Charity Registration No. 1143046

Company Registration No. 07375502 (England and Wales)

RSH Registration No. L4718

BESPOKE SUPPORTIVE TENANCIES LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

BESPOKE SUPPORTIVE TENANCIES LTD

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Andrew Bailey Paul Carhart Stephen Close Philip Elvy Thomas Miskell (Chair)
Executive team	Irene Bailey (Finance Director) Steve Boyd (Commercial Director) Shelley Hobbs (Managing Director)
Charity number	1143046
Company number	07375502
RSH number	L4718
Registered office	2A Sentinel House Albert Street Eccles Manchester M30 0NJ
External Auditor	Beever and Struthers One Express 1 George Leigh Street Manchester M4 5DL
Bankers	Santander UK plc 298 Deansgate Manchester M3 4HH Unity Trust Bank plc 4 Brindleyplace Birmingham B1 2HB
Solicitors	Woodcocks, Haworth & Nuttall 12 Manchester Road Bury Lancashire BL9 0DX

BESPOKE SUPPORTIVE TENANCIES LTD

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BESPOKE SUPPORTIVE TENANCIES LTD

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Chair's Statement

The 2021/22 financial year has seen Bespoke Supportive Tenancies (BeST) (the Charity) continue to work towards full compliance with the Regulator of Social Housing's Regulatory Standards, against the backdrop of coming out of a pandemic and a new conflict in Ukraine, which has caused a major supply issue in the energy market and contributed to the spiralling costs faced by us all.

At the year end, most of the initial areas of The Regulator's concern, such as landlord health & safety compliance, had been dealt with. This has been recognised by the Regulator, who has verbally confirmed they plan to remove the original Regulatory Notice over landlord health and safety issues in early 2023. The key issue of compliance with the Rent Standard was also approaching its final stages, which has been clarified after the year end with just 24 schemes currently failing to have sufficient evidence to meet the requirements for specialised supporting housing.

There has been a great deal of progress made operationally across the Charity. IT systems have been enhanced and improvements have been made to existing policies and procedures. The Charity's overall performance operationally has seen improvement across many areas despite the challenges the whole sector has faced during 2022.

Discussions with landlords over lease terms featured heavily throughout 2021/22 as the outcome of such discussions were considered critical to the future direction of the Charity and achievement of overall compliance with the Regulatory Standards. The outcomes from discussions have been positive in some respects, though it was clear that any fundamental changes to existing lease structures could not be achieved immediately. Due to the complex funding structures of the major landlords, this will take some time to achieve but the Board has been encouraged by the dialogue. Conversely, no material lease amendments have been achieved with individual landlords, despite continued efforts.

At the year end, the Charity finds itself in a challenging position, despite the relatively healthy cash position. Its overall financial position has deteriorated, because of the worsening economic situation and rampant inflation. Further work is being undertaken to ensure that BeST can meet its financial liabilities going forward.

Given the Charity's present regulatory position, it will continue its positive and transparent engagement with the Regulator of Social Housing whilst working towards a compliant position.

I would like to thank my fellow Board Members who have worked extremely hard this last year supporting the Charity. I would also like to thank the Executive Team and the staff who have again completed many key tasks this year, as well as continuing to deliver services to our vulnerable tenants against a backdrop of a pandemic and multiple economic constraints.

Chairman

Dated: 22 March 2023

BESPOKE SUPPORTIVE TENANCIES LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Trustees present their Strategic Report together with the audited financial statements for the year ended 30 September 2022.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charitable company's Memorandum & Articles, the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Objectives and activities

Aim

The principal object of Bespoke Supportive Tenancies (BeST) ("the charitable company"), as set out in its Memorandum and Articles, is to provide accommodation for vulnerable adults in partnership with support providers. BeST works closely with service providers such as Local Commissioning Groups, Local Authorities, Housing Benefit Departments, Care and Support providers to identify tenant requirements to enable it to acquire suitable homes that can be adapted for the specialised requirements to meet the needs of our tenants.

Principal activity

In the year covered by the financial statements the principal activity was acting as landlord for supported housing providers.

Public benefit

The Charities Act 2011 identifies two key principles of public benefit, namely that there must be an identifiable benefit or benefits and the benefit must be to the public or a section of the public. The Trustees, in overseeing the charitable company's operations and in exercising their powers or duties, consider that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

The Trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charitable company should undertake.

Strategic Review

Regulatory position

The year has again been dominated by our regulatory engagement. The Charity has continued to work closely with the Regulator of Social Housing ("Regulator" or "RSH") to rectify the identified weaknesses and to achieve compliance with the Regulatory Standards. The Charity has continued to make good progress working through its Regulatory Plan, that was compiled following the organisation's initial self-assessment against the Regulatory Standards after regulatory engagement commenced.

The Board continues to make a positive impact upon the Charity and the Charity has greater clarity on its position. The Board has maintained its focus on regulatory compliance and has seen continued improvement across the organisation during 2021/22.

The Board was pleased to be informed by the Regulator in early 2023 that the Regulatory Notice regarding the landlord health and safety compliance issues would be withdrawn. The Board believes that this acknowledges the extensive improvements that have been made and monitoring systems are now in place to evidence that the highest standards of health and safety are maintained for tenants. Progress has been made across the organisation but the key issues of compliance with the Rent Standard and the terms of lease arrangements remain to be finally resolved. The Charity entered complex lease negotiations with landlords during the year in response to the Regulatory Notice to mitigate some of the risks of the lease-based model and the outcome of these negotiations will impact upon the Charity's future.

Despite the challenges imposed by regulatory engagement, BeST has continued to focus on its charitable objectives. It continues to provide high quality accommodation for vulnerable adults. BeST has maintained a sizeable cash balance through the year.

Operations

The Charity has adopted a policy of 'no growth' whilst it works through its regulatory requirements, with no further pipeline projects to be taken on. The Charity ended the year with 1,742 units of accommodation following a 1.6% decrease of units from September 2021. The year saw 9 schemes handed back, accounting for 29 units.

The year ending 2022 saw the back end of the pandemic, which eased pressures on front line staff. Unfortunately, because of the war in the Ukraine, BeST faced a significant increase in costs generally to maintain and provide its services. This has been seen across the whole sector. Despite such challenges, BeST maintained its services to its residents and its core functions as a Registered Provider.

