

# **REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2020**

*Registered Co-operative and Community Benefit Society No IP14238R*

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

1. [Company Details](#)

[Leeds & Yorkshire Housing Association Board of Management](#)

**Chair**

C. Michael Gaskell

**Chair of Audit & Risk Committee**

Elizabeth Sandwith CFIIA

**Chair of Remuneration & Nominations Committee (from Jan 2020)**

Anne McMaster

**Chair of Customer Experience Committee**

Jon Prashar

Simon Edwards

Philip Johnson (resigned May 2020)

Adele Rae

Gail Teasdale B.Com, ACA (resigned November 2019)

Victoria Tolmie-Loverseed

Steven Brook (appointed February 2020)

[Executive Directors](#)

**Chief Executive**

Mark Pearson

**Director of Communities & Customer Service**

Gavin Fisk

**Director of Resources and Company Secretary**

Adam Hutchinson

**Director of Assets & Growth**

Joanna Chambers

**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 Regulator of Social Housing, No: LH0704

**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****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**

DTP Ltd

Andrew Gladwin, Director

Richard House

9 Winkley Square

Preston

PR1 3HP

**Section 2 – Chair’s Foreword**

## 2. Chair’s Foreword

The last two years have been extremely challenging for the organisation. However, everyone has worked extremely hard together, as ‘one team’, to make incredible progress in transforming all that we do. I and the rest of the Board have felt genuinely inspired by the dedication and commitment of all involved. I firmly believe that the culture and people make an organisation and LYHA has focused on developing a customer-centric culture, where striving for excellence and doing the right thing are firmly embedded throughout the organisation.



We have successfully overhauled our approach to landlord health and safety, achieving 100% compliance across all elements and refreshed our approach to risk management. This, along with further improvements to how we are governed, led to the Regulator of Social Housing regrading us back to the highest governance rating of G1 in September 2019, after a downgrade to G2 the previous year.

We have further strengthened the Board this year, with new members joining in recent months, as well as restructuring the Executive Team and making some new permanent appointments. This puts us in a strong position to launch our new three-year Corporate Plan (2020-2023) which sets out the next stage in our transformation journey.

I am very aware that we cannot review our last year’s performance without referencing the impact of Covid-19 which has had a significant impact on how we provide our services. Whilst it is too early for us all to fully appreciate the long term effects and implications of the pandemic on our communities and the Association itself, we do know that, in addition to the clear health risks involved, some of our customers will face additional financial hardship and impacts on their mental health and wellbeing. Therefore, significant recovery work will be needed over the coming months to support our customers through this most difficult time.

I give my thanks and appreciation to all our customers who engage with us in so many ways, but particularly to those who dedicate their time, skills and commitment to the work of the Scrutiny Committee and the Customer Experience Committee. You have all been integral to the improvements made at LYHA over the last two years; it couldn’t have happened without you.

There is, as ever, a lot to do but our commitment to collaboration and partnership between our Board members, colleagues and customers, puts us in a strong position to do it.

A handwritten signature in black ink that reads "Michael Gaskell". The signature is written in a cursive style and is enclosed within a thin yellow rectangular border.

Mike Gaskell, Chair

*"To all at Leeds and Yorkshire. Thank you for everything you have done for me in this lockdown." Irene, LYHA Customer*

### 3. CEO's Introduction

The last year has been challenging, but we have all worked hard to make incredible progress in transforming LYHA. And now collaboration and partnership between our colleagues, our Board Members and, most importantly, our customers, is at the heart of everything we do.



We have committed to rebuilding trust with our customers and this is clearly demonstrated on our largest estate, The Elmetes, where

we have invested over £1.3 million across two years in an extensive improvement programme, in close partnership with the customers who live there. We have also had a strong focus on the safety of our homes, undertaking major programmes of work in electrical safety and fire safety. It was pleasing that this focus was recognised by the Regulator of Social Housing, who re-graded us to G1 for governance in 2019, the highest rating.

There is an acute shortage of affordable housing in our region and LYHA has continued to grow, having built

204 new homes over the past three years, whilst continuing to invest in our existing homes. We recently completed our largest new development in many years – the 54-home Catherine's Walk scheme in Barnsley.

Our commitment to continuously improving the customer experience is helping to increase our satisfaction levels, whilst our relentless focus on value for money has ensured that we remain resilient and financially strong. We have continued to invest in, and benefit from, meaningful customer engagement that has helped to shape all improvements, as well as committing time and resources to wider community investment so that we can deliver genuine social value and tangible benefits for our customers.

