

**REPORT AND FINANCIAL STATEMENTS
FOR 12 MONTHS ENDED
31 MARCH 2018**

Registered Co-operative and Community Benefit Society No IP14238R

Table of Contents

1.	Company Details	2
2.	Strategic Review and Value for Money	4
	2b. Value for Money Strategy	5
	2c. VFM Investment in Homes	5
	2d. VFM – Delivering Economically	7
	2e. VFM Delivering Efficiently	8
	2f. VFM Delivering Effectively	9
3.	Report of the Board	11
4.	Board Responsibilities	19
5.	Independent Auditors Report	21
6.	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	24
7.	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
8.	CONSOLIDATED STATEMENT OF CHANGES IN RESERVES	26
9.	CONSOLIDATED STATEMENT OF CASHFLOWS	27
10.	Notes to the Financial Statements	28

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

SECTION 1 – Board Members, Executive Directors, Advisors and Bankers

1. Company Details

Leeds & Yorkshire Housing Association Board of Management

Chair

C. Michael Gaskell (From November 2017)

Chair of Audit & Risk Committee

Elizabeth Sandwith CFIIA

David Craig (Chair to September 2017)

Simon Edwards (appointed September 2017)

Jack Harrington (Chair of Remuneration & Nominations Committee from June 2018)

Philip Johnson

Anne McMaster

Andrew Orrey FCCA, CIHCM (Chair of Remuneration & Nominations Committee to December 2017)

Jon Prashar (appointed September 2017) (Chair of Customer Experience Committee from January 2018)

Adele Rae

Gail Teasdale B.Com, ACA

Victoria Tolmie-Loverseed

Executive Directors

Chief Executive and Company Secretary

Lisa Pickard FCIH (to June 2018)

Director of Customer Service / Interim CEO

Mark Pearson (appointed December 2017)

Director of Finance and Performance

Adam Hutchinson

Organisation & Compliance Director

Derek Stewart FCIH (to January 2017)

Registered office

2 Shire Oak Road

Headingley

Leeds

West Yorkshire

LS6 2TN

Registered number

Registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: IP14238R.

Registered by the Homes and Community Agency, No: LH0704

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

SECTION 1 – Board Members, Executive Directors, Advisors and Bankers

External Auditors

Beever and Struthers

St George’s House

215 – 219 Chester Road

Manchester

M15 4JE

Internal Auditors

BDO LLP

29 Wellington Street

Leeds

LS1 4DL

Solicitors

Gordons Solicitors LLP

Riverside West

Whitehall Road

Leeds

LS1 4AW

Ward Hadaway

1A Tower Square

Wellington Street

Leeds

LS1 4DL

Bevan Brittan

Whitehall Riverside

Whitehall Road

Leeds

LS1 4BN

Bankers

Santander

Customer Service Centre

Bootle

L30 4GB

National Westminster Bank Plc

8 Park Row

Leeds

LS1 5HD

Treasury Consultant to the Board

David Tolson Partnership

Adrian Joliffe, Director

The Offices, 7 Millwood Close

Withnell Fold

Nr Chorley

PR6 8AR

2. Strategic Review and Value for Money

Our vision is *“to provide excellent quality affordable homes and services that make a positive impact on people and communities”*.

We have refined our corporate plan to focus the delivery of our vision. Our two strategic aims are:

- 1. To provide a positive customer experience**
- 2. To make a positive difference locally**

Supported by three strategic priorities:

- 1. Being a strong, viable and efficient business.**
- 2. Being an employer of choice.**
- 3. Growing our business and providing more new homes.**

Which will give us a **positive reputation**.

The LYHA Values are:

- **Strong principles and integrity**
 - The work that we do is based on our values of openness, honesty, transparency and respect.
- **Working together**
 - We are One LYHA, we value teamwork and we value partnerships with our customers and stakeholders.
- **People focused**
 - We are a listening and learning organisation; we seek our customers’ views and are flexible and responsive to their needs.
- **Professional**
 - We aim for excellence and value for money.
- **Ambitious**
 - Yet realistic, we do not stand still; we continuously improve and punch above our weight.
- **Local presence**
 - We are committed to Leeds and Yorkshire; we want to make a difference in our local neighbourhoods and communities.
- **Pride**
 - We are passionate and proud about everything we do; we want to encourage pride in others.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

Section 2 – Strategic Review and Value for Money

2b. Value for Money Strategy

At Leeds and Yorkshire, we have developed a strategic approach to Value for Money (VFM) which recognises that delivery of VFM is central to, and a result of, our overall Corporate Plan. In order to effectively deliver a positive customer experience, making a difference locally for our customers and communities, we must operate in an efficient and economical way. This will also generate the returns to invest into maintaining our existing homes and delivering a supply of new homes.

The LYHA board have designed a Scorecard which includes measures and targets that indicate successful delivery of the strategy. The scorecard for 2017/18 drew heavily from the Sector Efficiency Scorecard which was piloted in 2017/18 and which has strong similarities with the Value for Money measures identified in the 2018 Value for Money standard published by the Regulator for Social Housing. The Board have received updates on performance against the scorecard measures at each meeting, allowing for close oversight of Value for Money at LYHA.

2c. VFM Investment in Homes

	2017/18	2016/17	2017/18 Target	Variance to target	Benchmark	Variance to benchmark	2018/19 Target
1. Reinvestment % ¹	12.2%	27.9%	11.6%	0.4%	8.50%	3.7%	13.5%
2. New Supply Delivered # ²	90	79	108	-18	81	9	46
2a. New Supply Delivered (Social Housing) % ¹	6.1%	5.7%	7.8%	-1.7%	2.2%	3.9%	2.7%
2b. New Supply Delivered (Non-social Housing) %	-	-	-	-	-	-	-
3. Gearing ²	34.1%	33.2%	35.1%	-0.9%	43.2%	-9.1%	37%
4. EBITDA MRI ¹	399%	476%	379%	20%	258%	141%	198%
5. Average Net Present Value	£27,534	£23,751	£26,000	£1,534	n/a	n/a	n/a

Benchmark source

¹ 2016/17 Global Accounts upper quartile

² 2016/17 Global Accounts median

2017/18 has seen a continued major investment into the supply of new homes. It was anticipated that 108 new homes could be delivered within the year, however, delays on-site at our Wilthorpe Road and Rosemary Thompson House developments have meant this very ambitious target has not been met. Off-setting those delays, a scheme at The Woodlands in Horsforth, Leeds was brought forward in the year delivering six shared ownership properties that were not foreseen when the development target was considered.

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018

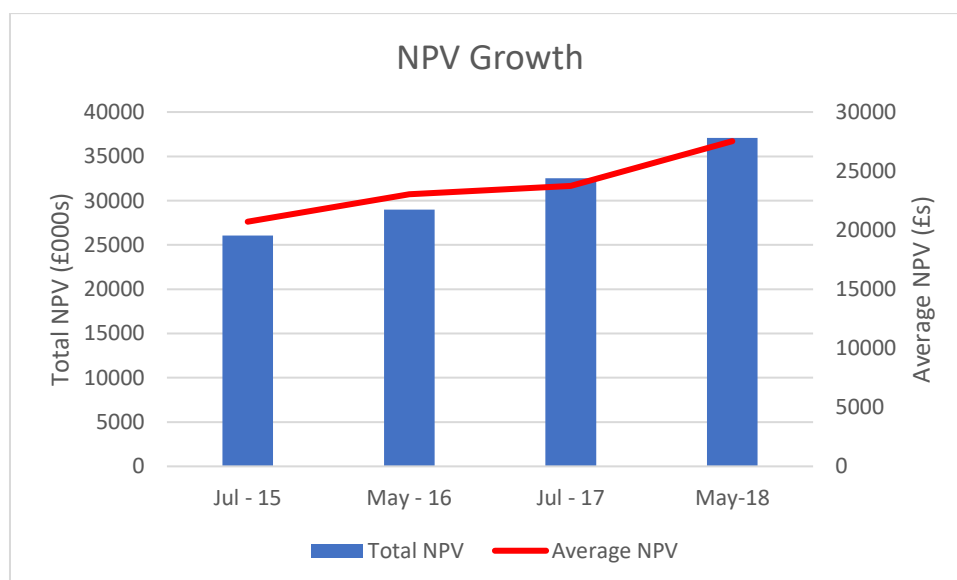
Section 2 – Strategic Review and Value for Money

Overall the development programme must still be considered a significant success, delivering 51 homes for affordable rent at schemes we have developed in-house, as well as 26 homes for affordable rent acquired through s106 agreements with commercial housebuilders. One further home was provided at an Intermediate (sub-market) rent, having initially been built for sale, but converted to rent when no sale was agreed within six months of completion. The revised form of tenure offers equal financial return over the life of the property. 12 homes for shared ownership sale were also delivered in the year. This is a total of 90 new homes in the year.