Post the pandemic, the implementation of a formalised hybrid working arrangement enabled BeST to become more versatile within their working practices. System upgrades and investment in its IT equipment had enabled BeST to maintain service delivery with flexibility, to ensure continuity for its residents. Systems and processes had been improved to ensure more accurate reporting and creating efficiencies across the business. The introduction of an internal audit and review programme had also helped to define improvements to process, giving the Board more assurance.

Year Ahead

The Board remain clearly focused on securing a viable future for the Charity and 2022/23 will see the finalisation of several key projects that will contribute to this. The work is drawing to an end in securing compliance with the Rent Standard and the Board has engaged with BeST's funders to review and, where possible, renegotiate aspects of the lease agreements. Most funders appear to be generally supportive but due their complex funding structures variations to existing leases will take some time to complete and so progress remains slow. In contrast, BeST's individual landlords have been supportive yet are reluctant to vary existing terms due to their own personal circumstances. BeST continues to engage with its funders and landlords with a view to mitigating some of the weighted risks associated with the lease-based model, unfortunately progress may involve various lease terminations where BeST is unable to meet compliance in the longer term and to bring this project to a close.

Once the lease negotiations have been completed and BeST has a clear idea of the stock position, it will be able to implement an organisational structure review that has been on hold whilst the negotiations have been ongoing. This will enable BeST to establish a fit for purpose organisational structure.

The Charity has revised its strategic plan, considering the current financial constraints that it faces, to focus on the short-term delivery of the Regulatory Plan and the Board's Business Plan. Bringing the lease renegotiations to a positive conclusion may allow the organisation to reassess its strategic goals.

Financial Review

The Charity reported a deficit for the year of £2.0m (2021: Deficit £1.6m).

Although both the number of units at year end and the average throughout the year is 1.6% lower this year when compared to the previous year, the Charity has seen a £0.9m (4%) increase in turnover this year. The average void % has remained stable at 15%.

The year has also seen a corresponding £1.2m (5%) increase in operating expenditure. Lease costs have increased by £0.04m (0.4%) whilst there has been a £0.9m (17%) increase in service charge & maintenance costs. The numbers are both affected by a £0.7m lease liability being released and replaced by a corresponding £0.7m maintenance provision. Excluding this, lease costs would have risen by £0.7m (6%), and service charges & maintenance costs by £0.3m (5%). Some of the increase was due to the high level of inflation within the supply chain whilst there were also some one-off costs. In addition, the Charity has continued its programme of planned maintenance following a review of the properties through stock condition surveys. Other notable costs include an additional £0.1m (6%) depreciation costs. This was mainly due to additional depreciation on the Thorntree Farm scheme which incurred a full year's cost in 2022, having gone live during 2021. There has also been an £0.2m increase in overheads and bad debts.

As a lease-based provider the Charity rents its properties on long term operating leases or through finance leases. Within the balance sheet the finance lease properties are shown as an asset whilst the liability to repay the lease is shown as a creditor. Different accounting treatments for depreciating the asset and charging interest on the creditor result in the value of the finance lease creditor being much higher than the value of the asset in the early years of the lease, with the difference reducing over the term of the lease. At year end the value of the finance lease creditor was £6.8m higher than the value of the properties which has contributed to the balance sheet net liabilities of £5.2m.

The operating surplus has fallen by £0.3m this year and the overall loss is £0.4m worse than last year as a result of the £0.1m increase in finance lease costs.

The Charity has net current liabilities of £31k and net liabilities of £5.2m as noted above, however this would be a net asset position if the accounting treatment of the finance lease creditor and asset were more closely aligned. That, together with the healthy cash balance the Charity had at year end provides reassurance over the going concern of the Charity.

Reserves policy

The Board approved a change to the Charity's Reserves Policy in 2020 to more accurately reflect the fact that the lease-based model negates using a purely asset focused approach to setting reserves targets. The policy acknowledged that an asset-based approach was not suitable due to the significant finance lease liabilities held on the balance sheet, whilst the accounting treatment of finance leases, with higher interest charges in the early years of the lease, impacted upon BeST's ability to generate a reasonable level of profit and loss reserves.

The policy is based on the level of unrestricted cash reserves. To ensure that the organisation's ongoing and future activities are reasonably protected from unexpected variations in its income and expenditure, BeST will retain unrestricted cash reserves of £750k. This figure excludes lease payments, which in 2021/22 were £17.5m. BeST would need the financial support of its funders were there to be any variations in its income and the current renegotiation activity with funders includes looking at what support may be offered. The Board have implemented a rigorous risk management framework and undertake stress testing of the Charity's business plan to provide a suitable early warning system if the financial viability of BeST was in jeopardy. The Reserves Policy acts as a financial trigger, alongside these other controls and tools, and would provide sufficient time for the Board to take appropriate action to either rectify the situation or take necessary action with the support of the Regulator.

The Board are confident that the current level of liquid resources is more than adequate to ensure the organisation can continue to fund its activities and enable it to meet any foreseeable contingency. Holding unrestricted cash reserves of £750k is the minimum that the Board would feel comfortable holding to ensure that the Charity could meet its financial requirements. As at the end of September 2022, BeST had total cash reserves of £3.3m, of which £2.3m was unrestricted.

The Charity held negative reserves of (£5.2m) (2021: (£3.2m)) at 30 September 2022 and £nil (2021: £660) in restricted reserves. Free reserves, i.e., unrestricted funds excluding tangible fixed assets, were (£71.5m) (2021: (£71.5m)) at 30 September 2022. £66.1m (2021: £68.2m) is represented by fixed assets which are currently being held under finance lease. The associated finance lease creditor included within free reserves is £71.6m (2021: £72.7m).

Value for Money

Introduction

BeST undertakes an annual self-assessment against the Value for Money (VFM) Standard to evidence its compliance. BeST has now clearly articulated its strategic objectives within its business plan, including how it delivers specialised supported housing for its tenants through lease arrangements with a range of funders. The Board is challenging delivery models and management have built efficiency targets into the annual budgeting process.

How do we approach VFM?

The overall strategic objective for BeST remains to provide and manage high quality accommodation for vulnerable adults that meets their specialist requirements in partnership with support providers.