As we start the new financial year, we are launching a new, three-year Corporate Plan, which aims to build on this success, shaping what we do and how we do it. The Covid-19 pandemic has not changed our strategic objectives but it is likely to impact on how we will deliver on our priorities. We will use these extremely difficult times as a springboard to look at how we do things so we can make improvements for the better. We continue to see the customer voice as critical to how we operate, and we are committed to

"I have been on the Scrutiny Panel now for 4 years ... my voice and our collective voices have been heard and listened to." **Linda , LYHA Customer**

*"We've just got a fresh, modern new kitchen and it's fantastic. We're also getting a new shower and tiling in the bathroom shortly. LYHA are doing so much to improve the properties on The Elmetes, with the new heating system and improvements to our homes."*

**Christine, LYHA Customer**

ensuring that we truly embed this into our DNA, as we tackle these challenges together. I look forward to the next stage in our business transformation as we emerge from this as a stronger organisation with an even stronger partnership with our customers so that we can co-create thriving communities where people can live well.

A handwritten signature in black ink, appearing to read 'M. Pearson'.

Mark Pearson

Chief Executive

## 4. Strategic Review and Value for Money

We are proud to have developed a new three-year Corporate Plan. We firmly believe that everybody deserves a safe, warm and affordable home. However, we are about more than bricks and mortar and we strongly believe that people and communities should be supported to thrive and live well in sustainable tenancies.

### Mission:

We will enable our customers to live well by providing warm, safe and secure homes, by investing in relationships and by delivering great services

### Vision:

To ensure all of our customers live in a home they love and in a community in which they can thrive

Our mission and vision are supported by a set of values that demonstrate how we do things – they reflect our culture of excellence and define our behaviours.

### Values: At LYHA:

- We **BELIEVE** we can be the best community-based housing association.
- As a values-based organisation, we truly **BELIEVE** in our mission and vision.
- We **BELIEVE** that our values define our culture.

**Bold**

**Empathetic**

**Loyal**

**Integrity**

**Ethical**

**Vibrant**

**Engaged**

### Covid-19 Response:

We are developing a recovery plan that will evolve over the coming months. It is accepted that a vaccine will not be widely available for 12 to 18 months. The recovery plan, therefore, will cover this period. The virus will continue to present a risk to a number of areas of the organisation until an effective vaccine or treatment is developed. A vital part of our recovery will be to ensure that the risk of transmission within both the workplace, and our communities, remains as low as reasonably practicable with control measures in place. There is a possibility of a second wave of the virus and so we need to be agile in our response, with the ability to re-introduce and communicate restrictions swiftly to colleagues, customers and other stakeholders.



We will not return to ‘business as usual’ after this - as we recover, this is an opportunity to evolve and improve what we do and how we do it, as we apply some of the key learning acquired over recent months. This is likely to include reducing travel and utilising the technology available that can help to deliver services in other ways. We recognise the importance of communicating effectively during this period in particular.

### Strategic Objectives

Our mission, vision and values are supported by 6 key strategic objectives:

Improving  
Customer  
Experience

Improving  
our Homes

Thriving  
Communities

More new  
homes

A modern business

Good governance and strong finances

#### 4a. Value for Money Strategy

We understand the need to invest in the delivery of our strategic objectives whilst continuing to drive efficiencies and improve the services we deliver. We define value for money in terms of how we deliver against both our financial and non-financial objectives and we measure our performance against others in the sector.

The LYHA Board have designed a scorecard which includes measures and targets that indicate successful delivery of the strategy. The scorecard for 2019/20 is based around the prescribed Value for Money measures indicated in the Regulator’s standard and supplemented with measures that reflect LYHA’s specific objectives. The Board have received updates on performance against the scorecard measures at each meeting, allowing for close oversight of Value for Money at LYHA.

When referring to the LYHA “peer group” in the benchmarks, this is defined as traditional UK housing associations between 1,000 and 6,000 units with less than 10% supported housing and less than 10% non-social housing who submit data to HouseMark.

#### 4b. VFM Investment in Homes

	2019/20	2018/19	2019/20 Target	Variance to target	Benchmark	Variance to benchmark	2020/21 Target
Reinvestment % <sup>1</sup>	<b>10.72%</b>	12.1%	10.6%	0.16%	4.1%	6.62%	8.2%
New Supply Delivered # <sup>1</sup>	<b>72</b>	42	80	<b>-8</b>	25	47	49
New Supply Delivered (Social Housing) % <sup>1</sup>	<b>4.53%</b>	2.8%	5.5%	<b>-0.97%</b>	0.95%	3.58%	2.8%
New Supply Delivered (Non-social Housing) %	-	-	-	-	-	-	-
Gearing <sup>1</sup>	<b>37.6%</b>	35.9%	41.0%	<b>-3.4%</b>	31.7%	5.9%	41.0%
EBITDA MRI <sup>1</sup>	<b>159%</b>	166%	206%	<b>-47%</b>	188%	<b>-29%</b>	177%

Benchmark source

1 2018/19 Sector Scorecard median for LYHA peer group

2019/20 has seen a continued major investment into the supply of new homes. It was anticipated that 80 new homes could be delivered within the year, however, re-programming of a s106 development at Low Moor Meadows in Morley has meant this ambitious target has not been met.

