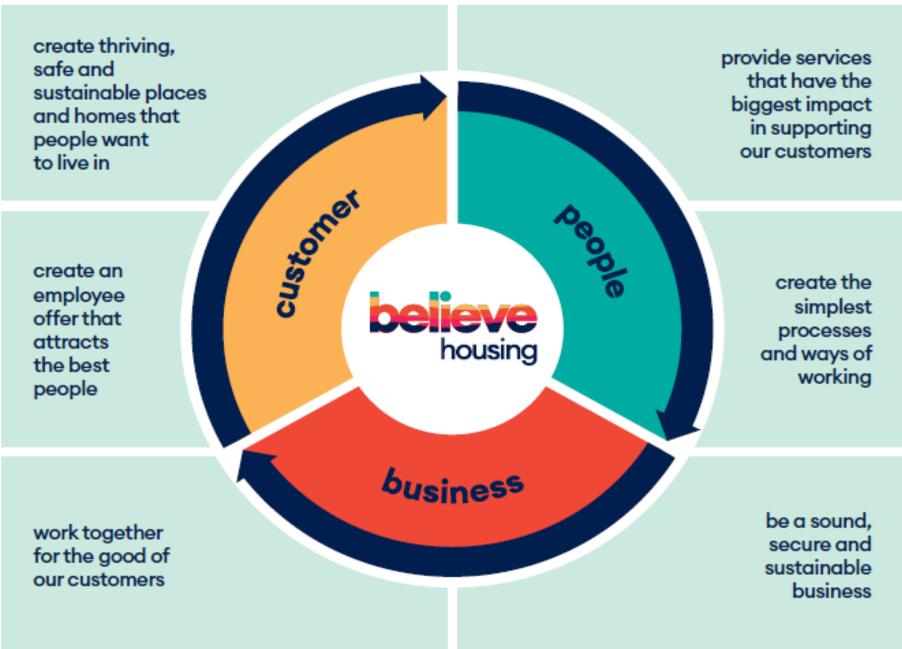
On the 19 March 2021 Believe Developments Limited was incorporated under the Companies Act 2006 and registered with Companies House. Believe Developments Limited is a wholly owned subsidiary, established to support the delivery of our 2021 – 2026 Development Strategy. The principal activities of Believe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

The 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 set out our ambitions for the next three years. This Plan was updated in March 2023 to reflect our latest position and priorities. The Corporate Plan recognised that we would be subject to a number of challenges over the period and taking these challenges into account, the 2023 update reflects on the first year of delivering our Corporate Plan and puts our customers front and centre to the delivery of our priorities. Over the next two years we will remain focused on our priorities, but we must also continue to be responsive to the complex and changing operating environment as well as the changing expectations of our customers.

Our vision and values remain constant; however, our strategic objectives have been reviewed and streamlined in order to achieve the right level of focus required. The objectives all have crosscutting impacts on making a difference to our customers, our people and our business.



Our objectives, priorities and supporting metrics can be summarised as follows:

Objectives	**Create thriving, safe and sustainable places and homes that people want to live in**	**Provide services that have the biggest impact in supporting our customers**	**Create an employee offer that attracts the best people**	**Work together for the good of our customers**	**Create the simplest processes and ways of working**	**Be a sound, secure and sustainable business**
Priorities	**Repairs and maintenance** **Asset management strategy**	**Future operating model** **Processes and systems**	**Employee offer**	**Workforce strategy**	**Processes and systems** **Future operating model**	**Refinancing** **Service charges** **Asset management strategy**
Metrics	✓ 95% repairs completed right first time ✓ 13 days (average) to complete a repair ✓ Customer satisfaction rating of 4.3 out of 5 ✓ 1.50% new supply delivered ✓ Tenant Satisfaction Measures	✓ Turnover of tenancies as a % of stock ✓ 82% overall customer satisfaction ✓ 85% complaints completed in timescale ✓ £4m social value achieved ✓ 6.17% total debt as a % of debt owed ✓ Tenant Satisfaction Measures	✓ Staff turnover ✓ 3 Star best companies score	✓ 75+ healthy culture audit score ✓ Days lost due to sickness	✓ 88% repairs completed in timescale ✓ 35 day average re-let time ✓ 85% complaints completed in timescale ✓ 6.17% total debt as a % of debt owed ✓ 82% overall customer satisfaction ✓ Tenant Satisfaction Measures	✓ VfM Metrics ✓ 6.17% total debt as a % of debt owed ✓ 68.71 average SAP rating ✓ Carbon footprint ✓ 100% across compliance metrics ✓ 100% Decent Homes ✓ 100% homes surveyed against DHS in 5 years ✓ Tenant Satisfaction Measures

We have identified measures that will monitor how we are performing against our strategic objectives. These metrics will be monitored and reported through our Corporate 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 oversight of internal controls to the Audit Committee and receives an annual report from the Audit Committee.

