# Sustain (UK) Ltd

**(A not-for-profit company limited by guarantee)**

**Report and Financial Statements**

**For the year ended 31 March 2022**

Company registration number: 07084201

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## Sustain (UK) Ltd

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### Company Information

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|---|---|---|
| **Non-Executive Directors:** | Mrs S Piercy | (appointed 5th November 2020) |
| | Mr A Edwards | (appointed 5th November 2020) |
| | Mr S Khaira - Chair | (appointed 5th November 2020) |
| | Mr G Cain | (appointed 1st June 2021) |
| | Mr M Shields | (appointed 1st June 2021) |
| | Mr S Pal | (resigned 18th July 2021) |
| | Mr M Jolly | (appointed 1st October 2021) |

**Executive Directors:**
Mrs P Hughes – CEO (resigned 9th July 2021)
Mr A Barwell – COO (resigned 31st January 2022)
Mr I MacGregor – Finance Director

**Company Secretary:** Mr I MacGregor

**Registered Office:**
181-183 Summer Road
Erdington
Birmingham
B23 6DX

**Company Registration Number:** 07084201

**Regulator of Social Housing Registration Number:** 4687

**External Auditor:**
Beever and Struthers
Statutory Auditors
St George's House
215-219 Chester Road
Manchester
M15 4JE

**Solicitors:**
Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

**Bankers:**
Allied Irish Bank GB
63 Temple Row
Birmingham
B2 5LS

The Directors present their directors' report for the year ended 31 March 2022.

**Directors And Note of Appreciation**

The directors who served the Company during the year are shown on page 1.
We are delighted to welcome Mike Jolly to the Board, a Non-Executive Director with Housing Association, Financial Services and Risk experience, Gregory Cain, a Non-Executive Director with Compliance, Financial Services and Risk experience, and Martin Shields, a Non-Executive Director with Housing, IT and Risk experience. We would like to express our appreciation to Adam Barwell and Pauline Hughes who both retired during the year, and to Sat Pal who resigned as a director after nearly 6 years of service and in line with NHF guidance on length of terms. These individuals were the guiding force and strength in setting up Sustain, driving the growth in provision to fulfil the vision of providing homes and housing to persons in need in Birmingham through the unlocking of home provider supply. They will be greatly missed by our staff and in particular our tenants.

**'Stability, Innovation, and Improvement'**

Stability

During the year Ian Macgregor was appointed as Interim CEO, this combined with a Staff Plan which developed our middle management internally - has resulted in a continuity in experience and know-how in our specialised sector. This stability in the core offering of Sustain's services has allowed us to manage challenges such as continued Covid restrictions in the year, and a drop in home providers – whilst delivering our services to Home Providers and Tenants.

Innovation

The Financial year to March 2022 has been a year of innovation, with COVID Restrictions resulting in changes to how we operate and deliver our services to allow for remote working and virtual inspections and visits. To allow us to further enable our operations and services we completed an IT transformation project during the year below budget. This project has provided an IT infrastructure to allow for future growth in our services and complexity in our operations.

We have used our IT base and our staff engagement to innovate during the year, including developing a revised Rent & Service Charges system, digitising support notes, further developing our Health and Safety Certification system.

Improvement

This year has seen Sustain continue to improve its services, we have engaged locally with Birmingham City Council's 'BCC' Inspection Teams, we joined the BCC backed Q mark for Supported Exempt Accommodation and have been provisionally award a Silver Grading for the standard of our services. In line with the NHF Together with Tenants and the Q mark Sustain has delivered high standards of service, this being reflected in relatively low numbers of complaints.

To support our improvement, we have continued to develop our Board, with the appointment of new members to reflect the skills required to allow Sustain to guide the delivery of our Plans whilst managing the risks to our operations. This year has seen a major innovation in the Board to reflect increasing focus on Consumer Standards with the setting up of a dedicated Board Committee – The Tenant Engagement Committee, this has allowed the Board to bring additional focus in developing Sustain's activities in a Tenant Focused fashion.

To allow for the Board to maximise its effectiveness, it has been supported by three Committees which meet quarterly, The Audit and Risk Committee chaired by Mike Jolly, focused on: developing the Risk framework, financial reporting, financial controls, and Internal and External audit and assurance.
The Remuneration Committee chaired by Andrew Edwards, focused on; Director and Executive skills, recruitment and reward, Staff & Board development and planning, and Executive, Board and Staff Pay. The Tenant Engagement Committee Chaired by Sian Piercy, focused on; Complaints Reporting, the Tenant Engagement Strategy, and BCC relations. In addition, the Board established a special working group to monitor and guide the Rent and Service Charge project.

**Directors' Report**
**For the year ended 31 March 2022**

The Directors are pleased to present the financial statements for Sustain (UK) Ltd ("Sustain") for the year ended 31 March 2022 and to report that the business has shown a steady turnover contributing to a strong balance sheet which allows us to plan and build our services for the future. At the end of the financial year, we had the bed capacity to support 2163 vulnerable adults across Birmingham.

Strategically, the Board has been concentrating on ensuring quality of accommodation and service provision within the context of providing value for money and meeting the Regulators concerns whilst at the same time delivering a Stress Tested Business Plan which will allow Sustain to develop services for its tenants in the future.

We have removed a number of poorly performing operations from our business and sought to replace them with better quality property and support from both existing and newer Home Providers this has resulted in drop of numbers of tenants being supported.

The Business Plan for the coming five years has a number of key strategic aims, these being:

Gain compliance – G1/V2 – (Potentially V1)

Deliver Safety for our Tenants

Deliver Quality Service to our Tenants and Home Providers

Maintain and Increase our Financial Viability

Protect our Reputation and the Reputation of the sector.

Whilst controlling and mitigating the key 10 risks faced by Sustain

Our Business Plan and Strategy fit within the 2020 NHF Code of Governance which the Board has adopted, the Board can report that by 31st March 2022 Sustain complied with all four core principles – having a clear Mission and Values, A clear Strategy and delivery plan, an effective Board to monitor and control Sustain, and a functioning Board and Risk control framework which provided for good control and assurance on Sustain's activities. The Board has carried out a self-assessment against the standard; the following area of non-compliance was identified under 1.5.4/5 Integrity and managing Conflicts of Interest, these have been rectified during the financial year.

**VFM**

During the year, as detailed in our" Value for Money Self-Assessment", Sustain continued to deliver good Value for Money for its Tenants and Home Providers. Critically our costs per Unit have been improved, and satisfaction with our services has improved

A full Value for Money report is contained in this Annual Report showing Sustains performance across key metrics for the sector as well as Sustain's own focused metrics.

