Sustain (UK) Ltd

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

Report and Financial Statements

For the year ended 31 March 2023

Company registration number: 07084201

Company Information

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 M Jolly (appointed 1st October 2021) Ms S Woodall (appointed 1st January 2023)
Executive Directors:	Mr I MacGregor – CEO Mr S Egan – Transformation Director (appointed 1st October, 2022)
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 One Express 1 George Leigh Street Manchester M4 5DL
Solicitors:	Anthony Collins 134 Edmund Street Birmingham B3 2ES
Bankers:	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP

Directors' Report
For the year ended 31 March 2023

The Directors present their directors' report for the year ended 31 March 2023.

The Directors are pleased to present the financial statements for Sustain (UK) Ltd ("Sustain") for the year ended 31 March 2023 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 2038 vulnerable adults across Birmingham.

Strategically, the Board has been concentrating on ensuring the 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 existing Home Providers. This has resulted in drop of numbers of tenants being supported.

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 2023 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 identifying areas of compliance and non-compliance, previous areas of non-compliance identified under 1.5.4/5 Integrity and managing Conflicts of Interest have been rectified in the past the financial year and continue to be monitored through our comprehensive Probity reporting system.

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 as compared to our peers.

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. We are at present developing ESG reporting and this will replace Social Value metrics in future.

We have implemented a robust system to measure tenant satisfaction, we will be reporting upon this to the RSH and Tenants through the year and in next year's Annual Report.

Board Changes during the Year

The directors who served the Company during the year are shown on page 1.

We welcome Sara Woodall to the Board as a Non-Executive Director with effect from 1st January, 2023. Sara brings with her a wealth of experience at Board level within the Housing Industry, together with specific experience within the Supported Living sector. We have already seen a strong contribution from Sara around the Board table in a short period of time.

During the year the Board confirmed the appointment of Ian MacGregor as CEO of Sustain. Ian has been performing the role on an interim basis for some 18 months prior to his confirmation, whilst the Board conducted an in-depth review of the marketplace for a suitable external candidate but have been impressed by Ian's commitment and leadership of the business during an exceptionally difficult time. Ian has been ably supported by Shane Egan who was promoted to the Executive Board on 1st October, 2022 in the capacity of Transformation Director. Shane has been and is instrumental in helping to shape Sustain into a different organisation that is ready to meet the many challenges that are happening in our sector.

The Year in Focus

The year commencing 1 April, 2022 has been a year of transformation for Sustain. It started with the business, like all of the UK, emerging from the Covid-19 Pandemic and immediately facing a massive inflationary pressure. We transformed our mix of staff, effectively closing our small Domiciliary Care business which employed a number of part-time staff on zero-hours contracts, but then re-employing some of those staff into full-time roles within our expanding Inspections team. Under the supportive direction of the Boards Remuneration committee, we re-evaluated our Staff Plan and strengthened our core areas in Finance and Inspections to prepare for future changes to our sector.

In previous years during Covid we reported how our Inspections team pivoted from physical inspections to telephone and on-line contact to ensure that our Tenants were properly housed and supported. Since the start of this year we have been able to return to physically inspecting all of our Managing Agents properties and to conduct on-site Support Inspections. There is more detail about the numbers of visits in our VfM section, but the overriding news is that within the last 12 months we have inspected every property in our portfolio and provided extensive Action Plans that we follow up on, where any and all issues are found.

The expanding strength and activity of our Tenant Engagement Committee, now renamed the Tenant Engagement and Empowerment Committee (TEEC) has worked well alongside our Property and Support Inspections team, to give all of our tenants a real voice – through Tenant Newsletters, Survey's and Tenant Forums- together with a dedicated issues management programme – all of which has helped drive down complaints and satisfaction by tenants with our service.

Sustain's staff are its most valuable asset and to this end the Board has sought to protect the teams from the worst inflationary measures that have hit the UK. We gave the staff a 5% pay award in April, 2022 and continued to monitor the effects of inflation during the year, resulting in a one-off, non-contractual, Cost of Living payment of up to £2,000 for each full-time employee in Autumn 2022 and at the year-end in 2023 the Board agreed further annual increases for staff of between 5-9% to help with Inflation and to recognise individual performance. The Board are grateful to our staff and their commitment to Sustain's cause, without them we would not be the organisation we are.

After Covid, we worked with each member of staff to find new ways of working moving forward, and whilst this is still a moving brief, it would seem that we have adapted well to different forms of Hybrid working. Sustain went through a lengthy Investors in People audit in the summer of 2022 and was rightfully re-awarded its Gold status in the Autumn - another huge example of how Sustain's staff go 'above and beyond' in their quest to provide an excellent service for our vulnerable client group. At the time of writing Sustain has been initially shortlisted in the Top 20 UK Employer of the Year Gold organisations (employees 2-49) in The Investors in People Awards 2023.

In last year's report we stated that Sustain was one of the first organisations to take part in the SEAQ (Supported Exempt Accommodation Quality) Awards organised by BCC and vetted by Birmingham Voluntary Services Council (BVSC). This is designed to bring in better standards in a sector that has had much scrutiny in recent years. Sustain won a provisional Silver Award in 2022. In early 2023 we were re-audited by BVSC and are currently awaiting the result. We do see this award as being a catalyst to better standards within the Supported Living sector within Birmingham and are fully supportive of BCC in trying to make these awards the benchmark for all providers in the city.