Day to day management of the business, including establishing and maintaining a system of internal control, 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 2022 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 Customer Voices 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, which aligns to our objectives and is supported by 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 the 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 the Audit Committee and the 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 Customer Voices 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;
- 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. A workshop was held with the Board on 1 March 2023 to review specific mitigating actions and their impacts and priorities;
- 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 backups 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 which is updated quarterly by management, reviewed annually by the Audit Committee and supported by a Board approved policy and manual.

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 7 June 2023 highlighted the results of the 2022/23 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 review 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, control and governance arrangements.*
- *Based on our sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were achieved throughout the period under review.*

This is with the exception of:

- *Cyber Security: One high priority finding was raised as part of the cyber security review undertaken during FY23. This related to the Vulnerability Management process and resulted in three recommendations. As part of the phase 2 follow up review (April 23), 2/3 of these recommendations had been deemed as implemented by management.*

The third recommendation has now been implemented.

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 2022/23 financial year.

The Board has reviewed the effectiveness of the system of internal control for the accounting period commencing 1 April 2022 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 May 2022 along with an action plan to address areas of noncompliance. Two areas of non-compliance with the Code were identified as follows:

3.4 (6) The organisation annually publishes information about the appointment of new board members, and about the diversity, skills and attributes of all the board members.

3.2 (9) Holding to account the organisation's subsidiary boards, committees and senior staff for the exercise of any powers delegated to them.

Actions to address both of these areas were completed in 2022/23 and no areas of non compliance with the Code were identified in the report to Board in May 2023.

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 2022/23 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 9 August 2023 alongside these financial statements.

The report confirmed 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.

Our report on our gender pay gap can be found at our website.

In December 2022 we completed our fourth culture audit which showed we continued to have a healthy culture score of 84 (December 2021: 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 third 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.

High response levels were achieved for both our culture and Best Companies surveys.

Equality, diversity and inclusion

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

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

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

Employees with disabilities

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

Statement of Board members' responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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.

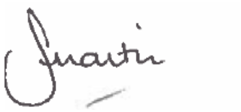
Disclosure of information to auditors

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 9 August 2023 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 2023 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 2023 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 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 pages 42 and 43, 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 2022, 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 members of the Association, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 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 and the members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 20 September 2023

Consolidated Statement of Comprehensive Income

	Note	2023	2022
		£'000	**£'000**
Turnover	3	73,945	69,766
Cost of Sales	3	(322)	-
Operating expenditure	3	(63,521)	(60,967)
Gain on disposal of fixed assets	3/7	3,335	3,695
Operating surplus	6	13,437	12,494
Interest receivable	8	625	11
Interest and finance costs	9	(7,479)	(6,530)
Surplus on ordinary activities before taxation		6,583	5,975
Tax on surplus on ordinary activities	13	-	-
Surplus for the year		6,583	5,975
Remeasurement income in respect of pension scheme	27	46,155	17,250
Total comprehensive income for the year		52,738	23,225

The results relate wholly to continuing activities.

The accompanying notes on pages 53 to 94 form part of these financial statements.

The financial statements on pages 48 to 94 were approved and authorised for issue by the Board on 9 August 2023 and signed on its behalf by:

Judith Common
Chair of the Board

Douglas Ross
Vice Chair of the Board

Andrew Coates
Secretary

Association Statement of Comprehensive Income

	Note	2023	2022
		£'000	£'000
Turnover	3	73,945	69,766
Cost of Sales	3	(322)	-
Operating expenditure	3	(63,518)	(60,967)
Gain on disposal of fixed assets	3/7	3,335	3,695
Operating surplus	6	13,440	12,494
Interest receivable	8	626	11
Interest and finance costs	9	(7,479)	(6,530)
Surplus on ordinary activities before taxation		6,587	5,975
Tax on surplus on ordinary activities	13	-	-
Surplus for the year		6,587	5,975
Remeasurement income in respect of pension scheme	27	46,155	17,250
Total comprehensive income for the year		52,742	23,225

The results relate wholly to continuing activities.

The accompanying notes on pages 53 to 94 form part of these financial statements.

The financial statements on pages 48 to 94 were approved and authorised for issue by the Board on 9 August 2023 and signed on its behalf by:

Judith Common
Chair of the Board

Douglas Ross
Vice Chair of the Board

Andrew Coates
Secretary

Consolidated Statement of Changes in Reserves

	Note	Income and Expenditure Reserve £'000 2023	Income and Expenditure Reserve £'000 2022
Balance at the beginning of the year		72,453	49,228
Surplus for the year		6,583	5,975
Other comprehensive income for the year	27	46,155	17,250
Balance at the end of the year		125,191	72,453

The accompanying notes on pages 53 to 94 form part of these financial statements.

Association Statement of Changes in Reserves

	Note	Income and Expenditure Reserve £'000 2023	Income and Expenditure Reserve £'000 2022
Balance at the beginning of the year		72,453	49,228
Surplus for the year		6,587	5,975
Other comprehensive income for the year	27	46,155	17,250
Balance at the end of the year		125,195	72,453

The accompanying notes on pages 53 to 94 part of these financial statements.