The Charity at present remains focused on three key objectives:

- To meet and maintain compliance with the Regulatory Standards.
- To improve operational efficiency whilst delivering a quality service to tenants.
- To establish and maintain a financially viable position.

These objectives provide the cornerstone of BeST's current business plan and integrates Value for Money into these objectives. The Charity undertook an organisation wide review (Project Dolly) of processes with economy and efficiency at its heart during 2021/22. The proposed efficiency savings were not secured, as external factors such as the war in Ukraine caused rising energy costs and inflation. For 2022/23, BeST has established the 'Back to Black' project, which is more focused in looking at loss-making schemes and how these can be made to make a surplus.

BeST has implemented the lease-based operating model for building up its asset base. This results in particular financial outcomes due to the accounting requirements around finance leases. The RSH VFM metrics do not allow easy comparisons with traditional general needs housing associations for the lease-based provider sub-sector. The general themes of the VFM metrics, when applied to lease-based providers, is that of low reinvestment, high gearing, high headline social housing cost per unit and low operating margins.

BeST is aware of these issues and both last year's Project Dolly and the future year's Back to Black were designed to increase the Charity's operating margin. The Charity acknowledges that it is unable to improve some of its VFM metrics because of the operating model it uses.

Value for Money metrics

The following tables show both a backward view of how BeST has performed against the VFM metrics over the last three years, as well as a forward look across the next two years. The forward view also compares BeST's VFM metrics against a peer group of supported housing providers who are members of Acuity, a number of which are lease-based providers. BeST continues to work with other lease-based providers to establish a specific peer group for this sub-sector.

RSH VFM Metrics	Actual 2020	Actual 2021	Actual 2022	Budget 2022
Reinvestment %	0%	6%	1%	0%
New supply delivered (Social housing units) %	4%	2%	0%	0%
New supply delivered (Non-social housing units) %	0%	0%	0%	0%
Gearing %	99%	102%	103%	104%
EBITDA MRI interest cover %	107%	104%	101%	126%
Headline social housing cost per unit	£10,280	£11,435	£12,088	£11,315

RSH VFM Metrics	Actual 2020	Actual 2021	Actual 2022	Budget 2022
Headline social housing cost per unit excluding lease costs payable	£3,931	£4,627	£5,141	£4,307
Headline social housing cost per unit including finance lease interest payable	£12,346	£13,470	£14,205	£13,474
Operating Margin (social housing lettings) %	9%	8%	7%	10%
Operating Margin (overall) %	9%	8%	7%	10%
Return on capital employed (ROCE)	3%	3%	3%	4%

Backward looking

2022 Reinvestment and New Supply (Social Housing) metrics are low because they reflect the Charity's no growth strategy. The reinvestment recognises capitalised maintenance on existing properties.

Gearing remains high and there has been minimal movement in the metric across the years because of how the Charity is financed through the lease-based model. The movement in gearing from 2021 to 2022 is partly due to the decreases in cash balance in 2022 and the mismatch between the movement in finance lease creditor and finance lease properties.

EBITDA MRI interest cover metric has decreased by 3% in 2022. The EBITDA remained stable across both years, however financing costs increased by £0.1m in 2021/22 as it reflected a full year's interest costs on the final scheme acquired which led to a reduction in the metric.

The headline social housing costs per unit are calculated using the year end number of units, rather than the average for the year. There has been a 6% increase in this cost in 2022. Overall, there has been £0.8m increase in costs across all areas. There has also been a 2% drop in unit numbers in 2022 which has adversely affected the cost per unit.

The headline social housing cost per unit excluding lease costs has increased by 11% since 2021. 8% of the increase in cost per unit (£377) is due to replacement of a lease provision with a maintenance provision as already noted. The remaining 3% increase in cost per unit (£137) is due to increased service charges and maintenance costs. The Charity has focused on Health & Safety compliance work and their associated costs. Lease costs have also increased during the year with the inclusion of a full year's costs for the final finance lease which commenced during the previous financial year. Another factor in the increase is that the total number of units has dropped by 2% since 2021, as some non-compliant schemes have been handed back.

The increase in the headline social housing cost per unit as noted above arises from inflationary increases and the impact of full year costs in 2022 on the final finance lease scheme, which was added to the portfolio during 2021.

The Charity's operating margin has decreased since 2021 with a 1.7% drop to 6.7% in 2022. The turnover has increased as the final new scheme has a full year's income in 2022, which has offset the loss of income on non-compliant schemes being returned. Lease and maintenance costs have increased as already noted above. The bad debt charge in 2022 is also higher than in 2021, reflecting the current economic conditions.

The Charity's ROCE has remained stable with a small 0.4% decrease within the %. There has been a £0.3m decrease in its operating surplus when compared to a £3.1m decrease in its total assets less current liabilities.

RSH VFM Metrics	Actual 2022	Budget 2022	Acuity 2022	Forecast 2023	Forecast 2024
Reinvestment %	1%	0%	3%	0%	0%
New supply delivered (Social housing units)	0%	0%	0%	0%	0%
New supply delivered (Non-social housing units)	0%	0%	0%	0%	0%
Gearing	103%	104%	17%	106%	109%

RSH VFM Metrics	Actual 2022	Budget 2022	Acuity 2022	Forecast 2023	Forecast 2024
EBITDA MRI interest cover %	101%	126%	248%	128%	141%
Headline social housing cost per unit	£12,088	£11,315	£4,774	£12,583	£13,178
Headline social housing cost per unit excluding lease costs payable	£5,141	£4,307	-	£5,018	£5,099
Headline social housing cost per unit including finance lease interest payable	£14,205	£13,474	-	£14,683	£15,305
Operating Margin (social housing lettings) %	7%	10%	17%	8%	10%
Operating Margin (overall) %	7%	10%	17%	8%	10%
Return on capital employed (ROCE)	3%	4%	2%	3%	4%

Forward looking

Reinvestment and New Supply (Social Housing) metrics are nil going forward as they reflect the Charity's no growth strategy.

Gearing is high and there is minimal movement in the metrics in the future because of how the Charity is financed through the lease-based model.

EBITDA MRI interest cover metric is forecast to improve in 2023 because of an improved operating surplus due to forecast operational efficiencies from successful lease negotiations and the reprocurement of maintenance.

The headline social housing cost per unit is forecast to increase in the future as operational efficiencies are cancelled out by inflation and the reducing number of units, as schemes are returned at the end of their lease.

