Black Country Housing Group Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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K Davis (appointed 1 April 2023)
N Simkins (appointed 1 July 2023)
S Brooksbank-Taylor (appointed 1 July 2023)
A Tomlinson (Executive Director)

Executive
A Tomlinson – Chief Executive
A Eggington – Deputy Chief Executive
K Coulthard – Director of Finance

Secretary
S Woods

Registered Office
134 High Street
Blackheath
West Midlands
B65 0EE

Auditors
RSM UK Audit LLP
10th Floor, 103 Colmore Row
Birmingham
B3 3AG

Bankers
Lloyds Bank plc
153 High Street
Blackheath
West Midlands
B65 0EB

Registration
RSH Number: L1668
VAT Number: 705333170
Co-operative & Community Benefit
Society: 21157R

CHAIR AND CHIEF EXECUTIVE'S MESSAGE

We are delighted to report to you on a very positive year for Black Country Housing Group. 2022/23 was a year when we could put the most significant impacts of the pandemic behind us and fully focus on achieving the final year of our 2020-2023 Strategic Plan.

Hearing the Customer Voice has been a high priority for us, and Board continue to adopt the "No Voice, No Approval" approach to all decisions that are customer facing. Some of the challenges that emerged during the past year, such as the difficult decision on rent increases, and balancing investment needs for our homes against the cost-of-living challenge for tenants, were considered by Board with the Customer Voice at the heart of the decision. Our first BCHG Customer Conference was a huge success and will become now an annual opportunity for customers to share their views on our future direction with Board and Executive colleagues.

The standard and quality of our homes is of huge importance for the Board, and 2022/23 brought this into sharp focus with the tragic situation of Awaab Ishak who lost his life through living in damp and mouldy accommodation. We adopted a Damp and Mould Policy early in 2022 in which we state our zero tolerance for this condition in our homes and will seek to prevent and eliminate damp and mould completely. Ensuring our service delivery is fully inclusive for all our customers is a core part of our Equality, Diversity and Inclusion Strategy and represents the BCHG Way, where our values and inclusive culture underpin our ways of working, newly articulated through our Value Based Service Standards.

The last year was one in which we continued to perform well financially in support of our mission as a Social Business Investing in People and Communities. We're proud to state that we are in the midst of our largest development programme in BCHG's history, and as well as providing much-needed new affordable homes, we have acquired homes for former rough sleepers as part of BCHG's commitment to preventing homelessness. BCHG has also been successful in its bid for Social Housing Decarbonisation Fund to support our ambitions for energy efficient homes in line with our Environmental Strategy.

Our In-Depth Assessment by the Regulator of Social Housing acknowledged that our financial strength balances with our intention to invest in new and existing homes, however we retain significant headroom through a long-term financial plan, based on prudent assumptions that will ensure we have a Sound Business.

2023/24 will be an exciting year for BCHG as we focus on the first year of our new Strategic Plan which will position us as a Trusted Landlord providing Quality Homes within Thriving Communities. We will continue to listen to our customers and respond to what they say, using their knowledge to help shape BCHG's approach to the changing consumer standards and future Government policy.

Our plans can only happen through the commitment, passion and talent of our Board, Executive Board and colleagues, and we want to continue to be an Outstanding Employer. We are privileged to work with an excellent team of people who live the BCHG values and ensure our culture puts people first and foremost. This also includes our engaged customers with whose support we can continuously improve what we do. Our huge thanks extend to all involved with making a positive difference to people's lives.

Dr Abigail Robson

BCHG Board Chair

A Robson

Amanda Tomlinson

Chief Executive

A. Tomlinson

Principal Activities

The Group comprises Black Country Housing Group (the Association) and its subsidiaries;

- BCS Associates Limited (dormant)
- Black Country Care Services Limited (dormant)

The Association is a registered provider of social housing and has exempt charitable status. Key activities during the year included:

- managing and developing homes for rent;
- managing residential care homes;
- providing retirement and supported living;
- supporting people into work and training;
- helping to create sustainable communities;
- maintaining our homes; and
- providing home improvements and adaptations.

Compliance with Regulatory Standards

The Regulator of Social Housing (RSH) provides a regulatory framework which consists of Economic Standards (Governance and Financial Viability, Value for Money and Rent standards) and the Consumer Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community standards).

Each year the regulator requires registered providers to assess their compliance with the Governance and Financial Viability Standard and Consumer Standards. The Group has undertaken an assessment of its compliance and can confirm that it complies in all material respects.

The residents of Gower Gardens and their families were involved in a consultation process ahead of and during the disposal process, and the Board considered their views; we have provided assurance to the RSH of our compliance with the Tenant Involvement and Empowerment Standard.

We continue to maintain an assets & liabilities register, carry out stress testing on our financial plans and ensure that these and our annual budgets are based upon robust and prudent assumptions. We have also continued to operate a sophisticated approach to managing risk, based on risk triggers and early-warning indicators.

Governance

The BCHG Board has adopted the NHF Code of Governance 2020, and a full review of the requirements has been carried out. BCHG has already set the maximum tenure of Board Members at 6 years however to smooth the transition to this new Code, a revised Succession Plan was agreed. This means that a managed transition for succession of key postholders will take place, supporting wider compliance with all Code principles.

The Group's Board meets at least six times a year and comprises of eight non-executive members, plus one executive member, the Chief Executive. The Board met seven times during 2022/23.

We have in place a Non-Executive Director succession plan to ensure that the BCHG Board remains effective, through the appointment of new members with the relevant skills, knowledge and experience, to enhance the long-term performance and excellent governance of the Group. It is also important to us that the Board maintains a diverse and representative membership.

Current Board Member Profiles

Dr Abigail Robson (BCHG Board Chair) - Abigail is a governance consultant as well as an experienced senior manager in local government housing policy, practice, and development. Her professional background is as a quantity surveyor. Abigail is a member of Remuneration, Nominations & People Committee.

Craig Jones (Group Audit Committee Chair) - Craig is Chief Financial Officer at the University of Derby. Previously, Craig was Director of Finance and Resources at two housing associations in the Midlands. Prior to that, Craig's career was in the professional services firms, latterly as Corporate Finance Director with Deloitte UK.

Dr Sarah Woolley - Sarah combines an academic career with executive coaching and management consultancy services and was previously an Executive Board Director in the NHS. Her research focuses on understanding strategic management practices in complex environments, particularly in healthcare and not for profit organisations. Sarah is a Member of the Group Audit Committee.

Nigel Wright - Nigel hails from the Midlands and is a multi-sector independent Non-Executive Director, business owner and social entrepreneur. He is a qualified banker with a professional career in Building Societies, Retail Banking and Payments. He has mutual values and brings broad commercial, operational and digital expertise. Nigel is a member of Remuneration, Nominations & People Committee.

Lorna Wallace-Davis - Lorna is an independent learning and organisation development specialist. She began her career as a social worker and currently runs her own company providing culture change, facilitation, training and executive coaching in the public, housing and independent sectors. Born and brought up in Birmingham to Jamaican parents, she is an active member of her local community. Lorna is the Senior Independent Director of BCHG and Chair of Remuneration, Nominations & People Committee.

Gareth Price – Gareth currently works for Trident Social Investment Group and is responsible for leading on property development, asset investment and delivery of the sustainable homes programme. Over the last 20 years Gareth has gained extensive experience of asset management in the housing sector and has previously worked managing building safety and regulation for several local authorities. Gareth is committed to ensuring the continued growth and investment in housing whilst maintaining safe and decent homes for all residents. Gareth is a member of Group Audit Committee.

Melissa Shervington - Melissa has operated her own company for over ten years - which delivers training, coaching & consultancy services related to entrepreneurship and business growth. Alongside this, Melissa has designed and delivered a variety of learning and development programmes, including Diversity & Inclusion, for a range of clients across sectors on a national and international scale. Melissa has also been a member of Group Audit Committee until her resignation on 31 May 2023.

Kevin Davis - Kevin is a social entrepreneur, and Group Chief Executive of the Vine Trust. He is passionate about regeneration and education and he is a social mobility champion. Kevin is an experienced board member in the health and education sectors.

Nicholas Simkins – Nick is a retired audit partner and qualified accountant with an excellent understanding of corporate governance and risk management. Nick brings board member and Audit Committee chair experience as well as commercial and business knowledge and experience.

Susan Brooksbank-Taylor – Susan brings 30 years' experience in the social housing, homelessness, wellbeing and recovery sectors, including Chief Executive, chair and board director roles. Susan is passionate about people, community, social purpose and solidarity.

Amanda Tomlinson (BCHG Chief Executive and Executive Board Member) - Amanda has been Chief Executive of Black Country Housing Group since 2013. Prior to that she operated at Executive level for over 10 years and has a professional background in Finance as a former Finance Director with CIPFA qualification. In addition to her current CEO role Amanda is Chair of Active Black Country, and Governor at Wolverhampton College. Amanda is keen to ensure that BCHG continues to be much more than a local housing provider, supporting our local communities through the provision of a range of services creating positive social impact.

The Group's Board has ultimate responsibility for the Group's strategic planning and risk management framework. The Board is supported by two committees, Group Audit Committee (GAC) and Remuneration, Nominations & People Committee (RNP). Both GAC and RNP comprise of four non-executive members, and each met four times during the year. All members of these committees are also members of the BCHG Board.

Internal Control

The Board has overall responsibility for establishing the system of internal control and for ensuring it is effective and focused on the key risks threatening the Group's ability to meet its objectives. The Board reviews the system of internal control twice a year.

The internal control system is designed to reduce and manage risk. The Board recognises that it provides reasonable but not absolute assurance, and it does not eliminate the risk of failure to achieve Group objectives.

The Group Audit Committee and BCHG Board received the annual report on internal control assurance and reviewed the Board Assurance Map to satisfy itself of the effectiveness of the control processes in place.

The key components of BCHG's internal control system and the assurance they provide are set out below:

Control System	Contribution to Assurance
Governance Framework	Provides an overall structure for the Group's governance and gives oversight and scrutiny of the Group's activities and performance.
Risk Management Framework	Sets out the mechanisms and framework through which the Board, Executive and management will identify, manage and mitigate risks that may impact upon delivery of strategic objectives.
Delegations Framework	Gives clarity on those responsibilities that are Matters Reserved for the Board, together with those that are delegated to committees of the Board as well as to the Chief Executive, Directors and Executive Board.
Terms of Reference for Group Committees, Working Groups and Panels.	These set out clear delegation from BCHG Board for specific responsibilities and duties.
Financial Regulations	Annual oversight and approval by Group Audit Committee, control the delegation of authority to commit and spend BCHG resources.
Strategic Plan and Financial Plan	Board's triennial approval of the long-term strategy is supported by detailed annual review of the Financial Plan. This includes 6 monthly stress testing and sensitivity analysis which ensures resources are in place to implement BCHG's long term vision, and mitigating actions are taken to preserve long-term sustainability and viability.
Approval of Strategies and Key Policies (customer-facing and corporate risk management)	Approval by Board, Committees and Executive Team confirms that strategies remain aligned to objectives and that policies are up to date, compliant with relevant law and regulations and remain fit for purpose. All customer facing strategies and policies are subject to customer scrutiny under "No Voice, No Approval".
Performance Monitoring	Regular dashboard and strategy performance updates are reported through Executive Board and BCHG Board. These enable adverse variances to be identified, so that prompt review and corrective action can be taken.
Financial Monitoring	Annual budget approval, monthly management accounts monitoring by Executive Team and consideration of the financial position and covenant compliance by the Board at every meeting support the delivery of financial goals.
Treasury and Cash Flow Management	Annual update and approval of the Financial Plan and Treasury Strategy together with monthly reviews of cash-flow forecasts enable the Executive Team and Board to assess liquidity and availability of secured funding. Monthly forecasts of golden rule and covenant performance facilitate testing of compliance with lenders' requirements.
Assets and Liabilities Register	BCHG maintains an up-to-date register of all assets, liabilities and contracts.

Independent Assurance	External reviews are commissioned to provide independent assurance to the Board across a range of service areas. In addition, BCHG engages advisors from a range of specialisms to support the Executive Board in ensuring services meet required laws and regulations and to minimise risk.
Safeguarding	The Safeguarding Panel reviews ongoing safeguarding matters, determining lessons learned and improvements required, with quarterly reporting through the governance structure.
Health & Safety	An Annual Plan approved by Executive Team and monitored by a Health & Safety Panel ensures key risks are monitored effectively, and BCHG Board receives an annual review of Health & Safety. Landlord compliance (FLAGEL) reports are considered at every meeting of Group Audit Committee and are reported upon quarterly to BCHG Board.

The Board is also able to take further assurance from the following:

Risk Management
BCHG has a Risk Management Strategy in place and maintains both strategic and operational risk registers. The Strategy is reviewed annually, whilst the Strategic Risk Register is a dynamic document reviewed monthly by the Executive Team and at each meeting of BCHG Board. During the year, the Board reviewed its risk appetite and updated some risks to be more cautious. The Board has set out its latest risk appetite and a statement of this is included in the Risk Management Strategy. Risk Events including for example “near misses” are also considered by the Executive Team and reported to each Board meeting through the Risk and Assurance Update report.

Assurance Framework
BCHG has in place a Board Assurance Map to clearly illustrate to Board the various sources of assurance in accordance with the three lines model. The Board considers this at each meeting as part of its regular review of risk matters.

External Audit
RSM were appointed as BCHG’s external auditor in 2019 for a 5-year term and are reappointed annually at the Annual General Meeting. The external audit provides assurance, through the audit report and management letter, that no matters have come to the auditor’s attention that would give rise to significant instances of internal control weaknesses or irregularity. The Chair of Group Audit Committee is also able to meet the lead partner at least once per year and the Committee also meet the auditor without colleagues present at least annually.