**Regulatory Engagement**

In January 2019 the Regulator for Social Housing (RSH) graded Sustain (UK) Ltd as V2/G3, which means that the Company is compliant with the financial viability standards, but non-compliant with the governance standard. A voluntary undertaking was entered into with the RSH to allow Sustain to improve its governance to achieve compliance with the regulatory standards. We have continued to engage with the Regulator in our effort to improve our Governance Systems and deal with specific areas of non-compliance. During the year the Board set into place a rigorous Probity framework and oversaw the removal of identified Conflicts of Interest. The year has seen the Board processes and oversight being embedded relating to NED, Executive & Staff recruitment and remuneration.

As part of developing a compliance structure, major work has been carried out on meeting the requirements of the Rent Standard including developing tailored systems which meet our sector needs for the supported housing market. Sustain is now in the process of rolling out a state-of-the-art monitoring system on rent and service charge levels, to more effectively allow for individual settings to reflect the true costs of providing these much-needed services for our vulnerable tenants and for Sustain to, once again, be fully compliant with the Rent Standard.

It can be reported that the Board, its Audit and Risk Committee, Remuneration Committee & Tenant Engagement Committee have met regularly and have undertaken extensive Continuing Professional Development through training courses provided by the National Housing Federation amongst others.

**Statement of Compliance**

The Board confirm that Sustain, over the financial year, has complied with all relevant legislation, and in relation to the RSH Governance, Viability & Consumer Standards areas of non – compliance have been identified and plans to ensure compliance have been enacted. In particular, up until 1st April 2020 Sustain was fully compliant with the Rent Standard, however, since the Standard was upgraded on that date, it is clear that there is work to be done to regain compliance with that revised standard. Sustain has, with the help of Altair Management Consultants, delivered an action plan to remedy the situation, which has been shared with the Regulator. We can report that the company has continued this project at pace and liaised with the RSH and anticipates gaining full compliance with the Governance Standard in the Financial Year 2022-23.

We have adopted the 2020 NHF Code of Governance and can report that by 31st March 2022 we are compliant across all four of its Core principles. The areas of non- compliance with the Code during the financial year have been identified as stated on Page 2 and have now been resolved.

As part of our commitment to increasing Consumer Standards we have established and embedded a new Board Committee, the Tenant Engagement Committee, which will allow the Board to further focus, direct and ensure that Sustain continues to improve and deliver to Tenants.

In 2020 we adopted the new Housing Ombudsman Complaints Handling Code, and we published our Complaints Handling Self-Assessment each December. We continue to deliver rapid, effective and compliant responses to Complaints.

In 2021 and 2022 we have actively encouraged and participated in Birmingham City Council's new Inspections Regime and have applied and received a provisional Silver Grade in the Q Charter which will help set the standards expected for providers in the region.

## Future Prospects

A New Business Plan for the period 2022-2027 was developed and adopted by the Board May 2022, the plan sets out our strategic aims:

Gain compliance – G2/V2 – (Potentially V1)

Deliver Safety for our Tenants

Deliver Quality Service to our Tenants and Home Providers

Maintain and Increase our Financial Viability

Protect our Reputation and the Reputation of the sector.

Controlling and mitigating the key 10 risks faced by Sustain

Our plan will see Sustain continue to develop the quality of our offering to our tenants and home providers, grow supply, where it is of appropriate quality, and diversify our offering to further support our tenant cohort.

The plan has been stress tested against the risks facing Sustain, this has been reviewed by the Board, who are assured that Sustain can deliver the Plan and has the financial strength to deal with risks to the plan if they emerge.

The Board is pleased to report that the financial viability of the business, illustrated in the Statements, are strong. We have added more surplus to our reserves, which now stand at over £3m.

This financial reserve will allow us to continue in invest in improving our services, our IT, development of our staff base, make investment in initiatives supporting tenants in line with our aims. The Board are also investigating diversification projects in areas that we feel will improve the wellbeing for many of our vulnerable tenants.

Once Sustain achieves its most pressing aim of Regulatory compliance, the Board is committed to growing the Business in a prudent fashion through growth in existing services investing in relevant diversification projects to the value of £2.5m – this includes an assessment centre, and new service models.

As part of the new Business Plan, we are committed to substantial investment in our IT and Staff and to support transforming Sustain to allow it to remain complaint with standards and a leader in Birmingham in delivering state-of-the-art supported living for our vulnerable Tenants.

**Remuneration Report**

Remuneration and Performance of Executives and Non-Executives is carefully considered by the Board and its Remuneration Committee (Remcom) through the year.

The details of the revised remuneration packages are as follows:

Upon his appointment in late 2021, after a benchmarking review, the Interim Chief Executive Officer, Mr Ian MacGregor's remuneration package was set at a rate of £115,000 pa, in salary with a 10% car allowance and a 10% contribution to a private pension.

Pauline Hughes resigned as CEO and Executive Director on 9th July 2021 receiving no severance or ex gratia payments.

The Operations Director, Mr Adam Barwell, was remunerated at a rate of £130,000 p.a. in salary with a 10% car allowance and a 10% contribution to a private pension. Adam resigned from his role as an Executive Director on 22 January 2022 receiving no severance or ex gratia payments.

No pay rises were approved during the year 2021-22 for executives.

The Non-Executive Board ("NED") was made up and remunerated, as follows, remuneration for NED's, Committee Chairs and The Chair was increased after a benchmarking review to reflect the increased workload of meetings and activity, and was agreed after consideration of remuneration levels in the sector and VFM:

| | as at 01/04/21 | Appointed | Resigned | as at 31/3/22 | Remuneration: |
|---|---|---|---|---|---|
| Mr S Pal | * | | 18/07/2021 | | 1,500 |
| Mr G Cain | | 01/06/2021 | | * | 3,750 |
| Mr M Shields | | 01/06/2021 | | * | 3,750 |
| Mr M Jolly (Chair of ARC) | | 01/10/2021 | | * | 3,000 |
| Mrs S Piercy (Chair of TEC) | * | | | * | 5,250 |
| Mr A Edwards (Chair of Remcom) | * | | | * | 5,250 |
| Mr S Khaira (Chair) | * | | | * | 7,875 |

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

**Statement of Director's Responsibilities**
The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A qualifying third-party indemnity provision is in place for directors and officers of the Company.

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

**Statement as to Disclosure of Information to the Auditor**

So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Beever and Struthers have expressed their willingness to continue in office. Accordingly, a resolution to reappoint them as Auditors will be proposed at the forthcoming Annual General Meeting.