Our 2017/18 VFM plan identified a target of 190 new homes to be delivered by March 2020 and it is expected that this will be delivered with 46 homes due for completion in 2018/19 and 54 in 2019/20.

No non-social homes have been developed and LYHA is committed to keeping at least 90% of our homes for social or affordable rent.

At LYHA we understand the return on our assets through assessing the net present value (NPV) of each property. This is a widely used calculation of the current value of future cash-flows associated with the asset. When considering the return on our assets, our strategy is to generally increase the average NPV of our assets, whilst recognising that some, lower-yielding homes have a vital role to play in delivering our vision.



Through focussing our management activity where it will generate the greatest impact it is anticipated that we can continue to drive improved value in our homes as measured through the NPV. Reduced void loss and bad debts, along with efficient delivery of planned and responsive repairs can continue to deliver improved returns.

Investment in our existing homes has continued through the year with delivery of kitchens, bathrooms and windows into our homes, as well as a significant gas boiler replacement programme. Additionally, in the early part of 2017 we commissioned a full review of our fire

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

Section 2 – Strategic Review and Value for Money

risk assessments. This identified a number of fire doors that required upgrading and a programme to deliver this was put together and largely delivered within the year.

A total of £668k was spent on replacing components and improving existing homes with a total of 217 homes being invested in, 15% of our stock.

Component	Investment £	Homes Improved
Boilers & Heating	£128k	63
Kitchens & Bathrooms	£249k	43
Roofing	£25k	32
Windows and Fire Doors	£225k	63
Other	£49k	16
TOTAL	£668	217

Listening to our customers, we understand that a heating system installed at our largest estate, the Elmetes in Roundhay, Leeds, is not delivering the performance or affordability gains that were anticipated when it was installed. This has been a cause of serious dissatisfaction for some customers at the estate. Our new long term financial plan (LTFP) identifies additional resource for investment into The Elmetes. We are committed to ensuring our homes are warm, dry and economical to heat and this estate will require additional investment in 2018/19 to ensure our customers have homes we are proud of.

As part of our 2017/18 VFM strategy we have also identified a number of homes which are of greater value in delivering our objectives when sold for their market value. Three homes were disposed in 2017/18, with two more planned for 2018/19. It is expected that the sale of these five properties should generate funds to build 10 – 12 new homes.

Investment in LYHA's homes has also been supported by the agreement in December 2017 of a new £10m loan facility with Santander, providing the foundation for the next four years' of affordable new homes in our communities in Leeds and Yorkshire.

As at the time of writing these Statements, 8 homes (0.54%) are deemed to not fully comply with the Decent Homes Standards. This was declared in our statistical data return to the regulator and results from customers declining replacement of components, usually as a result of ill-health.

2d. VFM – Delivering Economically

	2017/18	2016/17	2017/18 Target	Variance to target	Benchmark	Variance to benchmark	2018/19 Target
6. Headline SH CPU³	£2,733	£2,720	£2,665	-£68	£2,932	£199	£3,621

Benchmark source

³ 2016/17 Global Accounts lower quartile

2017/18 has been a challenging year with a number of new priorities arising through the year, resulting in the £68 (2%) variance to target on the headline social housing cost per unit. The

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018

Section 2 – Strategic Review and Value for Money

outturn figure of £2,733 would still fall comfortably into the lower quartile of spending when compared with results from the 2016/17 Global Accounts of the social housing sector.

The additional spend arises from increased investment into keeping customers safe in their homes. A full review of fire safety was undertaken, starting in March 2017, with costs incurred through appointing independent consultants, as well as through the various improvements that were recommended. These recommendations covered upgrades to fire doors in homes as well as the installation or upgrading of over 20 fire alarm systems.

The board revised the association’s risk appetite statement in 2017, reflecting the paramount importance of customer safety, and the subsequent investment decisions were taken as a reflection of that fundamental requirement, with achieving an improved financial return traded-off for the safety enhancements. It is anticipated that this enhanced level of expenditure will continue into 2018/19 with further work to undertake to deliver best practice in electrical safety and asbestos management.

Cost-savings have arisen in the year as a beneficial result of the significant staff-turnover experienced in 2017/18, when 17 colleagues, equivalent to 52% of the workforce, left the business. Along with reductions in the salary budget, this level of turnover has meant that there have been savings against expected costs of customer involvement and marketing for example, with plans for the year being postponed. Although this has had benefits financially there have been impacts in the service delivered which can be observed in the effectiveness in the organisation, noted in s2f.

Additional investment into existing homes at The Elmetes, as noted above in s.2c will have an impact next year on the overall cost-per-unit, as investment is increased, temporarily, into existing homes.

2e. VFM Delivering Efficiently

	2017/18	2016/17	2017/18 Target	Variance to target	Benchmark	Variance to benchmark	2018/19 Target
7a. Operating Margin - SHL only ²	31.8%	31.1%	30.0%	1.8%	34.3%	-2.5%	8.8%
7b. Operating Margin - Overall ¹	40.4%	34.6%	32.2%	8.2%	33.4%	7.0%	13.6%
8. ROCE ¹	4.94%	6.52%	4.10%	0.84%	5.30%	-0.4%	2.42%

¹ 2016/17 Global Accounts upper quartile

² 2016/17 Global Accounts median

Turnover grew significantly in the period, with income from Social Housing Lettings at £6,635k for the year (2016/17: pro-rata £6,024) an increase of £611k or 10%. This was positively influenced by:

- a full year of rents receivable from the 99 homes for rent built in 2016/17,
- part income for the period from the 77 new homes for rent completed in the year.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

Section 2 – Strategic Review and Value for Money

These factors have more than off-set the annual 1% reduction in social and affordable rents that took effect from 1st April 2016, which it is estimated reduced LYHA income receivable by £50k in the year.

The operating margin on Social Housing Lettings, which reflects the underlying business, has slightly improved in the period to 31.8% (2016/17: 31.1%), however the continued spending on safety will see margins significantly eroded in 2018/19 despite continued growth in turnover from the provision of new homes.

Overall Operating Margin includes the impact of Shared Ownership and fixed asset sales. Shared Ownership remains a new area for LYHA, with the first homes sold in 2016, however the programme is now established and 10 sales during the year have contributed £356k to the surplus at an average margin of 52.5%. This tenure will continue to feature in development plans, with a further 12 sales planned for 2018/19. Fixed assets sales contributed £476k to the surplus, or 6.3% to margin. This benefit will not be repeated to the same scale in 2018/19, although two further disposals are anticipated.

The continued investment into both new and existing homes has seen the Return on Capital Employed (ROCE) reduce out of the upper quartile. It is a quirk of this measure that investment into long-term assets can appear to reduce the return being generated from fully-depreciated assets. Note 25 to these accounts reports that the weighted average cost of debt is 3.39% so a ROCE of over 4% still leaves sufficient margin for reinvestment. Next year's return will dip, temporarily, due to the enhanced spending in the year on safety, as noted above.

2f. VFM Delivering Effectively

	2017/18	2016/17	2017/18 Target	Variance to target	Benchmark	Variance to benchmark	2018/19 Target
9. Customers satisfied with the overall service ⁴	66.2%	82.0%	90.0%	-23.8%	86.6%	-20.4%	90.0%
10a. Rent Collected % ⁴	98.8%	99.3%	101.0%	-2.2%	99.7%	-0.9%	100.1%
10b. Current Tenant Arrears % ⁵	4.25%	4.6%	3.8%	-0.5%	2.73%	-1.52%	3.8%
10c. Former Tenant Arrears % ⁵	1.78%	1.3%	1.0%	-0.8%	1.29%	-0.49%	1.59%
11. Void Loss % ⁵	1.0%	1.0%	1.0%	0.0%	0.89%	-0.11%	1.0%