Group and Association Statement of Financial Position

	Note	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Intangible fixed assets					
Intangible fixed assets	14	744	1,139	744	1,139
		744	1,139	744	1,139
Tangible fixed assets					
Tangible fixed assets – housing properties at cost	15	317,217	275,702	314,056	275,462
Tangible fixed assets – other	16	1,852	2,143	1,852	2,143
		319,069	277,845	315,908	277,605
Debtors: amounts falling due after more than one year	19	8,200	-	8,444	-
Current assets					
Stock	18	306	425	306	325
Debtors	19	7,071	4,620	10,084	4,636
Cash at bank and in hand		4,558	42,150	4,315	42,135
		11,935	47,195	14,705	47,096
Creditors: amounts falling due within one year	20	(17,943)	(18,445)	(17,792)	(18,106)
Net current (liabilities) / assets		(6,008)	28,750	(3,087)	28,990
Total assets less current liabilities		322,005	307,734	322,009	307,734
Creditors: amounts falling due after more than one year	21	(181,729)	(176,841)	(181,729)	(176,841)
Provision for liabilities					
Pension provision	27	(15,085)	(57,605)	(15,085)	(57,605)
Other provisions	24	-	(835)	-	(835)
Total net assets		125,191	72,453	125,195	72,453
Reserves					
Income and expenditure reserve		125,191	72,453	125,195	72,453
Total reserves		125,191	72,453	125,195	72,453

The accompanying notes on pages 53 to 94 form part of these financial statements. The financial statements on pages 48 to 94 were approved and authorised for issue by the Board on 9 August 2023 and signed on its behalf by:

Judith Common
Chair of the Board

Douglas Ross
Vice Chair of the Board

Andrew Coates
Secretary

Consolidated Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	29	17,599	26,419
Cash flow from investing activities			
Purchase of intangible fixed assets		(162)	(324)
Purchase of tangible fixed assets		(51,454)	(29,837)
Proceeds from sale of tangible fixed assets		4,648	4,935
Grant received		5,358	3,023
Interest received		625	11
		(23,386)	4,227
Cash flow from financing activities			
Interest paid		(6,006)	(5,104)
New secured loans		-	35,000
Repayment of borrowings		-	(20,000)
Loans to Joint Ventures		(8,200)	
		(37,592)	14,123
Net change in cash and cash equivalents		(37,592)	14,123
Cash and cash equivalents at beginning of the year		42,150	28,027
Cash and cash equivalents at end of the year		4,558	42,150

The accompanying notes on pages 53 to 94 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 to our 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 a 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 2023 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 2023 we had drawn debt of £160m and had an available cash balance of £4.558m.

Our Statement of Financial Position reports a net current liabilities position at the end of March 2023 of £6.008m.

The year end cash is lower than the equivalent period last year because of the timing of payments for our development programme and investment in our existing properties. In line with our Business Plan additional funding drawdowns will be made in April to meet the ongoing programmes of investment in our existing and new properties.

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;
- Rent setting policy; 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 17 May 2023 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.

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 alongside the Corporate Performance scorecard.

Cash flows are monitored through a daily scorecard and three day forecast 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 7 June 2023 and the Board on the 5 July 2023. 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. Only property which is intended to be used for commercial return or capital appreciation is categorised as an investment property.

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

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

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

- Accounting for loans as basic financial instruments: Loans are accounted for at amortised cost. The judgement applied is in interpreting the guidance set out in FRS

102 in the context of each funding agreement in place. Management have undertaken a review of the terms of each funding agreement alongside the criteria to be considered in classifying loans. In management's judgement all of the loans meet the criteria of a basic financial instrument and are therefore accounted for at amortised cost.

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

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

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

Estimation uncertainty

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

- Defined benefit obligations: 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 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 balances. 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 all of its subsidiaries 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 year 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 subsidiaries

Investments in subsidiaries are 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. The joint venture is accounted for using the cost model, where the investment is at cost less any accumulated impairment and any distributions are recognised as income when received.

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, or reduce future maintenance costs, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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

Assets under construction

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

No depreciation is charged during the period of construction.

Disposal of fixed assets

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

Depreciation of housing properties

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
- Air source heat pumps	20 years
- Solar panels (PVSP)	25 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 - 15 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 amounts owed to the lessor as expenditure.

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

Cash and cash equivalents

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

Capitalisation of interest and administration costs

No interest is capitalised.

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 its intended use.

