

# bdht 2022 Statement of Compliance



## Regulator of Social Housing: Economic Standards

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**Key Regulatory Documents:**

- Regulating the Standards: Regulator of Social Housing March 2022
- Governance & Financial Viability Standard HCA April 2015
- Governance & Financial Viability Standard Code of Practice HCA April 2015
- Value for Money Standard RSH April 2018
- Value for Money Code of Practice RSH April 2018
- Value for Money Metrics Technical Note and Appendices RSH May 2022
- Rent Standard from April 2020
- Limit on annual Rent Increases 2021/22 (from 1 April 2021) Regulator of Social Housing
- Government Policy statement on Rents for Social Housing February 2019
- Guidance for Private Registered Providers on how to notify the regulator about the disposal of social housing dwellings HCA March 2017
- Decision Instrument Number 14 Direction about notification of disposals of social housing dwellings and of land other than a dwelling HCA 2017
- Direction of the social housing regulator about notifications of disposal of social housing dwellings and of land other than a dwelling HCA 2017
- Direction of the social housing regulator about notification of Registered Society restructuring, company arrangements and reconstruction, Registered Society dissolution and constitutional changes. HCA April 2017.
- Guidance for non-profit Private Registered Providers undergoing a restructure or amending their governing documents. HCA March 2017
- Making a formal application for exemption from the Rent Standard RSH April 2020

**Reference Documents:**

- NHF Understanding Assurance December 2014
- NHF Code of Governance 2020
- NHF Code of Conduct October 2012
- Sector Risk Profile RSH 2021

**Key to Text**

To help readers distinguish between RSH regulation and guidance and bdht commentary, RSH regulation is shown in black text whilst bdht commentary is shown in blue.

## Key Sources of Assurance

2021/22	
External Auditor	Mazars 45 Church Street Birmingham B3 2RT
Internal Auditors	BDO Two Snowhill Birmingham B4 6GA
Treasury Management	Chatham Financial 12 St James's Square London SW1Y 4LB United Kingdom
Legal Advisors	Trowers & Hamblins LLP 55 Princess Street Manchester M2 4EW
	Anthony Collins Solicitors 134 Edmund Street Birmingham B3 2ES
	Capsticks LLP 35 Newhall Street Birmingham B3 3PU
Business Plan Advisors	Altair Consultancy & Advisory Services Ltd, Tempus Wharf, 29a Bermondsey Wall West,

	London, SE16 4SA
Employment and Health and Safety Advisors	Citation Kings Court, Water Lane, Wilmslow, Cheshire, SK9 5AR
Landlord Health & Safety Advisors	Pennington Choices Brookfield House, Grimsditch Lane, Norcott Brook, Warrington WA4 4EA
Fire Risk	STK Fire Risk Management 5A, Merrill's Hall Lane, Wednesfield, Wolverhampton WV11 3QW
Gas Safety Audits	Quality Gas Audit Ltd  Suite 8 1666 High Street Knowle Solihull West Midlands B93 0LY
Electrical Safety Audits	NICEIC Warwick House Houghton Hall Park Houghton Regis Dunstable LU5 5ZX

Lift Safety	<p>Servicing:  Concept Elevators (UK) Limited  Concept House  Norton Canes Business Area  Jerome Road  Norton Canes  Cannock WS11 9UE</p> <p>LOLER Inspection:  British Engineering Services  Unit 718, Eddington Way  Birchwood Park  Warrington WA3 6BA</p>
Legionella Testing	<p>Taurus Water Hygiene  3a Dudley Street  Sedgley  Dudley  DY3 1SA</p>
Cyber Security Advisor and Disaster Recovery	<p>Central Networks &amp; Technologies Ltd  Rowan House  Sandbrook Way  Rochdale OR11 1LQ</p>
Cyber Security – Penetration Testing	<p>Defendza  51 Frederick Road  Manchester  M6 6FP</p>
Customer Perception & Transactional Surveying	<p>MEL Research  37 Temple Street  Birmingham  B2 5DP</p>

Benchmarking Note – unless otherwise stated all benchmarks referenced in this report are based on Housemark Central LSVT (2,500 – 7,500 units) Club 2020/21.



## Executive Summary

### Introduction

Each year the Board of bdht publishes an assessment of compliance with regulatory standards. The Board has commissioned the Compliance Committee to undertake a detailed assessment of compliance against the Regulator of Social Housing (RSH) “economic standards” whilst the Resident Scrutiny Panel will undertake the same role in respect of the RSH “consumer” standards. The Board will publish, within the annual accounts, a statement of compliance with the Governance and Financial Viability Standard based on

- a detailed assessment against that particular standard, and
- the overall assessment of compliance with all RSH standards.

The detailed assessments of compliance against both “economic” and “consumer” standards will be published on the bdht website and summarised within the Annual Report to Residents.

### Overview

In April 2015 the Homes & Communities Agency published revisions to the regulatory standards in particular the Governance & Financial Viability Standard. Changes to the Governance & Financial Viability Standard and accompanying Code of Practice were targeted at:

- increasing the accountability of Boards,
- developing comprehensive, accessible and up to date asset and liability registers, and
- systematically stress testing Business Plans to destruction and developing mitigating plans in response.

These requirements were designed to minimise the risk of future business failures and in the event of any such failure simplify any business rescue.

In 2018 the RSH published a revised VfM Standard. This removed the need to produce standalone VfM statements. The Regulator does, however, require that VfM is woven into the delivery of corporate objectives and that Registered providers must annually

publish evidence in the statutory accounts to enable stakeholders to understand the provider's performance against its own value for money targets and metrics now set out by the regulator.

In 2020 the Regulator published a new Rent Standard, effective from April 2020, and aligned with the Government's Policy Statement on Rents for Social Housing 2018.

Bdht has responded robustly to the challenges set by both the Regulator and Government by holding to our core values, focusing on business priorities, deploying resources in accordance with objectives and delivering operational efficiencies. Within a viable Business Plan. The Board has committed to maintain the bdht development pipeline to help meet local housing need and has re-affirmed its ambition for the organisation to achieve 95% customer satisfaction.

Although lock-down restrictions eased and were ultimately withdrawn during 2021/22, the last year has again been a difficult operating environment for bdht. The early part of the year saw high levels of demand for front-line services, in particular a back-log of non-urgent repair works that had built up during lockdown. At the same time bdht felt not only the residual impact of Covid, both customers and staff having to self-isolate causing disruption to service delivery, but the impact of general changes to the economy. We have experienced shortage of materials, inflationary pressure on costs, higher turnover of staff and a very competitive labour market/shortage of candidates when recruiting.

Despite these challenges bdht is not retreating from its commitment to service excellence and maintaining compliance with Regulatory standards, indeed is taking learning from the last twelve months to deliver services more flexibly and in line with the bdht Strategy approved by Board in April 2022 and revised Values and Customer Charter.

**Based upon the detailed assessment below the Compliance Committee confirms that bdht is compliant with the RSH economic standards.**

## Governance & Financial Viability Standard & Code of Practice

In response to the operating environment and revisions to the Governance and Financial Viability Standard the Board led in the:

- compilation of registers setting out, clearly and comprehensively, bdht assets and liabilities, and
- development of a robust framework for stress testing the Business Plan.

bdht has further developed the Assets & Liabilities Register and stress testing the Business Plan annually in accordance with the “perfect storm scenario approved by Board” (as set out in Section 4 of the 2022 Business Plan) together with a Mitigation Action Plan.

The bdht Board has a long established risk management and internal control framework in place. The Board has set, and reviews regularly the bdht risk appetite, together with a clear understanding of risk tolerances acceptable to bdht. The risk appetite is incorporated into the risk aligned Strategic Balanced Scorecard reported monthly to members of the Board.

Registered Providers must be transparent and open with the Regulator including reporting breaches of RSH standards. Failure to do so can be viewed by the Regulator as a failure of governance. During 2021/22 bdht completed reporting updates in accordance with timescales set by the Regulator.

In determining compliance with the Governance & Financial Viability Standard the Board must also consider bdht compliance with all RSH standards.

## Value for Money Standard April 2018 & Code of Practice

In April 2018 the Regulator of Social Housing published a revised Value for Money Standard together with a Code of Practice and technical note. The revised Standard, Code of Practice and technical note introduced a range of metrics by which the regulator evaluates RP's performance in delivering VfM, rather than via detailed annual self-assessments previously required by the Regulator.