⁴ 2016/17 Sector Scorecard median

⁵ 2017/18 Q3 HouseMark peer group median

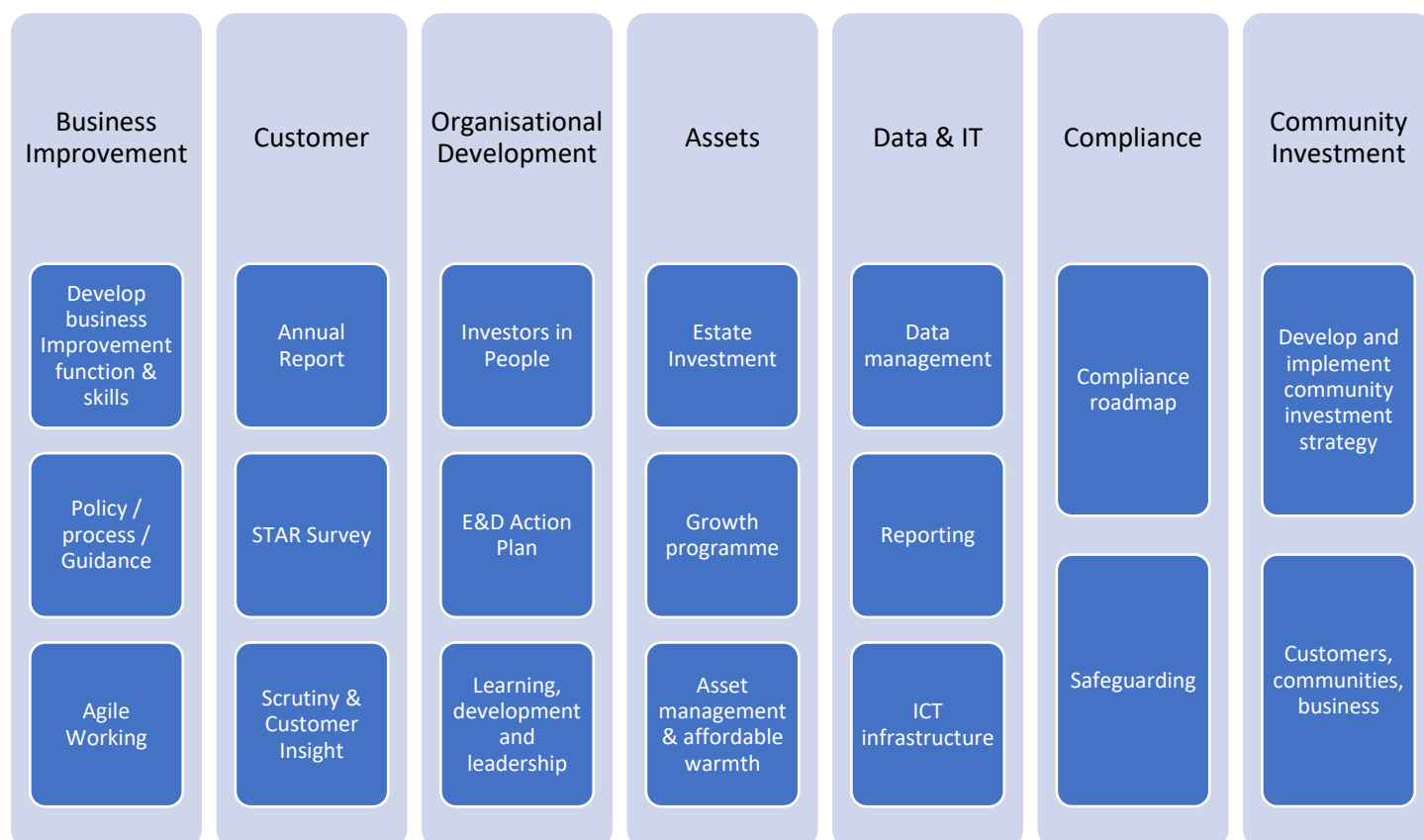
As noted above in s.2e, the high level of staff turnover in the year, although beneficial from an economy perspective, has influenced our ability to deliver our services to the expected level. The benchmark for each activity in this section is the median, across a wide peer group and in each case LYHA has fallen short in the year.

Section 2 – Strategic Review and Value for Money

The focus on improving Customer Satisfaction began in 2017/18 with the recruitment of a Customer Services Director, to embed a culture of customer focus. Additional resource has been provided for our Customer Services hub, with a new Team Leader appointed in early 2018 and an extra Advisor shortly afterwards. We want to be easy to contact.

The Executive and wider Leadership Team have developed a comprehensive action plan for implementation through 2018/19 which is intended to address the under-achievement in performance.

The Corporate Action Plan comprises 35 workstreams across seven themes:



Although overall rent collected is disappointing, current tenant arrears show a good improvement compared to last year. To improve the overall position, we have invested in a product called Insight, which provides access to credit-scoring type information. This data will be used to identify those customers in need of greater support with their household finances. Building our rent collection processes around the use of this kind of data will ensure that we can focus on supporting those customers who need more help, segmenting the service and putting more of our limited time into the cases which have the biggest impact.

At the time of writing, roll-out of full service Universal Credit is expected in Leeds and North Yorkshire in 2018/19. Experience from Housing Associations in areas that have already switched to full-service is that there is a significant impact on arrears. Working to our established Welfare Reform plan will mitigate this to some extent but income collection under the Universal Credit system remains a significant risk.

3. Report of the Board

The Board presents its report and the financial statements for the year ended 31 March 2018.

Definitions

“The Association” refers to Leeds and Yorkshire Housing Association. “The Group” refers to The Association and two Almshouse charities over which the association exercises control by virtue of its corporate trusteeship: Emily Bentley Homes and Marsden Memorial Homes. There is no legal group entity. Management consider the activities of the Almshouses to be material, and so to improve comparability the Almshouse balances are included in the 2017 (prior year) figures.

Financial statements and accounting policies

In the production of this report and these Financial Statements, The Group applies the Statement of Recommended Practice (SORP 2014) for Registered Social Housing Providers and is in compliance with the Accounting Direction for Private Registered Providers of Social Housing 2015. A summary of the principal accounting policies is set out in the notes to the financial statements.

Principal activities

The Group’s principal activities are the provision and management of affordable housing and the development of new affordable homes. We remain true to our charitable aims and purpose, providing homes and support for those in need in the Leeds and Yorkshire area. The Association also provides housing through low cost home ownership and provides a management service for Almshouse charities.

Homes & Services

As at the 31st March 2018, the Association: owns 1,478 homes ranging from individual self-contained houses to purpose -built estates and from newly constructed buildings to those dating from the Victorian period; and manages 68 homes on behalf of others:

- 52 homes - Harrison and Potter Almshouse Trust
- 2 homes - Kate Hargrave Almshouse Trust
- 4 homes - Emily Bentley Almshouse Trust
- 6 homes - Marsden Memorial Homes Almshouse Trust
- 4 homes - Agnes Marsden Almshouse Trust

The LYHA Board of Management act as the Corporate Trustees for Emily Bentley, Agnes Marsden and Marsden Memorial Homes Almshouse Trusts. Emily Bentley Homes and Marsden Memorial Homes’ accounts are consolidated into the LYHA group.

95% of the homes are for general needs households and 5% are sheltered housing accommodation for older customers. The Association also works in partnership with housing

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

Section 3 – Report of the Board

support providers including Foundation Housing, Leeds Action To Create Homes (LATCH), and Canopy Housing project, providing six homes in total for these agencies to manage.

The rents for these homes are:

- 1177 are for social rent, including 76 homes for older people
- 176 are affordable rents
- 78 are sub-market rented (intermediate)
- 13 are market rented
- 34 shared ownership
- 68 belong to Almshouse Trusts as noted above.

The Association owns a non-charitable subsidiary, Leeds & Yorkshire Property Services Limited, which remained dormant throughout the year. This subsidiary was set up to enable LYHA to undertake property management activities and generate profits to be reinvest back into the business.

Board Members

Details of the Board Membership are set out on page 2 of the Statements.

During 2017/18 a new Chair was appointed to the Board, along with two new Board members. There were no retirements or resignations, with the former Chair becoming an Ordinary Board member, so the Board is now 12-strong, the maximum allowed under our constitution.

An annual appraisal and skills assessment is completed to ensure the Board has the appropriate skills and experience to ensure the effective delivery of its Corporate Plan. This complies with our chosen Code of Governance and the Regulator's Governance and Viability Standard.

In May 2017, the Board agreed to remunerate the Chair and other Committee chairs, which was instituted from December 2017. Payments in 2017/18 were made as follows:

Member	Fees
Michael Gaskell (Chair)	2,023.07
Elizabeth Sandwith (Chair, Audit & Risk)	500.01
Jon Prashar (Chair, Customer Experience)	500.01
TOTAL	3,023.09

During 2017/18 there were no co-optees appointed to the Board.

Section 3 – Report of the Board

Corporate Governance

The Board is committed to ensuring that it has effective governance arrangements that deliver its aims and objectives for tenants and potential tenants in an effective, transparent and accountable manner. The National Housing Federation (NHF) Model Rules 2011 form the Association's constitution and the NHF Code of Governance 2015 was adopted by the Board as a formal framework to underpin its governance. Compliance with this code ensures the Group will:

- Adhere to all relevant laws.
- Ensure that its constitutional documents are, and remain, fit for purpose.
- Be accountable to residents and relevant stakeholders.
- Safeguard taxpayers' interests and the reputation of the housing sector.
- Have an effective risk management and internal controls assurance framework.

An annual self-assessment against the code is completed and a Board improvement plan has been prepared to sustain and continuously improve compliance. In particular the Board understand that an independent review of their effectiveness, individually and as a group, could improve their overall governance and is required to fully comply with the code.

Three committees support the Board: Audit and Risk Committee; Customer Experience Committee; and Remuneration and Appointments Committee.

Comprehensive Terms of Reference are in place for the Board and Committees and these have been reviewed and confirmed to remain fit for purpose.