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

Group

	2023				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	70,797	-	(62,298)	3,335	11,834
Activities other than social housing activities					
First tranche low cost shared ownership sales	496	(322)	-	-	174
Lettings	157	-	-	-	157
Other	2,495	-	(1,223)	-	1,272
	3,148	-	(1,223)	-	1,603
	73,945	**(322)**	**(63,521)**	**3,335**	**13,437**

	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**

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

Association

2023

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Gain on disposal of fixed assets £'000	Operating surplus £'000
Social housing lettings	70,797	-	(62,298)	3,335	11,834
Activities other than social housing activities					
First tranche low-cost home ownership sales	496	(322)	-	-	174
Lettings	157	-	-	-	157
Other	2,495	-	(1,220)	-	1,275
	3,148	(322)	(1,220)	-	1,606
	73,945	**(322)**	**(63,518)**	**3,335**	**13,440**

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**

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	2023 Total £'000	2022 Total £'000
Rent receivable net of identifiable service charges	69,941	-	-	69,941	67,381
Service charges receivable	451	-	-	451	468
Amortised government grants	405	-	-	405	345
Turnover from social housing lettings	**70,797**	**-**	**-**	**70,797**	**68,194**
Management	(26,290)	-	-	(26,290)	(26,251)
Service charge costs	(995)	-	-	(995)	(970)
Routine maintenance	(18,574)	-	-	(18,574)	(16,552)
Planned maintenance	(4,220)	-	-	(4,220)	(3,176)
Major repairs expenditure	(3,441)	-	-	(3,441)	(4,835)
Bad debts	(438)	-	-	(438)	(302)
Depreciation of housing properties	(8,340)	-	-	(8,340)	(7,674)
Impairment of housing properties	-	-	-	-	-
Operating costs on social housing lettings	**(62,298)**	**-**	**-**	**(62,298)**	**(59,760)**
Gain on disposal of fixed assets	**3,335**	**-**	**-**	**3,335**	**3,692**
Operating surplus on social housing lettings	**11,834**	**-**	**-**	**11,834**	**12,126**
Void losses (being rental income lost as a result of the property not being let, although it is available for letting)	(1,663)	-	-	(1,663)	(1,443)

Particulars of turnover from non-social housing lettings

	2023 £'000	2022 £'000
Non-social housing		
Commercial units	170	170
	170	**170**

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	2023 Total £'000	2022 Total £'000
Rent receivable net of identifiable service charges	69,941	-	-	69,941	67,381
Service charges receivable	451	-	-	451	468
Amortised government grants	405	-	-	405	345
Turnover from social housing lettings	**70,797**	**-**	**-**	**70,797**	**68,194**
Management	(26,290)	-	-	(26,290)	(26,251)
Service charge costs	(995)	-	-	(995)	(970)
Routine maintenance	(18,574)	-	-	(18,574)	(16,552)
Planned maintenance	(4,220)	-	-	(4,220)	(3,176)
Major repairs expenditure	(3,441)	-	-	(3,441)	(4,835)
Bad debts	(438)	-	-	(438)	(302)
Depreciation of housing properties	(8,340)	-	-	(8,340)	(7,674)
Impairment of housing properties	-	-	-	-	-
Operating costs on social housing lettings	**(62,298)**	**-**	**-**	**(62,298)**	**(59,760)**
Gain on disposal of fixed assets	**3,335**	**-**	**-**	**3,335**	**3,692**
Operating surplus on social housing lettings	**11,834**	**-**	**-**	**11,834**	**12,126**
Void losses (being rental income lost as a result of the property not being let, although it is available for letting)	(1,663)	-	-	(1,663)	(1,443)

Particulars of turnover from non-social housing lettings

	2023 £'000	2022 £'000
Non-social housing		
Commercial units	170	170
	170	**170**

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 2022 (Restated)	No. of additions	No. of disposals	No. of demolition	No. of units as at 31 March 2023
Social housing					
General needs housing					
- social rent	17,556	-	(113)	(95)	17,348
- affordable rent	349[5]	58	-	-	407
- intermediate rent	244	35	-	-	279
Low cost home ownership	3	7	-	-	10
Total owned and managed	**18,152**	**100**	**(113)**	**(95)**	**18,044**

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

[5] Opening position for affordable rent properties reduced by two from the 2021/22 accounts as it was identified that the properties completed after 1 April 2022.

6. Operating surplus

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
This is arrived after charging/crediting:				
Depreciation of social housing properties	8,340	7,674	8,340	7,674
Impairment of social housing properties	-	-	-	-
Depreciation of non-social housing properties	27	22	27	22
Depreciation of other tangible fixed assets	565	542	565	542
Depreciation on intangible assets	542	503	542	503
Gain on disposal of fixed assets	3,335	3,695	3,335	3,695
Operating lease rentals	-			
• land and buildings	267	290	267	290
• other	1,167	1,308	1,167	1,308
Auditors' remuneration (excluding VAT)				
• Fees payable for the audit of the financial statements	41	39	41	39
• Grant audit work	-	-	-	-
• Tax compliance work	3	3	3	3
Total amount payable to the auditors	44	42	44	42

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[6] £'000	Other disposals £'000	2023 Total £'000	2022 Total £'000
Disposal proceeds	4,506	142	4,648	4,938
Carrying value of Fixed Assets	(1,299)	(14)	(1,313)	(1,243)
	3,207	128	3,335	3,695
Recycled capital grant fund	-	-	-	-
Gain on disposal of fixed assets	**3,207**	**128**	**3,335**	**3,695**

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

8. Interest receivable and other income

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Bank interest receivable and similar income	563	11	563	11
Intercompany interest receivable – Believe Developments	-	-	63	-
Intercompany interest receivable – joint ventures	62	-	-	-
	625	**11**	**626**	**11**

9. Interest payable and finance costs

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Loans interest payable:				
• Loans repayable < 5 years	-	-	-	-
• Loans repayable > 5 years wholly or in part	5,353	4,522	5,353	4,522
	5,353	4,522	5,353	4,522
Fees and charges	653	583	653	583
Net finance costs for pensions (note 27)	1,473	1,425	1,473	1,425
	7,479	6,530	7,479	6,530
Interest payable capitalised on housing properties under construction	-	-	-	-
	7,479	**6,530**	**7,479**	**6,530**

No interest payable has been capitalised in the year (2022: £nil).