As previously reported Sustain has been working on a large transformation project to keep the business compliant with the revised Rent Standard. In this work we were initially assisted by Altair Management Consultants in the huge exercise of revising all of our Service Charge costs from a Fixed Rate to individual setting rates, that process went live in April 2022 under the watchful gaze of the Board, following 2 years preparation, and I am pleased to report that this last 12 months have proved the project a major success. We have been through many meetings, discussions, and challenges with Birmingham City Council Housing Benefit Department (BCC-HB) in the last 12 months as they sought to understand every component part of the new Service Charge data, but we have now emerged following that exercise with a stronger relationship with the department.

The project during this year has been taken totally in-house now and we have recruited more staff to continue with the time-consuming work of reviewing all costs involved in running all of our properties and ensuring that the service charges that are charged to our tenants are correct, needed and provide for the tenants and ally to best-practice. The Board has confidence and assurance in the numbers that we are producing, and in a time when both nationally and locally questions are being asked about the costs associated with Supported Housing, Sustain can point to the excellent Value for Money (VfM) that it represents in the marketplace. The VfM section later shows just how good Sustain can be against all of its competitors.

The Board has gained a high-level of assurance around this project over the last three years from external sources such as Altair and HQN who performed our VfM calculations and comparisons both in the summer of 2022 and for this Annual report recently.

As well as a huge transformation surrounding Service Charges, Sustain also revised its rent-setting policy from the previous regime of Fixed Rate room rent across the whole property portfolio, to the much more commonly-used method of Formula Rent. All new tenancies taken out with Sustain since Monday 4th April, 2022 have been set at the correct Formula Rent for the individual property that the tenant lives in. All existing tenancies prior to that date will still operate on the old Fixed Rate of Rent. It should be noted that the old level of Fixed Rate Rent had always been set at the lowest rent rate across our whole portfolio and was thus always compliant with the Rent Standard, prior to 2020 and our new methodology of Rent and Service Charge setting is also compliant with the revised Rent Standard.

On the back of this work, Sustain had not had any increases in Rent and Service charges between April 2016 and April 2022 and so increased Rents only by the agreed government maximum of CPI + 1% in April 2022 (totalling 4.1%) and at the end of this year the Board decided to increase rents by the maximum agreed level of CPI + 1% or 11.1%. Service charges are not governed by this formula and were increased in April 2023 by the Board by an average of 6.27%, based on the data we collected of Managing Agents current costs. It should be noted that the rents that Sustain are charging its tenants sit well below market expectations within Birmingham.

Forward Strategy

In January the Board set aside time to engage in wide-ranging Strategic Review of the business. The main driver for this was the continuing issues and risks within the Supported Living Sector. Currently there is no overall joined-up plan as to where the sector is headed. The main thrust of future decision making would appear to be a Private Members Bill still making its way through Parliament, which is hoped will gain Royal Ascent before the end of 2023, but which is short on content. Its success will lie in giving additional powers to the Secretary of State who would then be advised by a specialist group to implement a number of changes to the sector – these may include local licencing by Local Authorities, some sort of 'Fit and Proper person' test for prospective new players into the market, a set of Standards that will be compiled by the Department of Levelling up, Housing and Communities (DLUHC) to supposedly force "rogue landlords" out of the marketplace and the introduction of professional qualifications for people involved in the sector. As this stage we do not have clarity over the detail or indeed the different roles that DLUHC, BCC and the RSH will all play in moving the sector forward to a better place.

In October 2022 BCC held a conference and stated that they were currently handling some 23,000 Enhanced Housing Benefit (EHB) claims for tenants in Exempt Accommodation and had a stated aim to reduce that number to 2018 pre-pandemic levels of approximately 10-12,000. However, they did not give any explanation as to the 'how'. At the time of writing, we understand the claims have now risen to nearer 26,000, so it is difficult to see what is happening. Against this backdrop, Sustain has voluntarily refused to take on any new property in the City since before the start of Covid, and with the increased level of inspections we have put in place in the last year we have seen a reduction in our bed numbers due to a combination of natural "churn", retirement of Managing Agents, and, poor performance. Over the last 4 years we have seen a reduction in our own bed numbers of some 20% as we have been working hard to improve the quality of our offering.

Strategically, the Board has looked at all sorts of 'blue-sky' thinking and has prepared numerous 'what-if' scenarios which are all dependent upon how the sector starts to look moving forward once some of the above-mentioned issues begin to crystallise. Overall we have concentrated our efforts and resources to improving the core strength of Sustain, including recruiting more staff, improving our IT systems, putting more work into helping our tenants in smarter ways. The business is now very well resourced and funded to be able to take on any of the challenges that may come its way in the next couple of years.

Future Prospects

A New Business Plan for the period 2023-2028 was developed and adopted by the Board in Feb 2023, the plan sets out our strategic aims:

Gain compliance – G2/V2 as a minimum

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 £3.7m.