Internal Audit
Following a successful external tendering process BDO were reappointed as BCHG’s internal auditors for an initial period of 3 years commencing 1 April 2023. All audits scheduled for completion during 2022/23 have been completed with reasonable assurance provided through BDO’s annual report to Group Audit Committee. A 3-year internal audit strategy has been prepared considering the key risks within our current Strategic Risk Register, as well as challenges within the wider social housing sector. Consideration has also been given to the programme of audits undertaken in recent years and the levels of assurance provided. BDO report at each GAC meeting, and a recommendation tracker and follow up audits ensure that recommendations are implemented.

Regulatory Engagement

BCHG embraces the Regulator of Social Housing's ethos of co-regulation. All data submissions are completed accurately and on time, having been reviewed by the Director of Finance and Chief Executive, and an open and transparent dialogue is maintained as we work to ensure compliance with the Regulatory Standards.

As a provider of registered care services BCHG works to comply with all standards set out in the Health and Social Care Act and CQC Regulations as assessed by the Care Quality Commission (CQC).

Principal Risks

The Black Country Housing Group Board has overall responsibility for the risk management strategy, framework and internal controls systems within the Group. Having regard to the risks arising from the Group's Strategic Plan, the Sector Risk Profile, and the many external factors that challenge our services, the Group has identified its key strategic risks.

As part of the Group's risk management strategy, the Board has set out its statement of Risk Appetite and assigns a risk category of Averse, Minimal, Cautious, Open or Hungry to each of its risks. For risks with an 'Averse' risk appetite, every action possible will be taken to eliminate risk, as opposed to those risks assigned a 'Hungry' risk appetite, where more innovative options would be taken to achieve potentially higher rewards. The Board makes decisions around what risks are captured, the mitigations/controls and further actions required to demonstrate that the risks are being managed to an appropriate level within the Group's risk appetite. Each of the Group's strategic risks are linked to stress testing exercises, performance indicators and other appropriate metrics.

A set of early warning indicators and risk triggers which take into consideration the risk appetite and stress testing scenarios, are monitored by the organisation's Executive Team and the Board alongside the Group's key performance targets. The Board has delegated responsibility for overseeing the effective day to day management of risk to the Executive Team, and receives a detailed risk update at each Board meeting.

Specific Strategic Risks

The Sector Risk Profile published by the Regulator of Social Housing in 2022 identified access to labour and skills as being a specific strategic risk to the sector. Counterparty risk has moved up from operational to strategic and this has clear links to the skills and labour risk acknowledging the impact of labour shortage on the supply chain, contractors failing to meet contractual obligations and our efforts to seek to achieve VFM due to rising costs.

Delivering against expectations is listed as one of the five strategic risks. This was also listed last year but as 'Reputational'. Clearly the services in which we are struggling to recruit to, care and Homeforce, are the two that could have a significant impact on our public image.

Cyber-crime is an ongoing Strategic risk for BCHG, and we have put in place several measures to improve awareness amongst colleagues of email fraud as well as more robust system security. Investment in this is now around 10% of the Group's ICT budget, with Insurance for cyber-crime also in place.

Risks & Assurance

BCHG Board Risk Appetite	
FINANCIAL VIABILITY - Cautious	PEOPLE - Open
REGULATORY COMPLIANCE - Averse	HEALTH & SAFETY - Averse
HOUSING OPERATIONS - Cautious	CARE OPERATIONS - Minimal
NEW COMMERCIAL VENTURES – Cautious	DEVELOPMENT - Open

Description of Risk	Source of Assurance
MACRO / MICRO ECONOMIC position impacts on some or all aspects of BCHG services.	Executive Team ongoing monitoring of UK's position. Updates from external advisors. Maintain contact with suppliers. Business continuity plan in place.
The Government may cap future RENT INCREASES which would have a negative impact on income, creating a challenge for BCHG to meet rising costs.	Strong awareness of government policy changes, regular update and reporting of our financial plan, stress testing & mitigations. Effective financial reporting to identify cost pressures early.
SHIFTING GOVERNMENT POLICY negatively impacts upon BCHG's Strategic Plan and Operating Model.	Experienced Executive Team and Board with updates to Board as needed. Regular stress testing and Mitigations plan in place.
Disposal of NEW BRADLEY HALL stalls or fails.	Experienced management team overseeing the project and with strong governance arrangements in place. Experienced consultants and legal advisors appointed. Sensitivity analysis and stress testing undertaken to assess tolerance for adverse variances.
HEALTH & SAFETY policies fail resulting in serious detriment to a customer.	Monthly Health & Safety Panel meetings taking place with minutes provided to the Executive Team. Policies and procedures reviewed and updated regularly. Colleagues trained in IOSH and NEBOSH. Full fire safety checks completed on all properties with cladding (in light of Grenfell Tower tragedy).
Uncertainty in development programme delivery caused by economy or government policy impacts on achievement of DEVELOPMENT STRATEGY.	Appraisal model in place. Ability to switch between tenures within programme in case of market failure. Menu of developments in place from land led to s106. Valuer led development in place. Member of the Matrix partnership.
Failure to manage DATA INTEGRITY.	Network Security Policy and Data Protection (DP) Policy in place. DP training for all colleagues. Access to systems monitored by ICT. Permissions granted and monitored by system administrators. Quarterly controls and checks. Data Management Panel meet at least quarterly.

Financial loss, disruption or damage to the reputation of the Group caused by CYBER CRIME.	GDPR training and awareness programme for all colleagues. Cyber risk awareness programme and policies in place. Firewall extended to off-site devices. Anti-virus software upgraded and installed on all equipment. Patches applied within 1 month of release. Sophisticated cloud back-up solution in place.
Failure to recruit and retain engaged, motivated, skilled and productive COLLEAGUES.	Annual pay review and terms and conditions regularly kept under review. Training and development programme in place. Quarterly staff engagement surveys. Best Companies 1 Star recognition. Reward Strategy in place to recognise high performance and positive contributions. Management Development Programme launched and Talent Management Plans in place.
TENANT VOICE is not heard at operational and / or Board level resulting in a breach of the Consumer Standard and the Code of Governance.	Resident Scrutiny Voice Panel in place. Customer Contact Strategy. Customer Engagement Strategy. Independent customer surveys quarterly. Complaints Policy and Procedure. Live customer feedback facility on BCHG website.
Failure to retain skilled, knowledgeable, and experienced EXECUTIVE COLLEAGUES.	Annual pay review and external benchmarking at least every three years. Terms and conditions regularly reviewed. Professional qualifications and memberships supported.
Ineffective GOVERNANCE.	Annual review of Governance effectiveness. RSH stability checks and In-Depth Assessment. Annual compliance check with regulatory standards and NHF Code of Governance. Biannual review of Internal Controls. Succession planning in place for board member replacement.
Group ceases to be FINANCIALLY VIABLE.	Financial Plan sensitivity analysis and stress testing owned by Board. Annual external audit opinion. Compliance with loan covenants and golden rules as well as cashflow and other KPIs reported to each Board meeting. Internal audit on key financial systems.
RENTAL INCOME impacted by tenants' ability to pay leading to significant increase in rent arrears.	In depth understanding of our customers through analysis provided by RentSense and our Customer First approach. Strong and experienced leadership in place for the Operations Team. Tenancy Support Programme. Colleague training and development. Regular reporting of rent arrears and cash collection levels.
Current and future STOCK investment plans may not meet evolving energy efficiency and sustainability expectations.	Asset Register in place for all properties. Asset Investment Strategy, Asset Disposal Strategy and Environmental Strategy all in place. Stock condition surveys regularly refreshed and externally validated. Investment requirements included in the 30-year Financial Plan.

Equality, Diversity & Inclusion

BCHG's Equality, Diversity and Inclusion (EDI) Strategy includes our vision to create a diverse and inclusive environment, where our customers and colleagues have a sense of belonging, where they feel their voice is heard, their opinion matters, and their input and contribution is valued. The Strategy includes four key objectives of; Culture, People, Data, and Performance, and aims to raise the profile of EDI, increase the diversity of our colleagues, improve the data we hold so that we can better meet the needs of our customers, and monitor our performance in a way that we can be held to account. Our colleague led EDI Sounding Board raise awareness of EDI amongst their peers and EDI is integral to The BCHG way.

We also publish our Gender Pay Gap annually and have recently calculated this for April 2022 which shows a mean gender pay gap of 22.12%. This is our lowest gender pay gap to date. We have a number of women in senior positions within the business, but we have a predominantly female workforce in our care business. We are looking at ways of reducing this gap further through our approaches to recruitment, talent management and promotion.

Our hybrid working policy and the flexibility this affords, benefits our colleagues, particularly those with family commitments.

Going Concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out above and within the Strategic Report.

The Group has total fixed assets of £131.4m, a decrease since the previous year of £0.3m. During that time the Group has sold Gower Gardens residential care home in addition to developing and acquiring new housing properties.

Overall net current liabilities as at 31 March 2023 stand at £1.4m, a reduction from the prior year mainly as a result of an increase in current assets. Net current liabilities includes debt repayable within one year of £758,000 RCGF (£550,000) and Deferred Capital Grant (£559,000) both of which, although recognised as potential current liabilities, are usually able to be recycled within our business.

The Group has in place long term debt facilities which provide adequate resources to finance committed development and renewal programmes along with the Group's day-to-day operations. Debt totalling £42.2m was outstanding as at 31 March 2023, with £758,000 repayable within one year. There has been a reduction of £5.3m in long term debt during the year, this being the main reason for a decrease in long term creditors. The long-term financial plan shows that the Group is comfortably able to service its debt facilities whilst continuing to comply with loan covenants.

The statement of financial position shows a strong net asset position of £32.878m as at the 31 March 2023 and the 2023 iteration of the financial plan has been prepared and stress tested with the base financial plan compliant with all lender loan covenants and golden rules, demonstrating BCHG to be a strong, financially viable group, both in the short and longer term.

On this basis, the Board has a reasonable expectation that the Group has 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 Board continues to adopt the going concern basis in the financial statements.

Post Balance Sheet Events

The financial statements for 2022/23 have not been adjusted for any post balance sheet event.

Statement of Board's responsibilities under the Co-Operative and Community Benefit Societies Act 2014 for a registered provider of social housing

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider (RP) and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RP 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 RP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing. It has general responsibility for taking reasonable steps to safeguard the assets of the RP and to prevent and detect fraud and other irregularities.

Auditors

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

RSM have expressed their willingness to continue.

A resolution for the re-appointment of RSM UK Audit LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

A Robson

Dr Abigail Robson
BCHG Board Chair
27 July 2023

Strategic Objectives Performance

We have concluded the third and final year of our three-year Strategic Plan which incorporates our six strategic objectives of:

- Hearing the Customer Voice;
- Housing and Care Services we're Proud of;
- Shaping Society through Communities;
- Investing in Homes and People;
- Great Days at Work; and
- Learning, Changing, Improving.

There have been many positive achievements for the year as can be seen in the tables that follow.

Hearing the Customer Voice
Key Achievements
Performance data published on our website each quarter Resident Scrutiny Voice Panel carried out their third service review Customer Portal live with almost half of our tenants using this facility Community engagement re-established to pre pandemic levels Tenant Visitation programme in place Resident consultation supported key policy and strategy updates Customer Service Improvement Panel co-designed Neighbourhood Policy Customer satisfaction achieved 85.45% 100% satisfaction in Supported Living Schemes New Complaints Policy informed by the Resident Voice Scrutiny Panel now embedded

Housing and Care Services we're Proud of
Key Achievements
Repairs satisfaction achieved 91.13% 99.74% of properties with a stock condition survey less than 5 years old 30-year investment programme produced and approved 80.83% properties at EPC C or above Decent Homes Standard met Fire, Legionella, Asbestos, Gas, Electricity and Lifting compliance monitored weekly Home safety satisfaction achieved 86.82% Existing stock in use for Housing First initiatives New Bradley Hall at "Good" CQC status Telecare implemented within retirement living schemes improving safety and security for residents Secured grant to support delivery of the Rough Sleepers Accommodation Programme

Shaping Society through Communities
Key Achievements
Over 100 volunteer groups trained by Social Business Team to deliver financial confidence training Further £60k funding secured to deliver a laptop gifting project with which will fund an additional 200 devices with 200 gifted this year £790k of funding secured in the year which will support projects for digital inclusion, adult numeracy skills, homelessness prevention and the Click Start project 290 tenants offered support through tenancy support programme The Savoy Centre hosts care, mental health, advocacy and education services, also domestic violence support LEAP visits resulted in £50k value to tenants Influenced regional strategy with CEO on LEP Board and Chair of Active Black Country Deputy CEO is Chair of Rowley Regis Towns Fund Board Head of Business Development sits on Sandwell Anchor Network, Energy capital group, Smart City group Working as part of the Dudley Housing Partnership

Investing in Homes and People
Key Achievements
21 homes completed in 2022/23, 96 units on site and 25 due to start in 2023/24 Operating Margin of 15.6% achieved for the year ending 31 March 2023 Rough Sleepers Accommodation Programme implemented with 15 properties acquired £60m borrowing secured that will help fund future development and support continued investment in our existing homes Compliant G1/V2 regulatory rating and positive IDA feedback

Great Days at Work
Key Achievements
Regular surveys and other opportunities for colleagues to have their say Staff Forum events and activities throughout the year Mental Health support through Buddies Investors In People Gold achieved Hybrid Working Policy in place supporting a better work life balance Apprentices recruited for Homeforce, Operations and HR with 7 appointed out of 11 planned in total EDI Sounding Board raising awareness Colleagues' 'My Good Idea' generating ideas for change BCHG Broadcast issued quarterly Employee Satisfaction score is 8.32 Review of Pensions Strategy and Total Reward complete and new strategies implemented BCHG Benefits launched

Learning, Changing, Improving
Key Achievements
Transformation Steering Group oversight and governance of ongoing projects ICT Strategy delivered Cyber Essentials accreditation maintained Penetration Test found no security issues and A+ levels of security Colleagues developed new BCHG Values, and these are now embedded Value Based Service Standards in place linked to Values and co-created with colleagues and customers 30% of residents using the Customer Portal for rent payment and repairs reporting Greener by default due to hybrid working therefore less travel Lessons learnt log captured for all projects Risks managed well with monthly review by Executives and by the BCHG Board at each meeting Board Risk Appetite reviewed in year Data Governance Framework developed and in place Fraud Risk Assessment reviewed each quarter Cyber Training and awareness programme in place Social Media engagement has increased significantly, on average 25% across all platforms

Value for Money

Our approach

At BCHG our mission is to be a Social Business Investing in People and Communities. Value for Money (VfM) is a theme which runs throughout our three-year Strategic Plan. For us this means being a well-run not-for-profit organisation, operating effectively and efficiently, generating surpluses which create social value. We will use our resources wisely to create a return, generate growth and maximise social impact whilst delivering excellent services.