Regulation

As a result of the discovery of past failures in relation to evidencing checks on health and safety matters affecting our tenants' homes (principally electrical safety testing), Leeds and Yorkshire Housing Association was formally downgraded by the Regulator of Social Housing from G1 to G2 in July 2018. These matters were self-reported to the Regulator of Social Housing and its ruling was accepted by the Board. The Board and current executive management team regret that the tenants of the Association have been let down in this way.

The Board is confident that the steps we are taking with our renewed and revitalised team, supported by the Regulator, will ensure that we deliver our first and ongoing priority which is our tenants' safety in their homes. We retain our V1 for Viability which was confirmed by a Financial Stability check in 2017.

Statement of Compliance

The Board has taken steps to ensure that LYHA adheres to the regulator's Governance and Financial Viability standard and its associated code of practice. This includes adhering to all relevant laws. The revised G2 grading issued in July 2018, remains a compliant rating.

Section 3 – Report of the Board

Internal Control Assurance

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

The process for identifying, evaluating and managing the significant risks faced by the Association is on-going. Key elements of the Internal Controls framework include:

- Board approved financial regulations and Scheme of Delegations
- Board Terms of Reference which includes delegated authorities to Audit & Risk Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecasts
- Integrated approach to stress testing and business planning that is supported by Board Appointed specialist advisors.
- Formal Code of Conduct and Discipline policies for all staff and Board Members
- A robust approach to treasury management that is supported by Board Appointed Treasury advisors
- Active asset management strategy and detailed Asset and Liabilities registers
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Internal Audit process

The Board cannot delegate ultimate responsibility for the system of internal control. It has delegated authority to the Audit and Risk Committee, to regularly review the effectiveness of the system of internal control. It also delegates the monitoring of the Corporate Risk Map and Register along with the review and assurance of the management actions to the Audit & Risk Committee.

The Corporate Risk Strategy, approved by the Board, includes a Combined Assurance Approach adopting the principles of Three Lines of Defence. The Corporate risk map and register have been thoroughly reviewed by the board, updated and simplified which has improved clarity on the nature, impact and likelihood of the major risks facing the Association.

Business Risks

The risk management processes at LYHA are becoming embedded, since the register and map were thoroughly reviewed in format and content in March 2017. The Audit and Risk Committee consider business risks at each meeting and the risk register, presented with the committee's report to the Board, is agreed annually. The Board agreed a new risk appetite statement in 2017/18 and this has been central to addressing emerging risks in the year.

Section 3 – Report of the Board

Considering the Sector Risk Profile assured the Committee that the main sector wide risks were either addressed successfully or did not apply to LYHA.

The main risks facing LYHA at the end of the financial year were:

- Maintaining good electrical safety
- Improving customer satisfaction at our largest estate, The Elmetes
- Keeping our customers safe in their homes
- Collecting rents despite of welfare reform
- Cyber- attack and information security

Health and Safety

LYHA takes a proactive approach towards the Health and Safety of its customers, staff, contractors, and stakeholders to ensure it complies with its legislative and regulatory responsibilities.

Health and Safety is a standard item on every Audit and Risk Committee agenda, with the Board also being updated at each meeting.

In the final month of the year it became apparent that a number of homes were missing an up to date electrical safety check. This led to LYHA self-referring the situation to the Regulator. The Board, with the support of independent Health and Safety experts Penningtons Choices, oversaw the development of a robust action plan to enhance the processes and procedures which support delivery of safe homes for our customers and this will be implemented through the first half of 2018/19. The board have met monthly through the early part of 2018/19 (normally quarterly) and received fortnightly reports on progress towards complete, independently validated, H&S compliance, which it is anticipated will be achieved by August 2018.

Asset & Liability Register

The Association is fully compliant with the HCA requirement to maintain an asset and liability register.

- Board approved a revised and updated Asset Register in June 2018.
- Considering each asset individually and by scheme, the Board is clear on the return to the Association considering the planned investment and cash flow over 30 years and devising a Net Present Value [NPV] for each individual asset. This register has been re-calculated considering the reduced cash flow in the long-term plan resulting from the 1% rent cut and the stock condition survey findings undertaken in early 2017, looking at the condition of over 95% of properties constructed before 2013.

Following the latest review; the average NPV now generated through all LYHA homes is £27,534 an increase of over 30% since the NPV methodology was introduced in 2015.

Excluding the homes that are securitised for borrowing purposes, LYHA has circa £30m of borrowing capacity available with 792 homes [58%] currently free from security.

Section 3 – Report of the Board

Co- Regulation & Customers

The Association operates in a co-regulatory way and notifies the regulator of any identified breaches or non-compliance with the Regulatory Standards.

Customers are central to the LYHA vision and embracing co-regulation and customer involvement has always been a priority for LYHA.

The Customer Experience Committee, a formal part of the LYHA governance structure has been re-launched in 2017/18. The committee is chaired by a Board Member and comprised of a mix of Board Members and Customers. The Customer Committee hold four meetings a year in line with its Terms of Reference. The primary aim of this Committee is to ensure the delivery of co-regulation through holding LYHA to account for core service performance and customer satisfaction. This Committee is delegated to ensure the successful compliance with the Regulator’s Consumer Standards where they complete an annual self-assessment and oversees complaints.

LYHA values the perspective brought by customer scrutiny of our services. The organisation and training of an effective scrutiny panel has been refreshed, supported by the Tenant Participation and Advisory Service. A launch event was held early in 2018 and the panel have scrutinised the telephone calls received into our Customer Services hub.

Complaints

LYHA takes a proactive approach towards complaint handling as part of our commitment to listening and responding to our customers.

The Resolving Complaints policy is formally reviewed a minimum of once every 3 years and was updated in 2017/18. This is available to all customers and is fully compliant with the HCA Tenant Involvement & Empowerment Standard.

LYHA is a member of the Independent Housing Ombudsman [IHO] Scheme. There have been no complaints formally investigated by them during the period 1 April 2017 to 31 March 2018.

Make a Stand

LYHA are proud to support the Chartered Institute of Housing’s “Make a Stand” Campaign to take action to support victims of domestic abuse. We have therefore committed to delivering the following four actions by September 2019.

1. Put in place and embed a policy to support residents who are affected by domestic abuse
2. Make information about national and local domestic abuse support services available on our website and in other appropriate places so that they are easily accessible for residents and staff
3. Put in place a HR policy, or amend an existing policy, to support members of staff who may be experiencing domestic abuse
4. Appoint a champion at a senior level to own the activity we are doing to support people experiencing domestic abuse

Section 3 – Report of the Board

Merger Code

The LYHA Board adopted the NHF Merger Code in February 2016 and adheres to the requirements of the code.

Executive Directors

The Executive Directors include the Chief Executive, Customer Service Director, Director of Finance and Performance, and Organisation & Compliance Director.

The Head of Home and Growth role, and Head of Operations role, whilst members of the Executive Team, were not Executive Directors.

The Chief Executive resigned from the business in June 2018. In 2017/18 the Organisation and Compliance Director role was made redundant. The Customer Service Director / Deputy Chief Executive was appointed from December 2017, taking up the post of Acting Chief Executive from June 2018.

The Executive Directors hold no interest in the Association's shares and act as Executives within the authority delegated by the Board and set out in the Internal Controls and the Financial Regulations and Scheme of Delegations of the Association. The Executives do not hold appointments on the Board or Committees.

Insurance policies indemnify Board members and Officers against liability up to certain limits, when acting for the Association.

Service contracts

All Executive Directors are employed on the same terms and conditions as all LYHA colleagues with the exception of a) notice periods of three months and b) car allowance equivalent of up to 10% of gross salary.

Note 10 summarises the Executive Directors remuneration.

Directors Pensions

The Executive Directors, are members of the Social Housing Pension Scheme, a defined benefit pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the scheme on behalf of its employees.

Employees

LYHA is committed to being an 'Employer of Choice' which remains one of our strategic priorities. We recognise that we need to recruit, retain and invest in the best people to deliver our Vision and Strategic aims; to deliver an excellent service to our customers, to understand the need for and deliver continually improving performance and to work with us to deliver Value for Money.

As at 31st March 2018 LYHA employed 37 colleagues; 30 on a full-time basis or more [37.5hours] and 7 on a part time basis. 19% of our colleagues working flexibly reflects our on-going commitment to promoting work life balance, which is extended to our full-time colleagues through our flexible working policy. This also supports LYHA to be more responsive

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

Section 3 – Report of the Board

and flexible to meet our customer expectations. 16.2% our workforce is 100% funded through service charge income.

LYHA is committed to equality of opportunity. We positively support the employment of people with a disability and aim to reflect the diversity of our customer base in our workforce. As at 31st March 2018, one of our workforce had a registered disability and 13.5% were from a diverse background.