10. Employees

Group and association

Average monthly number of employees:	**2023 Number**	**2022 Number**
Administration	161	161
Housing, support and care	456	411
	617	**572**

Expressed as full-time equivalents:		
Administration	157	156
Housing, support and care	444	396
	601	**552**

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

Employee costs:

	2023 £'000	**2022 £'000**
Wages and salaries	20,371	17,412
Social security costs	2,206	1,753
Other pension costs	4,243	3,651
	26,820	**22,816**

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 2023 unpaid pension contributions totalled £2k (2022: £2k).

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:

	2023 Number	Restated[7] 2022 Number
£60,001 to £70,000	25	20
£70,001 to £80,000	4	1
£80,001 to £90,000	4	6
£90,001 to £100,000	2	0
£100,001 to £110,000	0	0
£110,001 to £120,000	7	7
£120,001 to £130,000	1	1
£130,001 to £140,000	0	0
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	1
£170,001 to £180,000	0	2
£180,001 to £190,000	3	0
	46	**38**

[7] The prior year has been restated to remove Employers' National Insurance Contributions incorrectly included.

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:

	2023			2022
	Salary	**Expenses**	**Total**	**Total**
	£	**£**	**£**	**£**
Robert Auty	6,000	232	6,232	5,735
Monica Burns	6,000	577	6,577	1,400
David Clouston	6,000	33	6,033	1,400
Judith Common	15,000	882	15,882	15,000
Hazel Dale	8,000	329	8,329	7,254
Kelly Henderson	6,000	-	6,000	1,400
Gurpreet Singh Jagpal	8,000	-	8,000	7,050
John Marshall	6,000	-	6,000	5,600
Douglas Ross	11,460	67	11,527	11,460
Kevan Joseph Wales	8,000	45	8,045	6,408
Kevin Joseph Shaw	-	-	-	1,522
	80,460	**2,165**	**82,625**	**64,229**

The total amount of remuneration (i.e. salary) paid as a percentage of turnover was 0.11% (2022: 0.09%). 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 (resigned 31 March 2023), Robert Alan Smith and Faye Gordon (appointed 1 April 2023) are not remunerated in their role as Board members.

William Fullen (resigned 31 March 2023), Robert Alan Smith and Faye Gordon (appointed 1 April 2023), 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 Board Trainee Programme received total remuneration of £2,500 (2022: £-) in the financial year.

Members of our Customer Voices group received total remuneration of £7,291 (2022: £7,780) 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 £1,614k (2022: £1,601k).

Executive Directors and Directors

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

	2023 £'000	2022 £'000
Wages and salaries	1,273	1,211
Benefits in kind	15	-
Pension contributions	234	223
	1,522	**1,434**

	Basic salary £'000	Benefits in kind £'000	Pension Contributions £'000	Total Emoluments £'000
W Fullen	172	15	0	187

William Fullen, the Chief Executive, as the highest paid executive, received aggregate emoluments of £187k (2022: £165k). 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 2023 (2022: £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 (2022: £nil).

13. Tax on surplus on ordinary activities

Group and association

	2023 £'000	2022 £'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:

	2023 £'000	2022 £'000
Surplus on ordinary activities before taxation	6,583	5,975
Tax on profit at standard UK tax rate of 19%	1,251	1,135
Effects of:		
Non-taxable expense	(1,251)	(1,135)
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 2022	188	2,720	2,908
Additions	162	-	162
Completions	(308)	308	-
Disposals	-	(36)	(36)
At 31 March 2023	42	2,992	3,034
Accumulated depreciation			
At 1 April 2022	-	1,769	1,769
Charged in the year	-	542	542
Released on disposal	-	(21)	(21)
At 31 March 2023	-	2,290	2,290
Net book value			
At 31 March 2023	**42**	**702**	**744**
At 31 March 2022	188	951	1,139

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 2022	290,967	3,724	10,193	18	237	305,139
Additions	5,158		20,075		199	25,432
Works to existing properties	25,694	49	-	-	-	25,743
Schemes completed	5,953		(5,953)	436	(436)	-
Disposals	(2,526)	(8)				(2,534)
Transfer to current assets	-	-	-	-	-	-
At 31 March 2023	325,246	3,765	24,315	454	-	353,780
Depreciation and impairment						
At 1 April 2022	(29,325)	(111)	-	(1)	-	(29,437)
Depreciation charged in the year	(8,340)	(21)	-	(6)	-	(8,367)
Impairment loss	-					-
Depreciation released on disposal	1,240	1	-	-	-	1,241
At 31 March 2023	(36,425)	(131)	-	(7)	-	(36,563)
Net book value						
At 31 March 2023	**288,821**	**3,634**	**24,315**	**447**	**-**	**317,217**
At 31 March 2022	261,642	3,613	10,193	17	237	275,702