This financial reserve will allow us to continue in invest in improving our services, our IT, development of our staff base, and 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 and investing in relevant diversification projects.

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. Having completed most of our voluntary undertaking, Sustain is going through a Governance review exercise, led by Altair, which should provide the final piece of the jigsaw for our move towards full compliance.

As was stated earlier, it is difficult to fully evaluate any new regulatory framework that may come into our sector in future, but our risk-register shows that our most critical risks are those concerning Regulation. As a consequence, we continue to actively engage with all stakeholders, such as BCC and DLUCH as well as the RSH, to ensure that we are not only compliant, but that we are a part of the conversation shaping our marketplace into the future.

The Board engages fully with the RSH in the spirit of Co-regulation and expects to move towards full compliance with the Governance and Financial Viability Standards in due course.

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, any areas of non–compliance have been identified and plans to ensure compliance have been enacted.

In terms of compliance with the Rent Standards - as reported elsewhere in this document, Sustain has transformed its methodology and practices around the setting of Rents and Service Charges to a level where the Board now has full assurance around compliance with the Rent Standard.

We have adopted the 2020 NHF Code of Governance and can report that by 31st March 2023 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 and have now been resolved.

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. We can report full compliance with this code.

Since 2021 we have actively encouraged and participated in Birmingham City Council's Inspections Regime and have, as stated elsewhere in this report, received a provisional Silver Grade in the SEAQ Awards which will help set the standards expected for providers in the region.

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 remuneration packages are as follows:

Following a period of no increases in Board pay, an external, independent benchmarking review was carried out during the summer of 2022 for both Non-Executives and Executives, which led to a re-alignment of pay based on median averages within the sector, taking effect from 1st October, 2022.

The Chief Executive Officer, Mr Ian MacGregor's remuneration package was set at a rate of £121,000 pa, in salary with a 10% car allowance and a 10% contribution to a private pension. Up until 1st October, it had been set at £115,000pa plus similar benefits. On his appointment at Transformation Director on 1st October, 2022 Mr Shane Egan was awarded a salary of £91,500 with a 10% car allowance and a 10% contribution to a private pension.

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

Sustain Non-Executive Board Members		
	Appointment Date	Annualised Remuneration
Mr S Khaira (Chair)	05/11/2020	£10,750
Mr M Jolly Chair of ARC)	01/10/2021	£6,500
Mrs S Piercy (Chair of TEEC)	05/11/2020	£6,500
Mr A Edwards (Chair of Remcom)	05/11/2020	£6,500
Mr G Cain	01/06/2021	£4,500
Mr M Shields	01/06/2021	£4,500
Ms S Woodall	01/01/2023	£4,500

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 2022.

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 ~~27th June~~ 21st September and signed on its behalf by:

S. Khaira

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 2023 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 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Emphasis of Matter - Regulatory Engagement and Going Concern

We draw attention to:

- Pages 5 and 6 Regulatory Engagement which describes the non-compliant with the Governance Standard and continued engagement with the regulator in an effort to improve Governance and deal with specific standards of non-compliance including the Rent Standard.
- Note 1 Going Concern to the financial statements 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 7, 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 2022, tax legislation, health and safety legislation, and employment legislation.

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Company's activities.

- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.

- We enquired of the Board about actual and potential litigation and claims.

- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.

- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

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

Sue Hutchinson FCCA (Senior Statutory Auditor)
For and on behalf of
Beever and Struthers
Statutory Auditor
One Express 1 George Leigh Street
Manchester, M4 5DL
Date: 28 September 2023

Sustain (UK) Ltd

Company registration number 07084201

Statement of Comprehensive Income
For the year ended 31 March 2023

	Notes	2023 £	2022 £
Turnover	2	17,868,570	18,597,343
Cost of Sales	2	(15,462,129)	(16,188,609)
Gross surplus	2	2,406,441	2,408,734
Administrative Expenses	3	(1,607,806)	(1,789,963)
Other operating Income	5	31,676	1,354
Surplus before tax	7	830,311	620,125
Taxation	6	(134,918)	(119,113)
Total comprehensive income for the year		695,393	501,012

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 16 to 26 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board on 27 September 2023 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 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Tangible assets	10		16,362		21,494
Current assets					
Debtors	11	20,695		7,913	
Cash and cash equivalents	12	3,851,001		3,207,056	
		3,871,696		3,214,969	
Less: **Creditors**: amounts falling due within one year	13	(321,634)		(363,707)	
Net current assets			3,550,062		2,851,262
Total assets less current liabilities			3,556,424		2,872,756
Provisions for liabilities	15		(3,648)		(5,373)
Total net assets			3,562,776		2,867,383
Reserves					
Income and expenditure reserve	21		3,562,776		2,867,383
Total reserves			3,562,776		2,867,383

The notes on pages 16 to 26 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 27 September 2023 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 Changes in Reserves
For the year ended 31 March 2023

	Income and expenditure reserve £
Balance at 1 April 2021	2,366,371
Total comprehensive income	501,012
Balance at 31 March 2022	2,867,383
Balance at 1 April 2022	2,867,383
Total comprehensive income	695,393
Balance at 31 March 2023	3,562,776

The notes on pages 16 to 26 form an integral part of these financial statements.