The directors' report was approved and authorised by the Board at the meeting held on the 27 September 2022 and signed on its behalf by:

S Khaira

Mr S Khaira – Chair

## Sustain (UK) Ltd

*Company registration number 07084201*

### Value for Money Self-Assessment
### for the Year Ended 31 March 2022

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#### 1. Background

In 2018, the Regulator for Social Housing (RSH) published a new Value for Money (VfM) Standard. Since then there have been various updates, the latest being a 'Value for Money metrics - technical note guidance May 2022' https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1066373/20220404_Value-for-Money-metrics-Technical-note-guidance_FINAL.pdf

The reporting required in the annual accounts of Registered Providers (RP) is focused on a minimum of seven VFM metrics, along with performance measured against their own chosen VfM targets by which they demonstrate economy, efficiency and effectiveness. The metrics do not form part of the VfM Standard itself but provide a separate tool for RPs to demonstrate that they are making best use of their assets and resources to stakeholders, including tenants and the Regulator. Measurable plans to address any areas of underperformance must also be published which clearly state any areas where improvements would not be appropriate and the rationale for this.

Not all of the RSH defined metrics are relevant to Sustain's lease-based business model, e.g., EBITDA interest cover, gearing/ROCE (see below). Sustain does not own the properties used to accommodate its tenants and it does not currently engage in borrowing or finance lease arrangements to fund its operations. We have adapted the metrics in calculating our own performance KPI's, whilst still keeping to the 'spirit' of the RSH definitions. The RSH metrics report acknowledges this as acceptable practice.

In the past we have reported our VfM metrics in our Annual Report and Financial Statements which are made available to the public each September.

#### 2. Current position and performance

Sustain has reported in its financial statements that its turnover in the years 2021/22 has reduced by 14.8%. It has effectively and responsibly managed the bed capacity to support 2,163 vulnerable adults across Birmingham, a decrease in capacity of 310 beds via rationalisation to ensure higher quality accommodation and support within the remaining estate.

Like all organisations, this has been during a time of unique challenges faced by the sector and the national uncertainty due to the Covid-19 pandemic. We have continued to ensure our tenants have felt safe in their homes and we have supported our Housing Providers financially and through our Inspection regime, adapting our modus operandi during lockdown.

Sustain is actively working towards continued compliance against the governance requirements of Governance & Financial Standards (G3) but is compliant with the financial Standard (V2). Over the past two and a half years, the Board have concentrated on delivering its voluntary undertaking action plan with a focus on eliminating potential conflicts of interest, improving the Executive Team and the Board, and ensuring compliance with the Rent Standard. In addition, Sustain is actively developing its capabilities to deliver to Consumer Standards, overseen by an innovative Tenant Engagement Committee of the Board, we have adopted and are implemented the NHF Tenant Together Initiative, and have registered with Birmingham City Councils Q Mark being awarded a Silver Grading.

Sustain believes in offering the best Value or Money it can whilst delivering a quality and meaningful service to our Tenants and Home Providers. The last year despite seeing a drop in bed numbers, has seen Sustain deliver greater efficiencies in it's cost base whilst delivering on key investments such as improving our IT infrastructure at below target costs, this has allowed Sustain to reduce its headline Social Cost Per Unit by over 4% despite voids levels. In addition, we believe in providing value to our suppliers. and kept our fee to our Home Providers for our services at the same level despite inflation, resulting in our operating margin dropping by .5%, but resulting in Sustain having one of the lowest margins in our segment of the sector. This being achieved whilst maintaining service levels and a prudent financial reserve.

**3. RSH VfM Metrics - Sustain Housing Future VfM Plans**

In the last year Sustain has developed and delivered a key innovative Rent Standard Compliance project with the aid of Altair, this allows us to monitor rent and service charge costs in each of our settings giving us the assurance that we are delivering the right services at the right costs to our tenants. We are using this system to ensure that we liaise with BCC to maintain the correct levels of rent and service charge are levied on behalf of tenants. The Board and Sustain will endeavour to ensure that our headline Social Housing Costs Per Unit does not increase over and beyond inflation and that relevant social rent levels are charged in each setting.

We anticipate that our Operating Margin will remain competitive versus our peers as we will be increasing our fee by less than inflation, offsetting this by continued effective and innovative cost management and enhance use of IT solutions.

At present we do not intend to own property directly or to undertake any borrowing, which means we will not be reporting metrics that would be affected. We do intend to invest £2.5m in diversifying our support to our tenant cohort – including providing direct housing provision, the opening of a dedicated assessment centre, and delivering into areas of support which our customers might need. This innovation and diversification programme coupled with the quality of Sustain's services attracting new Home Provision, will mean that in future years that the New Supply Metric will be positive.

As part of Tenant Engagement Strategy, we intend to communicate our VFM metrics to our tenants, and provide them with meaningful forums and methods to influence Sustain's future activities that effect VFM for them

**4. Other VfM Key Performance Indicators Benchmarking our VfM Performance**

This year we have embarked on a benchmarking exercise utilising HQN Risk Consultants to benchmark our Value for Money performance metrics against our peers and across the sector, so that we can more clearly demonstrate our levels of performance. This exercise involved looking at data available from Registered Providers (RP) that in total provide 17,000 units mainly in the Birmingham Region or Nationally if the RP specialised in a similar provision of services as Sustain. The Board have further conducted an exercise in relation to information on suppliers in the BCC area whether they be Registered Providers or not. to assure themselves of Sustain's performance results.

The VFM metrics are reviewed by The Board, and in particular the Tenant Engagement Committee and Audit and Risk Committee and are used as part of the toolbox for Board to review performance and develop meaningful Business Planning and Strategies to improve our service offering to Tenants and Home Providers. Demonstrate future savings through its Business Plan and how these link to the VfM strategy objectives.

The Key findings are as follows:

- Sustain's headline cost per social housing unit in 2021/22 was £8,435 which is lower than last year's figure (i.e. £8,489) and lower than the peer group average for 2020/21 which was £9,726.

- Sustain's Operating Margin for 2021/22 is 3.3% and the average for the peer group in 2020/21 was 12.7%. Although Sustain has lower margins than those generally in the supported living sector, it is committed to investing in innovation and improving its services, as well as building and maintaining prudent reserves so that it can deliver for future investment.

- Sustain has a unique Tenant Engagement Strategy, involving communicating our VFM metrics to our tenants, and provide them with meaningful forums and methods to influence Sustain's future activities that will affect VFM for them.

- Sustain's portfolio is stable and doesn't show dramatic uncontrolled growth, demonstrating that Sustains' Business Planning and Stress Testing is prudent.