Overall the development programme must still be considered a significant success, delivering 52 homes for affordable rent at schemes we have developed in-house, as well as eight homes for rent acquired through s106 agreements with commercial housebuilders, four of which are let at social rents. 12 homes for shared ownership sale were also delivered in the year. This is a total of 72 new homes in the year.

## LEEDS & YORKSHIRE HOUSING ASSOCIATION

### Year ended 31 March 2020Section 4 – Strategic Review and Value for Money

Our target for 2020/21 is more modest, although still comfortably above the median for our peer group. Our latest long-term plan includes prudent development assumptions due to the impact of the Covid-19 pandemic, but we are optimistic that, should conditions improve, we can exceed this target.

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

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 2019 we identified significant improvement works were required at The Elmetes, our largest scheme and a programme to deliver those works was largely completed in the year, with fewer than 10 installations outstanding (<7%) as a result of the Covid-19 closedown in the spring.

A total of £1,336k was spent on replacing components and improving existing homes.

Component	Investment £'000s
Boilers & Heating	£101
The Elmetes	£1,000
Kitchens & Bathrooms	£145
Other	£90
<b>TOTAL</b>	<b>£1,336</b>

As at 31<sup>st</sup> March 2020, 3 homes (0.2%) 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.

A significant investment into homes has also been made responsively, either upon failure of a component or through renovating properties when they become empty at the end of a tenancy. Volumes of responsive repairs have been steady at approximately 2.5 repairs per home, but average costs rose in the year following an unplanned change of contractor. After consideration of alternative options, we will re-tender for a longer-term contract to deliver this service in 2020. It is expected that this will reduce the average cost of each repair. As noted in s4.f, this change in contractor has not adversely affected satisfaction with the repairs service.

#### 4c. VFM – Delivering Economically

	2019/20	2018/19	2019/20 Target	Variance to target	Benchmark	Variance to benchmark	2020/21 Target
Headline SH CPU	<b>£3,769</b>	£3,880	£3,516	<b>£253</b>	£3,730	<b>£39</b>	£3,542

Benchmark source

2018/19 Sector Scorecard median for LYHA peer group;

In 2019/20 we have exceeded our planned overall cost-per-unit as a result primarily of additional spending on Maintenance and Major Repairs.

## LEEDS & YORKSHIRE HOUSING ASSOCIATION

### Year ended 31 March 2020 Section 4 – Strategic Review and Value for Money

	2019/20	2018/19	2019/20 Target	Variance to target	Benchmark	Variance to benchmark	2020/21 Target
Management	<b>£1,501</b>	£1,466	£1,581	£80	£1,063	<b>-£438</b>	£1,568
Services	<b>£268</b>	£201	£264	<b>-£4</b>	£305	£37	£263
Maintenance	<b>£983</b>	£1,316	£796	<b>-£187</b>	£1,009	£26	£853
Major Repairs	<b>£954</b>	£837	£855	<b>-£99</b>	£661	<b>-£293</b>	£815
Other Costs	<b>£63</b>	£60	£20	<b>-£43</b>	£222	£159	£42

Benchmark source

2018/19 Sector Scorecard median for LYHA peer group;

Maintenance costs have risen for two reasons. Additional expenditure on Fire Safety and additional costs of responsive and void repairs. Guided by our Risk Appetite Statement, we have prioritised the Health and Safety of our Customers. A programme of Fire Risk Assessments, comprising 100% of our blocks was undertaken in the year, to a more rigorous standard than previously commissioned. These assessments identified a range of actions that could improve the safety of our properties, which have been largely implemented, although at an additional cost. Furthermore, there was an unplanned change to the main repairs contractor in the year, which required the imposition of a short-term contract to continue to deliver a high-quality repairs service. This has led to a short-term increase to unit costs in the short-term. The primary aim of delivering a great service was achieved, with customer satisfaction with repairs rising over the year. The short-term contract gave the organisation time to consider all the options for delivering a high-quality, cost effective service in future and we plan to re-tender for a longer-term contract in 2020.

Major repairs costs relate primarily to the replacement heating programme at The Elmetes, referenced above. The target assumed that these costs would be net of a substantial grant that was secured to support this very beneficial programme but timing difference in costs and grant have led to costs reported for 2019/20 exceeding our target. There will be a corresponding improvement to margins in 2020/21 as a result.