Sustain (UK) Ltd

Company registration number 07084201

Statement of Cashflows
for the Year Ended 31 March 2023

	2023		2022	
	£	£	£	£
Cash flow from operating activities (note 1)		717,025		(1,086,610)
Interest paid		-		-
Taxation paid		(101,443)		(120,000)
Net cash generated from operating activities		615,582		(1,206,610)
Cash flow from investing activities				
Purchase of tangible fixed assets	-		-	
Interest received	28,363		1,354	
		28,363		1,354
Net change in cash and cash equivalents		643,945		(1,205,256)
Cash and cash equivalents at beginning of year		3,207,056		4,412,312
Cash and cash equivalents at end of the year		3,851,001		3,207,056

Note 1

	2023 £	2022 £
Surplus for the year	830,312	620,125
Adjustments for:		
Depreciation of tangible fixed assets	5,133	6,786
Change in trade and other debtors	(9,469)	4,106
Change in trade and other creditors	(77,723)	(1,580,120)
Interest receivable	(31,676)	(1,354)
Taxation	(0)	(136,153)
	717,025	(1,086,610)

The notes on pages 16 to 26 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 202. 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. Revenue recognition

Revenue is recognised on a cash receipts basis as it predominately relates to Housing Benefit which would be less predictable and more difficult to quantify if accounted for on a receivable basis.

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 on a cash receipts basis as it can be more reliably measured using this approach.

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

	2023		
	Turnover £	Operating Expenditure £	Operating Surplus £
Social housing lettings (see note 3)	17,868,570	(15,462,129)	2,406,441
Total	17,868,570	(15,462,129)	2,406,441

	2022		
	Turnover £	Operating Expenditure £	Operating Surplus £
Social housing lettings (see note 3)	18,597,343	(16,188,609)	2,408,734
Total	18,597,343	(16,188,609)	2,408,734

3. Social housing lettings	**Supported living £**	**Total 2023 £**	**Total 2022 £**
Income			
Rent receivable net of identifiable service charges	5,539,257	5,539,257	5,260,176
Service charge income	12,327,719	12,327,719	13,327,019
Domiciliary care income	1,594	1,594	10,148
Other grants	-	-	-
Total turnover from social housing lettings	17,868,570	17,868,570	18,597,343
Operating expenditure			
Payments to supported living specialists	(15,462,129)	(15,462,129)	(16,188,609)
Management costs	(1,607,806)	(1,607,806)	(1,789,963)
Total operating expenditure on social housing lettings	(17,069,935)	(17,069,935)	(17,978,572)
Operating surplus on social housing lettings	798,635	798,635	618,771

4.	**Accommodation**	**2023**	**2022**
		No	**No**
	Accommodation managed for others – bed units	2,038	2,163

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

The Company does not own any housing properties (2022 Nil).

5.	**Interest receivable**	**2023**	**2022**
		£	**£**
	Bank interest receivable	31,676	1,354

6. Taxation

	2023	2022
	£	£
Surplus before tax	830,311	620,125
Add back: depreciation	5,133	6,786
Add back: timing differences	1,771	-
Surplus chargeable to corporation tax	837,215	626,911
UK Corporation tax at 19% (2022 19%)	159,071	119,113
Overprovision from prior year	(22,428)	-
Deferred Taxation:		
Arising from origination and reversal of timing differences	(1,725)	-
Tax expense in the income statement	134,918	119,113

See note 15 for deferred tax provision.

7. Surplus for the year

	2023	2022
	£	£
Is stated after charging/(crediting):		
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	22,705	20,620
In respect of other services	1,750	1,750
Depreciation of other tangible fixed assets	5,133	6,786

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:

	2023	2022
	No	No
Directors	2	2
Non-Executive Directors	6	6
Operations	17	24
	25	32

	2023	2022
	£	£
Staff costs (for the above persons):		
Wages and salaries	821,749	1,064,936
Social security costs	83,750	96,144
Other pension costs	61,844	61,212
	967,343	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:	**2023**	**2022**
	£	**£**
Executive Directors		
Salaries and wages and pension contributions	212,500	363,494
Non-Executive Directors	45,767	30,375
Total	258,267	393,869
Emoluments: paid to the highest paid Director		
(Excluding pension contributions)	121,000	143,000

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

	2023 Number	**2022 Number**
£60,001 to £70,000	-	-
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£101,000 to £110,000	1	-
£120,001 to £130,000	1	1
£130,001 to £140,000	-	1
£140,001 to £150,000	-	1

The Chief Executive is 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 £12k (2022: £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 2022	32,052	7,325	38,400	77,777
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2023	32,052	7,325	38,400	77,777
Depreciation				
At 1 April 2022	22,467	4,908	28,908	56,283
Charge for the year	2,397	363	2,373	5,133
Eliminated on disposals	-	-	-	-
At 31 March 2023	24,864	5,270	31,281	61,145
Net book value				
At 31 March 2022	9,585	2,417	9,492	21,494
At 31 March 2023	7,188	2,055	7,119	16,362

11. Debtors

	2023	2022
	£	£
Prepayments	9,695	7,913
Other debtors	11,000	
	20,695	7,913

12. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank	3,851,001	3,207,056

13. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Trade creditors	121,595	170,319
Taxation	135,071	99,871
Other taxation and social security	30,092	18,796
Other creditors	34,876	74,721
	321,634	363,707

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	**2023**	**2022**
	£	**£**
Deferred Tax	3,648	5,373

16. Capital commitments

At the balance sheet date there were no capital commitments (2022 Nil).