The Compliance Committee reviewed in detail the requirements of the revised VfM Standard (in February 2018), with Board subsequently approving the revised VfM reporting arrangements and VfM metrics in March 2018. A revised Value for Money Strategy, taking in regulatory revisions, was approved by Board in July 2018 following detailed scrutiny by Compliance Committee in June 2018. This strategy was reviewed and updated by Compliance Committee in April 2021 and approved by Board in May 2021.

Prior to consideration by Board the Compliance Committee annually undertakes detailed scrutiny of performance in delivery of VfM targets (VfM and Benchmarking Results 2019/20 - Compliance Committee 23<sup>rd</sup> June 2021). This report included findings from both Global accounts analysis published by the RSH and Housemark.

## Rent Standard

The Regulator introduced a new Rent Standard (April 2020) for rents set from 1<sup>st</sup> April 2020. Bdht rents were set in December 2020 and December 2021 by Board based on this revised standard. Internal Audit reviewed compliance with the revised rent setting regime in December 2020 providing Board with reasonable assurance on the design and operation of controls. Assurance can be enhanced by completion of an outstanding recommendation from this audit to recalculate a sample of formula rents based on 1999 valuations.

**A detailed assessment of compliance with RSH “economic” Standards is set out below.**

## Compliance Committee June 2022

# RSH “Economic” Standards

- **Governance & Financial Viability Standard 2015**
  - **Code of Practice 2015**
- **Value for Money Standard 2018**
  - **Code of Practice 2018**
  - **Rent Standard 2020**

## The Regulator of Social Housing Economic Standards

The regulatory framework for social housing in England is made up of:

- regulatory requirements – what registered providers need to comply with
- codes of practice – a code of practice can amplify any economic standard to assist registered providers in understanding how compliance might be achieved
- regulatory guidance – this provides further explanatory information on the regulatory requirements and includes how the regulator will carry out its role of regulating the requirements.

The RSH regulatory standards for social housing in England are at the core of RSH regulatory requirements. Each standard sets out required outcomes and specific expectations of registered providers.

The role of the RSH is to proactively regulate the 3 standards which are classified as ‘economic’. These are

- the Governance and Financial Viability Standard
- the Value for Money Standard
- the Rent Standard.

The Compliance Committee has been delegated to undertake an annual assessment of compliance against these “economic” standards.

The remaining 4 standards are classified by the RSH as ‘consumer’ where the role of the RSH is reactive in response to referrals or other information received. The RSH will only intervene where failure to meet the standards has caused or could have caused serious harm to tenants. The consumer standards are

- the Tenant Involvement and Empowerment Standard
- the Home Standard
- the Tenancy Standard
- the Neighbourhood and Community Standard.

bdht compliance with these “consumer” standards is assessed each year by the Residents Scrutiny Panel reporting to Board.

Standard	Governance and Financial Viability Standard
<b>Required Outcomes: 1.1 Governance</b>	
<p><b>Registered providers shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. Governance arrangements shall ensure registered providers:</b></p> <ul style="list-style-type: none"> <li>• <b>adhere to all relevant law</b></li> <li>• <b>comply with their governing documents and all regulatory requirements</b></li> <li>• <b>are accountable to tenants, the regulator and relevant stakeholders</b></li> <li>• <b>safeguard taxpayers’ interests and the reputation of the sector</b></li> <li>• <b>have an effective risk management and internal controls assurance framework</b></li> <li>• <b>protect social housing assets.</b></li> </ul>	
<b>Code of Practice Paragraph 1.1</b>	
6	<p>The required outcome for governance ensures the delivery of a registered provider’s objectives, including being responsible holders and stewards of social housing assets. The regulator considers the reference to compliance with ‘all relevant law’ in the first bullet point encompasses legislation (including secondary legislation), and common law. In ensuring compliance registered providers should have regard to relevant statutory guidance. To meet the required outcome on adherence to all relevant law boards should take reasonable measures to assure themselves of their compliance.</p>
7	<p>The fourth bullet point concerns reputation. Reputation is key in maintaining confidence in the sector. The social housing sector has benefited from being part of a regulated sector with low lending rates combined with the availability of public investment. Registered providers should ensure that they manage their businesses and their risks in such a way that they do not negatively impact on the reputation of the sector.</p>
<b>Bdht Compliance Position: Compliant</b>	
<p>Annual Assessment of Compliance with RSH Economic Standards Version 1.0 June 2022 Compliance Committee</p>	

**Adhere to all relevant law** – the Board take reasonable measures to assure themselves of compliance including:-

- appointment of non-executive directors based on specific expertise identified as identified by the Board via annual skills gap analysis;
- appointment of an appropriately qualified, experienced and effective management team;
- the external auditor provides assurance of compliance with company legislation;
- an internal audit programme agreed and reviewed by the Compliance Committee;
- risk map highlighting potential impact on changes in legislation, case law etc;
- regular review of policies to ensure compliance with current legislation.

bdht also

- employ the services of Citation to provide legal updates and advice on Employment Health & Safety Law
- on-line access to Chartered Institute of Housing best practice;
- obtain Planning updates from Tetlow King planning consultants;
- has access to legal updates from Shelter and Lime Legal;
- employ Capsticks solicitors to provide legal advice in regard to Anti-Social Behaviour and breach of tenancy;
- commission Quality Gas Audit Ltd and NICEIC to provide independent assurance in regard to compliance with gas and electrical safety regulations.
- To ensure compliance with all health and safety duties from 2019 bdht employed specialist auditors Pennington Choices to undertake a three year programme of rolling audits and created a new staff post of Compliance Manager.

In addition bdht also subscribe to and receive 6 monthly legal updates from Anthony Collins solicitors summarising current relevant and material legal issues. These updates are reported to EMT and Compliance Committee. The monthly Business Assurance Report also includes a summary of latest legislative changes, regulatory changes, regulatory analysis policy announcements made by the government and feedback from Regulatory Judgements.

**Comply with their governing documents and all regulatory** requirements – the Board gain assurance of compliance with governance arrangements through

- an annual review of governance effectiveness undertaken by the Board, including a rolling improvement action plan;
- a triennial external review of governance arrangements (latest review undertaken by BDO during 2021 with “substantial assurance” found for both the design and operation of internal controls.



- an annual review of compliance with regulatory standards undertaken by the Compliance Committee (“economic” standards) and the Resident Scrutiny Panel (“consumer” standards) each reporting to Board for final approval;
- annual review by Board of compliance with the adopted Code of Governance (NHF 2020), and
- annual review of compliance with the adopted Code of Conduct (NHF 2012).

During 2018 the Board approved revised Articles of Association to remove the Council’s golden share which was no longer relevant following the devolution of delegations from the Regulator.

**Are accountable to tenants, the regulator and relevant stakeholders** – bdht are accountable to:-

- Tenants – directly through the work of the Resident Scrutiny Panel now reporting directly to the Board.
- The Regulator – through timely submission of data and information, and self-reporting of any potential breaches of RSH Standards (potential breaches of Home Standard reported in both 2018 and 2019).
- Relevant stakeholders – these are principally local authorities, bdht remains accountable to these stakeholders through partnership working in district/county/regional partnerships.

**Safeguard taxpayers’ interests and the reputation of the sector** – bdht achieve these aims through:-

- A rigorous approach to achieving value for money as set out in an annual value for money statement meeting regulatory requirements;
- Robust arrangements for internal and external audit;
- Adherence to a strong set of organisational values (revised 2022) and operating Principles;
- Adoption and compliance with best practice in governance (NHF Code of Governance & Code of Conduct).

**Have an effective risk management and internal controls assurance framework** – To protect the bdht business the Board has an approved “risk appetite” for each business category. The risk appetite is regularly reviewed, including annually as part of the strategic review process. Business decisions must be taken in compliance with the agreed risk appetite.

bdht has a comprehensive risk register which is reviewed annually by the Compliance Committee and quarterly by EMT. On a quarterly basis the Compliance Committee review high level and emerging risks. On a monthly basis all Board members receive a

Business Assurance Report, this incorporates the Strategic Balanced Scorecard setting out performance against key indicators aligned to high level business risks.

**Protect social housing assets** – bdht has a robust Business Plan, subjected to detailed stress testing and reviewed annually resulting in a financially viable business, generating surpluses and thus protecting and developing social housing assets.

During 2015 bdht Board established a robust approach to stress testing the Business Plan (subjected to independent validation undertaken by Beever & Struthers) with a “perfect storm” approved by Board in March 2016. The “perfect storm” is reviewed annually and used to test the Business Plan each year and inform the accompanying Mitigation Action Plan. Stress testing was re-audited by Beever and Struthers during 2018 with “substantial assurance” provided. Following an initial audit during 2016/17 management of the assets and liabilities registers was re-audited in June 2020. The audit only provided partial assurance in terms of the design of system controls. Reasonable assurance was provided in respect of the operation of controls. The audit gave rise to 6 recommendations, 5 medium priority and 1 low priority, all of which have now been implemented and signed off by the internal auditor.