**5. RSH VfM Metrics – Sustain's Results**

| Measure | 2021/22 | 2020/21 | Movement |
|---|---|---|---|
| **Metric 1 – Reinvestment %**<br>*This metric looks at the investment in properties, existing stock as well as new supply, as a percentage of the value of total properties held.*<br>**Comment** - Sustain does not purchase or carry out capital works to existing properties. | 0% | 0% | N/A |
| **Metric 2 - New supply delivered**<br>*This metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end*<br>**Comment** - Following previous years of growth, there has been a rationalisation (begun in 2019/20) of units in 2021/22, as we have focused on increasing the quality of accommodation and support provided. | -310 | -16 | -12.5% |
| **Metric 3 – Gearing %**<br>*This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.*<br>**Comment** - Sustain's operating model does not currently have any debt. | 0% | 0% | N/A |
| **Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation (Major Repairs Included) Interest Cover %**<br>*This is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments.*<br>**Comment** - Sustain has no borrowing so no interest paid. | 0% | 0% | N/A |
| **Metric 5 – Headline social housing cost per unit**<br>*This metric assesses the headline social housing cost per unit as defined by the Regulator.*<br>**Comment –** The RSHs 2021 annual report showed the sector median headline social housing cost was £3,730. Sustain's cost of £8,435 per unit is significantly higher, due to Sustain offering higher levels of support than general needs social housing. Sustain has further identified the average for peer group organisations operating similar levels of services, is at an average cost of £9,726 in 2020/21<br>Sustain's higher figure reflects the fact that we provide services to supported housing units but do not run the projects directly. As a result, we invest in a very effective Inspection regime which ensures better quality of both housing stock and support to vulnerable individuals. It also ensures that we quickly identify poorly performing Home Providers and replace them with better quality property and support from existing and new Home Providers. It should be further noted that our unit cost reflects high occupancy and use levels. Sustain has found that it offers good value for money for the services provided. Sustain is at present developing an innovative Rent Standard compliance project which will allow us to report in greater detail how our Unit Costs are good value for money. | £8,435 per unit | £8,489 Per unit | -0.6% |

| Measure | 2021/22 | 2020/21 | Movement |
|---|---|---|---|
| The Board through the operational and strategic reporting and through its innovative Rent Standard Compliance project understands and makes key decisions on our cost base which impacts on the rent and service charges we levy at each home. This process is clearly communicated to both Birmingham City Council (BCC) and the tenants which ensures VfM is constantly delivered. | £8,435 per unit | £8,489 Per unit | -0.6% |
| **Metric 6 – Operating Margin%**<br>*This metric demonstrates the profitability of operating assets before exceptional expenses are taken into account.*<br>**Comment** - Increasing margins reflect improving financial efficiency.<br>This figure compares well with Peer RP's in the who are showing higher Margins of about 12.7 %.<br>As Sustain does not borrow funds, this margin still allows us to invest more in delivering betters services to our tenants | 3.3% | 3.8% | -0.5% |
| **Metric 7 – Return on capital employed%**<br>*This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.*<br>**Comment** - This figure fluctuates as Sustain does not employ capital in the traditional sense, so this is a calculation of operating surplus against a portion of balance sheet resources. This drop reflects a drop in surplus and drop in bed supply numbers. | 20.5% | 35.3% | -14.8% |

### 6. Sustains VFM Performance Versus our Peers – In Depth

The peer group organisations are detailed below:

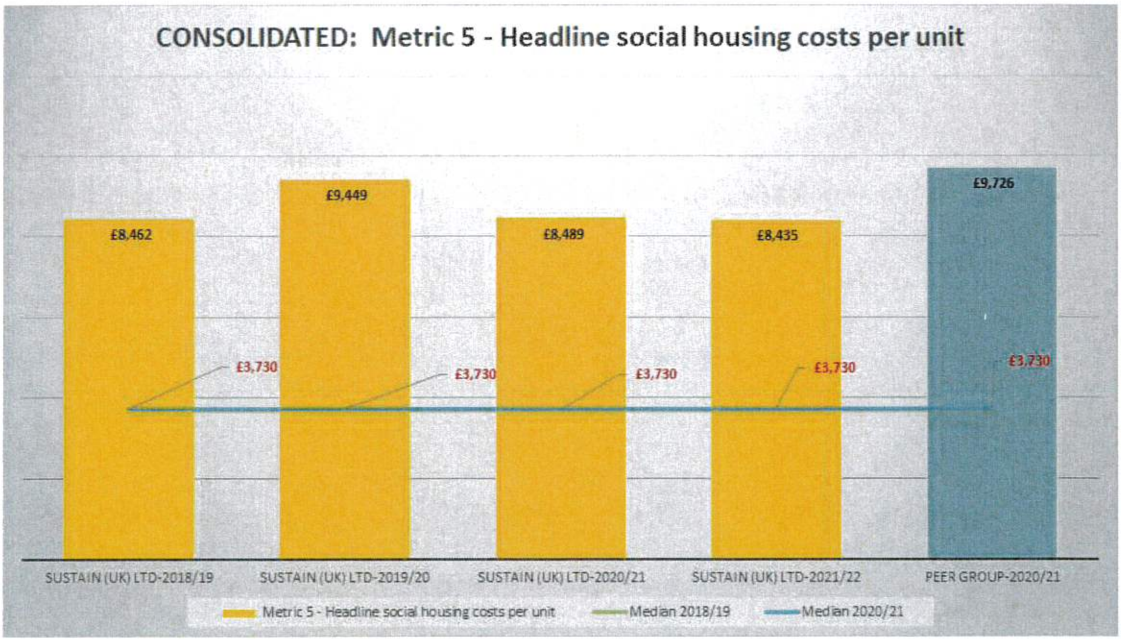
Advance Housing and Support Ltd
Bournemouth Churches Housing Association Limited
Brunelcare
Golden Lane Housing Ltd
Inclusion Housing Community Interest Company
Reside Housing Association Limited
Salvation Army Housing Association

These peers have been chosen on the basis that they are Regulated by the RSH and deliver at least 50% of their services in the same supported space as Sustain. The Peer sample group represents 18,000 beds provision – or over 10% of the national identified market place.

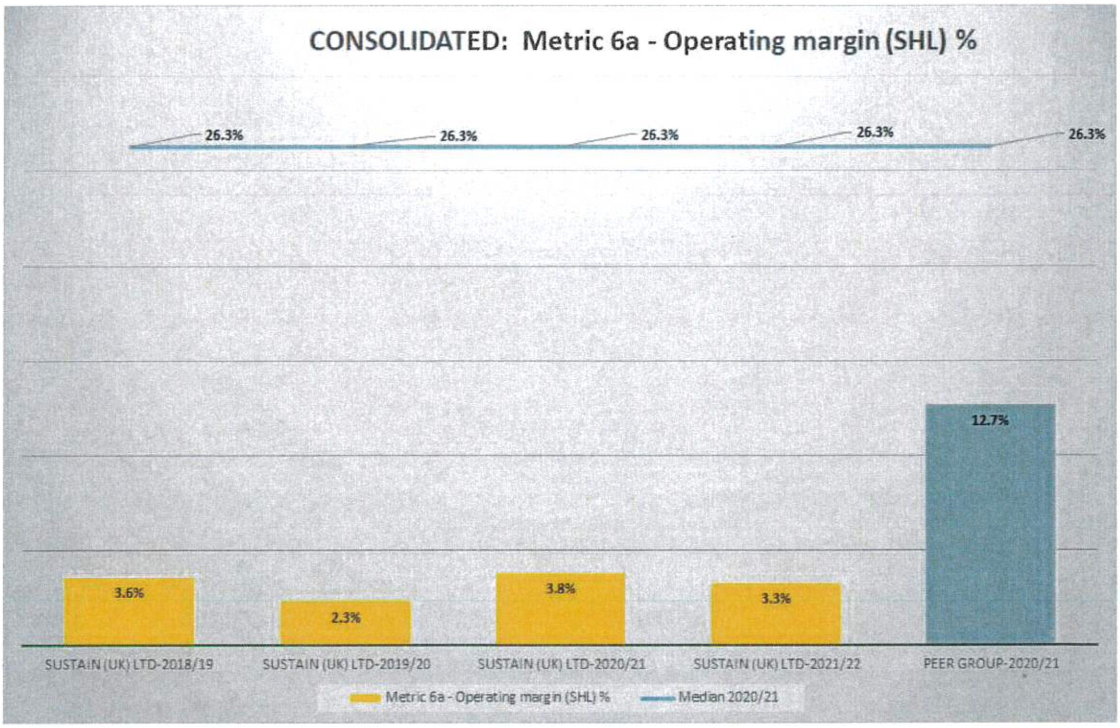
The table below shows Sustain's VfM metrics for the last 4 years and compares that performance with peer group's average figures and the median figures for the sector.