BCHG has long been committed to delivering a diverse range of services to our local communities and employing local people and suppliers. VfM is about maximising the social return achievable through our investment in physical assets (including tenants' homes, ICT and our offices) and other assets (such as our people, partners and suppliers), providing homes which are safe and high-quality services, delivered by qualified and proficient colleagues, using systems that are modern and fit for purpose.

BCHG approaches VfM in a holistic way with a focus on maximising outputs and outcomes which are aligned to the achievement of our overall strategic objectives, delivering services in an effective, economic and efficient way.

Value for Money Metrics

The 2018 Value for Money Standard introduced seven metrics to be reported on across the sector. BCHG results covering a three-year period, as well as a forward look for three years have been included. Comparatives for 2021/22 for the overall social housing sector are also shown for information.

In addition to the seven metrics defined by the regulator, an adjusted headline social housing cost per unit has also been included, to remove the impact of the higher cost service provision in care. Overall, the metrics for 2022/23 demonstrate a strong, positive position. Future year projections from 2024/25 onwards are impacted by the planned disposal of New Bradley Hall residential care home.

RSH Value for Money Metrics	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2021/22 Sector Median
	BCHG Actuals			BCHG Forecast			
Reinvestment	4.7%	7.7%	6.2%	10.4%	7.4%	7.6%	6.5%
New supply delivered							
- Social Housing	1.3%	0.9%	1.3%	1.9%	1.9%	3.6%	1.4%
- Non Social Housing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	33.7%	35.5%	30.8%	38.5%	33.6%	36.1%	44.1%
EBITDA MRI	281.4%	182.1%	185.0%	180.8%	180.7%	177.2%	146%
Headline social housing cost per unit	£6,251	£6,593	£6,270	£6,369	£5,168	£5,163	£4,150
Adjusted social housing cost per unit	£3,187	£3,674	£4,029	£4,394	£4,405	£4,402	£4,150
Operating Margin							
- Social housing lettings	35.1%	29.2%	27.5%	29.4%	28.1%	28.8%	23.3%
- Overall	16.2%	13.9%	15.6%	18.5%	20.6%	21.4%	20.5%
Return on capital employed	2.7%	2.4%	4.0%	2.5%	2.3%	2.5%	3.2%

Metric 1 – Reinvestment *(Financial investment in acquiring and developing new properties)*
BCHG continues to invest in its existing homes and is delivering against a steady development pipeline of new affordable homes which is set to continue through to 2025/26 and beyond.

Metric 2 – New supply delivered *(The number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total housing units and non-social housing units owned at period end)*
At 31 March 2023 there were 96 units on site, 41 of these are expected to be completed during 2023/24, with the remaining 55 estimated for completion in 2024/25. Beyond this based on the current development programme which stretches to 2031/32, a further 82 new affordable homes are estimated for completion by March 2026. BCHG remains committed to developing new affordable homes under its Strategic Partnership as part of the Matrix consortium. BCHG has not developed any new units for non-social housing purposes between 2020/21 and 2022/23 and currently has no plans to do so.

Metric 3 – Gearing *(Assesses our level of debt against the value of our housing properties)*
The first £17m tranche of our £40m Private Placement issued in September 2021 contributed to a marked increase in this metric for 2021/22. During 2022/23 we received a further tranche of £10m, and the subsequent repayment of debt drawn against our revolving credit facility contributes to a lower level of gearing for 2022/23. The third and final tranche of our £13m Private Placement was issued on 3 April 2023 and as we continue to drawdown additional funding in support of us developing new affordable housing over the short to medium term, we expect to see a steady incline

in this measure, albeit this will be partly offset by an increase in the value of our housing assets and remain significantly below the sector median.

Metric 4 – Earning Before Interest, Tax, Depreciation, Amortisation – Major Repairs Included (EBITDA MRI) *(Interest cover test that is an indicator for liquidity and investment capacity)*
Whilst Covid-19 had an adverse effect on our business in 2020/21, mitigations and savings were put in place to reduce the impact, in addition to government grant funding being received. The level of capital works was lower than planned due to lockdown restrictions and a positive position was recorded in respect of voids and arrears which collectively meant that a healthy EBITDA MRI result was returned. EBITDA MRI reduced in 2021/22 as a consequence of growth and investment in key areas of our business, particularly in maintaining our existing homes, supporting our tenants and developing new affordable homes. Additional borrowing costs attributable to the new Private Placement suppressed this metric and will continue to do so in future years.

During 2022/23 the sale of Gower Gardens has had a positive impact on performance against this metric due to a reduction in net operating costs. Future performance against the metric is forecast to be at lower levels, due to interest costs linked to the final tranche of new long-term funding being received, investment in our business and the continued challenges of operating in a high inflation environment, consistent with what is being experienced sector wide.

Metric 5 – Headline social housing cost per unit
Our overall headline social housing cost per unit includes costs associated with the provision of Supported Living and Residential Care and shows a considerable increase between 2020/21 and 2021/22 followed by a reduction in 2022/23. The predominant reason for the increased unit cost is that a significant proportion of the costs for these services are for salaries which have seen increases in line with National Living Wage. Management and service charge costs have also increased due to increased investment in ICT transformation programmes, cyber security and back-office support. In 2022/23 the improvement in this metric is attributable to the sale of Gower Gardens and the associated reduction in operating costs. The headline social housing cost per unit is projected to decrease overall in future years, due to the transfer of the remaining residential care home and the high unit costs associated with operating this part of the business.

An additional metric (5b) is also included in the table above which removes the impact of supported living and residential care, to provide greater transparency and read across to the sector comparators. Over recent years there has been increased investment in our assets both in terms of planned maintenance and capitalised component replacements, as well as continued investment in our People and ICT across the business. This has given rise to an increased cost per unit and is consistent with what is being seen in overall trends for the sector. Our unit costs remain at a lower level than our peer comparators and forecasts suggest that this will continue to be the case. Following the disposal of the remaining residential care home, a review of overheads and the basis for cost absorption will need to be undertaken. Future year forecasts of this metric currently assume no overall reductions to overheads and show a steady increase in cost per unit which is broadly in line with sector median.

Metric 6 – Operating margin *(This aims to measure how efficient an organisation is)*
Social housing lettings – This is a metric which continues to outperform the sector median for each of the three years' actuals reported. Strong levels of performance are expected to continue however

this is a metric which will be adversely impacted when the residential care homes are disposed as whilst there will be reductions in overheads, these will not be linear and therefore an increased share of overheads will need to be met from social housing lettings. There has been gradual reduction in this measure across the 3 years reported and this is reflective of the additional investment and increasing costs, which is consistent with what is being experienced by the sector. BCHG performance is projected to remain above sector median levels.

Our overall operating margin compares less favourably with the sector as a whole owing to our diverse non-social housing activities. The challenges of the pandemic and its impact upon occupancy levels as well as our cost base resulted in suppressed margins, but we are now seeing signs of recovery through the higher margin reported in 2022/23. The high levels of turnover attracted through Residential Care with comparable low margins does mean that once the remaining home is disposed of our overall operating margins should increase further, despite ongoing investment within the wider business.

Metric 7 – Return on capital employed *(Assesses the efficiency of capital resource investment)*
Performance against this metric largely tracks that of our overall operating margin and has been boosted by the surplus achieved on the disposal of Gower Gardens.

Sector Scorecard
Several of the Sector Scorecard measures are the same as the Value for Money Metrics, however the measures below are in addition and are therefore provided for information. BCHG ranks in the top quartile for most measures when compared against the sector median.

Measure	2020-21 Score	2021-22 Score	2022-23 Score	Sector Median 2021-22 & BCHG Quartile
Percentage of respondents very or fairly satisfied with the overall service provided	88.00%	81.17%	82.20%	78.90%
Overhead as % of adjusted turnover	15.14%	16.24%	15.91%	14.90%
Ratio of responsive repairs to planned maintenance	1.09	1.16	1.07	0.7
Occupancy	99.2%	99.7%	99.4%	99.6%
Rent Collected from current and former tenants as a % of the rent due	101.44%	99.15%	101.28%	100.00%

Value for Money Measures
Value for Money is reflected within our three-year Strategic Plan and our Financial Strategy 2020-2023 specifically highlights VfM targets linked to each of our six strategic objectives. The table below highlights achievements in this third and final year of our three-year plan.

Measure	Target	2022/23
Housing and Care Services We're Proud of		
CQC Rating New Bradley Hall	**Good**	Good
CQC Rating Supported Living	**Good**	Awaiting Inspection
Total Gross Current Arrears	**4.00%**	3.07%
Void Loss Cumulative	**1.30%**	0.85%
Occupancy - no of residents New Bradley Hall	**58**	64
Shaping Society Through Communities		
Number of People Supported (3 years)	**5000**	6125
Energy Efficiency for Homes	**Rating of C**	80.83% at C or Above
Percentage of properties gas safe certified	**100%**	99.81%
Percentage of planned works completed to programme	**100%**	90.12%
Scheduled repairs completed on time	**90%**	78.79%
Great Days at Work		
Sickness - average no of days lost	**9.5**	11.6
Staff Turnover	**20%**	19.67%
Learning, Changing, Improving		
Tenants using Customer Portal	**50%**	45.00%

Value for Money Achievements

During the last few years BCHG has undertaken refinancing exercises and took advantage of opportunities to repay existing debt and secure borrowing at preferable fixed term rates which has resulted in beneficial interest savings. In April 2023 we placed funds on deposit with a number of our approved banking institutions in line with our Treasury Policy, this too will allow us to take advantage of higher than usual interest rates to generate cashable benefits for re-investment in our business.

Continued hybrid working has led to more efficient ways of working for BCHG and our colleagues, which helps keep office costs under control and contributes to a positive environmental impact.

Housemark Benchmarking and Comparison to Peers

Housemark benchmarking is undertaken annually. The results of the benchmarking exercise, how BCHG compares against the peer group median, as well as the year-on-year BCHG performance are reviewed by BCHG Board. This analysis helps to identify areas where improvement in performance is sought and shapes our KPI targets for the year ahead.

Our aim is to perform at median or above for each of the key performance indicators measured by Housemark when compared with our peers. The tables below highlight where BCHG is currently below median and the corresponding KPI targets that have been set.

We benchmark ourselves against a peer group which includes traditional housing associations based in England (excluding London), with a turnover of up to £30million and up to 10,000 properties in management. Due to the timing of when benchmarking exercises are undertaken, the most recent data that we can access and compare ourselves against our peers is that from 2021/22.

In addition to the annual benchmarking, we also monitor a suite of internal Key Performance Indicators (KPIs), some of which mirror the measures captured by Housemark. Where this is the case, the result for 2022/23 alongside the target for 2023/24 is shown in the tables that follow. In evaluating our performance, the following key should be referred to:

Quartile Key	
Upper Quartile	
Middle Upper	
Median	
Middle Lower	
Lower Quartile	

Business Overview

	Score 20/21	**Median 20/21**	**Peer Group Quartile**	**Score 21/22**	**Median 21/22**	**Peer Group Quartile**	**KPI Actual 22/23**	**KPI Target 23/24**
Growth in Turnover	0.10%	1.70%		0.30%	1.30%		-	-
Operating Margin	16.20%	25.10%		13.90%	20.30%		15.50%	18.50%
Adjusted net leverage	35.50%	35.60%		37.40%	36.60%		-	-

The impact of the pandemic in 2020/21, particularly on income levels at our care homes, did have an adverse impact upon the growth in turnover measure. 2021/22 saw a slight improvement, however during 2022/23 as a result of us disposing of Gower Gardens there has been a decrease in turnover. This will again be repeated once New Bradley Hall is disposed of; however, this will then be followed by a period of recovery.

Operating margins across the 3-year period reported above show a gradual reduction, however they are projected to improve based on the target set for 2023/24. During 2021/22 we saw slow recovery in occupancy levels within residential care, however this was suppressed by increased costs and overheads. During 2022/23 there has been continued investment in our business along with cost constraints seen in parts of our business most impacted by levels of increasing inflation, despite this the operating margin has increased slightly, partly linked to the sale of Gower Gardens. The KPI target for 2023/24 is based upon the approved budget which includes continued investment in our people, homes and communities.

Our adjusted net leverage has remained relatively consistent and in line with the median over the past few years. It is forecast to gradually increase over the next few years as we continue to develop new affordable homes and drawdown additional borrowing to finance this.