17. Contingent liabilities

At the balance sheet date there were no contingent liabilities (2022: £Nil).

18. Pension scheme

The Company operates a defined contribution scheme for its employees.

The costs for the year were £62k (2022: £61k).

Total outstanding contributions as at 31 March 2023 were £4k (2022: £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. Reserves

	Income and expenditure reserve £	Designated reserves £	Total £
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
Balance at 1 April 2022	567,383	2,300,000	2,867,383
Transfer to Designated Reserves	(700,0000)	700,000	-
Total comprehensive income	695,393	-	695,393
Balance at 31 March 2023	562,776	3,000,000	3,562,776

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

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 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 allow 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. gearing and EBITDA interest cover (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.

The VfM metrics are reported in our Annual Report and Financial Statements which are made available to the public in September each year.

1. Current position and performance

Sustain's turnover in 2022/23 has reduced by 3.9%. It has effectively and responsibly managed the bed capacity to support 2,038 vulnerable adults across Birmingham, during the year there has been a decrease in capacity of 125 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 rising costs and high inflation. 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, and through our new rent and service charge model we have worked to mitigate the effects of inflation, ensuring a below inflation rise in these costs whilst improving the quality of service to our tenants.

Sustain has made considerable progress towards continued compliance against the governance requirements of Governance & Financial Standards and we have a governance rating of G3 and a viability rating of V2. We are actively engaged with the RSH in order to improve our governance rating. The Board have concentrated on delivering its voluntary undertaking action plan that focuses on:

- Eliminating potential conflicts of interest - completed through the elimination of conflicts and our active probity policy.
- Improving the Executive Team and the Board - completed with the appointment of a new CEO, Transformation Director, new NED's, and establishment of middle management function.
- Ensuring compliance with the Rent Standard - completed by implementing the active rent and service charge project which monitors and sets charges for each setting.

In addition, Sustain is actively developing its capabilities to deliver the requirements of the 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 continued to operate the Birmingham City Councils Q Mark being awarded a Silver Grading. This year we have set up a tenant Newsletter, a Tenant Forum, and are now regularly surveying tenants on satisfaction and new initiatives – such as our food bank support program, and developing move on accommodation.

Sustain believes in offering the best Value or Money it can whilst delivering a quality and meaningful service to our Tenants and Home Providers. Last year despite seeing a drop in bed numbers Sustain delivered greater efficiencies in its cost base whilst delivering on key investments such as improving our IT infrastructure at below target costs and active tenant engagement. These actions have allowed Sustain to increase its headline social cost per unit by only 0.8%. In addition, we believe in providing value to our suppliers and have kept our fee to our Home Providers for our services at the same level despite inflation, resulting in our operating margin only increasing by 1.3% despite core inflation being above 5% and other RP's increasing margin by nearly 4.8%. This has resulted in Sustain having one of the lowest operating margins in our segment of the social housing sector and being the lowest in the Birmingham City Council (BCC) region. This has been achieved whilst maintaining service levels and a prudent financial reserve.

2. 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 enhanced 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 in diversifying our support to our tenant cohort – including providing direct move on housing provision, managing growth through a rigorous on-board process, working with BCC to reduce numbers and increase quality in Birmingham, 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 assist Sustain support new regulation in our market and the greater focus on Quality and the removal of bad landlords and providers.

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.

3. Other VfM Key Performance Indicators Benchmarking our VfM Performance

This year we have continued our benchmarking exercise utilising HQN housing 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 14,477 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 2022/23 was £8,376 slightly up from 2021/22 (£8,312), this rose at below inflation, and was lower than the peer group average for 2021/22 which was £10,658. It should be noted that we monitor this cost closely and the Birmingham City Council Q mark peers are finding that their average figure has grown above the national average – meaning that Sustain is continuing to provide good VFM to its tenants whilst improving quality.

- Sustain's Operating Margin for in 2022/23 grew by 1.3% to 4.6% from 2021/22 -3.3% with the average for the peer group in 2021/22 was 7.5%. 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 for its tenants. Sustain has achieved this improvement in margin by driving efficiency in its operation - including installing a dedicated Rent and Service Charge monitoring and setting system.

- 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, and to guide Sustain's efforts to bring meaningfull change and improvement of service for them. This year we have listened to our tenants and have initiated a food bank/cafe project, and have commenced looking at developing move on capacity for our tenants.

- Sustain's portfolio is stable and doesn't show dramatic uncontrolled growth, we have focused on quality, this supports in demonstrating that Sustains' Business Planning and Stress Testing is prudent. We have managed our reserves to ensure we sufficient capital to continue our drive to deliver continued good VfM performance.