Pensions

The table below summarises the pension position in respect of our employees as at 31 March 2018:

Pension Scheme	No. of employees in each scheme	% of staff
SHPS 1/60th - Final Salary	6	16
SHPS 1/80th - Defined contribution	13	35
SHPS Defined contribution *	11	30
Employees not in a scheme**	7	19
Total employees	37	100

* This auto enrolment pension scheme was introduced in October 2015

** Employees not in any scheme include those who have opted out following auto enrolment and those who did not qualify to be auto enrolled due to salary and age requirements of the scheme.

The current value of future payment to the Social Housing Pension Scheme recovery programme is £1,046k as detailed in Note 11 of these accounts. The cost in the period of pensions for current employees was £59k.

Since the transition to FRS102 LYHA has benefited from an exemption to the regulations allowing us to report the defined benefit pension scheme as if it were a defined contribution scheme, with the present value of future payments recognised as the pension liability. The National Housing Federation is developing a methodology to understand if necessary information could be determined that could enable all housing associations that are members of SHPS to account for their portion of the SHPS deficit as a DB scheme. This may impact the future disclosure of the full liability in the accounts.

Political and Charitable Donations

LYHA made no grants and awards in 2017/18 (2016/17: £0k) to individuals and groups based in the communities in which we work. No donations were made to political parties during the year.

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

4. Board Responsibilities

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation, the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

Annual general meeting

The annual general meeting will be held on 26 September 2018 at Weetwood Hall, Leeds.

External auditors

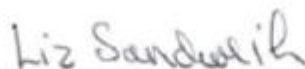
Our external auditors for the 12 months ended March 2018 are Beevers and Struthers LLP

This report of the Board to accompany the audited accounts and financial statements was approved by the LYHA Board of Management on 24 July 2018 and signed on its behalf by:



Mike Gaskell

Chair



Elizabeth Sandwith CFIA

Chair of the Audit & Risk
Committee



Adam Hutchinson

Company Secretary

5. Independent Auditors Report

Independent Auditor's report to the members of Leeds and Yorkshire Housing Association

Opinion

We have audited the financial statements of Leeds & Yorkshire Housing Association "the society" for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies 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 society's affairs as at 31 March 2018 and of its surplus 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 Cooperative and Community Benefit Societies Act 2014.

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 society 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

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

INDEPENDENT AUDITORS REPORT

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements-

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on pages 19 & 20, the Board are 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 determine 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 are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

INDEPENDENT AUDITORS REPORT

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 <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor

St George's House

215-219 Chester Road

Manchester

M15 4JE

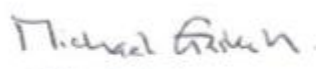
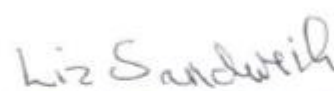

Date: *28 August 2018*

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 Mar		15 Months ended Mar	
		2018		17	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
Turnover	2a	7,470	7,429	8,890	8,837
Operating Costs		(4,928)	(4,895)	(5,812)	(5,780)
Operating Surplus before gain on disposal of property		2,542	2,534	3,078	3,057
Gain/loss on disposal of property, (fixed assets)	6	476	476	-	-
Operating surplus: continuing activities		3,020	3,010	3,078	3,057
Interest receivable and other	7	6	-	6	3
Interest payable and similar	7	(618)	(617)	(486)	(485)
Increase/(decrease) in valuation of investment properties	13	247	247	-	-
Surplus for year		2,655	2,641	2,598	2,575
Other comprehensive income for the year					
Unrealised (loss)/gain for the year		(4)	-	18	-
Total comprehensive income for the year		2,651	2,641	2,616	2,575

The financial statements on pages 24 to 57 were approved and authorised for issue by the Board on 24th July 2018 and were signed on its behalf by:

		
Mike Gaskell Chair	Elizabeth Sandwith CFIIA Chair of the Audit & Risk Committee	Adam Hutchinson Company Secretary

The consolidated and parent results relate wholly to continuing activities and the notes on pages 28 to 57 form an integral part of these accounts.

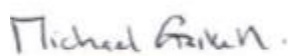
LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

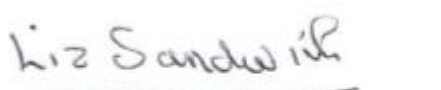
7. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

On 31 March 2018

	Note	At 31 March 2018		At 31 March 2017	
		Group £ '000	Association £ '000	Group £ '000	Association £ '000
Fixed assets					
Tangible fixed assets - Housing properties	12	49,847	49,556	45,171	44,873
Tangible fixed assets – other	12	591	591	630	630
Investment Properties	13	1,430	1,430	1,183	1,183
Fixed Asset Investments	14	10	10	10	10
		<u>51,878</u>	<u>51,587</u>	<u>46,994</u>	<u>46,697</u>
Current assets					
Properties held for Sale	15	272	272	233	233
Trade and other debtors	16	371	363	322	316
Current Asset investments		141	-	141	-
Cash and cash equivalents		861	742	1,018	917
		<u>1,645</u>	<u>1,377</u>	<u>1,714</u>	<u>1,466</u>
Creditors: Amounts falling due within one year	17	(2,012)	(1,986)	(1,712)	(1,699)
Net current (liabilities)/ assets		<u>(367)</u>	<u>(609)</u>	<u>2</u>	<u>(233)</u>
Total assets less current liabilities		<u>51,511</u>	<u>50,978</u>	<u>46,996</u>	<u>46,494</u>
Creditors:					
Amounts falling due after more than one year	18	(24,564)	(24,336)	(22,700)	(22,463)
Total net assets		<u>26,947</u>	<u>26,642</u>	<u>24,296</u>	<u>24,001</u>
Reserves					
Revenue reserve		26,899	26,642	24,244	24,001
Revaluation Reserve		48	-	52	-
Total reserves		<u>26,947</u>	<u>26,642</u>	<u>24,296</u>	<u>24,001</u>

The notes on pages 28 to 57 form an integral part of these accounts. The financial statements were approved by the Board on 24th July 2018 and signed on its behalf by:


Mike Gaskell
Chair


Elizabeth Sandwith CFIA
Chair of the Audit & Risk Committee


Adam Hutchinson
Company Secretary

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

8. CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the 12 months ended 31 March 2018

	Income and Expenditure Reserve	Revaluation Reserve	Total Reserves
	£ '000	£ '000	£ '000
Balance at 1 Jan 2016	21,653	34	21,687
Total comprehensive income for the year	2,591	18	2,609
Balance at 1 April 2017	24,244	52	24,296
Total comprehensive income for the year	2,655	(4)	2,651
Balance as at 31 March 2018	<u>26,899</u>	<u>48</u>	<u>26,947</u>

The notes on pages 28 to 57 form an integral part of these accounts.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****STATEMENT OF CASHFLOWS****9. CONSOLIDATED STATEMENT OF CASHFLOWS**

Statement of Cashflows	Note	Year ended 31 March 18	Year ended 31 March 17
		£ '000	£ '000
Net cash inflow from operating activities	i	3,098	2,448
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,019)	(12,790)
Proceeds from sale of tangible assets		1,260	1,120
Social housing grant – received		348	946
Interest received		2	4
		(1,311)	(8,112)
Cash flow from financing activities			
Interest paid		(695)	(595)
Loans received		2,450	8,900
Housing loans repaid		(601)	(532)
Net change in cash and cash equivalents		(157)	(339)
Cash and cash equivalents at beginning of the period		1,018	1,357
Cash and cash equivalents at end of the period		861	1,018

Note i. Reconciliation of operating surplus to net cash inflow from operating activities

	2018	2017
	£ '000	£ '000
Operating Surplus for the year	2,408	2,598
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	974	1,094
Increase in stock held for sale	(39)	(233)
(Increase) / Decrease in Debtors	(54)	(44)
Increase / (Decrease) in Creditors	305	43
Pension costs less contributions payable	(153)	(115)
Other adjustments	(37)	(508)
Adjustment for current asset receipts	(356)	(625)
Adjustments for investing or financing activities:		
Gain on disposal of fixed assets	(476)	-
Grant released in the year	(86)	(79)
Interest and Financing costs	618	486
Interest receivable	(6)	(9)
Net cash inflow from operating activities	3,098	2,448

The notes on pages 28 to 57 form an integral part of these accounts.

10. Notes to the Financial Statements

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is 2 Shireoak Road, Headingley, Leeds, LS6 2TN.

1. Accounting policies

Basis of accounting

The Group financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Group's financial statements have been prepared in compliance with FRS102. The Group meets the definition of a public benefit entity (PBE). The financial statements are presented in Sterling (£).

Basis of consolidation

The consolidated financial statements incorporate the results of Leeds and Yorkshire Housing and all of its subsidiary undertakings as at 31 March 2018. Management consider the activity of the subsidiary Almshouses to be material and therefore to improve the comparability of the figures for 2017 they have been restated to include the Almshouse balances.