Housing Management

	Score 20/21	Median 20/21	Peer Group Quartile	Score 21/22	Median 21/22	Peer Group Quartile	KPI Actual 22/23	KPI Target 23/24
Total CPP of Housing Management	£423.00	£631.10		£471.28	£629.34		-	-
Rent loss due to voids	0.67%	1.23%		0.75%	1.09%		0.85%	0.90%
Total arrears as % rent due (GN & HfOP)	3.87%	3.38%		4.43%	4.43%		3.70%	4.00%
Arrears written off as % of rent due	0.50%	0.50%		0.21%	0.31%		-	-
Rent collected as a % of rent due	102.70%	100.80%		99.56%	99.86%		101.35%	100.00%
Average re-let time in days (standard re-lets)	21.18	45.37		22.75	24.62		20.65	25
Tenancy turnover rate	6.23%	6.34%		7.07%	7.07%			-

NB CPP = Cost Per Property

When analysing housing management performance, we see that the total cost per property of housing management continues to rank in the upper quartile, despite there having been an increase in our costs between years.

Prior to the pandemic, BCHG rent loss due to voids historically operated at levels largely consistent with the sector median. Upon the outset of the pandemic, we saw a significant reduction in the number of voids as our tenants were reluctant or unable to move and we are now seeing a gradual increase back up towards the sector median. BCHG performance still does rank in the upper quartile when compared to peers and our centralised lettings function results in a more efficient and effective process, contributing to quick void turnarounds.

Rent arrears management is a key measure and an area where we are continually seeking to improve. During this period of economic uncertainty which presents challenges for our tenants, it is positive to see that arrears have reduced during 2022/23. This is testament to the work undertaken by our Operations team and highlights the importance of the Tenancy Support Programme. RentSense continues to help give us greater intelligence on where intervention may be required to help mitigate against the impact of welfare reforms and more recently the cost-of-living crisis. The target set for 2023/24 remains at 4%.

The latest benchmarking information for 2021/22 shows that due to continued low levels of write offs, we are still performing at median level, this is an area in which we have monitored and implemented stricter controls in recent years.

Despite a dip in 2021/22, rent collection levels remain strong at BCHG with performance in two out of the three years reported exceeding 100%. The KPI target for 2023/24 has been set at 100% and is a key measure which is regularly monitored.

During 2020/21 we saw markedly low levels of voids and our performance of 21.18 days, was significantly better than the peer group median, however the median here may have been skewed by the pandemic and the inability for peers to re-let void properties. 2021/22 performance saw a slight increase up to 23 days however this remained below the sector median. Positively BCHG performance has improved to 20.65 days in 2022/23.

Housing Maintenance

	Score 20/21	Median 20/21	Peer Group Quartile	Score 21/22	Median 21/22	Peer Group Quartile	KPI Actual 22/23	KPI Target 23/24
Total CPP of Responsive Repairs & Void Works	£524.79	£893.20		£613.07	£1,011.26		-	-
Average cost of a Responsive Repair	£82.62	£126.48		£104.25	£129.15		-	-
Average cost of a Void Repair	£1,456.01	£2,327.47		£1,904.32	£2,767.60		-	-
Repairs completed at the first visit %	92.83%	89.00%		89.29%	89.00%		84.03%	89.00%
Total CPP of Major Works and Cyclical Maintenance	£1,091.18	£1,178.17		£1,197.19	£1,481.62		-	-

NB: CPP = Cost Per Property

The Housing Maintenance results are positive with the performance of BCHG being either in the upper quartile or at median for all measures based on the results for both years. Although BCHG's costs increased during the 2021/22 financial year associated with rising costs and supply chain issues, it can also be seen that these market conditions impacted our peers and it is pleasing to see that BCHG continued to perform well when compared to the median of the peer group.

The impact of high inflation, increasing prices and supply and demand issues is expected to affect the 2022/23 results when published, but likewise this will also have been a common challenge for our peers too.

The number of repairs completed at the first visit shows a reduction in each of the three years reported. Performance in this area has been impacted by a number of factors but mainly attributable to recruitment challenges. Currently we have a fully recruited trades team and performance in this area is expected to improve.

Overheads

	Score 20/21	Median 20/21	Peer Group Quartile	Score 21/22	Median 21/22	Peer Group Quartile	KPI Actual 22/23	KPI Target 23/24
Total overhead as % adjusted turnover	13.10%	14.36%		15.51%	16.01%		-	-
Staff turnover in the year %	24.60%	14.30%		33.40%	17.90%		19.67%	20.00%
Sickness absence average working days lost per employee	10.7	7.95		13.6	9.7		11.6	12

Total overheads as a percentage of adjusted turnover has increased between years, but despite this we remain in the upper quartile for performance against our peers where notably the median has also increased.

Staff turnover has positively reduced significantly during 2022/23 since the stark increase in 2021/22. It remains a challenging measure for BCHG due to the high proportion of care staff employed within our business, with care typically being a sector which attracts higher than average turnover. The marked improvement during 2022/23 arises due to the disposal of Gower Gardens in June 2022, and the TUPE transfer of those care colleagues. The target for 2023/24 has been set at 20%.

Although average working days lost due to sickness absence increased in 2021/22, the performance in 2022/23 has improved through the measures included within the People Plan for 2022/23 and this is a measure where further improvement is sought.

Growth, Investment & Disinvestment

Development of new Affordable Homes

During the year 15 units were handed over at Meredith Street and 6 at Goodrich Mews. At 31 March 2023 there were a further 8 units on site at Goodrich Mews which have since completed. Of the 33 units on site at St Peter's Road, 22 homes have now handed over with the remainder scheduled for the end of July. We also have Regis Lodge development scheme on site, and this scheme is due to complete in 2024, providing a further 42 affordable new homes in our local area. There are other schemes in the early stages, that will provide a total of 26 affordable new homes funded through a mixture of grant and BCHG's own resources. Our development schemes were supported in the year by Social Housing Grant of £1.533m and RCGF of £399,000.

During the year, BCHG acquired a further 8 properties through the Rough Sleepers Accommodation Programme which was supported through grant received in the year of £677,000 (RSAP). BCHG also provides wrap-around support to these tenants, providing valuable life skills as well as access to employability training and advice. There has been a positive response to the Tenancy Support Programme where the Social Business Team work alongside our Operations Team to engage with our customers and provide social value by supporting them to secure jobs, training, grants and benefits, whilst also working with them to ensure rent arrears are settled and evictions are prevented. Due to the success of the pilot, it has been extended for a further year and will help to sustain the social and economic well-being of the communities within which we operate.

Beyond the development schemes referenced above, our financial plan includes a development pipeline linked to our Development Strategy which includes plans to develop a further 151 units for affordable rent. We recognise that understanding the financial performance of our properties is fundamental to our business and that we need to invest in the right development opportunities, as well as making the best decisions about the future of our existing properties to make optimal use of resources.

We continue to use a development appraisal model which shows how our planned property investments will perform financially over the long term. It identifies how long it will take for the income from a new property to cover its costs (breakeven) and when the loan used to finance the property will be fully repaid (payback). The model enables us to compare how different tenures perform financially, so that the best combination of properties for each development opportunity can be identified. The model generates a net present value of alternative investment options, which enables us to maximise the forecast return on new developments.

Investing in our existing properties

Our stock is located within the West Midlands conurbation and includes a range of houses, bungalows, and flats with between one and six bedrooms. Our properties are relatively young with over 70% being built post 1970, and all of these meet the requirements of the Decent Homes Standard and the current Homes (Fitness for Human Habitation Act) 2018.

We continue to invest, maintaining high standards through our 30-year Asset Investment Plan and capital works programme to existing homes, including for example the replacement of kitchens, bathrooms, doors, and windows. A total of £1.500m was invested in the replacement of components and improvement works during 2022/23. This includes £92,000 which has been invested during the year in the rollout of the replacement of telecare and door entry systems at our retirement living schemes which includes elements of fire and building safety measures. The remaining programme of works is expected to be completed during 2023/24.

Through stock condition surveys our understanding of our stock has increased and has helped to ensure our investment plans remain current and efficient as well as informing our ongoing Environmental Strategy. Whilst all of our properties are low rise and no serious concerns have been identified with regard to fire safety, this is an area we have continued to invest in. Following amendments to the Smoke and Carbon Monoxide (CO) Alarm (Amendment) Regulations 2022 announced earlier in the financial year, a programme of works was implemented to ensure compliance and new carbon monoxide alarms were fitted in our properties. BCHG have introduced a Property MOT programme and initial focus will be centred on our oldest and coldest properties, and any others which are more prone to damp and mould. This pro-active approach will look to undertake work where inspection shows necessary, as opposed to this being led by customer calls or complaints. The visits will cover areas including damp and mould, customer education, safety and security checks, identification of trip hazards on paved areas, condition inspection of asbestos and the installation of smoke alarms and CO detectors where needed.

Energy Efficiency and Decarbonisation

Our Environmental Strategy includes a target for our homes to achieve an EPC rating of C by 2030. Our financial plan includes for additional investment in this area over and above the 30-year Asset Investment Plan. This is an area which continues to evolve as new technological advances are made and the market adjusts and is closely linked to the matter of fuel poverty which is also very much on our radar. BCHG has been part of a successful bid for funding awarded under the Social Housing Decarbonisation Fund which will help to resource investment in both new properties and that of our existing tenants' homes, to ensure that they remain homes which are fit for purpose long into the future.

Asset Disposals

Within our Asset Investment Strategy, we identify that we will look to dispose of assets that are poorly performing. It has been established that our housing stock has a positive net present value, and our stock condition database allows for this to be continually updated. In order to meet our high standards we review all homes and, where communities are sustainable, we may choose to dispose of those which are not cost effective to maintain (largely due to energy efficiency concerns and the impact that this can have on fuel poverty).

Where particular groups of assets with high levels of voids or disrepair for example are identified, options for these properties will be considered and separately reviewed.

Social Value

As a social business investing in people, delivering social value is inherent in the nature of the services we provide. Intrinsically the provision of safe, secure homes for people and the building and strengthening of communities has wide ranging social value across several themes and is essential to the health, wellbeing, and economic security of our customers. We have also responded as an organisation to the considerable impact the cost-of-living crisis is having on our customers, mobilising to try and support as many customers on as many different fronts as possible.

Where we are able, we use tools and methodologies to attribute a financial value to the social outcomes we achieve as part of our services. For the majority this is achieved by utilising the HACT UK Social Value Bank which focuses on individual wellbeing as a determinant for social impact. The Social Value bank enables us to measure our social and environmental impact through improvements to wellbeing and savings made to the state which helps us to improve our services; inform decision-making; and increase the impact we make. There are however social value outcomes that we cannot measure using the UK Social Value Bank. This does not make these outcomes any less valuable to the lives of our customers, and as such we use a blended approach to measure our social value, incorporating the HACT UK Social Value Bank; project outcomes; and case studies.

Where we have had sufficient data and methodologies to calculate social value, we estimate that for every £1 spent £8.50 of social value has been generated (£7.81 2021/22).

Our Social Business team have continued to deliver personalised support for those who need additional assistance targeting those that are hard to reach; have complex needs; or are in deprived areas. We have delivered services covering a range of issues including:

- Employability;
- Digital skills;
- Budgeting, financial confidence, and life skills;
- Provision of formal and vocational training;
- Supporting young people in the care system to prepare them for adult life, from cooking and budgeting to employability and housing;
- Loaning / gifting laptops and iPads and giving IT training to those who are digitally isolated;
- Social support / therapy and welfare support to maximise income;
- Homeless prevention support for people in danger of homelessness;
- Personalised tenant engagement to individuals and households: providing support with isolation, accessing benefits, employment, budgeting and access to energy discounts or grants, anxiety and depression and food and energy poverty.

Some of the outcomes our Social Business Team have achieved during 2022/23:

- Reached over 2,300 people needing additional support;
- Provided food parcels to almost 100 households, with provision of food for three days;

- Supported 1,600 people to gain vocational training;
- Provided general training to over 200 people;
- Given life skills training to over 60 young people in the care system;
- Assisted 14 people in finding a job;
- Provided employment support to nearly 200 others; and
- Enabled almost 100 people to access social support or therapy.

Hearing the Customer Voice

We launched our Customer Engagement Strategy in 2021 along with an action plan to support the strategy and our Strategic Plan objectives. The strategy and action plan follow the principles of:

- Customer Voice, ensuring a diverse set of views are heard;
- Customer Governance, ensuring that customer voice is heard, and influences decisions made on issues that directly affects our residents;
- Customer Scrutiny, allowing residents to hold BCHG accountable for our performance;
- Customer Feedback, engaging with customers and feeding back to them that their views have been heard and considered.

These principles guide our customer voice activities in partnership with the Resident Scrutiny Voice Panel (RSVP); Partnership Board and Customer Service Panels who carry out in-depth service reviews; set performance targets and examine evidence from complaint and survey feedback and make recommendations for improvements, helping to co-design customer facing services.

In addition, customers contribute to focus groups with particular emphasis on specific areas of service and Equality, Diversity, and Inclusion; and Mystery shopper activities to test services.

Investing in Homes and People

We are committed to investing in our current homes to keep tenants in safe, secure and energy efficient living conditions. Improvement works carried out to some of our properties over the last year have produced improved Energy Performance Certificate (EPC) ratings, positively impacting both the affordability of heating the properties whilst reducing the impact on the environment.