### Section 1.1 Recommendations for Improvement

1.1

The NHF has recently issued a revised Code of Conduct (2022). A report will be presented to Board in September 2022 when Board will be asked to adopt the revised Code. This report will be accompanied by an assessment of compliance and action plan to address any gaps in compliance.

<b>Required Outcomes: 1.2 Financial Viability</b>	
<b>Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.</b>	
<b>Code of Practice Paragraph 1.2</b>	
8	<p>Registered providers should take all such steps as are reasonably necessary to ensure that any activities they undertake do not place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk. The regulator recognises that registered providers should have the flexibility to consider risks in light of their individual circumstances. Boards of registered providers have the responsibility to satisfy themselves and provide assurance to the regulator that:</p> <ul style="list-style-type: none"> <li>• they have considered the requirement appropriately in relation to their own external and internal operating environment</li> <li>• they are satisfied they will comply with regulatory requirements now and in the foreseeable future</li> </ul>
9	<p>Examples of what the regulator considers to be unacceptable outcomes resulting from social housing assets being put at undue risk are outlined below. These examples are not intended to be exhaustive but rather to give context to registered providers in considering the risks within their business:</p> <ul style="list-style-type: none"> <li>• loss of social housing assets and/or tenants losing their home or the benefits of being within a regulated sector due to lenders or others enforcing their security or insolvency</li> <li>• loss of social housing assets where the sale of those assets is the result of poor business planning and decisions or where the reason for the sale is to make good an unplanned cash shortfall</li> </ul>
10	<p>The regulator recognises every business decision will carry risk and sometimes those risks will crystallise. There is, however, a difference between managed risk and uncontrolled loss. The regulator expects boards to manage the business to promote the former and avoid the latter. In addition, the regulator does not intend that all social housing assets should remain in the sector for ever. However, the value in the assets should not be lost to the sector. Under the Value for Money Standard, registered providers are expected to consider how to make best use of their assets.</p>
<b>Bdht Compliance Position – Compliant</b>	

bdht manage resources effectively as evidenced through the annual Viability Report of the Regulator and financial performance.

The RSH Viability Report is an independent regulatory assessment of bdht's viability and long term sustainability and tests the ability of bdht to deliver objectives set out in the Business Plan and RSH requirements. In July 2019, the Regulator awarded their best possible V1 rating, (following an In-Depth Assessment) as it has done in all previous years since stock transfer. This rating was maintained at last review in December 2021 (stability check).

The financial position at the 31<sup>st</sup> March 2022 showed a surplus after tax in line with budgeted targets. All covenants were comfortably met. The Board metric of achieving 100% of operating surplus was not, however, met, achieving 89%. The RSH Interest Cover calculation shows the metric at 112%, however, this is subject to change as year-end work on capital expenditure was on-going at the time of this assessment.

bdht employ specialist financial consultants to provide advice on loan management and to ensure actions are prudent.

Assumptions included within the Business Plan are based upon advice taken from specialist business planning consultants.

Internal and external audit provide control assurance to Board with detailed scrutiny delegated to the Compliance Committee. Additionally the Compliance Committee review on an annual basis the Board's Standing Orders and Financial Regulations.

### **Risk**

Based on a clear understanding of risk tolerances acceptable to bdht the Board has established the strategic risk appetite for bdht. Against agreed risk classes the risk appetite sets out how open or closed bdht is to risk.

The annual Business Plan review includes Risk Sensitivity testing and on-going risk management which is monitored by the Compliance Committee, reporting outcomes to Board quarterly.

### **Risk Identification**

All reports to Board, Committee or EMT requiring approval include the identification of potential risks and strategies to mitigate any such risks. Risks are recorded in the bdht Risk Register. This is subject to annual review by the Compliance Committee and EMT. The Compliance Committee monitor high level risks and are updated with emerging risks on a quarterly basis.

## Sale of Social Housing Assets

Bdht will currently sell social housing assets under three scenarios:

- Homes subject to the Right to Acquire;
- Homes subject to the Preserved Right to Buy;
- Homes subject to the Voluntary Right to Buy Scheme – currently in abeyance.
- Voluntary sales in accordance with a Homes England Development contract, and
- High value voluntary sales in respect of providing development subsidy.

During 2021/22 bdht sold 9 properties, (7 under the Preserved Right to Buy and 2 under the Right to Acquire) generating net income of £1,146,921.

All proceeds from these sales mechanisms are fed back into the delivery of new social/affordable housing.

## Section 1.2 Recommendations for Improvement

- None identified

2 Specific expectations applicable to all registered providers	
2.1	<b>Registered providers shall adopt and comply with an appropriate code of governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for their board, chair and chief executive and ensure appropriate probity arrangements are in place. Areas of non-compliance with their chosen code of governance should be explained. Registered providers should assess the effectiveness of their governance arrangements at least once a year.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.1</b>	
12	Registered providers should demonstrate their actions are consistent with both the principles and relevant provisions of their code of governance and overall contribute to sound governance
13	The regulator anticipates that an assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with the internal and external environment within which the registered provider operates. Some parts of a governance review may be carried out to a different timescale than an annual review where this helps ensure the quality and effectiveness of the review. Where this is the case, the annual assessment of the effectiveness of governance arrangements should give assurance on the timescale and progress of work on these areas.
Bdht Compliance Position - Compliant	
<p>Bdht have adopted the NHF Code of Governance (updated 2020) and NHF Code of Conduct (2012 Edition) and accompanying model code for individual Board members, staff members and involved residents, “Conduct Becoming”.</p> <p>bdht undertake a detailed assessment of compliance with both Codes on an annual basis. Compliance assessments, together with any areas of non-compliance and recommendations to improve are reported to Board for approval. The Board confirmed compliance with the Code of Governance in January 2022 and Code of Conduct in September 2021.</p> <p>Each annual internal assessment includes improvement actions with target dates for implementation.</p> <p>In addition to the annual internal review, governance effectiveness is assessed by external review triennially. The latest triennial review was undertaken by BDO in 2021. BDO provided Board with substantial assurance in both the design and operation of internal governance controls.</p>	

The Board seeks continuous improvement through a rolling Governance Improvement Plan with updates provided to Board 6 monthly.	
2.2	<b>Registered providers shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.2</b>	
14	Paragraph 2.2 of the Standard complements the board's responsibilities to act lawfully and responsibly. Compliance will include both behavioural aspects, such as ensuring that the board and executive foster a culture of constructive challenge and debate, and good governance practices.
15	To ensure that registered providers have the requisite skills and capability to perform their functions, the regulator would expect them to: <ul style="list-style-type: none"> <li>• have an appropriate skills strategy to address the needs of the business</li> <li>• regularly assess whether boards and management have the right competencies, experience, and technical knowledge appropriate to the size, scale and risk profile of the organisation</li> <li>• ensure that all material decisions are made with appropriate internal/external expertise or advice and should satisfy themselves of the impartiality of any support or advice</li> <li>• have plans to address any skills gaps identified (including through bringing in external skills), and such plans should be monitored to ensure that they are followed through.</li> </ul>
16	In order to determine the appropriate level of independence, registered providers should have regard to their adopted code of governance, relevant legal requirements, e.g. charity law and to their business model. In some businesses, influence is inherent in the corporate structure of the registered provider (for example a profit making registered provider which is a subsidiary of a group). In other cases, influence may not be inherent in the corporate structure but result from close associations the registered provider has with other organisations or individuals.
17	In managing their affairs with an appropriate degree of independence, board members should exercise independence of judgement and act at all times in the best interests of the registered provider. There should also be appropriate mechanisms in place to manage any conflicts of interest to demonstrate probity and value for money.
18	Registered providers should not be subject to undue influence from third parties that could reasonably be expected to lead to non-compliance with regulatory standards.
<b>Bdht Compliance Position - Compliant</b>	

Board agendas have been designed to promote strategic debate between the Board and the Executive from strategy formulation to completion.

Following a review in 2018 of the Articles of Association the bdht Board now comprises 9 Members, with all members sharing the same designation, the review ended the previous split between independent members and resident members.

The Board reviews the bdht Skills Statement annually setting out the required skills and experience needed by the Board, based on the size and complexity of the organisation, risks and business aspirations. A skills audit is undertaken annually to identify any gaps in skills/experience. This informs the board succession and recruitment strategy to ensure Board retain a mix of essential skills (last completed September 2021 informing recruitment programme for 2022).