#### 4d. VFM Delivering Efficiently

	2019/20	2018/19	2019/20 Target	Variance to target	Benchmark	Variance to benchmark	2020/21 Target
Operating Margin - SHL only <sup>3</sup>	<b>18.8%</b>	0.1%	17.2%	1.6%	27.2%	<b>-8.4%</b>	20.7%
Operating Margin - Overall <sup>3</sup>	<b>22.6%</b>	6.7%	23.0%	<b>-0.4%</b>	22.1%	0.5%	21.7%
ROCE <sup>3</sup>	<b>3.34%</b>	1.4%	3.20%	0.14%	2.8%	0.54%	2.68%

Benchmark source

3 2018/19 Global Accounts median for LYHA peer group

LYHA Report and Financial Statements 31 March 2020 Final

Turnover grew significantly in the period, with income from Social Housing Lettings at £7,207k for the year (2018/19: £6,910k) an increase of £297k or 4.3%. This was positively influenced by:

- a full year of rents receivable from the 34 homes for rent built in 2018/19, and
- part income for the period from the 60 new homes for rent completed in the year.

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 £60k in the year.

The operating margin on Social Housing Lettings, which reflects the underlying business, has recovered as expected from last years' very low figure. The margin remains lower than the peer group as we continue to improve both the fabric of our homes through repairs and maintenance, as well as the quality of the associated service delivery. We expect to make only an incremental improvement in 2020/21 as we pursue our IT and Digital Strategy which will provide the foundation for continued improvements to service delivery and efficiency.

Overall Operating Margin includes the impact of Shared Ownership and fixed asset sales. This margin is higher, as our Shared Ownership programme has performed well (margin 42%), despite the downturn in the housing market suffered in London and the South-east through 2019 – the Yorkshire markets performed strongly. There were slightly lower volumes of sales though, resulting in the small shortfall to target. As at 31<sup>st</sup> March only one shared ownership property remained unsold, with the sale finally completing in May 2020.

#### 4e. VFM Delivering Effectively

	2019/20	2018/19	2019/20 Target	Variance to target	Benchmark	Variance to benchmark	2020/21 Target
Customers satisfied with their most recent repair <sup>2</sup>	<b>89.4%</b>	80%	87.0%	2.4%	87.4%	2.0%	89%
Rent Collected % <sup>1</sup>	<b>100.51%</b>	99.96%	100.1%	0.4%	99.58%	0.93%	100.1%
Total Tenant Arrears % <sup>2</sup>	<b>3.89%</b>	5.52%	4.6%	0.71%	5.50%	-1.61%	3.75%
Void Loss % <sup>2</sup>	<b>1.4%</b>	1.1%	1.0%	<b>0.4%</b>	0.95%	<b>0.45%</b>	1.87%
Colleague Turnover (last 12 months) <sup>2</sup>	<b>25%</b>	8.1%	16.2%	<b>8.8%</b>	13.73%	<b>11.27%</b>	17.1%
Average short-term sick days per employee <sup>2</sup>	<b>3.8</b>	4.5	3.0	<b>0.8</b>	2.31	<b>1.49</b>	3.0
Average long-term sick days per employee <sup>2</sup>	<b>4.3</b>	5.5	5.0	0.7	3.86	<b>0.44</b>	5.0

Benchmark source

LYHA did not undertake a new STAR Customer Satisfaction survey in 2019/20 and therefore the Board determined to review satisfaction related to the repairs service. This measure has the benefit of being updated monthly through the year (1,169 responses overall), and satisfaction with repairs is seen to be a significant driver of overall satisfaction. Despite the unplanned change to contractor in the year this measure has exceeded target, with satisfaction for the final quarter at 93%. We will test overall satisfaction in 2020/21 through quarterly surveys, reverting to the overall satisfaction measure with a target of 80%.

Overall rent collected has exceeded target and has shown a consistent and sustainable improvement, despite the roll-out of Universal Credit. Total tenant arrears show a great improvement in the year, with a stable team in post throughout the year, working to consistent processes. Current Tenant Arrears fell from 3.17% at March 2019 to 2.05% at 31 March 2020. The bad debt provision assumes losses of 50% of debt under six-months old and 100% of debt over six-months old. The rent collection and arrears targets for 2020/21 include the anticipated impact of the Coronavirus pandemic and the impact that the mitigation measures have had on the economy and the personal finances of social housing tenants generally and our customers in particular.

Colleague Turnover has naturally risen in the year from the very low 8.1% in 2018/19. We have implemented quarterly colleague engagement surveys in the year, with engagement scores rising from 81% to 93% in the year, which provides assurance that the turnover rate does not indicate any wider cultural issues in the organisation. The colleague engagement measure will feature on the scorecard in 2020/21.

The Coronavirus pandemic has had an impact on service delivery in late March 2020 and through the first quarter of 2020/21. All office-based colleagues moved to work from home. Key services provided by the Estates Team were initially withdrawn, and then re-implemented in a revised way in line with government guidance. The repairs service was reduced to offering essential repairs only. Other, new services were introduced. We have contacted cohorts of older and vulnerable customers for a welfare call, and instituted recurring calls for those customers who need it. We have clearly and consistently communicated our service offering with customers and colleagues. An enhanced well-being programme has been provided for colleagues to minimise the potential adverse impacts of working remotely. We believe that through these actions we have mitigated, as best we can, the effects of the pandemic, at this time.