Our tenancy support programme offers enhanced one-to-one support to households identified as needing additional support to sustain their tenancies. 290 households were referred to the service, 45% more than originally anticipated, benefiting from support on budgeting; welfare advice and application support for grants and rebates; employability advice; and assistance to furnish and carpet their properties. This resulted in over £55,000 of direct benefit to tenants and a 42% reduction in the number of households deemed to be at serious risk regarding tenancy sustainment or possession proceedings. In addition, we have embarked on a Rough Sleepers Accommodation Project, providing secure accommodation to 15 people who were homeless, several of which have also received additional support, resulting in one entering full-time employment.

Great Days at Work

We are supporting young people to enter the workforce with 7 individuals enrolled on an Apprenticeship with us during the year and have invested in training with over 380 colleagues receiving job related training during 2022/23. The cost-of-living crisis has also affected our colleagues and we continue to support their health and wellbeing via the BCHG Buddies and Staff

Forum, to boost colleagues' morale and protect their mental health. Staff Forum led our fundraising activities for our charity of the year, Breaking Bread Foodbank, and together with colleagues have raised £10,500 during the past 3 years.

Financial and Non-Financial Key Performance Indicators (KPIs)

Our Balance Sheet as at 31 March 2023 shows net current liabilities of £1.438m. This includes repayments against existing loan facilities of £758,000 that are due within 2023/24, along with non-cash creditors of £559,000 in relation to deferred capital grant and £550,000 of recycled grant, assuming this is utilised in full. This demonstrates sufficient liquidity to meet ongoing operational liabilities as they fall due. In addition, £20m remains undrawn and available against the revolving credit facility which is currently secured and in place until April 2026 when we will be required to refinance.

Our Statement of Comprehensive Income shows an increase in the level of group operating surplus of £118,000 when compared to the previous year. Although turnover year on year has decreased by £1.2m, there has been a decrease in operating expenditure of £1.3m. Whilst turnover from social housing lettings has increased by £578,000, the turnover in our other social housing activities has reduced by £1.569m due to the sale of Gower Gardens in June 2022, turnover from non-social housing activities has decreased by £226,000.

The operating costs relating to social housing lettings increased by £768,000. Asset investment has been a key focus during the year with higher levels of maintenance and repairs works associated with social housing lettings of £317,000 during the year and increased housing properties depreciation costs of £76,000 owing to capital development and enhancements to assets.

Operating costs relating to other social housing activities have decreased by £2.055m, which is in the main as a result of the Gower Gardens care home disposal.

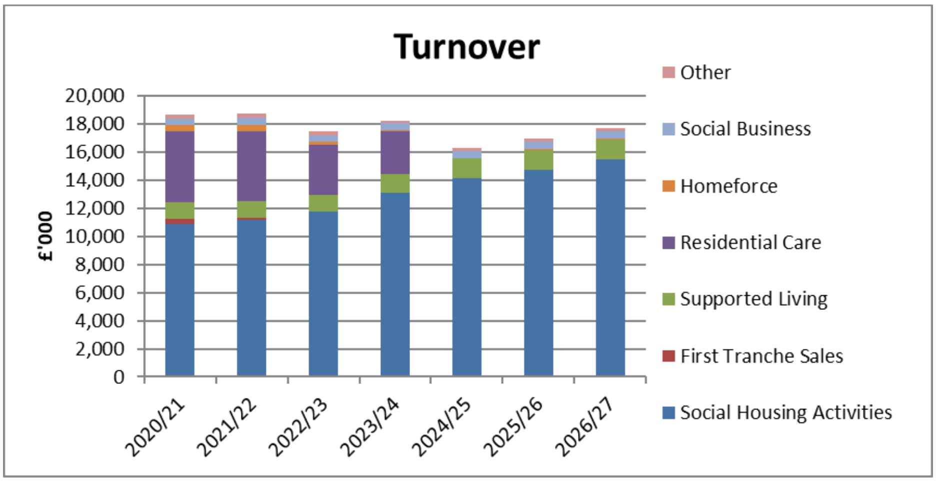
There has been an increase in management overheads due to investment in colleague development, training, and ICT, to ensure that we have the right skills and systems to support our business. We have seen an increase in cyber security and insurance which have been essential to ensure that we are able to manage and mitigate the external risks to our business. The level of overheads being absorbed by the housing business has also increased as a result of the care home disposal.

The net surplus has increased from £1.526m in 2021/22 to £3.918m in 2022/23, gains recognised on the disposal of assets have increased by £2.037m between years. This is largely owing to the gain arising on the disposal of Gower Gardens of £1.7m. Interest and financing costs have decreased by £217,000 and this is linked partly to the level of fixed rate borrowing that we have in place which means we are less vulnerable to changes in interest rates, but also linked to the net repayment of borrowing in year of £5.241m, net of finance costs.

The tables and charts below display some of the key financial and non-financial indicators for the Group, both for retrospective performance and also future projections where appropriate. Future year projections from 2023/24 onwards are impacted by the planned exit from residential care.

Over the comparative period, turnover shows a year-on-year increase between 2020/21 and 2021/22, which include government funding due to the pandemic of £509,000 and £277,000 respectively. Turnover in 2022/23 has decreased due to a notable reduction in the volume of residential care fees following the disposal of Gower Gardens in June 2022.

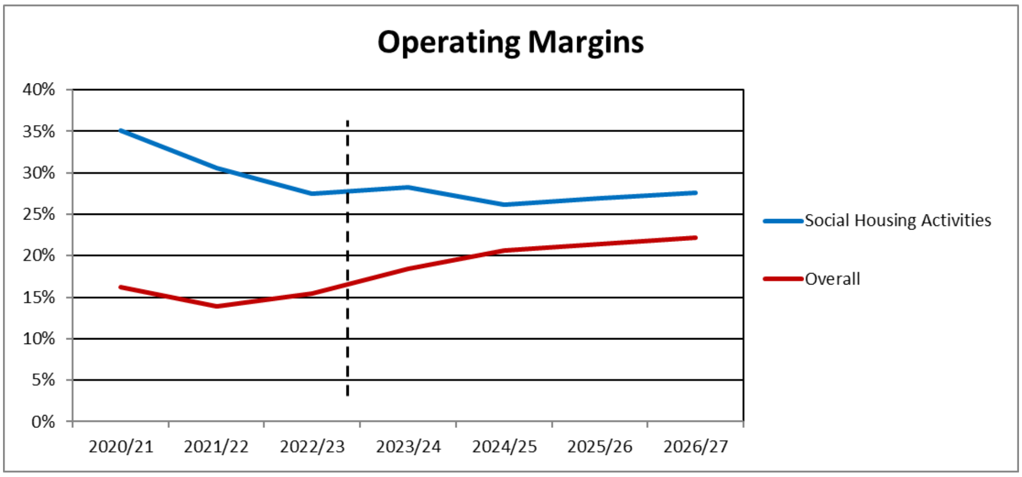
Turnover for 2023/24 is forecast to increase but is dependent upon the timing of when New Bradley Hall is disposed. The projections below assume that the sale will complete at the end of 2023/24 and hence the turnover in 2024/25 is projected to decline. In the coming years growth in turnover is projected within our Social Housing activities which include annual rent increases and reflects the new affordable homes due to complete in the years to come.



Operating Margins for Social Housing activities show a gradual decline which is linked to the additional investment in the business as well as rising cost pressures, performance is still strong in comparison to our peers and wider overall sector.

Overall Operating Margins in 2020/21 and 2021/22 were lower largely due to the adverse impact of the pandemic on our business, particularly our care homes where we experienced a reduction in income coupled with increased costs, some of which were however met by government grant funding. We saw a steady recovery in occupancy levels during 2021/22 and a reduced level of staffing absence, and throughout 2022/23 New Bradley Hall has continue to perform exceptionally well.

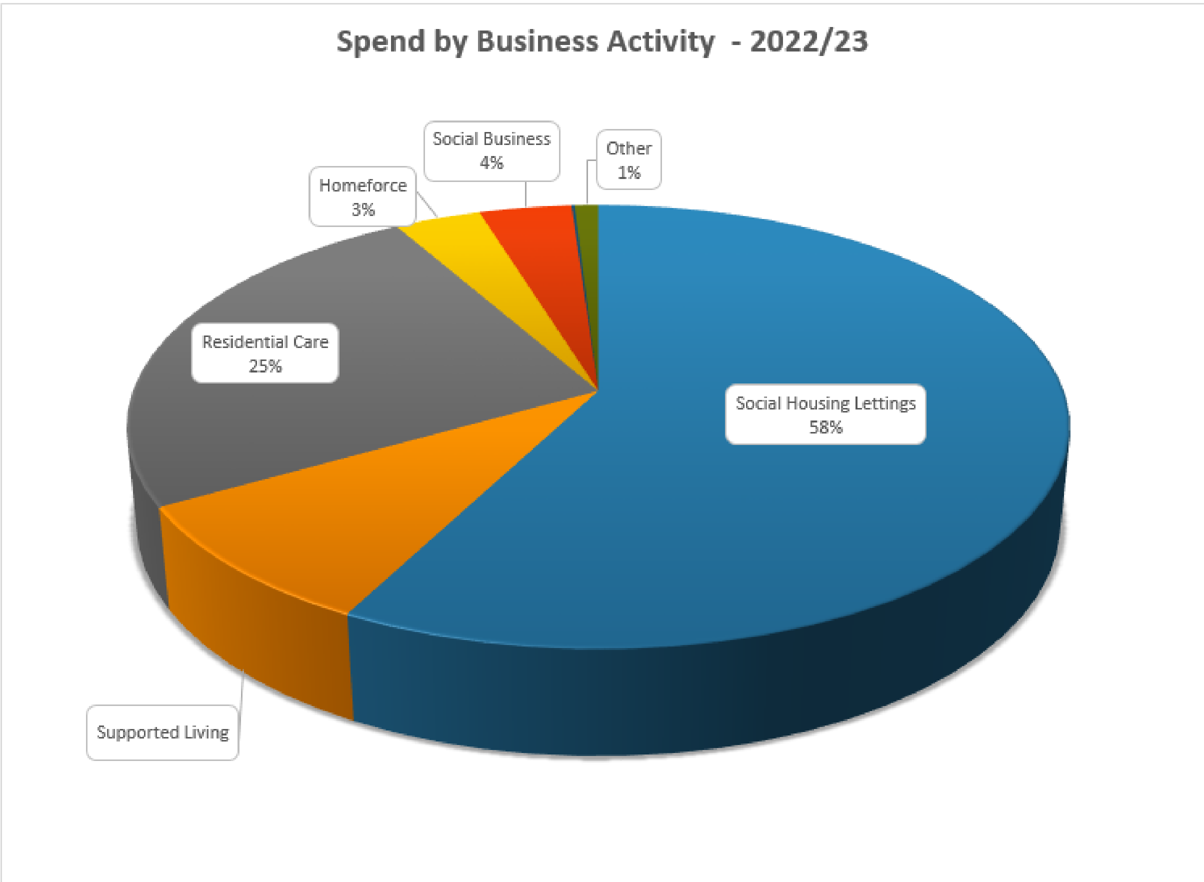
Our operating margin for 2022/23 shows an improved position of 15.6% and is reflective of the investment currently ongoing within our business, as well as some of the cost constraints that have presented during the year. The sale of Gower Gardens as well as other property sales within the year means that our net operating margin was recorded at 22.4%. The low margins of care, combined with increased overhead costs to support the delivery of our Strategic Objectives has resulted in a gradual reduction in our overall margin over the years but the graph shows that this recovers in the future as we exit the residential care service.

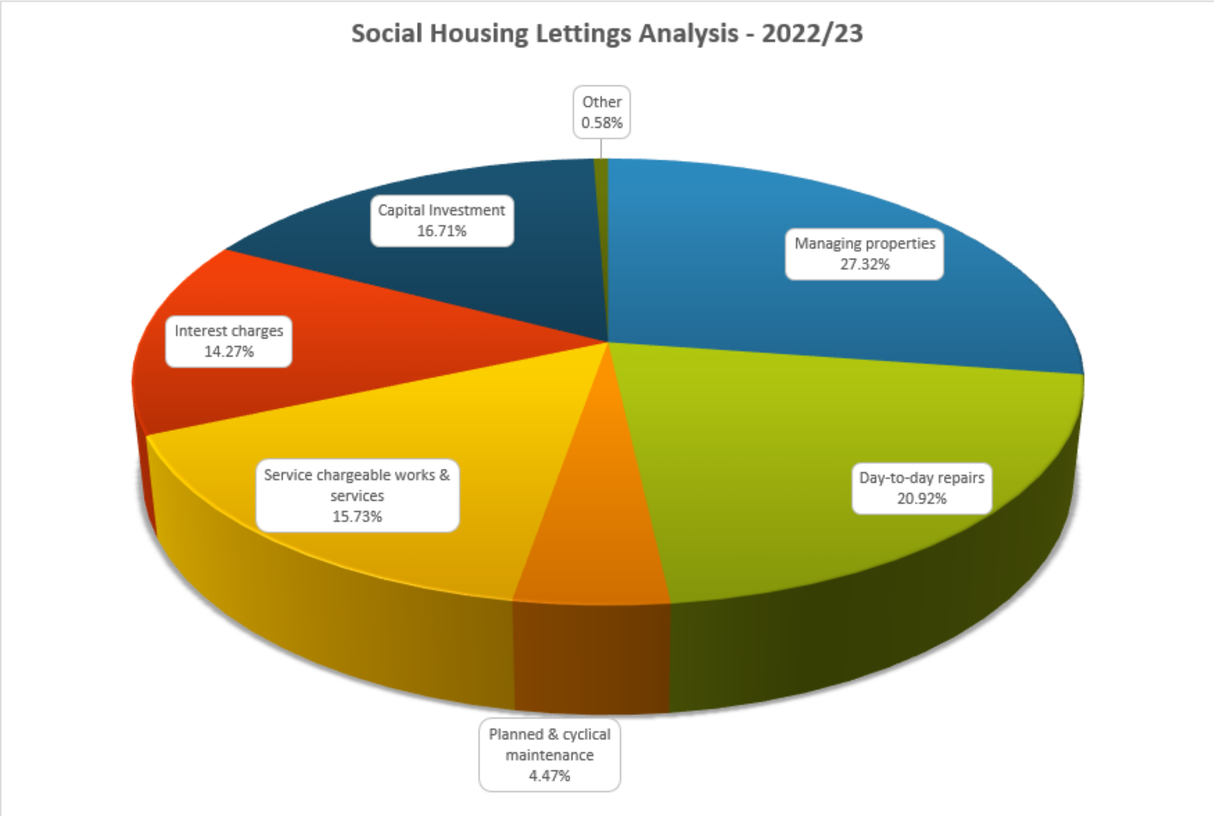


Future projections currently assume no reduction in the level of overheads within the business and this results in a temporary reduction to our Social Housing Operating Margin as this area of the business absorbs costs previously allocated to care, beyond this steady growth is projected.