Governance effectiveness was independently reviewed during 2018 by Patricia McCabe (Central Consultancy) and BDO in 2022. The outcome of the 2018 review was Level 1 accreditation against the Governance Assessment Process meaning bdht governance arrangements comply with all legal and regulatory requirements. The 2021 BDO review provided Board with substantial assurance in both the design and operation of internal governance controls.

bdht comply with the, Articles of Association, charity law, NHF Code of Governance (2020 edition as assessed during 2022).

Board members demonstrate independence of judgement whilst acting in the best interests of bdht. These requirements are set out within the Code of Governance and Code of Conduct adopted by bdht with specific mechanisms in place to report and record conflicts of interest.

During 2021/22 all Board Members completed a Disclosure of Interest Form to identify any potential relationships with third parties. No issues of concern arose from this.

The bdht Articles of Association and Board composition ensure that the board are not subject to undue influence from third parties.

2.3

**Registered providers shall communicate in a timely manner with the regulator on material issues that relate to non-compliance or potential non-compliance with the standards.**



<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.3</b>	
19	The regulator requires registered providers to tell it at the earliest opportunity about any material issues that indicate there has been or may be a breach of the standards. This might include, for example, material frauds, liquidity issues, breaches of lenders covenants or failures of governance. This transparency is a fundamental pillar of the co-regulatory approach.
20	In deciding what is material, registered providers should be mindful of the regulator's role in the consumer standards. The regulator may only intervene where there has been a breach of the standard which has, or may cause, serious detriment. In relation to the consumer standards registered providers are only obliged to disclose those matters which have or may relate to such a breach.
<b>Bdht Compliance Position - Compliant</b>	
bdht is committed to transparent and timely communication with the regulator. Bdht has twice (in the last three years) self-reported potential breaches of the Home Standard to the Regulator of Social Housing. Bdht complied with additional reporting requirements introduced by the regulator during 2020 in response to the pandemic.	
2.4	<b>Registered providers shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework.</b>
2.4.1	<b>The framework shall ensure:</b>  <ul style="list-style-type: none"> <li>a) there is access to sufficient liquidity at all times</li> <li>b) financial forecasts are based on appropriate and reasonable assumptions</li> <li>c) effective systems are in place to monitor and accurately report delivery of the registered provider's plans</li> <li>d) the financial and other implications of risks to the delivery of plans are considered</li> <li>e) registered providers monitor, report on and comply with their funders' covenants.</li> </ul>
2.4.2	<b>The framework shall be approved by the registered provider's board and its effectiveness in achieving the required outcomes shall be reviewed at least once a year.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.4</b>	
21	Registered providers need to ensure their business planning, risk management and control framework is effective. It should cover all areas of the registered provider's business. This should demonstrate the registered provider fully

	understands and has considered its operating environment, so it can deliver its business plan and organisational objectives. It does not need to be captured in a single document.
22	Registered providers should have a clear understanding of their risk tolerances and ensure that they are appropriate to the scale and nature of the activities they are undertaking and their role as a registered provider. Registered providers should be able to identify the capital at risk from any investment activities, and ensure that investment is priced at such a level with a rate of return which is commensurate to the level of risk presented. Where a registered provider is a charity they should consider this alongside their objects and duties under charity law. Registered providers should consider the potential aggregated impact of risks, as well as their impact at an individual level.
23	Registered providers should ensure that they have access to sufficient committed and available liquidity at all times. They should understand the timing of cash flows and any conditions for a drawdown so they can manage cash flow risk. This means registered providers should understand the receipts and outgoings of the business, for example, rental income, investment in existing stock, the costs of development, receipts from sales and other business, financing costs (loan capital and interest payments) and build sufficient prudence into their plans to cope with changes. In particular, boards should assure themselves that they put funding lines in place in sufficient time to cope with major cash outflows. Boards should ensure that they effectively identify and manage any risks of re-financing whether planned or in reaction to changes in the operating environment.
24	Registered providers should also look at the relationship between operational and capital cash flows. Non-discretionary expenses, including all major repairs (whether capitalised or not) and interest costs, should be met from operating income. When using capital income (for example, receipts from disposals) to meet operating expenses, boards should ensure there is a plan that ensures operating cash flows fully cover operating expenses in the future. While this is not the case, registered providers need a plan to ensure that exposures are managed.
25	Registered providers need to build their business on robust and prudent assumptions. Registered providers should assure themselves the assumptions used are reasonable. For example these may be based on: <ul style="list-style-type: none"> <li>• past performance</li> <li>• market conditions</li> <li>• deliverability and forecasts of possible future conditions</li> </ul>
26	The regulator expects these assumptions will be kept under review and updated in the light of changing circumstances. It is important that registered providers ensure their plan enables them to meet lenders' covenants. Registered providers need to ensure sufficient headroom to allow them to take remedial action if assumptions within the plan significantly change or (potentially) if they are not delivering against the plan.

27	The regulator expects registered providers to identify the impact of significant business decisions (for example, major changes in development appetite, a new major scheme, moving into a new business stream or taking on new sources of funding) on viability (including continued covenant compliance). It also expects registered providers to report these to the board and take remedial action where necessary. Registered providers should think about their covenants in the broadest sense (financial and non-financial), set target measures of financial performance which provide headroom over covenants, and ensure they monitor all covenants.
28	The boards of registered providers should also be aware of the risks posed where separate companies are in effect controlled by others (through common or shadow directorships) and liabilities may be attributed to the registered provider putting social housing assets at risk. These risks should also be identified and mitigated.

### **Bdht Compliance Position: Compliant**

The Business Plan is reviewed annually by the Board. External consultants are employed to ensure the reliability of stock data used to make Business Plan assumptions.

bdht employ specialist financial consultants to provide advice on loan management and to ensure actions are prudent.

### **Effective controls**

In order to ensure that the business is pursuing the right objectives, the Board undertake an annual review of the operating environment, including an assessment of significant risks facing the business at “Strategic Away-Days”. The outcomes from these reviews are fed into the Business Planning and Budget setting processes to ensure detail actions set out within the Corporate Plan are fully funded.

### **Monitoring Delivery of Plans**

The Corporate Plan is a standing item at each Board meeting (via the Business Assurance Report). The Business Assurance Report is updated monthly and circulated to all Board members.

### **Financial Plans**

Quarterly financial reports are presented to the Board and the Executive Management Team receive a monthly exception report to allow timely corrective action to be put in place as necessary.

### **Financial Golden Rules**

The Board has in place a suite of rules designed to monitor funding covenants and financial strength of the business (see section 3 and Table 10.1 of the Business Plan) and these are included in the Strategic Balanced Scorecard.

### Liquidity

The Accountancy Team prepares an annual Cash Flow Statement which is updated weekly and reported to the Director of Finance and ICT. As recommended by Treasury Consultants the Board introduced quarterly cash-flow projections for a rolling 24 month period to understand when bdht need to access further external funding. This is also stress tested by removing the benefit of sales receipts.

### Forecasts

All financial assumptions in the Business Plan are agreed with the lenders and professional advisors to ensure robustness.

### Risk

The annual Business Plan review includes an evaluation against the agreed Risk Appetite set by Board and Risk Sensitivity testing. On-going risk management is monitored by the Compliance Committee.

The Strategic Balanced Scorecard (SBS) of performance indicators is aligned directly to the High Level Risk Register. The SBS is distributed to all Board members monthly and considered in detail by the Compliance Committee.

The Business Plan is annually tested “to destruction” as part of the Business Planning process with a mitigation strategy developed in response to the identified “perfect storm”.

### Monitoring

Quarterly monitoring reports are provided to the funders to measure compliance with formal covenants.