The forward-looking operating margin and ROCE metrics reflect the changes already mentioned, as they show the impact of efficiency savings being eroded by inflation.

Operational Performance

Operational Metrics	Actual 2022	Budget 2022	Forecast 2023	Forecast 2024
Same day repair	97%	99%	99%	99%
Urgent (24hr) repair	95%	95%	95%	95%
Routine	94%	95%	95%	95%
First time fix	95%	95%	95%	95%
Asbestos certification	100%	100%	100%	100%
Legionella certification	97%	100%	100%	100%
Fixed wire certification	99%	100%	100%	100%
CP12 (gas) certification	100%	100%	100%	100%
FRA certification	96%	100%	100%	100%
Portable appliance testing (PAT)	96%	100%	100%	100%
Occupancy	85%	87%	88%	88%
Void	15%	13%	12%	12%
HB turnaround (days)	5	7	7	7
Total Arrears (£m)	0.8	1.1	0.9	0.9
Current arrears (£m)	0.89	0.89	0.95	0.95
Units in full payment	96%	99%	99%	99%
HB claims in tribunals	1.0%	0.8%	0.0%	0.8%

BeST has focused on developing a suite of health & safety performance indicators over the last few years and working with its contractors to improve performance. This was one of the areas for improvement highlighted in the regulatory notice and supports one of the key objectives of the Charity which is to provide a safe and secure environment for our tenants.

Whilst the current operational performance indicators do not allow for easy comparison with those of the Acuity group, the Charity is currently reviewing these in order to have comparable data next year.

Governance

Governing document

The charitable company is limited by guarantee, incorporated in the UK on 14 September 2010 and registered as a charity on 22 July 2011. The charitable company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the charitable company being wound up members are required to contribute an amount not exceeding £10.

Trustees

The Board of Trustees has operated a simple governance structure to deliver its key objective of achieving regulatory compliance, with a Board of five Trustees and no additional Committees. Four Trustees with specific social housing sector skills and extensive regulatory experience were brought on to the Board in August 2019. The Trustees delegate the day-to-day management to the executive team of three officers through a formal delegation structure involving standing orders, financial regulations, and delegated authority schedule. The Charity is currently operating without a chief executive with the executive team having taken on board any specific responsibilities that related to that post.

The Trustees who served during the year were:

Board Member	Appointment Date
Tom Miskell (Chair)	15 August 2019
Andrew Bailey	20 March 2019
Paul Carhart	15 August 2019
Steve Close	15 August 2019
Phil Elvy	15 August 2019

The Trustees have committed to remain in post whilst BeST seeks to meet the requirements to end the regulatory engagement. The current Board is focused on leading the Charity through this period of regulatory engagement. The Board acknowledges that once this is achieved, a Board recruitment exercise will be undertaken which will look to ensure that BeST achieves a diverse Board, with the necessary skills and experience to lead a lease-based supported housing provider. At this time, it is likely that the Board membership will be expanded. Also, sub-committees will be established to deal with Board recruitment and executive pay, alongside audit, risk, and control matters.

BeST has developed a suit of governance policies and documentation. An induction and board member development process will be initiated for the new Board, once recruited. This will be based on any gaps identified following a robust skills assessment and include nugget board training for regulatory updates and other formal training and attendance at conferences.

The Board currently retains responsibility for setting pay awards across all the staff. An independent salary review was undertaken in 2020 by an external consultancy which identified any job roles that were outside the norm for the sector. Several staff, including the executive were identified as having salary below the norm. These anomalies would be dealt with as part of the organisational restructure which is due to be implemented during 2023 once the lease renegotiations have been completed. The remuneration arrangements for the executive team will be reviewed and agreed as part of the organisational restructure process.

Regular contact has been maintained with the Regulator throughout the year. As noted elsewhere in the Strategic Report, the Board is of the opinion that it meets the Regulatory Standards, except in relation to the Rent Standard for a percentage of the stock and work continues to achieve full compliance across the whole of BeST's stock portfolio. BeST is still actively engaged with the Regulator and progress continues to meet the Regulator's requirements.

Corporate Governance

As noted, BeST has been in regulatory engagement since 2019. The Board has been focused on meeting the requirements of the Regulator since then and in August 2021, the Board adopted the 2020 NHF Code of Governance. The Board has been focused on ensuring the viability of BeST and meeting the requirements of the Regulatory Standards throughout this period, but it has also overseen significant improvements in the governance of the Charity.

The latest self-assessment continues to identify some minor areas of improvement, but the Board is of the opinion that the improvements made over the past few years are sufficient to ensure that BeST operates an efficient and effective governance process. This includes work on gaining a greater insight into the views of tenants and the culture of the organisation.

Although there are elements of the Code where improvements could be made to the existing documentation or processes, to provide more rigorous or transparent evidence, the Board are of the view that it meets the requirements of the Code, specifically putting the principles into practice.

The areas of improvement are all included within the governance improvement plan and the intention of the organisation, depending on decisions taken by the Board as a result of regulatory engagement, is to achieve full compliance as soon as possible for the organisation. The Board has acknowledged that the improvement work, such as the appointment of a senior independent director, will be delayed until the recruitment of a new Board. A refreshed Board would then lead BeST on its new strategic path once its future has been secured and the regulatory concerns addressed.

Regulatory Standards

During the year, BeST has also undertaken detailed self-assessments against the Regulator's Regulatory Standards. The Board were pleased to note that significant improvements in compliance with Standards had been achieved through completion of actions within the Regulatory Plan. The self-assessment against the Governance and Financial Viability Standard noted that the Charity was compliant subject to the element that states that "Governance arrangements shall ensure registered providers comply with their governing documents and all regulatory requirements."

This non-compliance arose due to having only partial compliance with the Rent Standard. BeST has undertaken a self-assessment against the Rent Standard and noted that full Specialist Supported Housing evidence requirements for exemption are not in place for 9% of its units. This figure continues to be reduced over time but BeST is reliant on third parties providing the necessary documentation. Whilst all local authorities continue to make payments to BeST, obtaining formal communications from some of them to meet the exemption requirements has been more challenging. The Board is confident that evidence will be obtained for these properties to allow the rent exemption to be applied.