## 5. Report of the Board

The Board presents its report and the financial statements for the year ended 31 March 2020.

### Definitions

“The Association” refers to Leeds and Yorkshire Housing Association. “The Group” refers to The Association and three Almshouse charities over which the association exercises control by virtue of its corporate trusteeship: Agnes Marsden Trust, Emily Bentley Homes and Marsden Memorial Homes. There is no legal group entity based on ownership.

### Financial statements and accounting policies

In the production of this report and these Financial Statements, The Group applies the Statement of Recommended Practice as updated in 2018 for Registered Social Housing Providers and has adopted the Accounting Direction for Private Registered Providers of Social Housing 2019. 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 2020, the Association owns 1,587 homes ranging from individual self-contained houses to purpose built estates and from newly constructed buildings to those dating from the Victorian period. The Association also 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 and their 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.

## LEEDS & YORKSHIRE HOUSING ASSOCIATION

### Year ended 31 March 2020Section 5 – Report of the Board

The basis for setting rents for these homes are:

- 1,188 are for social rent, including 76 homes for older people
- 256 are affordable rents
- 79 are sub-market rented (intermediate)
- 13 are market rented
- 51 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 reinvested back into the business.

## Board Members

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

During 2019/20 there was one resignation from the Board and one appointment.

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 Financial Viability Standard.

In May 2017, the Board agreed to remunerate the Chair and other Committee chairs, which was instituted from December 2017. Payments in 2019/20 were made as follows:

Member	Fees
Michael Gaskell (Chair)	£6,000
Elizabeth Sandwith (Chair, Audit & Risk)	£2,000
Jon Prashar (Chair, Customer Experience)	£2,000
Anne McMaster (Chair, Remuneration)	£479
TOTAL	£10,480

## 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.

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

Comprehensive Terms of Reference are in place for the Board and Committees and these have been independently reviewed and enhanced to reflect best practice.

## 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), LYHA 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 Executive developed a comprehensive strategy to deliver the necessary improvements to ensure that our properties are safe and that steps are taken to improve risk management and governance generally. We have maintained regular contact with the Regulator, who regraded LYHA to G1 – the highest Governance rating in September 2019. We retain our V1 for Viability which was confirmed by a Financial Stability check in 2019.

At the time of writing these statements the Regulator had notified LYHA of their intention to conduct a virtual In-Depth Assessment (IDA) in August and September 2020. The Board and Management have been preparing for this assessment through 2020.

## 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.

## 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 three specialist committees: Audit & Risk, Remuneration and Nominations, and Customer Experience.

- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Board approved Anti Money Laundering and Fraud, Bribery and Corruption policies and a Whistleblowing policy
- 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. The Committee takes assurance on the effectiveness of the control framework from a variety of sources, including risk reports, internal audit reports, management assurances and the external audit management letter. The Committee has considered Management's report on the effectiveness of the system of internal control and has reported its findings to the Board.

The Risk Management Policy, approved by the Board, includes a combined assurance approach adopting the principles of Three Lines of Defence. The strategic risk map and register have been thoroughly reviewed by the Board, and an assurance map has been developed to illustrate the depth and quality of risk controls. The Board reviews the risk register at each meeting and delegates the monitoring of the Strategic Risk Map and Register along with the review and assurance of the management actions to the Audit & Risk Committee.

## Business Risks

The risk management processes at LYHA were overhauled in 2018/19 with the introduction of a new risk management policy and an Internal Audit review of the association's risk management arrangements. 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's risk appetite statement has been central to addressing emerging risks in the year: *"Leeds and Yorkshire Housing Association is prepared to take measured and considered risks in the pursuit of its vision to make a positive impact on its people and communities. As a trusted landlord, we will prioritise safety of our customers, people and stakeholders."*

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 Covid-19 Pandemic is the most immediate risk to the business, with a possible materially detrimental impact to cashflows. However, there was £1.5m in cash available at the 31<sup>st</sup> March, following receipt in March of a large grant payment due on completion of the Catherine's Walk development. Furthermore, there is £6.2m of undrawn funding available from the Santander revolving credit facility. There remains work complete but not invoiced at The Elmetes but other capital investment into existing homes ceased through April and May. Only two development projects are committed, with twelve homes (c.£700k) due in Summer 2020, although this is likely to be deferred due to the site shutdown in March and April.

Current tenant arrears had fallen to 2.05% at March 31<sup>st</sup> from 3.17% in March 2019, indicating that many customers were paying on time and in advance, which will be a positive as numbers of customers move from work to support through Universal Credit. Current Tenant Arrears rose to a high 2.47% in May 2020 before falling to 1.82% in July.

The repairs service was reduced to offer only essential repairs, and demand for repairs has been substantially reduced. A small number of colleagues have been furloughed, with grant support accessed through the Coronavirus Job Retention Scheme.