| | Selection 1 | Selection 2 | Selection 3 | Selection 4 | Selection 5 | |
|---|---|---|---|---|---|---|
| RPs selected --> | Sustain (UK) Ltd | Sustain (UK) Ltd | Sustain (UK) Ltd | Sustain (UK) Ltd | Peer Group | SECTOR Median figures (Consolidated) |
| CPU Year | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2020/21 | 2020/21 |
| Total social housing units owned and/or managed at period end | 2,675 | 2,489 | 2,473 | 2,163 | 15,510 | **2,788,083** |
| Metric 1 - Reinvestment | N/A | N/A | N/A | N/A | 4.6% | **5.8%** |
| Metric 2a - New supply delivered (social) | 13.1% | -7.0% | -0.6% | -12.5% | 6.2% | **1.3%** |
| Metric 2b - New supply delivered non-social housing units | N/A | N/A | N/A | N/A | 0.00% | **0.00%** |
| Metric 3 - Gearing % | N/A | N/A | N/A | N/A | 15.5% | **43.9%** |
| Metric 4 - EBITDA (MRI) | N/A | N/A | N/A | N/A | 471.8% | **183.0%** |
| Metric 5 - Headline social housing costs per unit | £ 8,462 | £ 9,449 | £ 8,489 | £ 8,435 | £ 9,726 | **£ 3,730** |
| Median social housing cost per unit 2021 | **£ 3,695** | **£ 3,835** | **£ 3,730** | **Not available** | **£ 3,730** | |
| Metric 6a - Operating margin (SHL) % | 3.6% | 2.3% | 3.8% | 3.3% | 12.7% | **26.3%** |
| Metric 6b - Operating margin (Overall) % | 3.6% | 2.3% | 3.8% | 3.3% | 11.3% | **23.9%** |
| Metric 7 - Return on capital employed (ROCE) | 69.3% | 33.2% | 35.3% | 20.5% | 4.1% | **3.3%** |

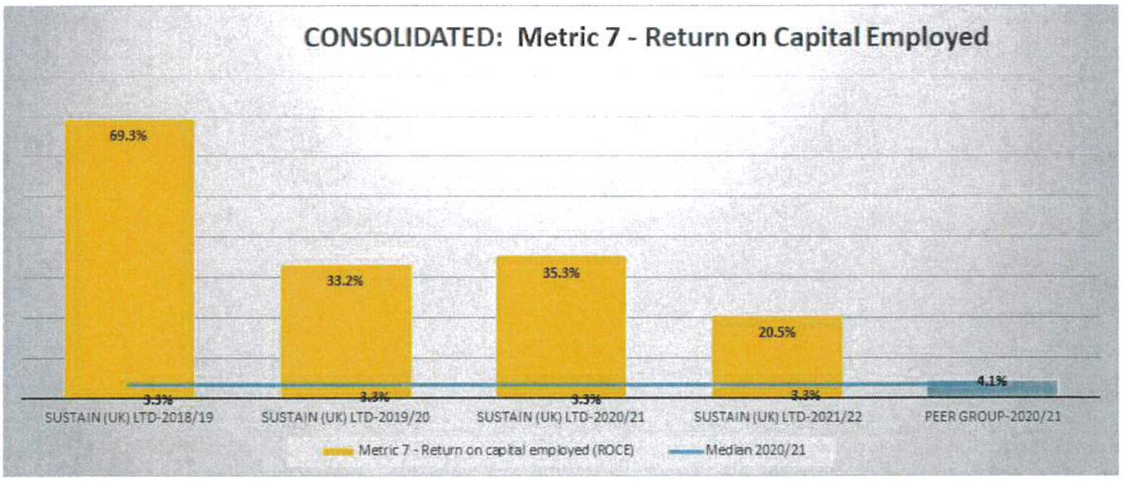
Please see the graphs and associated narrative:




Sustain's headline social cost per unit for 2021/22 is lower than the previous 3 years and lower than the peer group average.




Sustain's Operating margin is low when compared to its peer group and the sector median




Due to a low asset base Sustain's return of capital employed is higher than its peer group and the sector median figure.

**7. Other VfM Key Performance Indicators**

Sustain's VfM KPIs continue to be extended as we explore the use of the new data management software introduced to support Inspections, thus increasing quality standards for accommodation and support whilst reducing the cost base through reduced travelling costs and most efficient use of staff time.

Whilst our income stream comes primarily from one source, Birmingham County Council, we can improve our efficiency through setting targets for task completion (time, cost, accuracy) and home provider/tenant satisfaction.