Risk management

The Board has adopted a risk-based approach to establishing and maintaining internal controls, appropriate for the size and complexity of the organisation. The Board reviews the strategic risk register twice a year and considers its appetite for taking on risk. The Board has established a risk appetite against the different areas of business activity. This provides target risk scores against which the Board can monitor progress of the risk mitigation work.

The Board has continued to focus activity on reaching regulatory compliance. This has resulted in the Board reviewing mitigation activity around its key risks of financial viability, loan exposure and rent compliance on a regular basis.

During the year Heads of Department have produced departmental risk registers to provide an overview of operational risks within the organisation. The Heads of Department have had their registers reviewed and challenged to ensure that a robust risk management framework is embedded throughout the organisation.

Risk Register
BeST maintains a detailed risk register, which includes mitigations, proposed actions, assurance sources and board risk appetites for each risk. The current register has the following as its main strategic risks. The table below summarises information in the register to evidence the main risks faced by BeST and how it is mitigating them. The items have been categorised as either High or Medium – High with a risk score of between 16-25.

Risk	Risk category	Mitigations
High	Financial viability – Lease term exposure	a) A 30-year business plan produced with latest stock condition and lease review data b) Review of lease costs and leases handed back for schemes that are not viable c) P&L account by scheme d) Stress testing of business plan, including increased inflation rates e) BeST only applying lease increases up to the level of the agreed rent increase for 2022/23 included as part of the complex lease negotiation
Medium - High	Financial viability – Absence of financial resilience	a) Tight budgetary control to minimise budgetary overspends
Medium - High	Financial viability – Repairs expenditure rising	a) Detailed analysis of budgets carried out by Finance and Maintenance b) Cost saving projects set up lead by Heads of Department c) P&L account produced quarterly for each scheme d) External review undertaken of processes around repairs invoicing
Medium	Asset management – Compliance with carbon reduction requirements	a) An up-to-date stock condition survey is in place b) A programme of reviews to keep the survey data updated has been implemented c) A full lease review has been undertaken to confirm responsibilities and this also forms part of the lease negotiations.
Medium	Legal/regulation – Breach of Regulatory Standards	a) Active regulatory engagement with the RSH b) DTP appointed as advisors c) Annual self-assessments carried out against each Standard d) MYSHON appointed to undertake and manage the landlord health & safety compliance for BeST e) Board meetings review the Regulatory Plan (arrived at following self-assessment against Regulatory Standards) which covers key projects including rent compliance f) Agreed methodology approved by the Board for meeting the requirements of the Rent Standard
Medium	IT – GDPR compliance	a) All staff completed online training by July 2020 b) GDPR Policy approved by Board in April 2020 c) Protocols in place for staff working from home and using BeST's systems with access via a VPN (access controlled by the ICT provider) d) Outsourced Data Protection role to an external organisation
Medium	IT – Cyber security	a) BeST implemented improved security with the move to home working. Access to systems through a VPN b) Fraud Action Plan developed c) Cyber Security Policy approved
Medium	Housing Operations – Withdrawal of Local Authority support	a) BeST will review approaches being taken by Local Authorities through feedback from the peer group b) Void Manager liaising with LAs over voids

Internal control

The Board acknowledges its overall responsibility for establishing and maintaining the Charity's system of internal control and for reviewing its effectiveness.
The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The past year has been one of consolidating the control improvements initiated in the recent past. Key elements of the existing control framework include:

- Standing orders and financial regulations in place that provide a clear delegation framework approved by the Board.
- Six monthly review of the strategic risk register by the Board.
- Operational risk registers developed and reviewed by Heads of Department.
- Corporate planning and budgeting process which sets clear objectives, agrees plans and allocates resources.
- Robust performance monitoring by the Board against an agreed set of key performance indicators within the Operational Plan
- Regular compliance monitoring undertaken to provide the Board with assurance over the stock condition surveys carried out and the landlord health & safety compliance work carried out.
- Clearly established authorisation and appraisal procedure for renewal of short-term leases.
- A comprehensive schedule of policies and procedures is almost completed with regular reviews and updates to ensure that they remain fit for purpose.

Control over poorly performing schemes has been improved with the Finance team now able to produce individual income and expenditure accounts for each scheme. The recently established Back to Black project is focused on loss-making schemes and identifying solutions to bring them back into the black where possible.

The small size of the Charity and the client groups it works with does make formal tenant scrutiny arrangements challenging but a Tenant Scrutiny Panel has been established, which holds monthly meetings which are open to all tenants at present. The Panel has reviewed the Service Standards over the past year and is currently reviewing the complaints process following feedback from tenants to simplify the process.

BeST's tenant newsletter (Snippets) now includes a 'You Said, We Did' section, which allows tenants to see how BeST has amended its services in line with tenant feedback. BeST has updated its website following feedback, to now include 'Easy Read' leaflets for tenants.

The Board considered the issue of internal audit following the internal control review of gas servicing procedures the previous year. The Board decided that whilst the Charity was focused on the renegotiation of its lease arrangements with landlords and securing its financial viability no decision would be taken and consideration of an internal audit function would be delayed until after the lease negotiations were completed. The Charity's External Auditors provide feedback to the Board through their management letter on the operation of the internal financial controls reviewed as part of the annual audit of the financial statements.

The Charity maintains a fraud register and reports to Board and the Regulator any occurrences. During the financial year, BeST suffered a cyber-attack, this resulted in a financial loss of £11k through its rent refund processes in October 2021. A full investigation was carried out by RSM Risk Assurance Services which identified the source of the cyber-attack. An action plan was derived from the recommendations made in the report and these were implemented by the Executive Team. A key aspect of the work was to increase the awareness of staff to cyber and fraud threats. Organisation-wide training was put in place to ensure that staff had the tools and knowledge to deal with these situations. Procedures have also been reviewed and updated, with increased system security in place.

The Trustees, who are also directors of Bespoke Supportive Tenancies Limited for the purpose of company law, present their Trustees' Report for the year ended 30 September 2022.

Trustees
The trustees who served during the year are shown on page 8.

Statement of Compliance
The charitable company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the charitable company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the business review and the principal risks and uncertainties.