What do we spend our money on?

The pie charts below provide an analysis in terms of how money is spent. The first chart shows how expenditure is split across the business by activity, the second chart provides more detail of expenditure within the Social Housing Lettings business activity.





Treasury KPIs

		2020/21	2021/22	2022/23
Total Borrowing		£42.3m	£47.4m	£42.2m
Undrawn Facilities		£8.5m	£5.5m	£20m
Cash Balances		£0.679m	£0.823m	£1.647m
Fixed Rate Borrowing %		67%	89%	99%
Average Cost of Borrowing %		2.67%	2.87%	3.17%

Our high levels of undrawn facilities and cash balances at the end of each financial year demonstrate good liquidity. Our average cost of borrowing has remained low in recent years as debt with high interest rates has been repaid and replaced with cheaper borrowing, most recently through the issuance of our first 30-year £40m Private Placement. With 99% of total debt at a fixed rate of lending this ensures that we are well hedged against interest rate risk.

Loan Covenants

	Target	2020/21	2021/22	2022/23
Gearing - Debt : Historical Cost	<50%	30%	32%	29%
Interest Cover - EBITDA MRI	>110%	263%	184%	358%

Significant headroom against our Gearing covenant can be seen across all three years displayed. Our Interest Cover covenant reduced during 2021/22, which is explained by the increased revenue and capital investment during the year, and additional borrowing costs following the refinancing exercise that resulted in us obtaining £40m of new private funding to help support our development plans in the future. In 2022/23 we can see that as anticipated this increased as a result of the proceeds from the sale of Gower Gardens residential care home as well as the reduction in net operating costs from the point of sale. Looking ahead we expect that the interest cover covenant will reduce from this exceptional position due to the continued investment in our business, although it is expected that the future sale of New Bradley Hall will result in a one-off positive increase.

Future Outlook

Black Country Housing Group continues to be a well governed and financially viable organisation and is rated G1/V2 by the Regulator of Social Housing following our second In Depth Assessment being carried out in 2022/23.

Residential Care is a business activity that BCHG has invested significant resources in since 2015, not only in the physical assets themselves but also in our valued colleagues and residents. BCHG Board have however made a strategic decision to exit from the residential care sector and in June 2022 Gower Gardens was successfully transferred into new ownership, with colleagues moving across under TUPE transfer. Negotiations for the disposal of New Bradley Hall will continue to ensure that the home is disposed of at an optimal value. We have made best endeavours to ensure that the homes are transferred to a trusted and reputable provider who will continue to provide excellent services and have the best interests of residents and colleagues at heart.

Our recently refreshed 30-year financial plan includes an ambitious Development Strategy, including the development of new Supported Housing accommodation which BCHG remains fully committed to. In additional to the provision of new homes, resources are also included to fund our Asset Investment Plan, ensuring that our tenants homes remain of a high standard and also our Environmental Strategy which includes a target for all homes to reach an EPC rating of C by 2030. We have been successful in obtaining grant from the Social Housing Decarbonisation Fund which will help us to deliver against our environmental objectives. Work is also scheduled during the year for the replacement of the telecare and door entry systems in our Retirement Living schemes.

Additional investment in Property MOTs, Tenancy Support and Total Reward for our Colleagues further strengthens our ambition and commitment to ensuring that we provide high quality, safe and secure places for our tenants and colleagues to live and work. We go above and beyond our requirements in terms of health and safety and during the year a number of intrusive compartmentation surveys were carried out on our properties. We are continuing this proactive approach with a programme of tree surveys which will identify any potential risks and works required. The new Tenant Satisfaction Measures were recently launched in April, and we very much look forward to hearing the voice of our customers through the collection of these measures, and the learning we can take to further improve services.

We have commenced a significant ICT transformation project to replace both our Housing Management and Financial Management systems. This investment will help to ensure that we have enhanced levels of business intelligence, using the wealth of data that we have available to us. Giving colleagues access to modern, state of the art, systems will help support them to deliver high quality services to customers and to provide high quality information to aid management and strategic decision making.

We continue to operate within an external environment of high levels of inflation and increasing rates of interest, and the current cost of living crisis provides challenges to both our customers and to us as a business. Following government intervention and the cap imposed on social housing rent increases for April 2023, there remains uncertainty of whether there will be similar intervention for increases in April 2024 and beyond. Our financial plan demonstrates BCHG to be a strong, financially viable business and through the stress testing and mitigation plans in place provides assurance that we are pro-active and resilient in the face of challenge. We look forward to the year ahead as we continue to do the right thing for our customers, by investing in new homes and technology, our tenants' homes, our communities and our colleagues.

Approval

This Strategic Report was approved by the Board on 27 July 2023.

K Coulthard

Kaye Coulthard
Director of Finance

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACK COUNTRY HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of Black Country Housing Group Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Boards' 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 annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the information given in the Board Report and Strategic Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Boards' responsibilities statement set out on page 14, 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 intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and tax compliance legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures and reviewing legal and professional costs incurred during the period.

The most significant laws and regulations that have an indirect impact on the financial statements are Health and Safety at Work Act 1974, the Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards) and the General Data Protection Regulations as set out in the Data Protection Act 2018. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls and other revenue as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and detailed substantive sample testing for other revenue.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT OF THE AUDITORS

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
10th Floor
103 Colmore Row
Birmingham
B3 3AG

Date 03/08/23

PRIMARY STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Parent	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Turnover	4	17,530	18,728	17,511	18,728
Operating Expenditure	4	(14,804)	(16,120)	(14,804)	(16,120)
Operating Surplus		**2,726**	**2,608**	**2,707**	**2,608**
Gain on disposal of property, plant & equipment	8	2,535	498	2,535	498
Interest receivable		20	-	20	-
Interest & financing costs	6	(1,363)	(1,580)	(1,363)	(1,580)
Surplus before tax		**3,918**	**1,526**	**3,899**	**1,526**
Taxation	10	-	-	-	-
Surplus for the year		**3,918**	**1,526**	**3,899**	**1,526**
Remeasurements - Actuarial gain/(loss) in respect of pension schemes	31	(411)	1,254	(411)	1,254
Other comprehensive income / (loss)		**(411)**	**1,254**	**(411)**	**1,254**
Total comprehensive income / (loss) for the year		**3,507**	**2,780**	**3,488**	**2,780**

These financial statements were approved by the Board on 27 July 2023.

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

Member of the Board of Management:

A Robson

Member of the Board of Management:

A. Tomlinson

Company Secretary:

STATEMENT OF FINANCIAL POSITION

	Notes	Group 2022/23 £'000	Group 2021/22 £'000	Parent 2022/23 £'000	Parent 2021/22 £'000
Fixed Assets					
Housing Properties	11	130,255	130,398	130,255	130,422
Other Fixed Assets	13	1,023	1,129	1,023	1,129
Intangible Fixed Assets	14	130	187	130	187
		131,408	**131,714**	**131,408**	**131,738**
Current Assets					
Stock	16	22	34	22	34
Trade and Other Debtors	17	1,304	1,593	1,292	1,576
Cash & Cash Equivalents	26	1,647	823	1,647	823
Total Current Assets		**2,973**	**2,450**	**2,961**	**2,433**
Current Liabilities					
Creditors - Amounts Falling Due Within One Year	18	(4,411)	(4,460)	(4,411)	(4,460)
Net Current (Liabilities)		**(1,438)**	**(2,010)**	**(1,450)**	**(2,027)**
Total Assets Less Current Liabilities		**129,970**	**129,704**	**129,958**	**129,711**
Creditors: Amounts Falling Due After One Year	19	(95,291)	(98,569)	(95,292)	(98,569)
Provisions for Liabilities					
Pension Liability	31	(1,801)	(1,764)	(1,801)	(1,764)
Total Net Assets		**32,878**	**29,371**	**32,865**	**29,378**
Reserves					
Income & Expenditure Reserve		32,878	29,371	32,865	29,378
Total Reserves		**32,878**	**29,371**	**32,865**	**29,378**

The financial statements on pages 39 to 68 were approved by the Board and authorised for issue on 27 July 2023 and are signed on its behalf by:

Member of the Board of Management:

A Robr—

Member of the Board of Management:

A. Tomlinson

Company Secretary:

STATEMENT OF CHANGES IN RESERVES

	Group £'000	Parent £'000
Balance as at 1 April 2021	**26,591**	**26,598**
Surplus for the year	1,526	1,526
Other comprehensive income	1,254	1,254
Balance as at 31 March 2022	**29,371**	**29,378**
Surplus for the year	3,918	3,899
Other comprehensive income / expenditure	(411)	(411)
Balance as at 31 March 2023	**32,878**	**32,866**

CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	2022/23 £'000	2021/22 £'000
Operating Activities			
Net cash generated from operations	25	**4,203**	**4,036**
Net Cash Generated from Operating Activities		**4,203**	**4,036**
Cash Flow from Investing Activities			
Purchase of tangible fixed assets		(8,028)	(9,892)
Purchase of intangible fixed assets		(53)	(94)
Proceeds on disposal of tangible fixed assets		9,258	1,035
Cost of Disposal		(252)	-
Grants received		2,352	1,493
Interest received		20	-
Net Cash (used) / generated in Investing Activities		**3,297**	**(7,458)**
Cash Flow from Financing Activities			
Interest paid		(1,426)	(1,227)
Cost of new borrowings		(29)	(323)
Loan Pre-payments		28	-
Proceeds of new borrowings		10,000	25,500
Repayments of borrowings		(15,249)	(20,384)
Net Cash (used in) / generated in Financing Activities		**(6,676)**	**3,566**
Net Increase (Decrease) in Cash and Cash Equivalents		824	144
Cash and Cash Equivalents at beginning of Year		**823**	**679**
Cash and Cash Equivalents at end of Year	26	**1,647**	**823**

1. LEGAL STATUS

Black Country Housing Group Limited ("the Association") is a charitable registered provider and a public benefit entity, incorporated under the Co-operative and Community Benefit Societies Act 2014.

The address of the Company's registered office and principal place of business is 134 High Street, Blackheath, West Midlands, B65 0EE.

The Group comprises Black Country Housing Group (the Association), and its subsidiaries

- BCS Associates Limited (dormant)
- Black Country Care Services Limited (dormant)

The Association is a registered provider of social housing and has charitable status. Key activities during the year included:

- managing and developing homes for rent;
- providing supported housing;
- providing care to residents in our schemes;
- provision of registered care homes;
- supporting people into work and training;
- helping to create sustainable communities, and
- providing home improvements and adaptations.

2. ACCOUNTING POLICIES

i Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022, under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

ii Basis of Consolidation

The consolidated financial statements incorporate those of the Association and all of its subsidiaries. All financial statements are made up to 31 March 2023.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

iii Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report.

The Group has in place long term debt facilities, including £20m which was undrawn and available as at 31 March 2023. In addition, the third and final closing for £13m, of our £40m private placement, has since completed with funds received in April 2023. This provides adequate resources to finance committed development and renewal programmes along with the group's day to day operations. The long-term financial plan, and the range of modelled scenarios shows that the Group is comfortably able to service its debt facilities whilst continuing to comply with loan covenants.

Overall net current liabilities as at 31 March 2023 stand at £1.4m, including debt repayable within one year of £758,000, RCGF of £550,000 and Deferred Capital Grant of £559,000.

The statement of financial position shows a strong net asset position of £32.878m as at the 31 March 2023 and the 2023 iteration of the financial plan has been prepared and stress tested with the base financial plan compliant with all lender loan covenants and golden rules, demonstrating BCHG to be a strong, financially viable group, both in the short and longer term.

On this basis, the Board has a reasonable expectation that the Group has 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 Board continues to adopt the going concern basis in the financial statements.

iv Turnover and Revenue Recognition

Turnover comprises income from rental, service charges, the provision of care, shared ownership first tranche sales, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions of agreed grant funding have been met.

v Other Income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

vi Tangible Fixed Assets – Housing Properties

Housing properties include assets for the provision of social housing and residential care. Our social housing assets are principally properties available for rent and shared ownership.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the acquisitions of land and buildings, and expenditure incurred during the development period.

Properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- an increase in rental income;
- a material reduction in future maintenance costs; and
- a significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current 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. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

vii Government Grants

Government grants include grants receivable from Homes England, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised as income over the useful economic life of the structure of the asset under the accruals model. Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Association will comply with the conditions and the funds will be received.

viii Recycling of Capital Grant

Where Social Housing Grant is recycled, it is credited to the Recycled Capital Grand Fund (RCGF) and appears as a creditor 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.

ix Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

x Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

xi Depreciation of Housing Properties and Residential Care Homes

Freehold land and assets under construction are not depreciated.