| Measure | 2021/2 | 2020/21 | Movement |
|---|---|---|---|
| **Turnover per FTE**<br>**Comment:** This increase reflects an increased productivity gained from Sustain staff and better use of Technology | £581,000 | £560,000 | +3.75% |
| **Home Provider Inspections**<br>**Comment:**<br>Since July 2021 we have again gone back to pre-covid 'face to face' Inspection visits.<br>The last year when 'face to face' visits were the norm was in 2019/20 when they amounted to 987. Since that period there are now far fewer Home Providers and Tenants (ie significant rationalisation since). **Therefore, if the 2021/22 figure is compared to an adjusted 2019/20 figure, then this shows a movement of exactly 0%**<br>. | 858 | 367<br>Plus<br>'telephone visits' | 0%<br>(see explanation) |
| **Accommodation Units –**<br>**Comment:** an overall net reduction in Home Providers/accommodation units following an increased scrutiny by the Inspections Team to enable poor quality accommodation and support to be addressed. | 2,163 | 2,473<br>beds | -12.5% |
| **Staff Sickness – Sustain employees**<br>**Comment:** The explanation for reduced sickness levels is largely down to reduction in covid levels, though this didn't have a significant effect until May/June 2021. Also, in 2021/22 there were periods of leave due to Cancer treatment, Compassionate leave and as a result of a serious car accident. The 2021/22 figure adjusted for these issues is 2.29%, which is lower than the previous year (similarly adjusted) and compares favourably to national figures for workers in caring, leisure and other service occupations, who have an average sickness absence rate of 3.3% in 2020. | 10.16%<br><br>2.29% | 17.54%<br><br>2.63% | -7.38%<br><br>-0.34% |
| | | | |

| Measure | 2021/2 | 2020/21 | Movement |
|---|---|---|---|
| **Tenants Satisfaction: Direct complaints**<br>**Tenants Satisfaction: Direct complaints**<br>**Comment:**<br><br>This increase reflects the extra effort put in place to encourage tenants to raise any issues so that co-visits with Birmingham City Council staff can be seen to be dealing holistically with all aspects of accommodation and support provision. It should be noted that as part of the March 2022 Tenancy Survey, 99% of tenants stated that they were now aware how to raise a complaint and only 2% registered that they weren't happy with the complaint outcome.<br><br>Time to resolve complaints Only four complaints took longer than specified 30 days to fully resolve. One of these was as a result of an appeal (58 days), one was due to the Complainant wishing to remain anonymous (38 days), one (31 days) where the Home Provider departed with no notice being given and one (51 days) due to being a very complex complaint, with the Tenant slow to produce the evidence needed and also the investigation being enlarged to enable Birmingham Social Services involvement. | Total = 23 | Total = 13 | +77% |
| **Other Stakeholders ie Referral Agencies:**<br>From a survey initiated in April each year - % of Referral Agencies who indicated "satisfaction" with service delivered. Example comments received:<br><br>*a)" Just wanted to say a big thank you for all your hard work and perseverance on this one as I know it was a complex situation! This is a great example of effective partnership working, both internally and with the sector. Well done"*<br><br>*b)" I have found Sustain to be extremely helpful and resourceful in securing accommodation for my service users in a good timely manner"* | 100% | 100% | 0% |

**Value for Money Self-Assessment**
**for the Year Ended 31 March 2022**

**Social Return on Investment (SROI)**

We estimate that for every £1 we spend supporting our often-complex vulnerable client group. we save the UK's statutory services (Council Housing and Social Care, Health, Psychiatric support, Police, Probation) at least £5.24, which equates to a total saving to the public purse for 2021/22 of circa £96m p.a.

**Future VFM Reporting Improvements**

Tenant Engagement Strategy Outcomes

ESG Reporting

**Approved by the Board of Directors on 27 September 2022 and signed on its behalf by:**

S Khara
..................................................

**Mr S Khaira – Chair**

## Independent Auditor's Report to the members of Sustain (UK) Ltd

### Opinion

We have audited the financial statements of Sustain (UK) Ltd "the Company" for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### Basis for opinion

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

### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

### Emphasis of Matter - Regulatory Engagement and Going Concern

We draw attention to:

- Page 4, Regulatory Engagement which describes the non-compliance with the RSH's Governance Standard and continued engagement with the Regulator in order to improve Governance and deal with specific instances of non-compliance including with the Rent Standard.
- Note 1 to the financial statements re Going Concern which describes that the financial statements have been prepared on a going concern basis, which assumes an ability to continue operating for the foreseeable future.

Our opinion is not modified in respect of this matter.

**Other information**
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

**Responsibilities of the Board**
As explained more fully in the Statement of Director's Responsibilities set out on page 6, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- We obtained an understanding of laws and regulations that affect the Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Company's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

**Use of our report**
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

**Sue Hutchinson FCCA (Senior Statutory Auditor)**
**For and on behalf of**
**Beever and Struthers**
**Statutory Auditor**
**St George's House**
**215-219 Chester Road**
**Manchester**
**M15 4JE**
**Date: 29 September 2022**

## Sustain (UK) Ltd

*Company registration number 07084201*

### Statement of Comprehensive Income
### For the year ended 31 March 2022

| | Notes | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| Turnover | 2 | 18,597,343 | 21,830,272 |
| Cost of Sales | 2 | (16,188,609) | (19,266,565) |
| **Gross surplus** | 2 | 2,408,734 | 2,563,707 |
| Administrative Expenses | 2 | (1,789,963) | (1,726,677) |
| Other operating Income | 5 | 1,354 | 81 |
| **Surplus before tax** | 7 | 620,125 | 837,111 |
| Taxation | 6 | (119,113) | (159,051) |
| **Total comprehensive income for the year** | | 501,012 | 678,060 |

All of the above results derive from the continuing operations of the Company.

Historical cost surpluses and deficits were identical to those shown in the statement of comprehensive Income.

The notes on pages 27 to 37 form an integral part of these financial statements.

**The financial statements on pages 24 to 38 were approved and authorised for issue by the Board on 27 September 2022 and were signed on its behalf by:-**

S. Khaira ........................ **CHAIR**

**Mr S Khaira**

A. Edwards ........................ **BOARD MEMBER**

**Mr A Edwards**

## Sustain (UK) Ltd

*Company registration number 07084201*

### Statement of Financial Position
### As at 31 March 2022

| | Notes | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | 10 | | 21,494 | | 28,280 |
| **Current assets** | | | | | |
| Debtors | 11 | 7,913 | | 12,019 | |
| Cash and cash equivalents | 12 | 3,207,056 | | 4,412,312 | |
| | | 3,214,969 | | 4,424,331 | |
| Less:<br>**Creditors**: amounts falling due within one year | 13 | (363,707) | | (2,080,867) | |
| **Net current assets** | | | 2,851,262 | | 2,343,464 |
| Total assets less current liabilities | | | 2,872,756 | | 2,371,744 |
| Provisions for liabilities | 15 | | (5,373) | | (5,373) |
| **Total net assets** | | | 2,867,383 | | 2,366,371 |
| **Reserves** | | | | | |
| Income and expenditure reserve | 21 | | 2,867,383 | | 2,366,371 |
| **Total reserves** | | | 2,867,383 | | 2,366,371 |

The notes on pages 27 to 37 form an integral part of these financial statements.

**The financial statements on pages 24 to 38 were approved and authorised for issue by the Board on 27 September 2022 and were signed on its behalf by:-**

S Khara ............................ **CHAIR**

Mr S Khaira

A Edwards ............................ **BOARD MEMBER**

**Mr A Edwards**

## Sustain (UK) Ltd

*Company registration number 07084201*

### Statement of Changes in Reserves
### For the year ended 31 March 2022

| | Income and expenditure reserve £ |
|---|---|
| Balance at 1 April 2020 | 1,688,311 |
| Total comprehensive income | 678,060 |
| **Balance at 31 March 2021** | 2,366,371 |
| Balance at 1 April 2021 | 2,366,371 |
| Total comprehensive income | 501,012 |
| **Balance at 31 March 2022** | 2,867,383 |

The notes on pages 28 to 38 form an integral part of these financial statements.