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 2022	290,967	3,724	9,953	18	237	304,899
Additions	5,158		17,154		199	22,511
Works to existing properties	25,694	49	-	-	-	25,743
Schemes completed	5,953		(5,953)	436	(436)	-
Disposals	(2,526)	(8)				(2,534)
Transfer to current assets	-	-	-	-	-	-
At 31 March 2023	325,246	3,765	21,154	454	-	350,619
Depreciation and impairment						
At 1 April 2022	(29,325)	(111)	-	(1)	-	(29,437)
Depreciation charged in the year	(8,340)	(21)	-	(6)	-	(8,367)
Impairment loss	-	-	-	-	-	-
Depreciation released on disposal	1,240	1	-	-	-	1,241
At 31 March 2023	(36,425)	(131)	-	(7)	-	(36,563)
Net book value						
At 31 March 2023	**288,821**	**3,634**	**21,154**	**447**	**-**	**314,056**
At 31 March 2022	2461,642	3,613	9,953	17	237	275,462

15. Tangible fixed assets - housing properties (continued)

Housing properties book value, net of depreciation

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Freehold land and buildings	317,217	275,702	314,056	275,462

Expenditure on works to existing properties

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£’000
Components capitalised	25,743	17,110	25,743	17,110
Amounts charged to income and expenditure	22,794	19,728	22,794	19,728
	48,537	**36,838**	**48,537**	**36,838**

Finance costs

There are no finance costs included in the cost of housing properties (2022: £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 2022/23 financial year.

Capitalised overheads

Support costs relating to development and property improvement works are capitalised based on the following rates:

New builds	2% of scheme costs
s106 acquisitions	1% of scheme costs
Improvements to existing stock	6% of scheme costs

16. Tangible fixed assets - other

Group and association

	Furniture fixtures and ICT/other equipment £'000	Total £'000
Cost		
At 1 April 2022	3,815	3,815
Additions	280	280
Disposals	(15)	(15)
At 31 March 2023	4,080	4,080
Accumulated depreciation		
At 1 April 2022	(1,672)	(1,672)
Charged in the year	(565)	(565)
Release on disposal	9	9
At 31 March 2023	(2,228)	(2,228)
Net book value		
At 31 March 2023	**1,852**	**1,852**
At 31 March 2022	2,143	2,143

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.

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 31 March 2023.

18. Stock

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2021 £'000
Raw materials and consumables	177	175	177	175
Work in progress	129	250	129	150
	306	**425**	**306**	**325**

19. Debtors

	Group		Association	
		Restated[8]		Restated
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Due after more than one year				
Joint Venture loan– Believe Carlton MSG LLP	7,403	-	-	-
Joint Venture loan – Believe Carlton Witton LLP	797	-	-	-
Intercompany loan – Believe Development Ltd	-	-	8,444	
	8,200	**-**	**8,444**	**-**
Due within one year				
Rent and service charges receivable	4,946	5,109	4,946	5,109
Less: provision for bad and doubtful debts	(2,053)	(2,159)	(2,053)	(2,159)
Net rental debtors	2,893	2,950	2,893	2,950
Trade debtors	628	92	628	86
Social Housing Grant Receivable	1,309	-	1,309	-
Prepayments and accrued income	1,741	1,575	4,902	1,575
Other debtors	500	3	352	3
Amounts owed by group undertakings	-	-	-	22
	7,071	**4,620**	**10,084**	**4,636**

The intercompany loan with Believe Developments are drawdowns from an intra group loan facility with a limit of £40m. Interest is charged at 4.5% and the facility expires in March 2026.

Believe Developments has a loan agreement with both Believe Carlton MSG LLP and Believe Carlton Witton LLP (“Joint Ventures”). The loans provided are secured over the land assets held within the Joint Ventures and are provided at an interest rate of 4.5%.

The maximum facilities and terms are as follows:

	Believe Carlton MSG LLP	**Believe Carlton Witton LLP**
Maximum facility	£11m	£5.25m
Maximum loan term	72 months to 27th Jan 2029	40 months to 29th July 2027

The recoverability of the loans has been assessed as at 31 March 2023 and no issues have been identified. There has been no change to the valuation of the land provided as security.

[8] Rental debtors (note 19) have been restated to reclassify rent in advance to creditors (note 20).