<b>2.5</b>	<p><b>In addition to the above registered providers shall assess, manage and where appropriate address risks to ensure the long term viability of the registered provider, including ensuring that social housing assets are protected. Registered providers shall do so by:</b></p> <p style="padding-left: 40px;"><b>a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets</b></p>
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	<p><b>b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result.</b></p> <p><b>c) before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance.</b></p>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.5</b>	
29	Boards are the custodians of social housing assets and the financial viability of the registered providers that hold those assets. The responsibility for managing risks, and specifically risks to social housing assets, lies with boards. As social housing is a long term asset, normally funded by long-term debt, it follows that boards need to maintain a long-term perspective on managing risk. They need to ensure that their decisions do not put short-term gains ahead of the long term sustainability of the business and the security of their social housing assets.
30 2.5a	The primary purpose of this requirement is to ensure that registered providers understand their housing assets and security position and have swift access to this information in decision making and risk management. Such information needs to be readily available in the event of a potential or actual failure of the registered provider. This will enable the regulator to draw up resolution strategies and aid a potential rescuer to value the social housing assets. The asset and liability register should contain sufficient information to enable a potential buyer to accurately price the value of the business and/or the value of the social housing assets in the event of distress.
31 2.5a	It is for registered providers to ensure such information is accurate and up-to-date. They should be able to produce an overview for the regulator at short notice. The records need to cover the breadth of the registered provider's activities (including activities carried out in subsidiaries, joint ventures and SPVs) and identify its assets and liabilities. The regulator does not prescribe the format of such records. The approach taken is likely to vary according to the size and complexity of the registered provider. The regulator expects that a registered provider's board will oversee the maintenance of these records and that they are readily reconcilable and regularly reconciled.
32 2.5a	Asset records should clearly identify social housing assets and where these assets are encumbered. Such records would normally include, but are not limited to, treasury arrangements, key contracts, title information and any restrictions on that title (for example planning obligations, charitable or other restrictions), valuations, stock condition and lender covenants.
33 2.5a	Registered providers should consider and record their liabilities in the widest context. The regulator considers the liabilities should include items which relate directly to the social housing assets and those which might have an impact on the business as a whole. This may include, but is not limited to: <ul style="list-style-type: none"> <li>• loans including borrowing from other group companies or related undertakings</li> <li>• guarantees, indemnities etc. including those provided to subsidiaries and SPVs, whether secured or unsecured</li> </ul>

	<ul style="list-style-type: none"> <li>• leases, sale/lease and leaseback transactions</li> <li>• mark-to-market exposures on derivative positions</li> <li>• cross default provisions (for example, a provision in a loan agreement which provides that a default on one loan agreement gives rise to a default on another one, including where these potentially cross between entities)</li> <li>• a duty or responsibility that obligates the entity to another, leaving it little or no discretion to avoid settlement<sup>4</sup></li> <li>• the potential for any impairment particularly in relation to investments in non-core activities</li> </ul>
34 2.5a	<p>Within group structures, boards should ensure they have full understanding of where liabilities exist between all entities (both registered and unregistered). This should include understanding of how a failure in one part of the group may affect other members of the group. Registered providers in a group should ensure they have an appropriate methodology to model and communicate the impacts of risks crystallising in one entity on other entities within the group, in particular where there would be recourse to social housing assets.</p>
35 2.5b	<p>The regulator expects registered providers, as part of their risk management approach, to stress test their plans against different scenarios across the whole group. The scenarios used will vary according to the size, type and structure of the organisation. Registered providers should go beyond simple sensitivity testing and include multi-variate analysis which tests against potential serious economic and business risks. Registered providers should explore those conditions which could lead to failure of the business, even if planned mitigations and controls are successfully implemented. They should assure themselves that the scenarios are consistent with what they consider to be acceptable levels of risk and their obligations. Stress testing should employ scenarios that are designed to assess resilience.</p>
36 2.5b	<p>In designing the stress testing, boards should consider both the long term, cyclical nature of economic factors that impact on the business as well as internal business risks.</p>
37 2.5b	<p>Two potential examples are offered by way of illustration:</p> <p>a) The board of a developing registered provider with a shared ownership and outright sale programme that is raising external debt will need to think about how key variables in the business plan would move during a housing market slowdown or crash. This would include, for example:</p> <ul style="list-style-type: none"> <li>• what is happening to sale prices and volumes</li> <li>• how lenders would be operating in that market</li> <li>• the potential for impairment</li> <li>• what might be happening to variable rate debt and the costs of working capital</li> <li>• other costs of holding the asset such as increased security costs and the movements in nominal and real inflation rates</li> </ul>

	<p>b) The board of an organisation with significant supported housing business, but little new development, will need to think about for example:</p> <ul style="list-style-type: none"> <li>• what might happen to corporate overheads and contract-specific costs if the registered provider lost key contracts</li> <li>• unsustainable price inflation or wage growth that removed margin from the business</li> </ul>
38 2.5b	<p>Managing and addressing risk should involve developing plausible scenarios that test the business plan against adverse movements in the operating environment. Doing so will help underpin boards' understanding of where the risks lie and inform their consideration and planning for remedial action if the risks crystallise either singly or in combinations. Registered providers should consider the implications of this stress testing for its existing business including how the business may need to respond, whether business streams may need to be altered or stopped, whether it has sufficient headroom, what controls they have in place and how those controls are implemented.</p>
39 2.5b	<p>As long-term businesses, registered providers need to ensure that they can withstand the long-term cycles in the economy and that short term decisions do not constrain their ability to cope with risk. This does not prevent registered providers from taking on measured risk to deliver their objectives. It means that when taking on risks, boards should fully understand the impact on their business in the round, as well as on their social housing assets. Boards should have appropriate mitigations and controls in place as well as a strategy to protect those assets during the long term.</p>

## Bdht Compliance Position - Compliant

### 2.5a Asset & Liability Registers

Bdht has developed and Assets & Liabilities Register incorporating:

- Property Assets
- Development Contracts
- Major Commercial Contracts and Service Level Agreements
- Employment Contracts
- Register of Loans and Other major Liabilities
- Insurance Claims
- Building leases
- Management Agreements

- Disputes and litigations
- Performance penalties and warranties.

The design and operation of controls in regard to Assets and Liabilities Registers have been subject to internal audit in 2016 and 2020 and recommendations to strengthen control have been implemented.

### 2.5b Stress Testing

The Board led Short-Life Working Group developed a stress testing framework, defining the “perfect storm” of events which could break the Business Plan and a mitigation strategy all of which were approved by Board on the 7<sup>th</sup> March 2016. Stress testing is repeated annually as part of the development of the Business Plan with an updated “Perfect Storm

BDO completed a internal audit of stress testing and financial viability in April 2022 providing Board with moderate assurance in regard to both the design and operation of internal controls. BDO have made 2 medium priority and 2 low priority recommendations to improve internal control.

### 2.5c New Liabilities

As part of the approval process in taking on any new liabilities the Board require that all risks are identified and the impact/probability of that risk on the business is fully understood.

2.6	<b>Registered providers shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties, or are arrangements which the regulator could reasonably assume were for such purposes.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.6</b>	
40	Registered providers should act in good faith appropriately advancing their own interests and those of their tenants. The focus here is on transactions which, for example, over-price services received so the contractor receives an inflated price or, where services are given without a suitable charge being levied.
41	For the avoidance of doubt, the regulator does not intend that transactions undertaken to promote charitable or social objectives, nor appropriate dividend payments by profit making registered providers will be caught by this expectation.
42	Where there are conflicts or perceived conflicts of interest, registered providers should clearly set out how they effectively manage these. They should ensure that, for example, parent companies, other entities or individuals who



	have control or influence (or whom the regulator reasonably believes has such control or influence) cannot or do not exert influence which would have a damaging effect on the registered provider or its compliance with standards. This could be, for example, charging unfavourable prices for the provision of services.
43	Third parties are any person or body which is not the registered provider. This includes, for example, directors and board members and may also include individuals or organisations that have close links to the registered provider.
<b>Bdht Compliance Position - Compliant</b>	
Bdht has robust arrangements (within the Articles of Association, Standing Orders and adopted Code of Governance) to ensure organisational independence and declaration of and recording of interests.	
2.7	<b>Registered providers shall communicate with the regulator in an accurate and timely manner. This includes returns to the regulator, including an annual report on any losses from fraudulent activity, in a form determined by the regulator.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.7</b>	
44	The regulator requires registered providers to communicate with them in an accurate and timely manner. This includes provision of information, for example data returns. The regulator will clearly articulate its requirements for regulatory returns to the sector and, where appropriate, will consult on these. It is the responsibility of registered providers to ensure that they submit required data returns in a timely manner and the information provided is of a good quality. This includes for example ensuring that returns such as the Financial Forecast Return are fully complete with no missing information, that the data is accurate and submitted by the deadline required. It is not the regulator's role to correct or fill in incorrect or missing data and we will view such returns as evidence of a weak control environment.
<b>Bdht Compliance Position - Compliant</b>	
bdht complete RSH returns within stated timeframes and to the required standard.	
2.8	<b>Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.</b>
<b>Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.8</b>	
45	In addition to assuring themselves of compliance with standards on a yearly basis, boards need to assure themselves of their continuing compliance when taking on significant new risks. This could be, for example, when undertaking a new development or entering a major contract. Registered providers' boards shall certify their compliance in the narrative

report which accompanies their financial statements. When certifying compliance with the Standard, registered providers shall ensure that they consider compliance with regulatory standards in the round as set out in the required outcomes of the Standard.