**Sustain (UK) Ltd**
*Company registration number 07084201*

**Statement of Cashflows**
**for the Year Ended 31 March 2022**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Cash flow from operating activities (note 1)** | | (1,086,610) | | 1,153,450 |
| Interest paid | | - | | - |
| Taxation paid | | (120,000) | | (155,343) |
| **Net cash generated from operating activities** | | (1,206,610) | | 998,107 |
| **Cash flow from investing activities** | | | | |
| Purchase of tangible fixed assets | - | | - | |
| Interest received | 1,354 | | 81 | |
| | | 1,354 | | 81 |
| **Net change in cash and cash equivalents** | | (1,205,256) | | 998,188 |
| **Cash and cash equivalents at beginning of year** | | 4,412,312 | | 3,414,124 |
| **Cash and cash equivalents at end of the year** | | 3,207,056 | | 4,412,312 |

**Note 1**

| | 2022 £ | 2021 £ |
|---|---|---|
| Surplus for the year | 620,125 | 678,060 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets | 6,786 | 8,979 |
| Change in trade and other debtors | 4,106 | (8,653) |
| Change in trade and other creditors | (1,580,120) | 316,174 |
| Interest receivable | (1,354) | (81) |
| Taxation | (136,153) | 158,971 |
| | (1,086,610) | 1,153,450 |

The notes on pages 28 to 38 form an integral part of these financial statements.

## 1. Principal accounting policies

**Basis of accounting**
The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £, which is the functional currency of the Company.

The financial statements have been prepared in compliance with FRS 102. In complying with FRS 102 the Company meets the definition of a public benefit entity.

**Going concern**
The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis based on the Company's business plan, which has been subjected to stress tests including the impact of the current uncertain economic climate.

**Judgements and key sources of estimation uncertainty**
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

**a. Contractual obligations and management agreements**

The Company operates a leased-based model which allows it the exclusive use of a Home Provider's property, usually for a minimum of 3 years, with no financial obligation. This model reduces Sustain's financial risk to zero, as the obligation to maintain the property and ensure that all of the correct services are provided for each vulnerable adult tenant lie with the Home Provider. The maintenance and services provided are verified by Sustain on a regular basis through its Inspections regime.

For each property there is a Management Agreement in place which lays out the obligations of both parties – Sustain and the Home provider – in detail.

As part of that Management Agreement, Sustain has an obligation to administer Housing Benefit on behalf of each of its vulnerable tenants, and to pass over to the Home Provider that portion of the Housing Benefit, once it has been received by Sustain, that allows that Home Provider to fulfil their duties and obligations to the tenant as prescribed in the Management Agreement.

The Company has reviewed its management agreements and concluded that all current agreements do not meet the criteria of an operating lease.

**b. Useful economic lives of tangible fixed assets**

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

**1. Principal accounting policies (continued)**

**Tangible fixed assets**

**Other Tangible Fixed Assets**

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

| | |
|---|---|
| Motor vehicles | **25% reducing balance** |
| Furniture and equipment | **15% reducing balance** |
| Computer equipment | **25% reducing balance** |

**Property managed for others**
The Company manages properties on behalf of a number of non-registered supported living specialists. The Company receives a management fee which is calculated as a percentage of the housing benefit collected before paying the residual balance over to the non-registered supported living specialists.

**Debtors and creditors receivable / payable within one year**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

**Financial instruments**

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Financial instruments, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are accounted for under an amortised historical cost model.

1. **Principal accounting policies (continued)**

**Taxation**

Current tax represents the amount of tax payable or receivable in respect of taxable income for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

**Value Added Tax**

The financial statements include VAT to the extent that it is suffered by the Company and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities.

**Turnover and revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents enhanced housing benefit received from Birmingham City Council and Domiciliary Care income. Income is recognised when the income can be reliably measured and it is probable that future economic benefits will flow to the Company.

**Employee benefits**

When employees have rendered service to the Company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The Company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

**2. Particulars of turnover, operating expenditure and operating surplus**

| | 2022 | | |
|---|---|---|---|
| | **Turnover** | **Operating Expenditure** | **Operating Surplus** |
| | **£** | **£** | **£** |
| **Social housing lettings (see note 3)** | 18,597,343 | (17,978,572) | 618,771 |
| Total | 18,597,343 | (17,978,572) | 618,771 |

| | 2021 | | |
|---|---|---|---|
| | **Turnover** | **Operating Expenditure** | **Operating Surplus** |
| | **£** | **£** | **£** |
| **Social housing lettings (see note 3)** | 21,830,272 | (20,993,242) | 837,030 |
| Total | 21,830,272 | (20,993,242) | 837,030 |

| **3. Social housing lettings** | **Supported living** £ | **Total 2022** £ | **Total 2021** £ |
|---|---|---|---|
| **Income** | | | |
| Rent receivable net of identifiable service charges | 5,260,176 | 5,260,176 | 6,141,412 |
| Service charge income | 13,327,019 | 13,327,019 | 15,559,691 |
| Domiciliary care income | 10,148 | 10,148 | 39,325 |
| Other grants | - | - | 89,844 |
| **Total turnover from social housing lettings** | 18,597,343 | 18,597,343 | 21,830,272 |
| **Operating expenditure** | | | |
| Payments to supported living specialists | (16,188,609) | (16,188,609) | (19,266,565) |
| Management costs | (1,789,963) | (1,789,963) | (1,726,677) |
| **Total operating expenditure on social housing lettings** | (17,978,572) | (17,978,572) | (20,993,242) |
| **Operating surplus on social housing lettings** | 618,771 | 618,771 | 837,030 |

| | | 2022 | 2021 |
|---|---|---|---|
| **4.** | **Accommodation** | **No** | **No** |
| | Accommodation managed for others – bed units | 2,163 | 2,473 |

The Company manages properties on behalf of a number of non-registered supported living specialists.

The Company does not own any housing properties (2021 Nil).

| | | 2022 | 2021 |
|---|---|---|---|
| **5.** | **Interest receivable** | **£** | **£** |
| | Bank interest receivable | 1,354 | 81 |

**6. Taxation**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Surplus before tax | 620,125 | 837,111 |
| Add back: depreciation | 6,786 | 8,981 |
| Add back: disallowable expenses | - | - |
| Surplus chargeable to corporation tax | 626,911 | 846,092 |
| UK Corporation tax at 19% (2020 19%) | 119,113 | 160,757 |
| *Deferred Taxation:* | | |
| Arising from origination and reversal of timing differences | - | (1,706) |
| Tax expense in the income statement | 119,113 | 159,051 |

See note 15 for deferred tax provision.