Sustain (UK) Ltd
Company registration number 07084201

Value for Money Self-Assessment
for the Year Ended 31 March 2023

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4. RSH VfM Metrics – Sustain's Results

Measure	2022/23	2021/22	Movement
Metric 1 – Reinvestment % *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.* **Comment** - Sustain does not purchase or carry out capital works to existing properties.	0%	0%	N/A
Metric 2 - New supply delivered *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* **Comment** - Following previous years of growth, there has been a rationalisation (begun in 2019/20) of units in 2022/23, as we have focused on increasing the quality of accommodation and support provided. We remain at low end of the median increasing new supply	-125	-310	-5.8%
Metric 3 – Gearing % *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.* **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 % *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.* **Comment** - Sustain has no borrowing so no interest paid, and no need to capitalise and amortize debts.	0%	0%	N/A
Metric 5 – Headline social housing cost per unit *This metric assesses the headline social housing cost per unit as defined by the Regulator.* **Comment** – The RSHs 2022 annual report showed the sector median headline social housing cost was £4,150. Sustain's cost of £8,376 per unit is significantly higher, due to Sustain offering higher levels of support than general needs social housing. It should be noted that despite inflationary pressures, we have seen only a 0.7% increase in the cost per unit. Sustain has further identified the average for peer group organisations operating similar levels of services which was £10,658 in 2021/22. In addition, we are delivering substantial value of money as compared to three suppliers of supported living and their headline costs are reported in the RSH Global account report 2022 as being between £22,000 - £28,000 per unit. 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.	£8,376 per unit	£8,312 Per unit	+£64

Measure	2022/23	2021/22	Movement
It should be further noted that our unit cost reflects high occupancy levels. Sustain has found that it offers good value for money for the services provided. 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 and the tenants which ensures VfM is constantly delivered.			
Metric 6 a – Operating Margin% *This metric demonstrates the profitability of operating assets before exceptional expenses are taken into account.* **Comment** - Increasing margins reflect improving financial efficiency. This figure compares well with our peer group RPs that in 2021/22 had operating margins of 7.5%. As Sustain does not borrow funds, this low margin still allows us to invest more in delivering betters services to our tenants, despite this we have in found efficiencies in our operational overheads, and tight anti-inflation controls giving us an increase in margin as compared to the sector which has seen a reduction due to the impact of inflation and rising interest rates. **Metric 6 b – Operating Margin% with property disposals – the figures are the same as Metric 6 a.**	4.6%	3.3%	+1.3%
Metric 7 – Return on capital employed% *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.* **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 increase reflects greater occupancy levels despite a drop in bed numbers.	23.4%	21.6%	+1.8%

5. Sustains VFM Performance Versus our Peers – In Depth

The peer group organisations we compare Sustain with are detailed below:

Advance Housing and Support Ltd
Bournemouth Churches Housing Association Limited
Brunelcare
Golden Lane Housing Ltd
Inclusion Housing Community Interest Company
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 group manage 14,477 homes – or over 8% of the national identified marketplace.

The table below shows Sustain's VfM metrics for the last 4 years and compares that performance with our peer group's average figures and the median figures for the sector. The most recent comparison data published by the RSH relates to the 2021/22 financial year.

Sustain (UK) Ltd

Company registration number 07084201

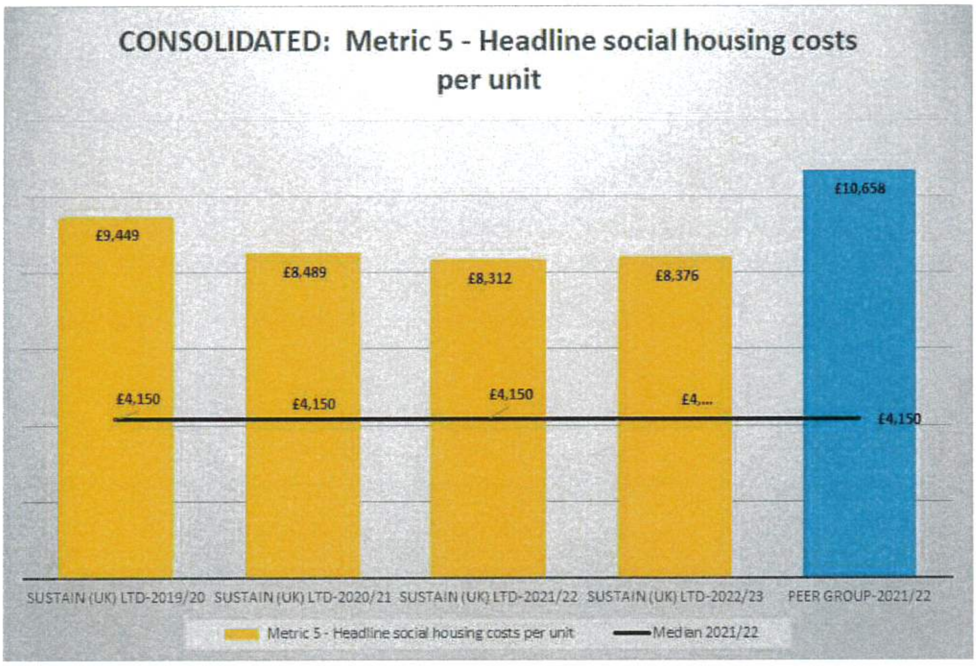
Value for Money Self-Assessment
for the Year Ended 31 March 2023