### **Bdht Compliance Position - Compliant**

A detailed assessment of compliance with the “economic” standards was undertaken by the Compliance Committee in June 2021 and, in respect of “consumer” standards, by the Board (incorporating an assessment undertaken by the Residents Scrutiny Panel) in July 2021. Based upon these detailed assessments the Board of bdht certified compliance with the Governance & Financial Viability standard (taking into account the overall compliance position with all the regulatory standards) in July 2021. This certification was published within the 2020/21 annual accounts. This process will be repeated for 2021/22 with Board certification published within the 2021/22 annual accounts.

### **Section 2.1 to 2.8 Recommendations for Improvement**

To implement recommendations made by BDO in their review of Stress Testing & Financial Viability within agreed timescales.

<b>3. Specific expectations applicable to specific categories of registered provider</b>	
<b>Registered group parents</b>	
<b>3.1</b>	<b>Registered providers which are parent companies shall, as appropriate, support or assist those of their subsidiaries that are registered providers with a view of ensuring compliance with regulatory requirements.</b>
Not applicable, bdht is not currently part of a group structure.	
<b>Registered providers with unregistered parents</b>	
<b>3.2</b>	<b>Registered providers with parent companies who are not registered providers shall ensure that they do not enter into agreements to support the activity of the parent or another group member that may have a material negative impact on the social housing assets of the registered provider.</b>
Not applicable.	
<b>3.3</b>	<p><b>To enable compliance with the regulator’s standards or other regulatory requirements, registered providers with parent companies that are not registered providers shall have in place effective mechanisms to ensure that:</b></p> <ul style="list-style-type: none"> <li>• <b>such parent companies will give any appropriate support or assistance as necessary to the registered provider</b></li> <li>• <b>such registered providers have the ability to require the support or assistance of the parent company concerned</b></li> <li>• <b>the registered provider’s ability to meet the regulator’s standards and other regulatory requirements is not and cannot be prejudiced by the activities or influence of the parent company or another part of the group.</b></li> </ul>
Not applicable.	
<b>Profit making registered providers</b>	
<b>3.4</b>	<b>Profit making registered providers shall ensure that they undertake their social housing activities in an entity which is legally and operationally separated from any other activities they may undertake, except as set out below.</b>
<b>3.5</b>	<p><b>Profit making registered providers should ensure that activities they undertake which do not relate to the provision of social housing:</b></p> <p style="padding-left: 40px;"><b>a) form only a very small part of the activities they undertake</b></p>
Annual Assessment of Compliance with RSH Economic Standards Version 1.0 June 2022 Compliance Committee	

	<b>b) are not such as to mean that registered providers place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk.</b>
Not applicable	

Standard	Value for Money Standard 2018
<b>Required Outcomes</b>	
<p>1.1 Registered providers must:</p> <ol style="list-style-type: none"> <li>a. clearly articulate their strategic objectives</li> <li>b. have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders</li> <li>c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs</li> <li>d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.</li> </ol>	
<b>Code of Practice</b>	
<ol style="list-style-type: none"> <li>5. Registered providers must ensure that clear, up-to-date strategic objectives are in place. These objectives must: <ul style="list-style-type: none"> <li>• deal with the medium to long-term future of the organisation</li> <li>• include measurable targets based on outcomes, and</li> <li>• be demonstrably linked to the aims and purpose of the organisation.</li> </ul> </li> <li>6. In articulating their strategic objectives, registered providers may choose to embed value for money within those objectives, or may alternatively have a standalone value for money strategy. Whichever approach is taken, a comprehensive approach to value for money needs to be embedded throughout the business including at the level of individual business streams.</li> <li>7. Providers' objectives must articulate their strategy for delivering homes that meet a range of needs. This might, for example, include their plans for new development to meet unmet housing need in particular localities, or investment in the existing stock to sustain its quality and/or better meet the needs of particular client groups.</li> <li>8. Achieving value for money should include achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as follows: <ul style="list-style-type: none"> <li>• Economy: minimising the cost of resources used while having regard to quality</li> </ul> </li> </ol>	

- Efficiency: the relationship between the output from goods or services and the resources to produce them
  - Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts.
9. Registered providers must ensure that they achieve optimum economy, efficiency and effectiveness in delivery of their strategic objectives recognising the need to balance factors such as available resources, risks and other duties that the provider must comply with (such as health and safety requirements) to ensure long-term financial viability.
  10. In terms of deriving “optimal benefit” from resources and assets, registered providers should take a measured and proportionate approach, taking into account the requirements of all the standards, in particular the Governance and Financial Viability Standard.
  11. Further detail on expectations for delivering optimal benefit can be found in paragraph 15 of the Code.
  12. Registered providers must ensure that they have sought to optimise the financial return from their assets and activities in so far as that is consistent with achievement of the organisation’s wider organisational purpose and strategic objectives. Social housing businesses will generally receive a lower-than-market return on social housing assets as renting properties below the market rate is an integral part of their social purpose. They also may at times opt not to receive maximum return from an asset, instead taking the decision to accept a lower return in furtherance of their social objectives. However, where a provider has had to accept lower financial returns in pursuit of their purpose, the rationale for this should be clearly articulated and justified.
  13. Registered providers must also be able to demonstrate that they have a full understanding of the return they generate from their assets compared to the costs of maintaining those assets. Registered providers should be able to demonstrate how this return varies across their asset base, e.g. according to stock type or geographical location. Where assets are not apparently achieving the optimum expected return, registered providers should be able to articulate the rationale for continued support of the asset. This may be, for example, that historical covenants are in place, which restrict the sale of properties even where there are high maintenance costs.

### **Bdht Compliance Position - Compliant**

Bdht corporate objectives are reviewed annually at the Board Strategic event in November.

These objectives are set out in the Corporate Plan. Everything bdht does must be aligned to one or more of these objectives. The Corporate Plan sets out key actions and outcomes for each objective.

Board approved a revised Value for Money strategy in July 2018 and this was reviewed by Compliance Committee in April 2021 and approved by Board in May 2021. The strategy is cross-cutting, aligned to support delivery of all bdht corporate themes and

objectives. The strategy was designed to align with the revised VfM standard and incorporates both RSH and bespoke bdht VfM metrics.

The Housing Solutions theme sets out bdht commitment to delivery of new homes at 100 plus additional units per annum.

The Corporate Plan and Strategic Balanced Scorecard update board members monthly in regard to performance against RSH and bespoke bdht VfM metrics. The Compliance Committee receive an annual VfM compliance position report (last reported in June 2021). This is then reported to Board (in July each year) and summarised in bdht's annual financial statements.

Utilising the annual VfM sector-wide analysis published by the Regulator of Social Housing the Compliance Committee also receive an annual benchmark analysis of bdht performance against the regulator's VfM metrics. This was last reported to the Compliance Committee in April 2022.

### Specific Requirements 2.1

Registered providers must demonstrate:

- a. a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- b. regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- c. consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- d. that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

### Code of Practice

14. Registered providers must ensure their approach to the management of resources and assets is strategic, comprehensive, and clearly linked to achieving strategic objectives. This includes assurance around the robustness of decision making in this area.

15. Registered providers must ensure that they meet their organisational purposes and objectives (including, where relevant, charitable objectives) when considering the use of resources or assets. Resources and assets should be considered in the widest sense, for example, it must not be limited to use of physical assets and resources, but should include investments into particular services or business streams. It should also include consideration of whether their approach to remuneration and employment costs represent optimal use of resources.
16. An effective approach to value for money requires consideration and action to be taken at both:
  - an operational level – optimising value for money in the activities they carry out
  - a strategic level – ensuring that value for money is considered and addressed in all strategic decisions.
17. Registered providers must ensure that they have an understanding of absolute costs, how these costs compare to other organisations, and how they have changed over time. Registered providers should understand what is driving their costs and make sure that they are getting the desired quality at the lowest price.
18. Robust decision making must include a ‘rigorous appraisal’ of all potential options for improving performance and may include (but is not limited to):
  - cost inputs versus outputs achieved
  - opportunity cost of using assets and resources in their current function
  - comparison against potential alternatives
  - evaluation of implications for delivery of objectives.
19. In some instances the existing commercial, organisational or delivery structures within a registered provider may not be the best vehicle to enable the organisation to achieve its organisational objectives. It is incumbent on boards to actively consider the opportunity costs of their current structures compared to a range of alternatives, and the implications for delivery of objectives and maximising value for money.
20. This could include the potential benefits and limitations of considerations such as (but is not limited to):
  - corporate structure
  - procurement
  - diversification / divestment of business streams
  - investment in non-social housing activity including that undertaken in any unregistered subsidiary
  - partnership arrangements
  - standalone business versus merging with another provider, and
  - geographic areas of operation.
21. Where investment in non-social housing activity is being undertaken either by the registered provider or through an unregistered subsidiary, this activity should generate returns commensurate to the risks involved. Non-social housing-related



activity may bring with it more inherent risk than more traditional social housing activity. Where this is the case, registered providers should fully understand and balance the risks associated with the activity versus the rewards they expect to receive.