The Executive Team met regularly (initially daily, then three times a week) to review the changing situation and guidance. As the lockdown moved into effect and the situation became less dynamic weekly governance meetings were implemented with the Executive and Board members. The business plan was revised including new economic assumptions and reducing the expectations of income received. Comprehensive stress-testing of the new plan was undertaken with the Board leading on key stresses and scenarios.

All office colleagues are now working from home and successfully delivering services. A framework document has been developed to support individual functions to develop their ongoing responses in an agile way, whether that be recovery work, or adapting to new phases of the pandemic or lockdown.

## Net Current Liabilities

Although the Group reports net current liabilities this results from efficient cash-handling, where the Group looks to minimise drawn cash held at the bank, subject to a minimum £500k threshold. Sufficient loan facilities are available at 48 hour notice to fund activities and creditors.

## 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.

An Internal Audit early in 2019/20 found no issues with statutory H&S compliance, although a number of good practice recommendations were made and accepted, all of which have been assessed as fully implemented within the year, giving the Board good assurance about the strong position of LYHA with regards to Health and Safety compliance.

## Asset & Liability Register

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

- 100% of LYHA homes are either registered with Land Registry or in the process of registration.
- Excluding the homes that are securitised for borrowing purposes, LYHA has circa £31m of borrowing capacity available with 843 homes [53%] currently free from security.

## Co-Regulation & Customers

The Association operates in a co-regulatory way and will notify 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 was re-launched in 2018. The committee is chaired by a Board Member and comprised of a mix of Board Members and Customers. The Committee holds 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 receive an annual self-assessment and oversee strategy and policy development, complaints performance and customer satisfaction with key services.

LYHA values the perspective brought by customer scrutiny of our services. The organisation and training of an effective scrutiny panel has been a key objective in 2019/20 and the panel undertook a successful review of the Estates Service, identifying 16 recommendations for improvement, of which 11 are already fully implemented. The coronavirus pandemic delayed the next scrutiny activity which commenced in June 2020. The object of this scrutiny will be selected by the group, on review of recent performance information.

## 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 was formally reviewed in 2018, with the service commitment on response times moved from 10 days to five days for stage one complaints, in order to improve the customer experience. A summary of this policy is available to all customers on our website and is fully compliant with the Regulators Tenant Involvement & Empowerment Standard. An Internal Audit in February 2020 provided "Substantial" assurance for both the design and operational effectiveness of this service.

LYHA is a member of the Independent Housing Ombudsman [IHO] Scheme. There was one complaint investigation concluded by them during the period 1 April 2019 to 31 March 2020, which found no maladministration by LYHA. With this exception, 100% of cases were dealt

with at stage one and 70% of complaints were upheld. 61.8% of complainants were satisfied with the outcome of their complaint, exceeding our target of 54%.

## Merger Code

The LYHA Board adopted the NHF Merger Code in February 2016 and adheres to the requirements of the code. During the year discussions with one potential partner extended beyond a first stage proposal. However, at its meeting of October 2019, following a thorough review of the options, the Board resolved to remain independent.

## Executive Directors

The Executive Directors include the Chief Executive, Director of Communities and Customer Service, Director of Assets and Growth and Director of Resources.

Mark Pearson, interim Chief Executive from March 2018 was appointed to the role permanently in November 2019.

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. Reflecting on the ongoing coronavirus pandemic, Executive Directors declined the recommended cost of living salary review from April 2020.

Note 10 summarises the Executive Directors remuneration.

## Directors Pensions

The Executive Directors are members of a defined contribution pension scheme run by the Social Housing Pension Scheme (SHPS). They participate in the scheme on the same terms as all other eligible staff whereby the Association matches the contributions of employees to a maximum of 8%.

## Employees

We recognise that we need to recruit, retain and invest in the best people to deliver our Vision, Mission and strategic objectives; 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 2020 LYHA employed 40 colleagues [2019: 37]; 34 on a full-time basis and 6 on a part time basis. 15% 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 and flexible to meet

## **LEEDS & YORKSHIRE HOUSING ASSOCIATION**

### **Year ended 31 March 2020Section 5 – Report of the Board**

our customer expectations. 17.5% 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. In 2019/20 we joined the disability confident scheme, to improve how we recruit, retain and develop disabled people.

#### [Pensions](#)

Following a comprehensive consultation with all affected colleagues, LYHA closed its SHPS defined benefit pensions schemes to further accrual on 1<sup>st</sup> July 2019. Colleagues were moved to a defined contribution scheme, administered by SHPS with the organisation matching colleagues' contributions up to 8%.

#### [Political and Charitable Donations](#)

LYHA made an award of £379 [2018/19: £194] in 2019/20 to local charities.

No donations were made to political parties during the year.

## 6. 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 2018, 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 Cooperative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the group and association and to prevent and detect 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**

**Year ended 31 March 2020 STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE  
REPORT AND FINANCIAL STATEMENTS**

Annual general meeting

The annual general meeting will be held virtually on 17 September 2020.