**7. Surplus for the year**

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| **Is stated after charging/(crediting):** | | |
| Auditors' remuneration (excluding VAT): | | |
| In their capacity as auditors | 20,620 | 20,000 |
| In respect of other services | 1,750 | 5,250 |
| Depreciation of other tangible fixed assets | 6,786 | 8,981 |

**8. Employee information**

The average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 35 hours) was:

| | 2022 | 2021 |
|---|---|---|
| | No | No |
| Directors | 2 | 3 |
| Non-Executive Directors | 6 | 7 |
| Operations | 24 | 29 |
| | 32 | 39 |

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| Staff costs (for the above persons): | | |
| Wages and salaries | 1,124,442 | 1,064,936 |
| Social security costs | 107,541 | 96,144 |
| Other pension costs | 67,612 | 61,212 |
| | 1,299,595 | 1,222,292 |

**9. Key management personnel emoluments**

Key management personnel are defined as Board members, the Chief Executive and Executive Team.

| The remuneration paid to the Directors of the Company was: | 2022 £ | 2021 £ |
|---|---|---|
| **Executive Directors** | | |
| Salaries and wages and pension contributions | 363,494 | 364,906 |
| **Non-Executive Directors** | 30,375 | 24,709 |
| Total | 393,869 | 389,615 |
| **Emoluments: paid to the highest paid Director** | | |
| (Excluding pension contributions) | 143,000 | 154,000 |

The aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the year

| | 2022 Number | 2021 Number |
|---|---|---|
| £60,001 to £70,000 | - | - |
| £80,001 to £90,000 | - | - |
| £90,001 to £100,000 | 1 | 1 |
| £120,001 to £130,000 | - | - |
| £130,001 to £140,000 | 1 | 1 |
| £140,001 to £150,000 | 1 | 1 |

The former Chief Executive was an ordinary member of the Company's defined contribution pension scheme. No enhanced or special terms applied. There were no additional pension arrangements. A contribution of £15k (2021: £14k) was made by the Company in addition to the personal contributions of the Chief Executive.

**10. Other fixed assets**

| | Motor vehicles £ | Furniture and equipment £ | Computer equipment £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2021 | 32,052 | 7,325 | 38,400 | 77,777 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 March 2022 | 32,052 | 7,325 | 38,400 | 77,777 |
| **Depreciation** | | | | |
| At 1 April 2021 | 19,272 | 4,481 | 25,744 | 49,497 |
| Charge for the year | 3,195 | 427 | 3,164 | 6,786 |
| Eliminated on disposals | - | - | - | - |
| At 31 March 2022 | 22,467 | 4,908 | 28,908 | 56,283 |
| **Net book value** | | | | |
| At 31 March 2021 | 12,780 | 2,844 | 12,656 | 28,280 |
| At 31 March 2022 | 9,585 | 2,417 | 9,492 | 21,494 |

**11. Debtors**

| | 2022 £ | 2021 £ |
|---|---|---|
| Other debtors | 7,913 | 12,019 |
| | 7,913 | 12,019 |

**12. Cash and cash equivalents**

| | 2022 £ | 2021 £ |
|---|---|---|
| Cash at bank | 3,207,056 | 4,412,312 |

**13. Creditors: Amounts falling due within one year**

| | 2022 £ | 2021 £ |
|---|---|---|
| Trade creditors | 170,319 | 1,862,081 |
| Taxation | 99,871 | 100,757 |
| Other taxation and social security | 18,796 | 31,758 |
| Other creditors | 74,721 | 86,271 |
| | 363,707 | 2,080,867 |

**14. Contractual obligations and management agreements**

The Company operates a leased-based model which allows it the exclusive use of a Home Provider's property, usually for a minimum of 3 years, with no financial obligation. This model reduces Sustain's financial risk to zero, as the obligation to maintain the property and ensure that all of the correct services are provided for each vulnerable adult tenant lie with the Home Provider. The maintenance and services provided are verified by Sustain on a regular basis through its Inspections regime.

For each property there is a Management Agreement in place which lays out the obligations of both parties – Sustain and the Home provider – in detail.

As part of that Management Agreement, Sustain has an obligation to administer Housing Benefit on behalf of each of its vulnerable tenants, and to pass over to the Home Provider that portion of the Housing Benefit, once it has been received by Sustain, that allows that Home Provider to fulfil their duties and obligations to the tenant as prescribed in the Management Agreement.

**15. Provisions for liabilities**

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Deferred Tax – Accelerated Capital Allowances | 5,373 | 5,373 |

**16. Capital commitments**

At the balance sheet date there were no capital commitments (2021 Nil).

**17. Contingent liabilities**

At the balance sheet date there were no contingent liabilities (2021: £Nil).

**18. Pension scheme**

The Company operates a defined contribution scheme for its employees.

The costs for the year were £68k (2021: £61k).

Total outstanding contributions as at 31 March 2022 were £Nil (2021: £Nil).

**19. Company status**

The Company is a private Company limited by guarantee and therefore does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the Company in the event of its liquidation.

## 20. Related parties

During the year the Company traded with the following businesses that two of the Company directors are associated with. The transactions with them, being payments to supported living specialists, are as follows:

| | 2022 £ | 2021 £ |
|---|---|---|
| Mr A P Barwell: | | |
| Yorklease Ltd | 52,987 | 213,196 |
| Mrs P Hughes: | | |
| Topcare West Midlands Ltd and Partnership | 168,268 | 704,134 |
| Joint venture under control of Mr A P Barwell and Mrs P Joyce: | | |
| West Midlands Support Homes Limited | 44,912 | 704,134 |

At the year end no outstanding balances existed between Sustain (UK) Ltd and any of the businesses listed above.

In June 2021, the conflict of interest in the related party transactions reported above, was dealt with by the sale of the properties owned by the two directors, Mr A P Barwell and Mrs P Hughes.

## 21. Reserves

| | Income and expenditure reserve £ | Designated reserves £ | Total £ |
|---|---|---|---|
| Balance at 1 April 2020 | 88,311 | 1,600,000 | 1,688,311 |
| Transfer to Designated Reserves | (700,000) | 700,000 | - |
| ¶ | | | |
| Total comprehensive income | 678,060 | - | 678,060 |
| **Balance at 31 March 2021** | 66,371 | 2,300,000 | 2,366,371 |
| Balance at 1 April 2021 | 66,371 | 2,300,000 | 2,366,371 |
| Transfer to Designated Reserves | | | - |
| Total comprehensive income | 501,012 | - | 501,012 |
| **Balance at 31 March 2022** | 567,383 | 2,300,000 | 2,867,383 |

The designated reserve is a fund being built up to cover all and any future identifiable risks to the business.