### **Bdht Compliance Position - Compliant**

#### **Making decisions on the use of resources**

From strategic planning events and discussions at Board meetings, the Board approve responses to specific business challenges. These strategic discussions are aligned to the annual review of the Business Plan and Budget setting process to ensure that business priorities are fully resourced to deliver outcomes set out by the Board.

The Budget setting process includes a rigorous appraisal by the Executive Management Team which includes an assessment of the merits of each budget proposal based on the delivery of corporate priorities within the overall budget agreed by Board.

#### **Consideration by the board of potential value for money gains**

The Business Plan is reviewed annually by Board and includes an approved cost reductions programme based on financial sustainability, including continued compliance with lenders' covenants, delivering strategic objectives, maintaining the Board's Golden Rules and supporting the aspiration of 95% customer satisfaction. The Board ensure strategic objectives are met through the simultaneous review of the Corporate Plan setting out principal actions and outcomes to achieve these corporate objectives. The annual, zero based, budget setting process ensures that actions are funded and outcomes can be delivered efficiently.

Services have been rigorously tested to ensure best value in terms of both cost, performance and quality, with services internalised where appropriate (for example planned works management), full externalisation (communal cleaning) and a mix of internalisation and externalisation (void repairs).

#### **Consideration of value for money across their whole business**

Annually the Compliance Committee receive a detailed report setting out how bdht performance compares to other organisations drawing on benchmarks from the RSH Global accounts as well as Housemark data, including cost of delivery, benchmarked against peer organisations.

**Non-social activities** – the only non-social housing investments made by bdht has been the procurement of two market rental schemes in Solihull (March 2017) and Selly Oak (March 2018). Performance in terms of void rent loss, turnover and void costs are reported by exception to board members monthly via the Business Assurance Report.

### **Appropriate targets in place for measuring performance**

In addition to annual reporting set out above, performance against RSH and bespoke bdht metrics are reported to board members monthly through the Business Assurance Report with the Corporate Plan scrutinised by the Board and the Strategic Balanced Scorecard monitored by the Compliance Committee.

### **Specific Requirements 2.2**

Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- a. performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
- b. measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

### **Code of Practice**

22. Transparency and accountability help drive improvement in value for money. Transparency requires appropriate performance monitoring and reporting systems, encompassing all elements of the value chain and the economy, efficiency and effectiveness of boards' actions and decisions. Where boards find that expected levels of delivery are not being achieved, they should ensure that they have the systems and skills in place to be able to challenge executives. They should also ensure that robust plans are in place for improvement, or where it would not be appropriate to undertake improvements this should be clearly stated and the rationale for the decision set out.
23. Registered providers must ensure that the reporting undertaken meets the requirements of the Standard, including the requirement to report against the metrics defined by the regulator and to report value for money at a group level, taking into account all areas of the organisational structure. Registered providers should also report on different activities and types of assets that are appropriate to their business priorities. Registered providers who undertake a range of different activities are

expected to report on those activities separately to their social housing activity. They should also consider their actual performance, previous year's performance, future forecasts and targets against forecasts in relation to strategic objectives.

24. Registered providers are also free to report any additional measurements that they consider would aid understanding of their performance (e.g. costs and outcomes for supported housing and other specialist areas of the business). Explanation of underlying factors influencing performance must be factual and concise and easily identifiable.
25. Registered providers are required to publish reporting on the above in their statutory accounts in a way that is clear, concise and appropriate to their stakeholders.
26. Registered providers are, in addition to the reporting in the annual accounts, free to report outside of these accounts in any way they see fit if they consider this increases transparency with stakeholders.

### **Bdht Compliance Position - Compliant**

Bdht financial statements 2020/21 include a value for money section which incorporates bdht's

- benchmarked performance against the RSH VfM metrics,
- performance against bespoke bdht VfM targets, and
- focus on delivering further efficiencies during 2021/22.

### **Recommendations for Improvement**

To implement RSH Tenant Satisfaction Metrics which come into effect from 1<sup>st</sup> April 2023. Although these measures are not VFM specific and are primarily intended as a mechanism by which the RSH can assess compliance with consumer standards, taken holistically, with other measures (including financial), will provide the Regulator with a more dimensional picture of bdht performance including on costs vs outcomes.

Standard	Rents Standard (from April 2020)
<b>1 Required Outcomes</b>	
Registered providers must set rents from 1 April 2020 in accordance with the Government’s Policy Statement on Rents for Social Housing 2018 (hereafter Rent Policy Statement) which can be found on the Ministry of Housing, Communities and Local Government (MHCLG) website.	
<b>2 Exclusions from this rent standard</b>	
2.1	This Rent Standard applies, subject to the exceptions in 2.2-2.5 below, to ‘low cost rental’ accommodation, as defined by section 69 of the Housing and Regeneration Act 2008. All other terms used in this Rent Standard are defined within the ‘Policy Statement on rents for social housing’.
2.2	<p>This Rent Standard does not apply to the following categories of property, as defined in Chapter 5 of the Rent Policy Statement:</p> <ul style="list-style-type: none"> <li>• Shared ownership low cost rental accommodation</li> <li>• Intermediate rent accommodation</li> <li>• Specialised supported housing</li> <li>• Relevant local authority accommodation</li> <li>• Student accommodation</li> <li>• PFI social housing</li> <li>• Temporary social housing</li> <li>• Care homes.</li> </ul>
2.3	This Rent Standard does not apply to property let to a high-income social tenant, for the period of time where that property is let to that tenant. Where a tenancy of a high-income social tenant ends, or where the tenant no longer fits the definition
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of “high income social tenant” as set out in the Rent Policy Statement, this Rent Standard then applies to that tenancy, and/or to future lettings of that property.

- 2.4 Where the application of this Rent Standard would jeopardise the financial viability of a private registered provider, the Regulator may agree, on request from that provider, an exemption to specific requirements of the Rent Standard for a period of time.
- 2.5 In a situation (such as an insolvency) where there is a mortgagee in possession, or receiver, in place, or where the registered provider’s stock is sold to a non-registered landlord following intervention by the Regulator, neither the mortgagee in possession, nor the receiver, nor the landlord to whom the stock is sold will be bound by this Rent Standard.

### 3 Specific Requirements

- |            |  |
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| <b>3.1</b> | Registered providers must comply in full with all the requirements and expectations set out in this Rent Standard. They must additionally comply with all the requirements and expectations of the Rent Policy Statement on the setting, increase and decrease of rents and service charges. |
|------------|--|

#### Bdht Compliance Position: Compliant

Rents were reviewed by Board in November 2021 in accordance with the Rent Standard 2020 and Rent Policy Statement from 2020 and RSH Limit on Annual Rent Increases 2022/23. The Rent Policy Statement permits annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.

Based on CPI of 3.1% at September 2021 the Board approved rent increases of 4.1% for 2022/23 for both social and affordable rents.

The Compliance Committee commissioned Beever & Struthers (Internal Audit) to complete an assurance review of the bdht rent setting process to ensure compliance with these changes to the rent setting regime during 2020. Beever and Struthers were able to provide Board with reasonable assurance in regard to both the design and operation of controls to ensure compliance with the rent standard.