External auditors

Our external auditors for the 12 months ended 31 March 2020 are Beever and Struthers.

This report of the Board to accompany the audited accounts and financial statements was approved by the LYHA Board of Management on 24 August 2020 and signed by order of the Board by:

A handwritten signature in black ink, appearing to read 'A Hutchinson', with a long, wavy horizontal line extending to the right.

Adam Hutchinson

Company Secretary



## 7. 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 Association) and its subsidiaries (the Group) for the year ended 31 March 2020 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. 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 Group's and of the Association's affairs as at 31 March 2020 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association 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:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## 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 the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association 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 Responsibilities set out on page 23, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 Association for our audit work, for this report, or for the opinions we have formed.




Beever and Struthers, Statutory Auditor  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

Date: 15 September 2020

8. CONSOLIDATED AND ASSOCIATION STATEMENT OF  
COMPREHENSIVE INCOME

	Note	Year ended 31 Mar 2020		Year ended 31 Mar 2019	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
<b>Turnover</b>	2a	8,550	8,493	7,855	7,797
<b>Operating Expenditure</b>		(6,617)	(6,584)	(7,332)	(7,271)
Operating Surplus before gain on disposal of property		1,933	1,909	523	526
Gain on disposal of property, (fixed assets)	6	73	73	265	265
Operating surplus: continuing activities		2,006	1,982	788	791
Interest receivable and other income	7	8	2	8	2
Interest payable and similar charges	7	(796)	(796)	(784)	(783)
Increase in valuation of investment properties	13	-	-	60	60
Movement in fair value of investments		(28)	-	3	-
Surplus for year		<b>1,190</b>	<b>1,188</b>	<b>75</b>	<b>70</b>
<b>Other comprehensive income for the year</b>					
Initial recognition of multi-employer defined benefit scheme	11	-	-	(778)	(778)
Actuarial gain/(loss) in respect of pension schemes	11	1,306	1,306	(517)	(517)
Total comprehensive income for the year		<b>2,496</b>	<b>2,494</b>	<b>(1,220)</b>	<b>(1,225)</b>

The financial statements on pages 27 to 63 were approved and authorised for issue by the Board on 24 August 2020 and were signed on its behalf by:



C. Michael Gaskell  
Chair



Liz Sandwith CFIIA

Elizabeth Sandwith  
Chair Audit and Risk Committee



Adam Hutchinson  
Company Secretary

The consolidated and parent results relate wholly to continuing activities and the notes on pages 31 to 63 form an integral part of these accounts.

**LEEDS & YORKSHIRE HOUSING ASSOCIATION**


**As at 31 March 2020**

**CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION**

**9. CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION**

At 31 March 2020	Note	At 31 March 2020		At 31 March 2019	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
Fixed assets					
Tangible fixed assets - Housing properties	12	58,979	58,635	54,214	53,864
Tangible fixed assets – other	12	448	448	548	548
Investment Properties	13	1,490	1,490	1,490	1,490
Fixed Asset Investments	14	10	10	10	10
		<u>60,927</u>	<u>60,583</u>	<u>56,262</u>	<u>55,912</u>
Current assets					
Properties held for Sale	15	77	77	272	272
Trade and other debtors	16	368	422	420	461
Current Asset investments		127	-	149	-
Cash and cash equivalents		1,538	1,366	1,023	880
		<u>2,110</u>	<u>1,865</u>	<u>1,864</u>	<u>1,613</u>
Creditors: Amounts falling due within one year	17	(2,942)	(2,934)	(1,931)	(1,915)
Net current (liabilities)		<u>(832)</u>	<u>(1,069)</u>	<u>(67)</u>	<u>(302)</u>
Total assets less current liabilities		<u>60,095</u>	<u>59,514</u>	<u>56,195</u>	<u>55,610</u>
Creditors: falling due after more than one year	18	(30,991)	(30,774)	(28,138)	(27,915)
Pension Provision	11	(829)	(829)	(2,278)	(2,278)
Total net assets		<u>28,275</u>	<u>27,911</u>	<u>25,779</u>	<u>25,417</u>
Reserves					
Revenue reserve		28,275	27,911	25,779	25,417
Total reserves		<u>28,275</u>	<u>27,911</u>	<u>25,779</u>	<u>25,417</u>

The notes on pages 31 to 63 form an integral part of these accounts. The financial statements were approved by the Board and authorised for issue on 24 August 2020 and signed on its behalf by:



C. Michael Gaskell

Chair

  
Liz Sandwith CFIIA

Elizabeth Sandwith

Chair Audit and Risk Committee



Adam Hutchinson

Company Secretary

## 10. CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the 12 months ended 31 March 2020

	Income and Expenditure Reserve	Total Reserves
	£ '000	£ '000
Balance at 1 Apr 2018	26,999	26,999
Surplus for the year	75	75
Initial recognition of multi-employer defined benefit pension scheme	(778)	(778)
Actuarial loss in respect of pension schemes	(517)	(517)
Balance at 1 April 2019	25,779	25,779
Surplus for the year	1,190	1,190
Actuarial gain in respect of pension schemes	1,306	1,306
Balance as at 31 March 2020	28,275	28,275

The notes on pages 31 to 63 form an integral part of these accounts.