20. Creditors: amounts falling due within one year

	Group		Association	
		Restated [9]		Restated
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	1,422	1,311	1,419	1,311
Rent and service charges received in advance	2,042	2,211	2,042	2,211
Recycled capital grant fund (note 23)	-	-	-	-
Social housing grant received in advance	5,897	1,557	5,897	1,557
Deferred grant income (note 22)	494	390	494	390
Pension creditor	2	2	2	2
Other taxation and social security	538	568	538	568
Other creditors	26	35	26	35
Accruals and deferred income	7,522	12,371	7,281	12,032
Amounts owed to group undertakings	-	-	93	-
	17,943	**18,445**	**17,792**	**18,106**

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

Group and association

	2023	2022
	£'000	£'000
Debt (note 25)	160,000	160,000
Borrowing costs unamortised	(935)	(974)
	159,065	159,026
Deferred grant income (note 22)	22,664	17,815
	181,729	**176,841**

[9] Rental debtors (note 19) have been restated to reclassify rent in advance to creditors (note 20).

22. Deferred Grant Income

Group and association

	2023	2022
	£'000	£'000
At 1 April	18,205	15,527
Grant received in the year	5,358	3,023
Released to income in the year	(405)	(345)
At 31 March	**23,158**	**18,205**
Amounts to be released within one year	494	390
Amounts to be released in more than one year	22,664	17,815
	23,158	**18,205**

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

	2023	2022
	£'000	£'000
At 1 April	-	50
Grants recycled	-	-
Interest accrued	-	-
Recycling of grant: new build	-	(50)
At 31 March	-	-
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	Total £'000
At 1 April 2022	835	835
Additions	-	-
Unused amounts reversed	(835)	(835)
At 31 March 2023	**-**	**-**

The provision for water rates commission has been released following the period to claim elapsing.

25. Debt analysis

Group and association

	2023 £'000	2022 £'000
Drawn debt profile		
Bank and building society loans at fixed rates of interest	160,000	160,000
Bank and building society loans at variable rates of interest	-	-
	160,000	**160,000**

There were no movements in funding arrangements during the year ended 31 March 2023

As at 31 March 2023 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 2023 believe housing had undrawn loan facilities of £100m (2022: £100m).

26. Non-equity share capital

Shares of £1 each issued and fully paid

	2023 No.	2022 No.
At 1 April	10	8
Shares issued/(surrendered) during the financial year	-	2
As at 31 March	**10**	**10**

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 2022 which determines the employer contribution levels from April 2023 to March 2026.

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

27. Pensions (continued)

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.

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

	2023 £'000	2022 £'000
Amounts charged to operating expenditure:		
Current service cost	(7,443)	(7,710)
Past service cost	(241)	(188)
Settlement costs	690	-
Employer contributions paid	4,832	4,671
Total operating debit	(2,162)	(3,227)
Amounts included in interest payable:		
Interest on net defined benefit liability	(1,473)	(1,425)
Remeasurement gain recognised on defined benefit pension Scheme	46,155	17,250
Total debit to the Statement of Comprehensive Income	**42,520**	**12,598**

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

Present values of provision	2023 £'000	2022 £'000
Present value of funded obligations	(120,035)	(146,629)
Fair value of scheme assets	105,065	89,158
	(14,970)	(57,471)
Present value of unfunded obligations	(115)	(134)
Net pension liability	**(15,085)**	**(57,605)**

27. Pensions (continued)

Reconciliation of opening and closing provisions

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

	2023 £'000	2022 £'000
Opening defined benefit obligation	(146,763)	(152,007)
Current service cost	(7,443)	(7,710)
Past service cost	(241)	(188)
Interest on scheme liabilities	(4,421)	(3,187)
Actuarial gain / (loss)	55,111	15,784
Contributions by scheme participants	(1,232)	(1,135)
Benefits paid	2,349	1,680
Settlement costs	(17,510)	-
Closing defined benefit obligation	**(120,150)**	**(146,763)**

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

	2023 £'000	2022 £'000
Funded	(120,035)	(146,629)
Unfunded	(115)	(134)
Closing defined benefit obligation	**(120,150)**	**(146,763)**

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

	2023 £'000	2022 £'000
Opening fair value of scheme assets	89,158	81,804
Interest on scheme assets	2,948	1,762
Remeasurement (losses) / gains on assets	(8,956)	1,466
Contributions by employer	4,832	4,671
Contributions by scheme participants	1,232	1,135
Benefits paid	(2,349)	(1,680)
Settlements	18,200	-
Closing fair value of scheme assets	**105,065**	**89,158**

27. Pensions (continued)

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

	2023	2022
	%	%
Equities	53.7	55.3
Property	7.8	6.8
Government bonds	12.7	15.0
Corporate bonds	4.4	5.9
Multi Asset Credit	15.1	-
Cash	1.8	2.5
Other	4.5	14.5

The principal actuarial assumptions as at the reporting date were:

	2023	2022
	%	%
Discount rate	4.7	2.7
Rate of increase in pensions in payment	2.7	2.9
Rate of pension accounts revaluation rate	2.7	2.9
Inflation (consumer price index)	2.7	2.9
Salary increase	3.7	3.9

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

	2023	2022
Males		
Future lifetime from age 65 (aged 65 at accounting date)	22.2	22.1
Future lifetime from age 65 (aged 45 at accounting date)	23.5	23.2
Females		
Future lifetime from age 65 (aged 65 at accounting date)	24.4	24.2
Future lifetime from age 65 (aged 45 at accounting date)	25.5	25.7

28. Capital commitments

Tangible fixed assets

	2023 £'000	2022 £'000
Capital expenditure		
Expenditure contracted for, but not provided for in the financial statements	65,186	61,166
Expenditure authorised by the Board, but not contracted	38,956	24,926
	104,142	**86,092**

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 £14.188m (2022: £14.840m).