The Group separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight-line basis over the following years:

Structure	100/150 years
Windows & Doors	30 years
Kitchens	20 years
Bathrooms	30 years
Roof	70 years
Boilers	15 years
Lifts	20 years

xii Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

xiii Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows:

- freehold offices are depreciated at 2% per annum on cost from the date of handover;
- office furniture and equipment is depreciated at 12.5% per annum on cost;
- motor vehicles are depreciated at 25% per annum on cost;
- computer equipment is depreciated at 25% per annum on cost; and
- residential care homes' fixtures and fittings are depreciated between 5% and 12.5% per annum on cost depending on the asset type.

Properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

xiv Intangible Assets

Intangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all intangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight-line basis over its expected useful life. The Association depreciates computer software at 25% per annum on cost.

xv Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

xvi Stocks

Stocks are valued at the lower of cost and net realisable value.

xvii Schemes Managed by Agents

In respect of schemes owned by the Association where the managing agent suffers the risks and has control of benefits, only the net income receivable by the Association is included in the financial statements.

xviii Taxation

The Association has charitable status and is therefore not subject to Corporation Tax on its results for the year. Other members of the group are subject to taxation at the usual rates applicable to any taxable profits after any gift aid payment to the parent entity.

xix Operating Leases

The Association as Lessee
Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

xx Employee Benefits

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

xxi Retirement Benefits

Defined benefit plans
The Group participated in the multi-employer defined benefit Social Housing Pension Scheme (SHPS) until 31 August 2022, at which point the scheme was closed to future accrual. Retirement benefits to colleagues were funded by contributions from all participating employers and employees in the Scheme. Payments are made to a fund operated by The Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Actuarial assumptions are applied to determine the share of liabilities. The assumptions are updated annually, and any changes go through ‘Other Comprehensive Income’, and not through the normal income and expenditure account.

Calculations are carried out annually and independently of the pension triennial valuation. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Defined contribution plans
The Group continues to participate in the Social Housing Pension Defined Contribution Scheme (SHPS) where the Group and its participating colleagues currently contribute pensionable pay to the plan. The amount charged to the Statement of Comprehensive Income in respect of defined contribution plan pensions costs is the amount payable by the Group in the year.

xxii Financial Instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets - Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Rent debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

Financial liabilities – Trade creditors and borrowings

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

xxiii Provisions

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which is probable to result in the transfer of economic benefits and which can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

3. Critical Accounting Estimates and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assets and Grants
The useful economic lives used to depreciate our assets and amortised social housing grant are as set out in our Accounting Policies and are periodically reviewed by management.

Social Housing Pension Scheme
The rate used to discount the SHPS benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent to those of the benefit obligations. Based on the actuarial assumptions, our commitment to SHPS over the next 10 years has been discounted at a rate of 4.85% (2.79% at 31 March 2022) amounting to a net present value of £1.801m at 31 March 2023 (£1.764m at 31 March 2022).

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m.

We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply.

4. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

Group and Parent

	2022/23			2021/22		
	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000
Social Housing Lettings Activities						
Housing accommodation	9,305	(6,160)	3,145	8,937	(5,552)	3,385
Supported Housing and Retirement Living	2,050	(2,232)	(182)	1,877	(2,080)	(203)
Shared ownership	420	(144)	276	383	(136)	247
	11,775	**(8,536)**	**3,239**	**11,197**	**(7,768)**	**3,429**
Other Social Housing Activities						
First tranche shared ownership sales	-	-	-	127	(103)	24
Charges for Support Services	1,181	(1,344)	(163)	1,178	(1,303)	(125)
Residential Care	3,561	(3,704)	(143)	5,006	(5,555)	(549)
Development costs	-	(19)	(19)	-	(161)	(161)
Non Social Housing Activities						
Homeforce	230	(513)	(283)	441	(542)	(101)
Social Business	458	(549)	(91)	490	(537)	(47)
Other	306	(139)	167	289	(151)	138
Total	**17,511**	**(14,804)**	**2,707**	**18,728**	**(16,120)**	**2,608**

Particulars of Income and Expenditure from Social Housing Lettings

Group and Parent

	2022/23				2021/22
	Housing Accommodation £'000	Supported Housing & Retirement Living £'000	Shared Ownership £'000	Total £'000	Total £'000
Turnover from Social Housing Lettings					
Rents receivable (net of voids)	8,584	1,206	346	10,136	9,647
Service charges receivable (net of voids)	321	756	53	1,130	1,048
Net Rental Income	**8,905**	**1,962**	**399**	**11,266**	**10,695**
Amortised grant	400	88	21	509	502
Total Turnover	**9,305**	**2,050**	**420**	**11,775**	**11,197**
Expenditure on Social Housing Lettings					
Management	(2,181)	(474)	(65)	(2,720)	(2,534)
Service charge costs	(418)	(1,109)	(39)	(1,566)	(1,428)
Routine maintenance	(1,794)	(288)	(1)	(2,083)	(1,837)
Planned maintenance	(324)	(121)	-	(445)	(374)
Rent losses from bad debts	(51)	(8)	1	(58)	(7)
Depreciation of housing properties	(1,392)	(232)	(40)	(1,664)	(1,588)
Operating Costs on Social Housing Lettings	**(6,160)**	**(2,232)**	**(144)**	**(8,536)**	**(7,768)**
Operating Surplus on Social Housing Lettings	**3,145**	**(182)**	**276**	**3,239**	**3,429**
Rent losses from voids	**53**	**43**	**5**	**101**	**87**

5. ACCOMMODATION IN MANAGEMENT

Group and Parent

	2022/23 Units	2021/22 Units
General needs	1,353	1,360
General needs - Affordable	214	194
Supported housing & retirement living	241	241
Supported housing - Affordable	24	16
Low cost home ownership	137	143
Intermediate rent	48	48
Total social housing owned and managed	**2,017**	**2,002**
Residential Care home units	66	132
Properties owned, managed by others	51	61
Leaseholders	23	22
Total Housing Stock	**2,157**	**2,217**

6. INTEREST PAYABLE AND SIMILAR CHARGES

Group and Parent

	2022/23 £'000	2021/22 £'000
Interest arising on;		
- Bank loans and overdrafts	1,421	1,288
Net interest expense (SHPS)	44	68
Amortisation of issue costs of bank loan	61	226
Loan Pre-Payment fees / (gain)	(28)	67
	1,498	**1,649**
less: Interest capitalised	(135)	(69)
	1,363	**1,580**

Interest costs directly attributable to the financing of developments were capitalised based on our long-term cost of borrowings.

7. OPERATING SURPLUS

Group and Parent

	2022/23 £'000	2021/22 £'000
Operating surplus is stated after charging;		
Depreciation & Amortised Grant		
- Housing properties	1,805	1,850
- Other owned tangible fixed assets	135	146
- Other intangible assets	95	86
- Amortised grant	(563)	(557)
Operating lease rentals	107	110
Auditors Remuneration		
- Statutory audit of the company	34	29
- All other non-audit services	8	18

8. SURPLUS ON SALE OF FIXED ASSETS

Group and Parent

	2022/23 £'000	2021/22 £'000
- Disposal proceeds	9,164	1,130
- Cost of disposal	(6,629)	(632)
	2,535	**498**

9. EMPLOYEES

Average monthly full-time equivalents (FTE) (including the Executive Team) employed by the Association during the year:

	2022/23 FTE	2021/22 FTE
- Office and management	27	35
- Care and support	112	154
- Housing, maintenance and development	23	21
- Other	51	46
	213	**256**

Staff costs for the above persons:

	2022/23 £'000	2021/22 £'000
Wages and salaries	6,770	7,595
Social security costs	607	654
Pension costs		
- Contributions	276	262
- Current Service Costs	45	123
	7,698	**8,634**

Agency costs incurred during the year were £0.362m (£0.945m 2021/22).

Full time equivalent of staff receiving remuneration in excess of £60,000:

	2022/23 FTE	2021/22 FTE
£60,001 - £70,000	3	4
£70,001 - £80,000	4	1
£100,001 - £110,000	-	1
£110,001 - £120,000	2	1
£130,001 - £140,000	-	1
£150,001 - £160,000	1	-
	10	**8**

Key Management Personnel

The BCHG Board consists of eight Non-Executive members plus the Chief Executive. The Executive Team consists of the Chief Executive, Deputy Chief Executive, and the Director of Finance.

Executive Team Remuneration:

	2022/23 £'000	2021/22 £'000
Remuneration and fees	359	329
Company contributions to pension schemes	32	20
	391	**349**

Retirement benefits for all members of the Executive Team are accruing under the SHPS defined contribution scheme.

Board Members Attendance and Emoluments

Current Members	Attendance			Emoluments	
	Board	Group Audit Committee	Remuneration, Nominations & People Committee	2022/23 £	2021/22 £
A Robson - Board - Chair	7/7	1/4 (Ex-Officio)	4/4	10,173	10,000
A Tomlinson - Chief Executive	7/7	-	-	-	-
S Woolley (1)	7/7	1/2	2/2	6,000	7,000
C Jones - Group Audit Committee Chair	7/7	4/4	-	7,000	7,000
N Wright	7/7	2/2	2/2	5,962	5,050
L Wallace-Davis - RN&P Chair/Senior Independent Director (2)	6/7	-	3/4	6,000	5,000
G Price	7/7	4/4	-	5,000	5,000
M Shervington	6/7	2/4		5,000	5,000
S Thompson (3)	0/2	0/1	1/1	1,250	5,000
Former members	-	-	-	-	3,125
				46,385	**52,175**

(1) Chair of the Remuneration, Nominations & People Committee and Senior Independent Director until 17/10/2022.
(2) Chair of the Remuneration, Nominations & People Committee and Senior Independent Director from 18/10/2022.
(3) BCHG Board, Group Audit Committee and Remuneration Nominations & People Committee until 10/07/2022.

No members of the Board participate in the Social Housing Pension Scheme.

Highest Paid Director:

	2022/23 £'000	2021/22 £'000
Remuneration	148	126
Company contributions to pension schemes	8	5
	156	**131**

At 31 March 2023 the Chief Executive was a standard member of SHPS with no special arrangements or terms in place. The Chief Executive does not receive a separate emolument for being a member of the Board.

10. TAXATION

The Association has been accepted as having charitable status by HM Revenue and Customs with effect from 8 October 1997 and accordingly no tax is payable on income arising from the group's charitable activities.

Trading activities carried out by Homeforce have generated a net deficit of £283,000 (£101,000 deficit 2021/22) after allowing for overheads. Therefore, there is no Corporation Tax liability in 2022/23 (£nil 2021/22).

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group

	Housing Properties £'000	Housing Properties Under Construction £'000	Shared Ownership Properties £'000	Residential Care Properties £'000	Total Housing Properties £'000
Cost					
1 April 2022	**126,563**	**8,383**	**9,202**	**10,982**	**155,130**
Additions	205	6,326	-	-	**6,531**
Work to existing properties	1,497	-	-	3	**1,500**
Components written out	(255)	-	-	(63)	**(318)**
Schemes completed	4,375	(4,375)	-	-	**-**
Property disposals	(1,140)	(429)	(290)	(5,293)	**(7,152)**
31 March 2023	**131,245**	**9,905**	**8,912**	**5,629**	**155,691**
Depreciation and Impairment					
1 April 2022	**22,862**	**-**	**546**	**1,324**	**24,732**
Depreciation charged in year	1,638	-	40	127	**1,805**
Released on disposal	(128)	-	(17)	(698)	**(843)**
Depreciation on component disposal	(235)	-	-	(23)	**(258)**
31 March 2023	**24,137**	**-**	**569**	**730**	**25,436**
Carrying Amount					
31 March 2023	107,108	9,905	8,343	4,899	**130,255**
31 March 2022	103,701	8,383	8,656	9,658	**130,398**

Parent

	Housing Properties £'000	Housing Properties Under Construction £'000	Shared Ownership Properties £'000	Residential Care Properties £'000	Total Housing Properties £'000
Cost					
1 April 2022	**126,587**	**8,383**	**9,202**	**10,982**	**155,154**
Additions	205	6,326	-	-	**6,531**
Work to existing properties	1,497	-	-	3	**1,500**
Components written out	(279)	-	-	(63)	**(342)**
Schemes completed	4,375	(4,375)	-	-	**-**
Property disposals	(1,140)	(429)	(290)	(5,293)	**(7,152)**
31 March 2023	**131,245**	**9,905**	**8,912**	**5,629**	**155,691**
Depreciation and Impairment					
1 April 2022	**22,862**	**-**	**546**	**1,324**	**24,732**
Depreciation charged in year	1,638	-	40	127	**1,805**
Released on disposal	(128)	-	(17)	(698)	**(843)**
Depreciation on component disposal	(235)	-	-	(23)	**(258)**
31 March 2023	**24,137**	**-**	**569**	**730**	**25,436**
Carrying Amount					
31 March 2023	107,108	9,905	8,343	4,899	**130,255**
31 March 2022	103,725	8,383	8,656	9,658	**130,422**

Expenditure on works to existing properties:

Group and Parent

	2022/23 £'000	2021/22 £'000
Improvement works capitalised	52	141
Components capitalised	1,448	1,062
	1,500	**1,203**
Amounts charged to I&E account	445	374
	1,945	**1,577**

Total cumulative grants received or receivable at 31 March:

Group and Parent

	2022/23 £'000	2021/22 £'000
Social Housing Grant	64,091	62,558
Other grants	3,557	2,880
	67,648	**65,438**

Housing properties book value net of depreciation:

	Group		Parent	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Freehold land and buildings	118,740	120,402	118,740	120,426
Leasehold land and builidings	11,515	9,996	11,515	9,996
	130,255	**130,398**	**130,255**	**130,422**

Interest capitalised in the year is £135,000 (£69,000 2021/22). The aggregate amount of capitalised interest included in the cost of housing properties is £1,116,000 (£981,000 2021/22).