RPs selected -->	Sustain (UK) Ltd	Sustain (UK) Ltd	Sustain (UK) Ltd	Sustain (UK) Ltd	Peer Group	Median figures (Consolidated)
CPU Year	2019/20	2020/21	2021/22	2022/23	2021/22	2021/22
Total social housing units owned and/or managed at period end	2,489	2,473	2,163	2,038	14,477	2,810,321
Metric 1 - Reinvestment	N/A	N/A	N/A	N/A	5.3%	**6.5%**
Metric 2a - New supply delivered (social)	N/A	N/A	N/A	N/A	4.43%	**1.4%**
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	15.1%	**44.1%**
Metric 4 - EBITDA (MRI)	N/A	N/A	N/A	N/A	291.1%	**146.0%**
Metric 5 - Headline social housing costs per unit	£ 9,449	£ 8,489	£ 8,312	£ 8,376	£ 10,658	£ **4,150**
Median social housing cost per unit 2021	£ **3,835**	£ **3,730**	£ **4,150**		£ **4,150**	
Variance	£ **5,614**	£ **4,759**	£ **4,162**		£ **6,508**	
Variance %age	**146.39%**	**127.58%**	**100.28%**		**156.81%**	
Metric 6a - Operating margin (SHL) %	2.3%	3.8%	3.3%	4.6%	10.0%	**23.3%**
Metric 6b - Operating margin (Overall) %	2.3%	3.8%	3.3%	4.6%	7.5%	**20.5%**
Metric 7 - Return on capital employed (ROCE)	33.2%	35.3%	21.6%	23.3%	3.2%	**3.2%**

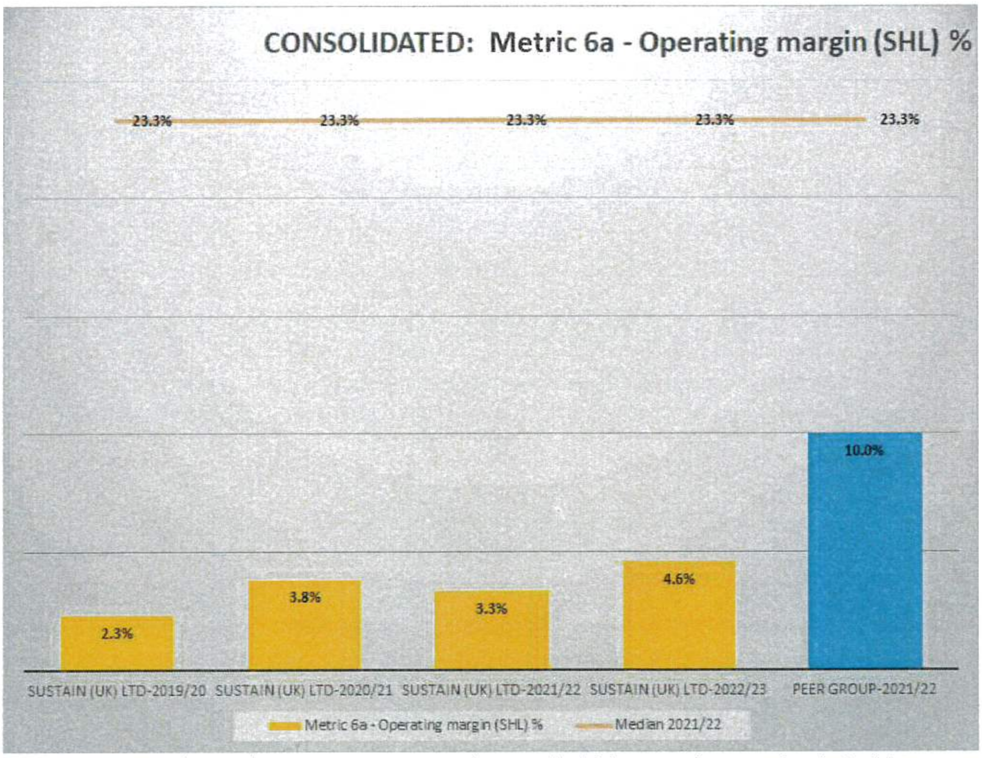
Sustain's peer group includes the following organisations and the majority of their homes are classed as supported:

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

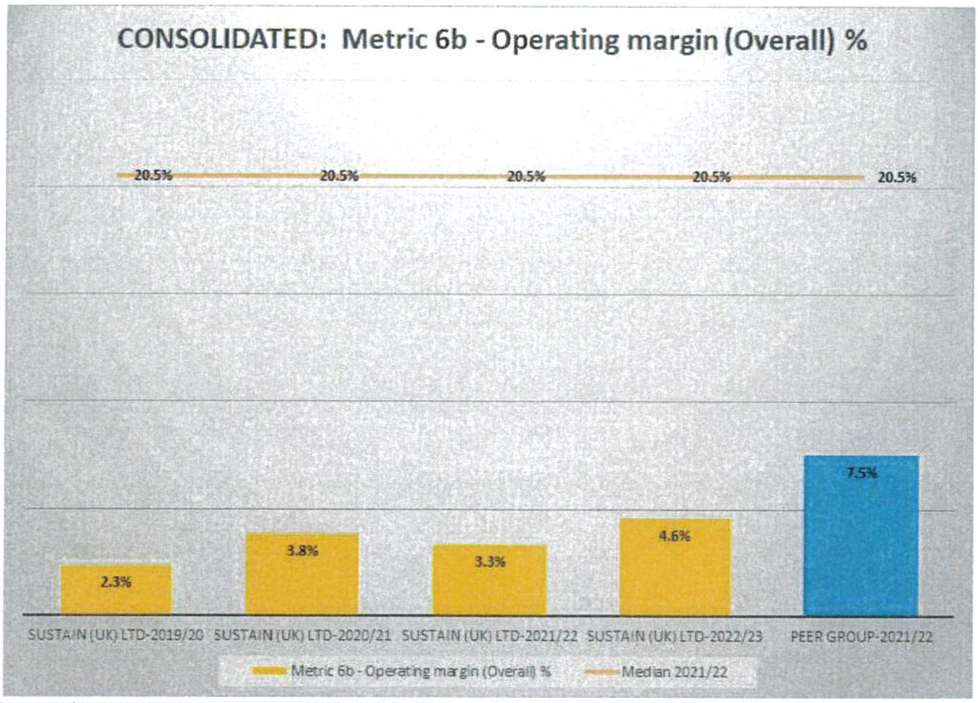
Please see the graphs and associated narrative on the following pages.



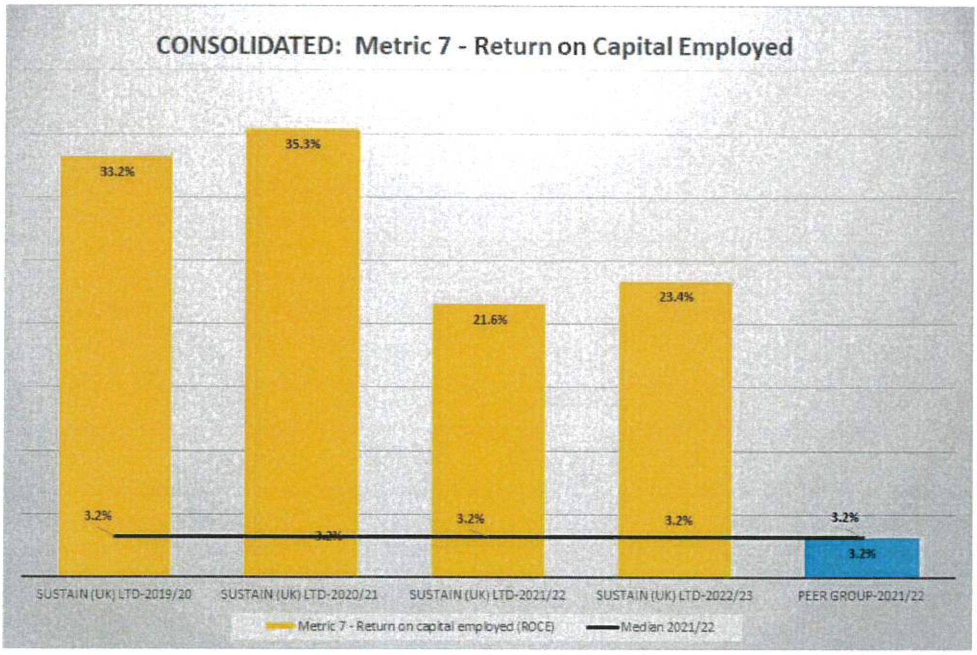
Sustain's headline social cost per unit has for four years been lower than the peer group average.



Sustain's margin is lower than our peer group as they need a higher margin to service their debt.



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.

6. 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	2022/23	2021/22	Movement
Turnover per FTE **Comment:** This increase reflects an increased productivity gained from Sustain staff and better use of Technology	£707,462	£581,166	21.7% Improvement
Formal Home Provider Inspections **Comment:** Despite a drop in property numbers, inspections have increased, 821 Quality inspections and 232 Support inspections were completed •	1,053	858	22.7% increase
Staff Sickness – Sustain employees **Comment:** The explanation for reduced sickness levels is largely down to reduction in covid levels and the positive effects of hybrid office/home working, The 2022/23 figure adjusted for these issues is 0.34 %, 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. 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.	0.34%	2.29%	1.95% decrease

Measure	2022/23	2021/22	Movement
Tenants Satisfaction: Direct complaints **Comment:** Time to resolve complaints Only one formal complaint occurred this was resolved within the Ombudsman's timeframe. We have set up a dedicated Issues raised system from tenants and from BCC which actively manages issues to ensure compliant are reduced. This is reported upon to Board	Total = 1	Total = 4	Down by 300%

Future VFM Reporting Improvements

Tenant Engagement Strategy Outcomes

ESG Reporting – We are adopting new reporting for this process – to future proof our operations and link these to potential new supplier growth

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

S Khaira ....

Mr S Khaira – Chair