The impact on reserves is to increase the 1st April 2017 total reserves by £295k.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been including: Impairment, capitalisation and several account balances where there is estimation uncertainty; these are explained below.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets; however, by their nature, component life cannot be determined with absolute certainty.

Turnover

Turnover comprises rental income receivable in the year, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association charges value added tax (VAT) on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenues and Customs. The balance of VAT payable or recoverable at the year-end is included within the Statement of Financial Position.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

Interest payable

Interest payable is charged to the income and expenditure account in the year with the exception of that interest which has been identified as directly linked with development for the year after deduction of social housing grant and has, therefore, been capitalised and charged to the balance sheet total assets expenditure.

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 historic cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

The Association participates in the Social Housing Pension Scheme (SHPS). The scheme is a multi-employer defined benefit pension scheme. It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within other provisions in the association's financial statements.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Salaries are capitalised based on a percentage of the time, and therefore cost, attributable to the development schemes and capital works of the Head of Home and Growth, and the Technical Team. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

Donated land and other assets

Where properties have been donated to the Association the donated assets will be recognised at fair value.

Social housing grant

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure of 100 years, under the accruals model.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The Association separately identifies the major components, which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties at the following annual rates:

Bathrooms	30 Years (3.3%)
Boilers	15 Years (6.7%)
Heating & Plumbing	30 Years (3.3%)
Electrics	40 Years (2.5%)

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

Kitchen	20 Years (5.0%)
Roof	70 Years (1.4%)
Structure	100 Years (1.0%)
Windows and doors	30 Years (3.3%)
Lifts	20 Years (5.0%)

No depreciation is provided for on freehold land.

Investment property

Investment property includes market rented properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived using the comparable technique to assess the market value of the properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income. There are no restrictions on realisation or remittance of income or disposal proceeds.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment loss

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Office buildings	50 Years (2.0%)
Computer software	5 Years (20.0%)
Furniture, fixtures and fittings	5 Years (20.0%)
Computers and office equipment	5 Years (20.0%)
Motor vehicles	5 Years (20.0%)
Plant & machinery	5 Years (20.0%)

Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

[Provisions for liabilities](#)

Provisions are recognised when the Association has a present obligation (legal or constructive) because of a past event, it is probable that the association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

[Reserves](#)

The Association establishes restricted reserves for specific purposes where their use is subject to external restrictions.

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2018
NOTES TO THE FINANCIAL STATEMENTS

2a. Turnover, cost of sales, operating costs and operating surplus - Group

GROUP	2018				2017			
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	6,635	-	(4,527)	2,110	7,530	-	(5,191)	2,339
Other social housing activities								
First tranche low cost home	678	(322)	-	356	1,120	(495)	-	625
Supporting people	5	-	(6)	(1)	7	-	(11)	(4)
Management services	56	-	(52)	4	87	-	(47)	40
Other	15	-	(19)	(4)	48	-	(40)	8
	7,389	(322)	(4,600)	2,467	1,262	(495)	(98)	669
Non-social housing activities								
Lettings	81	-	(4)	77	98	-	(28)	70
					98	-	(28)	70
TOTAL	7,470	(322)	(4,606)	2,542	8,890	(495)	(5,317)	3,078

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

2b. Turnover, cost of sales, operating costs and operating surplus - Association

ASSOCIATION	2018				2017			
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	6,581	-	(4,493)	2,088	7,477	-	(5,159)	2,318
Other social housing activities								
First tranche low cost home	678	(322)	-	356	1,120	(495)	-	625
Supporting people	5	-	(6)	(1)	7	-	(11)	(4)
Management services	69	-	(51)	18	87	-	(47)	40
Other	15	-	(19)	(4)	48	-	(40)	8
	<u>767</u>	<u>(322)</u>	<u>(75)</u>	<u>2,458</u>	<u>1,262</u>	<u>(495)</u>	<u>(98)</u>	<u>669</u>
Non-social housing activities								
Lettings	81	-	(4)	77	98	-	(28)	70
	<u>81</u>	<u>-</u>	<u>(4)</u>	<u>77</u>	<u>98</u>	<u>-</u>	<u>(28)</u>	<u>70</u>
TOTAL	7,429	(322)	(4,573)	2,534	8,837	(495)	(5,285)	3,057

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****3a. Particulars of income and expenditure from social housing lettings
- Group**

	2018	2017
	£'000	£'000
Rent receivable net of identifiable service charges	6,209	7,003
Service charge income	341	448
Amortised government grants	85	79
Turnover from social housing lettings	6,635	7,530
Management	(1,860)	(2,537)
Service charge costs	(272)	(383)
Routine maintenance	(803)	(494)
Planned maintenance	(415)	(561)
Major Repairs	(107)	(85)
Bad debts	(85)	(107)
Depreciation of housing properties	(974)	(1,009)
Other costs	(9)	(15)
Operating costs on social housing lettings	(4,525)	(5,191)
Operating surplus on social housing lettings	2,110	2,339
Void losses	66	89

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****3b. Particulars of income and expenditure from social housing lettings
- Association**

	2018	2017
	£'000	£'000
Rent receivable net of identifiable service charges	6,160	6,955
Service charge income	341	448
Amortised government grants	80	74
	<hr/>	<hr/>
Turnover from social housing lettings	6,581	7,477
Management	(1,860)	(2,518)
Service charge costs	(263)	(383)
Routine maintenance	(796)	(489)
Planned maintenance	(415)	(561)
Major Repairs	(107)	(85)
Bad debts	(84)	(105)
Depreciation of housing properties	(968)	(1,003)
SHPS pension	9	-
Other costs	(9)	(15)
	<hr/>	<hr/>
Operating costs on social housing lettings	(4,493)	(5,159)
Operating surplus on social housing lettings	2,088	2,318
Void losses	66	88

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

3c. Particulars of turnover from non-social housing lettings

	2018 £ '000	2017 £ '000
Income – Market Rented Properties	81	98
Expenditure – Market Rented Properties	(4)	(28)
Surplus from non-social housing lettings	77	70

4. Accommodation in management and development

At the end of the year, accommodation in management for each class of accommodation was as follows:

	2018		2017	
	No. of Properties Owned	Managed	No. of Properties Owned	Managed
Social housing				
General housing				
social rent	1,101	1,095	1,104	1,098
affordable rent	176	176	99	99
Housing for older people	76	144	76	144
Low cost home ownership	34	34	22	22
Sub-Market Rented	78	78	77	77
Total	1,465	1,527	1,378	1,440
Non-social housing				
Market Rented	13	13	13	13
Total owned and managed	1,478	1,540	1,391	1,453

At 31st March 2018, LYHA had 46 properties currently in development.

5. Accommodation managed by others

	2018 No. of Properties	2017 No. of Properties
General needs social housing	6	6

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

6. Gain/(loss) on disposal of property, plant and equipment (fixed assets)

		2018 £ '000	2017 £ '000
Proceeds of sales		564	-
Less: costs of sales		(70)	-
Surplus		<u>494</u>	-
Capital grant recycled	20	(18)	-
Gain on disposal		<u>476</u>	-

7. Net Interest

	Group		Association	
	2018	2017	2018 £ '000	2017 £ '000
Interest receivable and similar income	6	6	-	3
Defined benefit pension charge (SHPS)	15	33	15	33
Loans and bank overdrafts	646	652	645	651
Amortised cost of borrowing	33	35	33	35
Interest payable capitalised on housing	(76)	(234)	(76)	(234)
	-----	-----	-----	-----
	618	486	617	485
	-----	-----	-----	-----
	612	480	617	482
	-----	-----	=====	=====
Capitalisation rate used to determine the	3.39%	2.89%	3.39%	2.89%

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****8. Surplus/(deficit) on ordinary activities**

This is arrived at after charging:

	Group		Association	
	2018	2017	2018	2017
			£ '000	£ '000
Auditors' remuneration (excluding VAT)				
- for audit of the group	15	14	15	14
- for independent exam of subsidiaries	4	4	-	-
Operating lease rentals				
- office equipment and computers	4	4	4	4
Depreciation of housing properties	974	1,033	968	1,027
Depreciation of other tangible fixed assets	54	61	54	61
Grant income released	(86)	(79)	(80)	(74)

9. Employees

Average monthly number of employees expressed in full time equivalents 37.5 hours):

	2018	2017
	No.	No.
Finance and Corporate Services	8	9
Property Maintenance and Development	5	5
Housing, support and care	17	20
	<hr/>	<hr/>
	30	34

Employee costs:

	2018	2017
	£ '000	£ '000
Wages and salaries	1,051	1,384
Social security costs	101	126
Other pension costs	212	262
Redundancy costs	(13)	65
	<hr/>	<hr/>
	1,351	1,837

During the year there were no full time equivalent staff who received remuneration (excluding directors) in excess of £60,000 (2017: none in excess of £60,000).