12. IMPAIRMENT

Black Country Housing Group Limited considers individual housing schemes to be separate cash generating units when assessing for impairment, in accordance with SORP 2018.

BCHG has undertaken an impairment review of the carrying value of its Social Housing and Residential Care assets and is satisfied that there is no impairment.

13. TANGIBLE FIXED ASSETS – OTHER

Group

	Freehold offices £'000	Residential homes, furniture & fixtures £'000	Office computer, fixtures & vehicles £'000	Total £'000
Cost				
1 April 2022	**1,401**	**443**	**453**	**2,297**
Additions	8	5	16	**29**
Disposals	-	(7)	(14)	**(21)**
31 March 2023	**1,409**	**441**	**455**	**2,305**
Depreciation and Impairment				
1 April 2022	**544**	**329**	**295**	**1,168**
Depreciation charged in year	75	15	45	**135**
Released on disposal	-	(7)	(14)	**(21)**
31 March 2023	**619**	**337**	**326**	**1,282**
Carrying Amount				
31 March 2023	790	104	129	**1,023**
31 March 2022	857	114	158	**1,129**

Parent

	Freehold offices £'000	Residential homes, furniture & fixtures £'000	Office computer, fixtures & vehicles £'000	Total £'000
Cost				
1 April 2022	**1,401**	**437**	**439**	**2,277**
Additions	8	5	16	**29**
Disposals	-	(1)	-	**(1)**
31 March 2023	**1,409**	**441**	**455**	**2,305**
Depreciation and Impairment				
1 April 2022	**544**	**323**	**281**	**1,148**
Depreciation charged in year	75	15	45	**135**
Released on disposal	-	(1)	-	**(1)**
31 March 2023	**619**	**337**	**326**	**1,282**
Carrying Amount				
31 March 2023	790	104	129	**1,023**
31 March 2022	857	114	158	**1,129**

14. INTANGIBLE ASSETS

Group and Parent

	Computer Software £'000
Cost	
1 April 2022	**523**
Additions	38
31 March 2023	**561**
Depreciation and Impairment	
1 April 2022	**336**
Depreciation charged in year	95
31 March 2023	**431**
Carrying Amount	
31 March 2023	**130**
31 March 2022	**187**

15. SUBSIDIARY UNDERTAKINGS

BCS Associates Limited (Dormant) and Black Country Care Services Limited (Dormant) are both considered to be subsidiaries of BCHG by virtue of the fact that the parent controls the composition of the Boards. BCS Associates is limited by guarantee of the parent; BCHG currently holds an investment of £1. BCS Associates Limited ceased trading on 31 March 2018, previously providing personal care and support in the community.

16. STOCKS

Group and Parent

	2022/23 £'000	2021/22 £'000
Materials	22	34
	22	**34**

17. DEBTORS

Group

	2022/23 £'000	2021/22 £'000
Amounts falling due within one year:		
Rent and services receivable	302	281
less: Provision for bad and doubtful debts	(129)	(114)
	173	**167**
Housing benefit receivable	183	260
Social Housing Grant receivable	-	142
Prepayments and accrued income	948	1,024
	1,304	**1,593**

Parent

	2022/23 £'000	2021/22 £'000
Amounts falling due within one year:		
Rent and services receivable	302	281
less: Provision for bad and doubtful debts	(129)	(114)
	173	**167**
Housing benefit receivable	183	260
Social Housing Grant receivable	-	142
Prepayments and accrued income	936	1,007
	1,292	**1,576**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group and Parent

	2022/23 £'000	2021/22 £'000
Bank loans (Note 23)	758	749
Rent and service charges received in advance	374	311
Other grants received in advance	15	36
Recycled capital grant funds (Note 20)	550	759
Trade creditors	820	408
Other taxation and social security costs	133	185
Unpaid contributions for retirement benefits	57	59
Accruals, other creditors and deferred income	1,145	1,397
Deferred capital grant (Note 21)	559	556
	4,411	**4,460**

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group and Parent

	2022/23 £'000	2021/22 £'000
Debt (Note 23)	41,056	46,306
Recycled capital grant funds (Note 20)	1,162	634
Deferred capital grant (Note 21)	53,073	51,629
	95,291	**98,569**
Included in creditors are:		
Amounts repayable by instalments falling due after more than five years	34,143	24,949
	34,143	**24,949**

20. RECYCLED CAPITAL GRANT FUND

Group and Parent

	2022/23 £'000	2021/22 £'000
Opening balance as at 1 April	**1,393**	**1,849**
Inputs to RCGF:		
- Grants recycled	680	441
- Interest accrued	38	3
Recycling of grant:		
- New build	(399)	(900)
Closing balance as at 31 March	**1,712**	**1,393**
Amounts 3+ years old where repayment may be required	361	-

21. DEFERRED CAPITAL GRANT

Group and Parent

	2022/23 £'000	2021/22 £'000
Opening balance as at 1 April	**52,185**	**50,594**
Grant received in year	2,210	1,635
Grant recycled (to) / from RCGF	(281)	459
Capital grant released to income during the year	(563)	(557)
Write back on disposal of amounts previously amortised	81	54
Closing balance	**53,632**	**52,185**
Short term	559	556
Long term	53,073	51,629
	53,632	**52,185**

22. FINANCIAL INSTRUMENTS

The Group's and Association's financial instruments may be analysed as follows:

	Group		Parent	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Financial assets measured at historical cost				
- Rent receivable	173	167	173	167
- Other receivables	721	1,025	709	1,008
- Cash at bank	1,647	823	1,647	823
Total financial assets	**2,541**	**2,015**	**2,529**	**1,998**
Financial liabilities measured at amortised cost				
- Loans payable	42,174	47,423	42,174	47,423
Financial liabilities measured at historical cost				
- Trade creditors	820	408	820	408
- Other creditors	56,395	54,842	56,395	54,842
Total financial liabilities	**99,389**	**102,673**	**99,389**	**102,673**

23. BORROWINGS

Group and Parent

	2022/23 £'000	2021/22 £'000
Creditors: amounts falling due within one year:		
Housing loans	758	749
	758	**749**
Creditors: amounts falling due after more than one year:		
Housing loans repayable by instalments		
- between one and two years	2,603	758
- between two and five years	4,670	20,967
- repayable after five years	34,143	24,949
	41,416	**46,674**
less: Net finance costs	(360)	(368)
	41,056	**46,306**
	41,814	**47,055**

Housing loans from banks are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest from 0.661% to 10.626%.

Within total debt of £42.174m, £1.704m is long-standing fixed rate debt and has an interest rate of 10.626%. The overall average cost of borrowing for the year is 3.17% (2.87% 2021/22).

24. SHARE CAPITAL

	2022/23 £	2021/22 £
As at 1 April	8	6
Issued during the year	-	3
Cancelled during the year	(1)	(1)
As at 31 March	7	8
Number of members at 31 March	**7**	**8**

Each non-executive Board member holds one £1 share of Black Country Housing Group Limited. The shares do not have a right to any dividend or distribution in a winding up and are not redeemable. Each share has full voting rights.

25. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2022/23 £'000	2021/22 £'000
Surplus for the year	3,899	1,526
Adjustments for non-cash movements:		
Depreciation of tangible fixed assets	2,119	2,155
Amortisation of SHG	(563)	(557)
Cost of sales	-	23
Defined benefit pension scheme	(16)	62
Past service deficit payment	(402)	(344)
(Gain) on disposal of tangible fixed assets	(2,535)	(498)
Interest receivable	(20)	-
Interest payable	1,363	1,580
Taxation	-	-
Operating cash flows before movements in working capital	**3,845**	**3,947**
Decrease / (Increase) in stock	12	111
(Increase) / Decrease in trade and other debtors	64	184
Increase / (Decrease) in trade and other creditors	282	(206)
Cash generated from operations	**4,203**	**4,036**

26. CASH AND CASH EQUIVALENTS

	Group	
	2022/23 £'000	2021/22 £'000
Cash at bank	1,647	823
	1,647	**823**

27. 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 at bank and in hand	823	824	-	1,647
Debt due within 12 months	(749)	15,249	(15,258)	(758)
Debt due greater than 12 months	(46,306)	(10,000)	15,250	(41,056)
	(46,232)	**6,073**	**(8)**	**(40,167)**

28. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

Group and Parent

	2022/23 £'000	2021/22 £'000
Capital expenditure contracted for but not provided in the financial statements	8,261	7,545
Capital expenditure authorised but not yet contracted for	5,215	1,756
	13,476	**9,301**

Capital expenditure will be financed by a mixture of bank finance that the Association has available, capital grants, and receipts from property sales and other third-party commitments.

29. COMMITMENTS UNDER OPERATING LEASES

No new leases were entered into during the year. The total future minimum lease payments under non-cancellable operating leases are as follows;

Group and Parent

	2022/23 £'000	2021/22 £'000
Amounts due:		
- Within one year	99	112
- Between one and five years	47	147
	146	**259**

30. CONTINGENT ASSETS

Additional capital grant funding of £0.696m (2021/22 £1.598m) has been approved by Homes England in relation to new social housing developments that were on site as at the year end.

31. RETIREMENT BENEFITS

Social Housing Pension Scheme

The Association participates in the Social Housing Pension Defined Contribution (DC) Scheme and the Social Housing Pension Defined Benefit (DB) Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers.

For the DC Scheme the amount charged to the Statement of Comprehensive Income are the contributions payable in the year which in 2022/23 were £266,000 (£201,000 2021/22).

The DB Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, valuation of the scheme was carried out with an effective date of 30 September each year. The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for the accounting year ending 31 March 2023.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The defined benefit contributions made by the Group in year were £463,000 (£403,000 2021/22), estimated defined benefit contributions for 2023/24 are £430,000.

The Group elected to close the defined benefit Social Housing Pension Scheme to future accrual with effect from 1 September 2022.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2022/23 £'000	2021/22 £'000
Fair value of plan assets	8,256	13,144
Present value of defined benefit obligation	10,057	14,908
Surplus (deficit) in plan	(1,801)	(1,764)
Defined benefit asset (liability) to be recognised	**(1,801)**	**(1,764)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2022/23 £'000	2021/22 £'000
Defined benefit obligation at start of period	**14,908**	**14,883**
Current service cost	45	123
Expenses	14	14
Interest expense	412	326
Contributions by plan participants	41	81
Actuarial losses (gains) due to scheme experience	(483)	1,324
Actuarial losses (gains) due to changes in demographic assumptions	(24)	(234)
Actuarial losses (gains) due to changes in financial assumptions	(4,472)	(1,299)
Benefits paid and expenses	(384)	(310)
Defined benefit obligation at end of period	**10,057**	**14,908**

Reconciliation of opening and closing balances of the fair value of plan assets

	2022/23 £'000	2021/22 £'000
Fair value of plan assets at start of period	**13,144**	**11,653**
Interest income	368	258
Experience on plan assets (excluding amounts included in interest income) - gain	(5,390)	1,045
Contributions by the employer	477	417
Contributions by plan participants	41	81
Benefits paid and expenses	(384)	(310)
Fair value of plan assets at end of period	**8,256**	**13,144**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was a deficit of £5,022,000 (£1,303,000 2021/22).

Defined benefit costs recognised in the Statement of Comprehensive Income

	2022/23 £'000	2021/22 £'000
Current service cost	45	123
Expenses	14	14
Net interest expense	44	68
Defined benefit costs recognised in statement of comprehensive income	**103**	**205**

Defined benefit costs recognised in the Other Comprehensive Income

	2022/23 £'000	2021/22 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	(5,390)	1,045
Experience gains and losses arising on the plan liabilities - gain (loss)	483	(1,324)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	24	234
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	4,472	1,299
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	**(411)**	**1,254**
Total amount recognised in other comprehensive income - gain (loss)	(411)	1,254

Key Assumptions

	2022/23	2021/22
Discount Rate	4.85%	2.79%
Inflation (RPI)	3.18%	3.51%
Inflation (CPI)	2.78%	3.16%
Salary Growth	3.78%	4.16%
Allowance for commutation of pension for cash at retirement	75% of maximum	75% of maximum

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	2022/23 expectancy at (Years)	2021/22 expectancy at (Years)
Male retiring in 2023	21.0	21.1
Female retiring in 2023	23.4	23.7
Male retiring in 2043	22.2	22.4
Female retiring in 2043	24.9	25.2

Assets

	2022/23 £'000	2021/22 £'000
Global Equity	154	2,522
Absolute Return	89	527
Distressed Opportunities	250	470
Credit Relative Value	312	437
Alternative Risk Premia	15	433
Emerging Markets Debt	44	382
Risk Sharing	608	433
Insurance-Linked Securities	208	306
Property	355	355
Infrastructure	943	936
Private Debt	367	337
Optimistic Illiquid Credit	353	442
High Yield	29	113
Opportunistic Credit	1	47
Cash	60	45
Corporate Bond Fund	-	877
Long Lease Property	249	338
Secured Income	379	490
Liability Driven Investment	3,803	3,668
Currency Hedging	16	(51)
Net Current Assets	21	37
Total assets	**8,256**	**13,144**

32. RELATED PARTIES

Black Country Housing Group was one of four members of Energy Extra, however this company has been dissolved in the year. Black Country Housing Group Limited provided administrative services for Energy Extra for which a management charge of £10,234 (2021/22: £14,620) was received in the year. Energy Extra owed no monies to BCHG at 31 March 2023 (2021/22: £nil).