Statement of Trustees' responsibilities
The Trustees are responsible for preparing the Strategic Report, Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 have been followed subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution to appoint reappoint Beever and Struthers as external auditors in accordance with section 487(2) of the Companies Act 2006 will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The Trustees' report was approved and authorised for issue by the Board of Trustees on 22nd March 2023 and signed on its behalf by:

....

Thomas Miskell

Trustee

Dated: 22 March 2023

Opinion
We have audited the financial statements of Bespoke Supportive Tenancies Ltd “the Company” for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Company’s affairs as at 30 September 2022 and of its income and expenditure for the year then ended;

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

- Have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’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 is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

BESPOKE SUPPORTIVE TENANCIES LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BESPOKE SUPPORTIVE TENANCIES LTD (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- The financial statements are not in agreement with the accounting records and returns; or

- Certain disclosures of directors' remuneration specified by law are not made; or

- We have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained.

Responsibilities of the Board
As explained more fully in the Statement of Trustees' Responsibilities set out on page 12, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations, and guidance that we identified included the Companies Act 2006, the Charities Act 2011, the NHF Code of Governance 2020, the Regulatory Standards, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Company's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Sue Hutchinson FCCA (Senior Statutory Auditor)
For and on behalf of
Beever and Struthers
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 23 March 2023

BESPOKE SUPPORTIVE TENANCIES LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Turnover	**3**	25,167,948	24,293,642
Operating expenditure	**3**	(23,479,684)	(22,261,225)
Operating surplus		1,688,264	2,032,417
Interest receivable and other income	**8**	4,445	1,146
Interest payable and similar charges	**8**	(3,687,664)	(3,602,746)
Total comprehensive income for the year		**(1,994,955)**	**(1,569,183)**

The statement of comprehensive income includes all gains and losses recognised in the year.

All income and expenditure is derived from continuing activities.

The financial statements on pages 17 to 33 were approved and authorised for issue by the Trustees on 22nd March 2023 and were signed on its behalf by:

Philip Elvy
Trustee

Thomas Miskell
Trustee

The notes on pages 21 to 33 form part of these financial statements.

BESPOKE SUPPORTIVE TENANCIES LTD

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	Unrestricted reserves £	Restricted reserve £	Total £
Balance at 1 October 2020		(1,667,223)	732	(1,666,491)
Deficit from statement of comprehensive income		(1,569,111)	(72)	(1,569,183)
Balance at 30 September 2021	**17**	(3,236,334)	660	(3,235,674)
Balance at 1 October 2021	**17**	(3,236,334)	660	(3,235,674)
Deficit from statement of comprehensive income		(1,994,295)	(660)	(1,994,955)
Balance at 30 September 2022	**17**	**(5,230,629)**	**-**	**(5,230,629)**

The notes on pages 21 to 33 form part of these financial statements.

BESPOKE SUPPORTIVE TENANCIES LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	**12**		66,245,280		68,240,979
Current assets					
Debtors	**13**	1,953,312		2,254,725	
Cash at bank and in hand		3,311,218		3,858,228	
		5,264,530		6,112,953	
Creditors: amounts falling due within one year	**14**	(5,295,436)		(5,032,455)	
Net current (liabilities) / assets			(30,906)		1,080,498
Total assets less current liabilities			66,214,374		69,321,477
Creditors: amounts falling due after more than one year	**15**		(71,445,003)		(72,557,151)
Net (liabilities)			**(5,230,629)**		**(3,235,674)**
Reserves					
Restricted reserves	**16**		-		660
Unrestricted funds			(5,230,629)		(3,236,334)
			(5,230,629)		**(3,235,674)**

The financial statements on pages 17 to 33 were approved and authorised for issue by the Trustees on 22nd March 2023 and were signed on their behalf by:

Philip Elvy
Trustee

Thomas Miskell
Trustee

Company Registration No. 07375502

The notes on pages 21 to 33 form part of these financial statements.

BESPOKE SUPPORTIVE TENANCIES LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	**25**		4,725,507		4,773,138
Investing activities					
Purchase of tangible fixed assets		(508,697)		(597,888)	
Interest received		4,445		1,146	
Net cash used in investing activities			(504,252)		(596,742)
Financing activities					
Payment of obligations under finance leases		(4,768,265)		(4,610,783)	
Net cash used in financing activities			(4,768,265)		(4,610,783)
Net (decrease) in cash and cash equivalents			(547,010)		(434,387)
Cash and cash equivalents at beginning of year			3,858,228		4,292,615
Cash and cash equivalents at end of year			**3,311,218**		**3,858,228**

£965,366 relates to funds received from Landlords that is not for general use by the Charity.

The notes on pages 21 to 33 form part of these financial statements.

1 Accounting policies

Legal status

Bespoke Supportive Tenancies Ltd is a company limited by guarantee incorporated in England and Wales. The company is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing (L4718). The company is a registered charity (1143046) in England and Wales. The registered office is 2A Sentinel House, Albert Street, Eccles, Manchester, M30 0NJ.

1.1 Accounting convention

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The charitable company is a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling (£).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. Although at the balance sheet date the Charity had £0.03m of net current liabilities and net liabilities of £5.2m, cash reserves are £3.3m. The Charity continues to work through the Regulatory Plan drafted in 2020 and any financial impacts from the actions taken are incorporated into the budget or long term financial plan. The current 30 year business plan indicates that the Charity has sufficient cash to operate for at least the next five years. Thus, the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the charitable objectives.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

1.4 Income

Charitable income comprises rental income, property acceptance fees, service charges all of which are net of rent and service charge loss from voids.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Interest receivable is recognised when the right to receive payment is established.

1.5 Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charitable company to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on the basis consistent with the use of resources.

1.6 Leasehold properties

Leasehold properties are properties held for the provision of social housing or to otherwise provide social benefit. Leasehold properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses.

Works to existing properties which enhance the economic benefit of the property and result in an increase in net rentals, are capitalised as leasehold improvements.

Properties held on leases are depreciated on a straight-line basis over the primary period of the lease.

The charitable company separately identifies the major components which comprise 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 its estimated useful economic life.

The charitable company depreciates the major components of its housing properties over the following timescales:

Flooring	5 years
Kitchens and bathrooms	7 years
Internal doors and alarms	10 years
Windows, doors and electrical	15 years
Roof, drainage and driveways	20 years

1.7 Other tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and machinery	Straight-line basis over 5 years
Computers	Straight-line basis over 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.8 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in net income/(expenditure) in the period in which they are incurred.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

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

Financial instruments are recognised in the charitable company's balance sheet when the charitable company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities
Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the charitable company's contractual obligations expire or are discharged or cancelled.