The Association's employees are members of the Social Housing Pension Scheme (SHPS). Further information on the scheme is given below in note 11.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

10. Key management personnel consist of:

Executive Team	Basic salary	Pension	2018	2017
	£ '000	contributions £ '000	Total £ '000	Total £ '000
Chief Executive	98	12	110	127
Customer Services Director/Deputy CEO	21	2	23	-
Director of Finance/Head of Finance	59	4	63	34
Organisation & Compliance Director	64	7	71	92
Total executive team	242	25	267	219
Other key management personnel				
Head of Corporate Services	-	-	-	63
Interim Head of Operations	30	-	30	25
Head of Home and Growth	37	4	41	49
Total other key management personnel	67	4	71	171

Executive directors

The Chief Executive is an ordinary member of the Social Housing Pension Scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £108k, (2017: £114k). The Chief Executive and Directors' salaries are set based on the same Pay Strategy methodology used for all staff and are benchmarked independently bi-annually.

Board members

The Chair of the Board of Management and the Chairs of the Audit & Risk Committee and Customer Experience Committee have been remunerated from December 2017. Members receive a basic salary only with no pension contributions accruing.

Board Members	Basic salary	Pension	2018	2017
	£ '000	contributions £ '000	Total £ '000	Total £ '000
Board members	3	-	3	-

11. Social Housing Pension Scheme

The association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a DB scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
From 1 April 2016 to 30 Sept 2020:	
Tier 2	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
From 1 April 2016 to 30 Sept 2023:	
Tier 3	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
From 1 April 2016 to 30 Sept 2026:	
Tier 4	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
From 1 April 2016 to 30 Sept 2026:	

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****11. Social Housing Pension Scheme (continued)**

The association has agreed to make additional deficit payments to SHPS. Using a discount rate based on an AA corporate rate bond for the same period the liability with a net present value of £1,046k is recognised within the provisions for this contractual obligation.

Present value of provision

	2018	2017
	£000	£000
Present value of provision	1,046	1,199

Reconciliation of opening and closing provisions

	2018
	£000
At 1 April	1,199
Released in the year – deficit contributions paid	(153)
Impact of changes in assumptions	(15)
Unwinding of discount included in finance costs	15

At 31 March	1,046

Being	
Pension liability due in less than 1 year	159
Pension liability due in more than 1 year	887

Income and expenditure impact

	2018	2017
	£000	£000
Interest expense	15	33
Impact of changes in assumptions	(15)	58
Increase in provision due to new deficit agreement	-	-
Contributions paid in respect of future service *	59	88
Costs recognised in income and expense account	59	179

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****11. Social Housing Pension Scheme (continued)**

The SHPS obligation is based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

Assumptions

	2018	2017
	%	%
Rate of discount	1.72	1.33

12a. Tangible fixed assets – Group housing properties

Group	Social housing properties held for letting	Social housing properties under construction	Low cost home ownership properties completed	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017* (restated)	48,976	5,026	1,149	55,151
Additions:				
Properties acquired	-	5,336	-	5,336
Works to existing properties	668	-	-	668
Interest capitalised	-	76	-	76
Schemes completed	7,674	(8,683)	1,009	-
Disposals	(221)	-	(351)	(572)
At 31 March 2018	57,097	1,755	1,806	60,659
Depreciation				
At 1 April 2017*(restated)	9,972	-	8	9,980
Depreciation charged in year	960	-	14	974
Released on disposal	(142)	-	-	(142)
At 31 March 2018	10,790	-	22	10,812
Net book value				
At 31 March 2018	46,307	1,755	1,784	49,847
At 31 March 2017*(restated)	39,004	5,026	1,141	45,171

*Restated for reclassification of 13 Market Rent homes as investment properties reported in Note 13

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

12a. Tangible fixed assets – Group housing properties (continued)

Expenditure on works to existing properties	2018	2017
	£ '000	£ '000
Amounts capitalised	668	614
Amounts charged to Statement of Comprehensive Income	415	351
Total	1,083	965
Social housing grant		
	2018	2017
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,126	2,031
Held and deferred income	6,777	6,544
Total accumulated SHG receivable at period end	8,875	8,575
Finance costs		
	2018	2017
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	76	348
Housing properties book value, net of depreciation	2018	2017
	£ '000	£ '000
Freehold land and buildings	49,514	44,831
Long leasehold land and buildings	333	340
	<u>49,847</u>	<u>45,171</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

12b. Tangible fixed assets – Association housing properties

Association	Social housing properties held for letting	Social housing properties under construction	Low cost home ownership properties completed	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017 (Restated)*	48,646	5,026	1,149	54,821
Additions:				
Properties acquired	-	5,336	-	5,336
Works to existing properties	668	-	-	668
Interest capitalised	-	76	-	76
Schemes completed	7,674	(8,683)	1,009	-
Transfer SO equity to stock			(351)	(351)
Disposals	(221)			(221)
At 31 March 2018	56,767	1,755	1,806	60,329
Depreciation				
At 1 April 2017 (restated)*	9,939	-	8	9,947
Depreciation charged in year	954		14	968
Released on disposal	(142)			(142)
At 31 March 2018	10,751	-	22	10,773
Net book value				
At 31 March 2018	46,016	1,755	1,785	49,556
At 31 March 2017 (restated)*	38,707	5,026	1,141	44,873

*Restated for reclassification of 13 Market Rent homes as investment properties reported in Note 13

Expenditure on works to existing properties

	2018	2017
	£ '000	£ '000
Amounts capitalised	668	614
Amounts charged to Statement of Comprehensive Income	107	351
Total	775	965

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****12b. Tangible fixed assets – Association housing properties(continued)**

Social housing grant

	2018	2017
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,092	2,013
Held and deferred income	6,545	6,306
	<hr/>	<hr/>
Total accumulated SHG receivable at period end	8,638	8,319

Finance costs

	2018	2017
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	76	348

Housing properties book value, net of depreciation

	2018	2017
	£ '000	£ '000
Freehold land and buildings	49,223	44,533
Long leasehold land and buildings	333	340
	<hr/>	<hr/>
	49,556	44,873

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

12c. Tangible fixed assets – other

	Freehold offices	Plant	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 1 April 2017	548	19	114	388	23	1,092
Additions	-	-	-	15	-	15
Disposals	-	-	-	-	-	-
At 31 March 2018	548	19	114	402	23	1,107
Depreciation						
At 1 April 2017	119	10	106	204	23	462
Charged in year	11	2	2	39	-	54
Released on disposal	-	-	-	-	-	-
At 31 March 2018	130	12	108	243	23	516
Net book value						
At 31 March 2018	418	7	6	159	-	591
At 31 March 2017	429	9	8	184	-	630

13. Investment Properties

Social housing grant

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
At start of year	1,183	1,183	1,183	1,183
Additions	-	-	-	-
Gain/(loss) from adjustment in fair value	247	-	247	-
At end of year	1,430	1,183	1,430	1,183

Investment properties were valued at 31 March 2018 by Nigel Tapp FRICS professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. The comparable technique was used to assess the value of the scheme.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****14. Investment in subsidiaries**

	2018	2017
	£ '000	£ '000
10,000 £1 ordinary shares in Leeds & Yorkshire Property Services	10	10

Leeds & Yorkshire Property Services Limited is a wholly owned subsidiary of the Association. This remained dormant throughout the financial year.

The Association has the right to appoint members to the Board of the subsidiary and thereby exercises control over it. Leeds & Yorkshire Housing Association Limited is the ultimate parent undertaking.

During both 2015 & 2016/17 the Association provided no management services for Leeds & Yorkshire Property Services Limited and no charges were made.