29. Net cash inflow from operating activities

	2023 £'000	2022 £'000
Surplus for the year	6,583	5,975
Adjustments for non-cash items:		
Pension adjustment	3,635	4,652
Depreciation of intangible fixed assets	542	503
Depreciation of tangible fixed assets	8,930	8,238
Impairment of tangible fixed assets	-	-
Amortisation of social housing grant	(405)	(345)
Recycled capital grant	-	-
Surplus on sale of housing properties	(3,335)	(3,691)
(Increase)/decrease in stock	119	(350)
Decrease/(Increase) in debtors	(2,451)	3,727
Increase/(decrease) in creditors	(604)	2,779
Increase/(decrease) in provisions	(835)	(15)
Adjustments for investing or financing activities:		
Interest payable	6,006	5,104
Interest received	(625)	(11)
Amortisation of loans	39	(147)
Net cash flow from operating activities	**17,599**	**26,419**

30. Analysis of changes in net debt

	At 1 April 2022 £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2023 £'000
Cash	42,150	(37,592)	-	4,558
Bank loans due greater than one year	159,026	-	39	159,065
Total	**201,176**	**(37,592)**	**39**	**163,623**

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:

	2023 £'000	2022 £'000
Within one year	264	267
Between two and five years	1,055	1,055
Greater than five years	1,786	2,049
	3,105	**3,371**

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:

Entity	Description	Position within the group	Nature of business
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
Believe Carlton MSG Limited Liability Partnership	Limited liability partnership between Believe Developments Limited and Homes by Carlton Limited. Not registered with the Regulator of Social Housing.	Joint Venture	Development of a new build housing scheme
Believe Carlton Witton Limited Liability Partnership	Limited liability partnership between Believe Developments Limited and Homes by Carlton Limited. Not registered with the Regulator of Social Housing.	Joint Venture	Development of a new build housing scheme

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 six tenants who served as members of the Customer Voices group during the financial year.

Their tenancies 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 and committee members during the year totalled £30,864 (2022: £33,243). There was £440 owed at 31 March 2023 from tenant and leaseholder board and committee members (2022: £357).

Durham County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) which is administered by Durham County Council. The Fund provides post-employment benefits to employees of believe housing and therefore represents a related entity. During the year £1,140,260 was paid to Durham County Council Pension Fund by believe housing representing pension contributions and associated costs (2022: £1,303,432). There was an outstanding balance owed of £74,533 at 31 March 2023 (2022: £72,435). The expenditure was incurred on a normal commercial basis.

Monica Burns, a member of the Board, is also a Board member of Tyne Housing Association. During the year £11,113 was paid to Tyne Housing Association by believe housing for employability services (2022: £nil). There was no balance outstanding at 31 March 2023 (2022: £nil). The expenditure was incurred on a normal commercial basis and Monica Burns was not able to use her 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 £3,240 was paid to North East England Chamber of Commerce by believe housing for membership services (2022: £2,232). There was no balance outstanding at 31 March 2023 (2022: £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[10]. 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

[10] Previously the Homes and Communities Agency

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 was recycled in 2021/22 to support the development of 18 new homes at Ashdale Road, Consett.

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 2023 £4.1m (2022: £2.0m) has been received by believe housing under the VAT shelter scheme, of which 50% has been paid to Durham County Council.

32. Grants and financial assistance

Group and association

	Social housing grant £'000	Other grants £'000	Total 2023 £'000	Total 2022 £'000
At 1 April	18,205	-	18,205	15,577
Grants received in the year	5,358	-	5,358	3,023
Grants recycled from the recycled capital grant fund	-	-	-	(50)
Amortised in the year	(405)	-	(405)	(345)
At 31 March	**23,158**	**-**	**23,158**	**18,205**

33. 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.

During the year, Believe Developments undertook works on behalf of believe housing for the development of properties. As at the 31 March 2023, no properties had reached completion and therefore the work in progress is held as stock in Believe Developments. Payments on account from believe housing have been accounted for as a prepayment in believe housing (£3.162m). At the 31 March 2023, believe housing owed Believe Developments £0.093m.

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 2023, £8.444m (2022: Nil) has been drawn down under the arrangement to provide loans from Believe Development Limited to Believe Carlton MSG LLP (£7.403m) and Believe Carlton Witton LLP (£0.797m)

The loans are provided at a rate of 4.5% and secured on the land purchased in the joint ventures.

34. Ultimate parent undertakings and controlling party

There is no ultimate parent undertaking and controlling party.