1.11 Leases

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

2 Critical accounting estimates and judgements

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards may require more frequent replacement of key components. Accumulated depreciation at 30th September 2022 was £12,630,251 (2021: £10,127,879).

Leasehold Property Improvements
Management reviews its estimate of the useful lives of depreciable assets in properties for which there is a long full repairing lease at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to estimating the life of the asset and the wear and tear and changes in fire, health and safety requirements in communal areas.

Impairment of debtors
Management makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtors, the status of any tribunals and historical experience.

Classification of leases

Management classifies a lease as a finance lease if it transfers substantially all the risk and rewards of ownership to the Charity. All other leases are classified as operating leases. The charity has reviewed its lease agreements and concluded that there are a number of leases where substantially all the risks and rewards of ownership are transferred to the Charity either because there is an option or legal requirement to purchase the property at the end of the lease, the leases are for the major part of the economic life of the property or because the property cannot be easily repurposed for use by other organisations or tenants. The remaining leases are classified as operating leases as the conditions listed above for the classification of finance lease do not apply to those leases.

Classification of Maintenance Provision
Management has classified the requirement to repair the CMG portfolio as a provision as there is a contractual agreement to carry out this work, or to refund funds allocated to this activity.

Dilapidations
Management has considered dilapidations and has concluded there is no requirement to provide for these as it is not always probable that the Charity would have to incur these costs and it cannot reliably estimate the value of any future liability.

3 Turnover, operating expenditure and operating surplus

	Note	Turnover 2022 £	Operating expenditure 2022 £	Operating surplus 2022 £	Turnover 2021 £	Operating expenditure 2021 £	Operating surplus 2021 £
Social housing lettings	4	25,167,948	(23,479,684)	1,688,264	24,293,642	(22,261,225)	2,032,417
		25,167,948	**(23,479,684)**	**1,688,264**	**24,293,642**	**(22,261,225)**	**2,032,417**

4 Particulars of income and expenditure from social housing lettings

	2022 Total	Restated 2021 Total
Turnover from social housing lettings		
Rent receivable net of identifiable service charges	22,223,223	21,830,117
Service charge income	2,895,975	2,463,525
Property acceptance fees	48,750	-
Turnover from social housing lettings	25,167,948	24,293,642
Expenditure on social housing lettings		
Management	(2,524,849)	(2,421,833)
Service charge costs	(3,934,396)	(3,542,060)
Routine maintenance	(681,204)	(158,123)
Planned maintenance	(1,354,219)	(1,416,376)
Bad debts	(381,116)	(300,000)
Depreciation on housing properties	(2,503,068)	(2,366,020)
Lease costs	(12,100,832)	(12,056,813)
Expenditure on social housing lettings	(23,479,684)	(22,261,225)
Operating surplus on social housing lettings	**1,688,264**	**2,032,417**
Void losses (rental income lost as a result of property not being let)	**1,836,151**	**1,708,657**

All the above income and expenditure relates to supported housing.

The 2021 expenditure analysis figures have been restated to better reflect the service charge costs.

5 Accommodation owned and managed

	Number of properties			Number of properties		
	2022	**2022**	**2022**	**2021**	**2021**	**2021**
	Owned	**Managed**	**Total**	**Owned**	**Managed**	**Total**
Social Housing						
Under management at end of year:						
Supported housing	282	12	294	290	13	303

	Number of units			Number of units		
	2022	**2022**	**2022**	**2021**	**2021**	**2021**
	Owned	**Managed**	**Total**	**Owned**	**Managed**	**Total**
Social Housing						
Under management at end of year:						
Supported housing	1,489	253	1,742	1,512	259	1,771

Owned properties include those leased under operating and finance leases. Managed properties include those registered schemes where BeST does not have a direct relationship with the tenant. There has been a reduction of 29 units during the year as non-compliant schemes have been returned.

6 Operating surplus

	2022	2021
	£	£
The operating surplus is stating after charging:		
Fees payable to the company's auditor for the audit of the charitable company's financial statements (excluding VAT)	20,800	18,900
Depreciation of other owned tangible fixed assets	39,261	36,632
Depreciation of housing properties held under finance leases	2,309,191	2,234,521
Depreciation of housing properties owned	154,616	94,868
Operating lease charges	12,100,832	12,056,813

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

Fees payable:	**2022**	**2021**
	£	**£**
Audit of the annual accounts	20,800	18,900
All other non-audit services	900	900
Total fees	**21,700**	**19,800**

8 Interest, other income and expenditure

	2022 £	2021 £
Interest receivable and other income		
Interest	4,445	1,146
	4,445	**1,146**
Interest payable and financing costs		
Unwinding of finance lease commitment	**(3,687,664)**	**(3,602,746)**

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2022 Number	2021 Number
Management	7	7
Support	31	34
Executive team	3	3
	41	**44**

The average weekly number of persons employed during the year expressed in full time equivalents (35 hours per week) was 41 (2021: 44)

Employment costs	2022 £	2021 £
Wages and salaries	1,500,971	1,489,763
Social security costs	162,214	152,421
Other pension costs	29,172	31,169
	1,692,357	**1,673,353**

9 Employees

The number of employees whose annual remuneration was £60,000 or more were:

	2022 Number	2021 Number
£60,001 to £70,000	2	1
£80,001 to £90,000	-	-
£90,001 to £100,000	3	3

10 Trustees

No trustees received any remuneration in their roles as directors of the charitable company in the year ended 30 September 2022 (2021: None). See further disclosure of payments to trustees in note 22.

No expenses were paid to trustees during the year (2021: nil).

11 Key management personnel

The key management personnel of the charitable company comprise the trustees, the executive commercial officer, executive operations officer, and the executive finance officer.

	2022 £	2021 £
Aggregate emoluments paid to key management personnel	269,940	271,500
Employers NI	35,083	33,542
Pension contributions	3,963	3,951
	308,986	**308,993**
Emoluments paid to the highest paid executive officer (excluding pension contributions)	**89,980**	**90,500**

	No.	No.
The number of key management personnel to whom retirement benefits are accruing under defined contribution schemes	**3**	**3**

Contributions to the defined contribution pension scheme on behalf of the executive team total £3,963 (2021: £3,951).