15. Properties held for sale

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Shared ownership properties				
Completed	272	233	272	233
Work in progress	-	-	-	-
	<u>272</u>	<u>233</u>	<u>272</u>	<u>233</u>

All the homes held as stock at 31 March 2017 sold in the year. The £272k reported at 31 March 2018 represents eight homes for sale, two at Wilthorpe Road in Barnsley and six at The Woodlands in Horsforth. None of the homes had been unsold for more than six months at the reporting date.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

16. Trade and other debtors

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges	434	387	427	383
Less: Provision for bad and doubtful debts	(252)	(208)	(252)	(208)
	182	179	175	175
Other debtors	39	26	39	26
Due from subsidiary	-	-	4	-
Prepayments and accrued income	150	117	145	115
	371	322	363	316

17. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Trade creditors	129	127	122	126
Rent and service charges	159	141	158	141
Deferred grant income	92	88	86	83
Unpaid share capital in subsidiary	10	10	10	10
Other taxation and social security	36	36	36	36
Other creditors	21	18	20	15
Accruals and deferred	793	481	784	479
Provision for restructure	-	50	-	50
Housing loan interest & principal payable	613	608	611	606
Pension liability due in less than 1 year	159	153	159	153
	2,012	1,712	1,986	1,699

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

18. Creditors: amounts falling due after more than one year

	Note	Group		Association	
		2018	2017	2018	2017
		£ '000	£ '000	£ '000	£ '000
Bank Loans		17,254	15,420	17,251	15,415
Cost of Borrowing		(308)	(221)	(308)	(221)
Deferred grant income		6,685	6,455	6,459	6,223
Recycled capital grant fund		46	-	46	-
Pension liability due in more than 1 year	11	887	1,046	887	1,046
		24,564	22,700	24,336	22,463

19. Deferred grant income

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
At 1 April 2017	6,543	5,649	6,306	5,406
Grant received in the period	348	974	348	974
Released to income in the period	(85)	(80)	(80)	(74)
Recycled in period	(29)	-	(29)	-
At 31 March 2018	6,777	6,543	6,545	6,306
Amounts to be released within one year	92	88	86	83
Amounts to be released in more than one year	6,685	6,455	6,459	6,223
	6,777	6,543	6,545	6,306

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****20. Recycled capital grant fund**

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
At start of year	-	-	-	-
Inputs to fund	(46)	-	(46)	-
Recycling of grant to new build	-	-	-	-
At end of year	(46)	-	(46)	-
Due in more than one year	(46)	-	(46)	-

21. Non-equity share capital

	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2017	10	11
Shares issued during the year	3	1
Shares surrendered during the year	-	(2)
At 31 March 2018	13	10

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

22. Capital commitments

Capital expenditure commitments were as follows:

	2018	2017
	£ '000	£ '000
Capital expenditure		
Expenditure contracted for, but not provided in the	2,494	4,331
Expenditure authorised by the Board, but not contracted	6,297	551
	8,791	4,882

The expenditure authorised by the Board, but not contracted represents financial commitments made for future developments.

Expenditure authorised by the Board, but not contracted represents the major repairs programme for the year, approved with the annual budget.

The above commitments will be financed from operating cash flow and through borrowings, under existing loan arrangements during 2017/18.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****23. Operating leases**

The future minimum lease payments are as follows:

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Office equipment and computers expiring...				
Within one year	2	4	2	4
One to five years	12	5	12	5
Over five years	-	-	-	-
	14	9	14	9

24. Related parties

The Board member, Adele Rae is a customer and has a standard tenancy agreement that she cannot use her position to her advantage.

The aggregated rent payable by Board Member related parties for 2017/18 was £5,678 and the balance at 31 March 2018 was CR £309.

The Association is the managing Trustee of Emily Bentley Homes, Agnes Marsden Trust and Marsden Memorial Homes. During the period, the association performed finance and property management services for these associations. The total amounts charged for these services during the period and amounts outstanding at the period-end was as follows:

	Transactions in the period		Receivable at the year period	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Agnes Marsden Trust	5	6	9	-
Emily Bentley Homes	5	6	3	-
Marsden Memorial Homes	8	11	2	1
	18	23	14	1

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS****25. Financial risk management**

The Association uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Association's operations, including the development and acquisition of new homes.

The financial assets and liabilities are:

Financial assets measured at amortised cost	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Trade and other debtors (note 16)	371	322	363	316
Cash and cash equivalents (SoFP)	861	742	1,018	917
TOTAL	1,232	1,064	1,381	1,233

Financial assets measured at amortised cost	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Debt (bank loans and other loans)	17,559	15,807	17,554	15,800
Deferred Capital Grant income	6,777	6,543	6,545	6,306
Trade and other creditors	1,307	1,016	1,289	1,010
TOTAL	25,643	23,366	25,388	23,116

The existence of these financial instruments exposes the Association to a number of financial risks. The main risks arising from the Association's financial instruments are understood by the Board to be interest rate risk, liquidity risk and credit risk. The Board review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Association seeks to manage financial risk by ensuring sufficient liquidity is available to meet projected commitments on a rolling basis over at least the following 18 months. In addition to drawn loans of £17,862 (see note 18), the Association has £13.250 million of undrawn and secured facilities available to borrow against and to adequately meet its business plan activity until 2021/22, when our LTFP indicates further borrowing will be necessary.

At 31 March 2018, the Association had an undrawn loan facility with the Santander Bank of £13.25m (2017: £5.7m Santander Bank) of the £31m facility available.

Current available and drawn facilities are as follows:

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

Lender	Current Facility Available £'000s	Loan as at 31-Mar-18 £'000s	Available To Draw at 31-Mar-18 £'000s	Interest Rate% Fixed Inc. Margin %	Interest Rate% Variable Inc. Margin %	Maturity
Santander Tranche A	4,755	4,755	-	3.4876		2024
Santander Tranche B	8,000	4,750	3,250	3.0800	2.25%	2024
Santander Tranche C	4,905	4,905	-	2.9590		2024
Santander Tranche D	10,000	-	10,000		2.15%	2027
THFC tranche1	900	900	-	6.1150		2030
THFC tranche2	600	600	-	4.3550		2030
THFC tranche3	600	600	-	3.2550		2030
THFC tranche4	900	900	-	2.6850		2030
OrchardBrook Ltd	452	452	-	9.4371		2030
	31,112	17,862	13,250			

Santander Tranche B is a revolving facility with availability to October 2019 at which point it becomes a repayment term loan. Santander Tranche D has availability to December 2021 at which point it becomes a term loan.

The Association has undrawn committed borrowing facilities. The facilities available at 31 March 2018 in respect of which all conditions precedent had been met were as follows:

	2018 £ '000	2017 £ '000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two	3,250	-
Expiring beyond two years	10,000	5,700
Total	13,250	5,700

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2018****NOTES TO THE FINANCIAL STATEMENTS**

Debt is repayable as follows:

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Bank loans				
Within one year	613	608	611	606
Between one and two years	614	610	612	608
Between two and five years	3,473	2,916	3,472	2,913
After five years	13,167	11,894	13,167	11,894
	<u>17,867</u>	<u>16,028</u>	<u>17,862</u>	<u>16,021</u>

The Bank Loans are secured by fixed charges on individual properties.

Interest rate risk

The Association finances its operations through a mixture of retained surpluses and bank borrowings. The Association's exposure to interest rate fluctuations on its borrowings is managed using both embedded fixed and variable rate facilities; this is regularly monitored and reviewed through Treasury updates to each Board meeting and the annual review and approval of the Association's future Treasury Strategy.

As at 31st March 2018, the Association's debt portfolio is split between fixed interest rate debt of £14,412k (80.69%) fixed and variable interest rate debt of and £3,450k (19.31%). The relative proportions of fixed and variable rate debt are reviewed regularly as part of the Association's Treasury Strategy that aims to optimise the balance between minimising market volatility exposure whilst benefiting from currently low interest rates.

Terms of repayment and interest rates

The bank loans are repaid in instalments at a combination of fixed rates of interest of between 2.69% and 9.44% and variable rate of Libor plus 1.75 %. The final instalments to be repaid in the period 2024 to 2030.

The Association's financial liabilities are sterling denominated. The interest rate profile at 31 March was:

	2018 £ '000	2017 £ '000
Variable rate	3,450	1,000
Fixed rate	<u>14,412</u>	<u>15,021</u>
Total	17,862	16,021

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

The proportion of Fixed and Variable rate interest loans at 31st March 2018 was 81% Fixed and 19% variable with new draw-downs at variable rates reflecting current market conditions. New drawings in the year are intended to be at the variable rate, bringing the mix back towards a 75% fixed 25% variable ratio, subject to a review of the association's treasury strategy in the summer of 2018.

The Group's weighted average cost of capital at 31 March 2018 is 3.39%.

Credit risk

The Association's principal credit risk relates to customer arrears. The risk is managed by providing support to eligible customers with their application for Housing Benefit/ Universal Credit and to closely monitor the arrears of self-paying customers. Welfare Reform and resulting changes to the benefits system has been identified as a key risk to the Association and this has been intensively managed and monitored ensuring minimal negative impact to the credit risk of the Association.

In the 12 months to 31st March 2018, the risk and impact of Welfare Reform has been well managed and has had limited impact on current tenant arrears and the outturn remains well within the parameters of the LTFP. Sensitivity and stress testing has been completed against the long-term plan to ensure we can mitigate the impact of future changes. Comprehensive assurance has been provided to the Board and robust controls are in place to continue to monitor and if necessary further respond to this credit risk

Covenant Compliance

Covenant compliance is monitored by the finance department and reported to the Executive Team on a monthly basis. There were no breaches identified in the year.

The following financial covenants are assessed on a quarterly basis for the Association:

1. Interest Cover
 - a. Interest has been calculated at 389%, well in excess of the 110% requirement
2. Gearing
 - a. Gearing, calculated with reference to Net Worth, rather than Housing Properties, was 53.8%, within the requirement to be less than 75%.
3. Asset Cover
 - a. Asset cover is 264% based on valuation subject to tenancy, within the requirement of 125%.