<b>2020 Limit</b>	
<b>3.2</b>	<p>In the year following the end of the social rent reduction period the maximum weekly rent for an existing tenant is the 2020 limit. “2020 limit” means the amount that is found by:</p> <ol style="list-style-type: none"> <li>a. determining the average weekly rent for the tenant’s accommodation in the fourth relevant year specified in section 23(6) of the Welfare Reform and Work Act 2016, and</li> <li>b. increasing that amount by CPI + 1%</li> <li>c. in this paragraph “average weekly rent” means: <ol style="list-style-type: none"> <li>i in a case where the weekly rent changes because the accommodation is re-let after the start of the fourth year, the weekly rent payable by that tenant for that accommodation in respect of the most recent period for which rent was payable at that changed rate provided that that change complies with the requirements of the of the social housing provisions<sup>6</sup> of the Welfare Reform and Work Act 2016 Act and any Regulations made under those provisions; or</li> <li>ii. in any other case, the average weekly rent payable by the tenant of that accommodation in respect of the fourth year.</li> </ol> </li> </ol>
<b>Bdht Compliance Position: Compliant</b>	
<p>Rents were reviewed by Board in December 2019 in accordance with the Rent Standard and Rent Policy Statement for 2020/21. The Rent Policy Statement permits annual rent increases on social rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.</p> <p>Based on CPI of 1.7% at September 2019 the Board approved rent increases of 2.7% for 2020/21 for social rents.</p>	
<b>3.3</b>	<p>This formula for calculating the 2020 limit applies to both Social Rent and affordable rent housing.</p>

### Bdht Compliance Position: Compliant

Rents were reviewed by Board in December 2019 in accordance with the Rent Standard and Rent Policy Statement for 2020/21. The Rent Policy Statement permits annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years.

Based on CPI of 1.7% at September 2019 the Board approved rent increases of 2.7% for 2020/21 for both social and affordable rents.

### Social Rent

<b>3.4</b>	Where accommodation is not affordable rent housing (see 3.8-3.9 below) the maximum weekly rent for a tenant who is granted a tenancy of the accommodation for the first time is formula rent. Formula rents are exclusive of any service charges.
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### Bdht Compliance Position: Compliant

Compliant and assessed as part of the 2020 internal audit. *“Formula rents have been correctly calculated using the formula in the Policy Statement on Rents for Social Housing.”*

Affordable rents are only charged in accordance with the AHP (Affordable Homes Programme) Framework Delivery agreement between bdht (as part of spectrum) and Homes England which includes Regulatory authorisation for bdht to convert a number of social rent tenancies to affordable rents when they become vacant.

<b>3.5</b>	<p>The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement. The rent set may include an upwards tolerance – “Rent Flexibility” – of</p> <ul style="list-style-type: none"> <li>• if the accommodation is supported housing, 10% of formula rent; or</li> <li>• if the accommodation is not supported housing, 5% of formula rent.</li> </ul>
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### Bdht Compliance Position: Compliant

The 2022/23 rent review undertaken by bdht was undertaken in accordance with paragraph 3.5.	
<b>3.6</b>	As set out in paragraph 2.8 and 2.9 of the Rent Policy Statement, formula rent is subject to the rent cap. The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.
<b>Bdht Compliance Position: Compliant</b>	
The 2022/23 rent review undertaken by bdht was undertaken in accordance with paragraph 3.6.	
<b>3.7</b>	<p>Subject to the 2020 limit (see above), the weekly rent of any existing tenant may not be increased by more than:</p> <ul style="list-style-type: none"> <li>• CPI +1% in any year; or</li> <li>• if the tenant's rent exceeds the rent flexibility level, CPI in any year.</li> </ul>
<b>Bdht Compliance Position: Compliant</b>	
The 2022/23 rent review undertaken by bdht was undertaken in accordance with paragraph 3.7.	
<b>Fair Rent</b>	
<b>3.8</b>	In the case of tenancies subject to fair rent protection, the maximum weekly rent is the lower of the fair rent set by the Rent Officer, and formula rent (subject to both the rent caps and the rent flexibility level).
<b>Bdht Compliance Position</b>	
Bdht has no tenancies subject to fair rent protection.	



<b>3.9</b>	Registered providers may not increase the rent of a tenant with fair rent protection by more than CPI +1% in any year (even if the tenant's rent is below the formula rent level and the maximum fair rent is increased by more than that amount).
<b>Bdht Compliance Position</b>	
Not applicable	
<b>Affordable Rent Housing</b>	
<b>3.10</b>	<p>Affordable rent may only be charged where the property in question is provided by a:</p> <ul style="list-style-type: none"> <li>a. registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent; or</li> <li>b. registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or</li> <li>c. local authority, and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent.</li> </ul>
<b>Bdht Compliance Position: Compliant</b>	
<p>Affordable rents are only charged in accordance with the AHP (Affordable Homes Programme) Framework Delivery agreement between bdht (as part of spectrum) and Homes England which includes Regulatory authorisation for bdht to convert a number of social rent tenancies to affordable rents when they become vacant.</p> <p>Beever and struthers confirmed at Audit 2020 that "Affordable rents based on market valuations have also been correctly calculated and updated "</p>	
<b>3.11</b>	In addition to the above, Affordable Rent may be charged where the property has been acquired by a registered provider and was affordable rent housing when it was acquired.
<b>Bdht Compliance Position</b>	

Not applicable to any bdht tenancies	
<b>3.12</b>	Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent for the tenant's accommodation, subject to 3.13 and 3.14 below.
<b>Bdht Compliance Position: Compliant</b>	
Bdht are part of Spectrum and subscribe to an Automated Valuation Model produced by Savill's and accessed via their Rent Portal. This enables bdht to establish the 100% market rent for any individual property. From there we calculate the 80% Affordable Rent making allowance for the service charge. Savill's AVM is recognised by both Homes England and the RICS. bdht uses this methodology for both lets to new tenants and re-lets/renewals to existing tenants.	
<b>3.13</b>	If the formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent is formula rent which is to be set as in paragraphs 3.3-3.6 above and would be exclusive of service charges.
<b>Bdht Compliance Position: Compliant</b>	
<b>3.14</b>	The rent of an existing affordable rent tenant (including where they have a new tenancy) may not be increased by more than CPI +1% in any year, subject to 3.2 above. 'Existing tenant' in this context means an existing tenant of the specific property concerned. For the avoidance of doubt, the revised rent on re-letting to an existing tenant may only be re-based to 80% of current market value where the resulting rent would be no more than the rent arrived at by a CPI+1% increase.
<b>Bdht Compliance Position: Compliant</b>	
Rents are reviewed in accordance with this requirement.	
<b>Moving between types of rent</b>	
<b>3.15</b>	Where a tenancy subject to fair rent protection ends and the property is re-let, that new letting should be at social rent (or Affordable Rent where applicable and permitted. See 3.17a below).
<b>Bdht Compliance Position:</b>	
Not applicable	

<b>3.16</b>	On re-letting of a property previously occupied by a high-income social tenant, the new letting should be at social rent (or Affordable Rent where applicable and permitted. See 3.18a below).
<b>Bdht Compliance Position: Compliant</b>	
Bdht will comply with this requirement if or when this circumstance arises.	
<b>3.17</b>	<p>Social rent properties may not be converted to:</p> <ul style="list-style-type: none"> <li>a. Affordable Rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement);</li> <li>b. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or</li> <li>c. intermediate rent.</li> </ul>
<b>Bdht Compliance Position: Compliant</b>	
<p>Affordable rents are only charged in accordance with the AHP (Affordable Homes Programme) Framework Delivery agreement between bdht (as part of spectrum) and Homes England which includes Regulatory authorisation for bdht to convert a number of social rent tenancies to affordable rents when they become vacant.</p> <p>Bdht owns 87 market rental homes, none were converted from social rent properties.</p> <p>Bdht owns 8 homes let on intermediate rent. These were developed as intermediate rent homes, none have been converted from social rent.</p>	
<b>3.18</b>	<p>Affordable Rent housing must not be converted (including on re-let) to:</p> <ul style="list-style-type: none"> <li>a. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or</li> <li>b. intermediate rent.</li> </ul>
<b>Bdht Compliance Position: Compliant</b>	
Bdht owns 87 market rental homes, none were converted from social rent properties.	

Bdht owns 8 homes let on intermediate rent. These were developed as intermediate rent homes, none have been converted from social rent.

### Local authority information requirements

**3.19**

Local authority registered providers shall communicate with the Regulator in an accurate and timely manner. This includes all data and information required by the Regulator in respect of compliance with this Standard. Where material issues that relate to non-compliance or potential non-compliance with the Rent Standard are identified by local authorities, they are expected to communicate these to the Regulator promptly.

### Bdht Compliance Position

Not applicable

### Recommendations for Improvement

In December 2020 the internal auditor recommended that a sample of formula rents be recalculated based on 1999 valuations with any variations from existing formula rents investigated. Non-compliance with the rent regime has recently led to a number of governance downgrades and it is important that Board receive further external assurance in this area. A revaluation exercise was undertaken by JLL consultancy. Work on validating the rents is now under way and has raised some issues regarding the valuations, which is an unexpected issue. We are working with JLL on this currently, as it appears there must be an error in their data. Further work is required with a target for completion of 30.09.2022.