The executive team are ordinary members of the pension scheme, and no enhanced or special terms apply. The charitable company does not make any further contribution to an individual pension arrangement for the executive team.

12 Tangible Fixed Assets

	Leasehold Property	Leasehold Property Improvements	Plant and machinery	Computers	Total
	£	£	£	£	£
Cost					
At 1 October 2021	76,984,417	1,290,283	17,050	77,108	78,368,858
Additions	-	461,716	-	46,981	508,697
Disposals	-	(2,024)	-	-	(2,024)
At 30 September 2022	76,984,417	1,749,975	17,050	124,089	78,875,531
Depreciation					
At 1 October 2021	9,898,609	181,574	6,212	41,484	10,127,879
Depreciation charged in the year	2,309,191	154,616	3,408	35,853	2,503,068
Elimination in respect of Disposals	-	(696)	-	-	(696)
At 30 September 2022	12,207,800	335,494	9,620	77,337	12,630,251
Carrying amount					
At 30 September 2022	**64,776,617**	**1,414,481**	**7,430**	**46,752**	**66,245,280**
At 30 September 2021	**67,085,808**	**1,108,709**	**10,838**	**35,624**	**68,240,979**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charged in respect of such assets amounted to £2,309,191 (2021: £2,234,521) for the year.

	2022	2021
	£	£
Leasehold Property	**64,776,617**	**67,085,808**

13 Debtors

	2022	2021
Amounts falling due within one year:	**£**	**£**
Rent and service charge arrears	1,988,885	1,854,599
Less: provision for bad and doubtful debts	(400,000)	(274,194)
Net rent and service charge arrears	1,588,885	1,580,405
Other debtors	1,909	4,299
Prepayments and accrued income	362,518	670,021
	1,953,312	**2,254,725**

14 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Obligations under finance leases	18	1,219,717	1,078,598
Other taxation and social security		45,334	79,435
Trade creditors		1,497,031	948,641
Rent and services charges received in advance		185,229	165,985
Other creditors		165,815	348,665
Accruals and deferred income		2,182,310	2,411,131
		5,295,436	**5,032,455**

15 Creditors: amounts falling due after more than one

	Notes	2022 £	2021 £
Obligations under finance leases	18	70,376,301	71,598,018
Other creditors		1,068,702	959,133
		71,445,003	**72,557,151**

16 Restricted funds

The income funds of the charitable company include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

		Movement in funds			Movement in funds		
	Balance at 1 October 2020	Incoming resources	Resources expended	Balance at 1 October 2021	Incoming resources	Resources expended	Balance at 30 September 2022
	£	£	£	£	£	£	£
50/50 Club	732	-	(72)	660	-	(660)	-

50/50 Club
The club was an historical means of fund raising. These funds were to provide services to children, families, and adults.

17 Analysis of net assets between funds

	Unrestricted 2022 £	Restricted 2022 £	Total 2022 £	Unrestricted 2021 £	Restricted 2021 £	Total 2021 £
Fund balances at 30 September 2022 are represented by:						
Tangible assets	66,245,280	-	66,245,280	68,240,979	-	68,240,979
Current (liabilities) / assets	(30,906)	-	(30,906)	1,079,838	660	1,080,498
Long term liabilities	(71,445,003)	-	(71,445,003)	(72,557,151)	-	(72,557,151)
	(5,230,629)	**-**	**(5,230,629)**	**(3,236,334)**	**660**	**(3,235,674)**

18 Finance lease obligation

Future minimum lease payments due under finance leases:

	2022 £	2021 £
Within one year	1,219,717	1,078,598
Within two and five years	5,499,320	5,244,885
In over five years	64,876,981	66,353,133
	71,596,018	**72,676,616**

The finance lease obligation relates to leasehold property capitalised in tangible fixed assets.

19 Operating lease commitments

The charitable company utilises properties and office equipment under non-cancellable operating leases. At the end of the year the charitable company had a total commitment of future minimum payments as follows:

Land and buildings:

	2022 £	2021 £
Within one year	11,854,600	10,651,864
Between two and five years	49,651,100	43,206,379
In over five years	162,579,700	158,329,032
	224,085,400	**212,187,275**

19 Operating lease commitments

Office equipment:

	2022 £	2021 £
Within one year	480	2,880
Between two and five years	-	480
	480	**3,360**

20 Capital commitments

At 30 September 2022 the charitable company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in the financial statements:	93,732	-
Approved but not contracted for in the financial statements:	-	-
	93,732	**-**

These costs relate to a contractually agreed maintenance programme relating to a specific property portfolio.

21 Events after the reporting date

The Trustees have confirmed there are no other events after the reporting period that are required to be disclosed.

22 Related party transactions

Year Ended 30 September 2022
No payments were made by the charitable company to the trustees or their associated companies for their roles as consultants in the year to 30 September 2022. No balances were due to related parties at 30 September 2022.

Year Ended 30 September 2021
No payments were made by the charitable company to the trustees or their associated companies for their roles as consultants in the year to 30 September 2021. No balances were due to related parties at 30 September 2021.

23 Ultimate controlling party

The charitable company is limited by guarantee and as such has no shares. The ultimate controlling parties are the trustees. The trustees' liability is limited to the amount of £1.

24 Analysis of changes in net (debt)/funds

	At 1 October 2021	Cash flows	At 30 September 2022
	£	£	£
Cash at bank and in hand	3,858,228	(547,010)	3,311,218
Obligations under finance leases	(72,676,616)	1,080,598	(71,596,018)
	(68,818,388)	**533,588**	**(68,284,800)**

25 Cash generated from operations

	2022	2021
	£	£
Deficit for the year	(1,994,955)	(1,569,183)
Adjustments for:		
Investment income recognised in statement of comprehensive income	(4,445)	(1,146)
Interest on finance leases	3,687,664	3,602,746
Loss on disposal of tangible fixed assets	1,328	44,477
Depreciation and impairment of tangible fixed assets	2,503,068	2,366,021
Movements in working capital:		
Decrease in debtors	301,413	71,450
Increase in creditors	231,434	258,773
Cash generated from operations	**4,725,507**	**4,773,138**