## 11. CONSOLIDATED STATEMENT OF CASHFLOWS

Statement of Cashflows	Note	Year ended 31 March 20	Year ended 31 March 19
		£ '000	£ '000
Net cash inflow from operating activities	i	3,042	1,753
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,476)	(6,537)
Proceeds from sale of assets & stock		1,296	1,134
Social housing grant – received		524	1,625
Interest received		3	3
		<b>(1,611)</b>	<b>(2,022)</b>
Cash flow from financing activities			
Interest paid		(800)	(708)
Loans received		3,550	3,500
Housing loans repaid		(624)	(611)
Net change in cash and cash equivalents		515	159

**Cash and cash equivalents at beginning of the period**

**1,023**

**863**

**Cash and cash equivalents at end of the period**

**1,538**

**1,023**

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

	2020	2019
	£ '000	£ '000
<b>Surplus for the year</b>	1,190	75
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,185	1,058
Decrease in stock held for sale	195	-
Decrease/(Increase) in Debtors	52	(101)
Increase/(Decrease) in Creditors	452	(39)
(Increase) in Investment properties	-	(60)
Pension costs less contributions payable	(194)	(107)
Movement in fair value of financial instruments	28	(4)
Other adjustments	-	5
Adjustment for current asset disposals	(490)	(411)
Adjustment for carrying value of fixed asset disposals	-	918
<b>Adjustments for investing or financing activities:</b>		
Gain on disposal of fixed assets	(73)	(265)
Grant released in the year	(91)	(92)
Interest and Financing costs	796	784
Interest receivable	(8)	(8)
<b>Net cash inflow from operating activities</b>	<b>3,042</b>	<b>1,753</b>

The notes on pages 31 to 63 form an integral part of these accounts.

## 12. 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 Shire Oak 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 Statement of Recommended Practice for Registered Social Housing Providers (Housing SORP) 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 Association and all of its subsidiary undertakings as at 31 March 2020

#### 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. Although the Group reports net current liabilities this results from efficient cash-handling, with sufficient loan facilities available at 48 hour notice to fund activities and creditors. 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. Although the coronavirus pandemic has had an impact on the levels of rent collected in the early part of 2020, 96.3% of rent charged was collected in April 2020, this is acceptable in the short-term and does not lead management to believe there will be any material issues with liquidity.

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.



**NOTES TO THE FINANCIAL STATEMENTS**

[Significant judgements and estimates](#)

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

[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.

[a. Categorisation of housing properties.](#)

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property are investment properties.

[b. 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.

[c. 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.

[d. Pension and other post-employment benefits.](#)

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are

**NOTES TO THE FINANCIAL STATEMENTS**

based on expected future inflation rates for the respective sector. Further details are given in note 11.

**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.

**a. Accounting for the Social Housing Pension Scheme ('SHPS').**

Assessing the appropriate assumptions required to calculate the current pension deficit requires estimating interest rates, inflation rates, mortality rates and other demographic assumptions. The Association has taken appropriate independent professional actuarial advice in setting their assumptions to calculate the overall SHPS pension deficit.

**b. 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.

**c. 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.

**d. Valuation of investment properties**

Investment properties were valued as at 31 March 2020 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. The valuation broadly corresponds with broader market trends: the ONS house price index showed that property valuations in Yorkshire and Humber had fallen 1% over the 12 months to the end of March 2020. The Hometrack house price index had house prices in Leeds rising by 3.1% for the 12 months to 31st March 2020.

However, the valuation noted the material uncertainty arising from the Coronavirus-19 pandemic. Should the market value of house prices fall as a result of the pandemic and subsequent recession of the economy then the reduction in value of these properties will affect the surplus generated in the year. As an illustration, a 10% fall in the valuation of the properties would reduce overall surplus by c.£150k.

**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.

**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 cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Group has participated in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). The Group closed the defined-benefit scheme to further accrual on 1<sup>st</sup> July 2020, following consultation with all colleagues. The existing Pension Deficit therefore relates to the value of future benefits accrued to current and former staff up to 1<sup>st</sup> July 2019 only.

**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 Development and Property Maintenance Teams. 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.

**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.

[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.

**NOTES TO THE FINANCIAL STATEMENTS**

[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 major components of 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%)
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.

[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.

[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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**

Year ended 31 March 2020

**NOTES TO THE FINANCIAL STATEMENTS**

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

GROUP	2020				2019			
	Turnover	Cost of Sales	Operating expenditure	Operating surplus	Turnover	Cost of Sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	7,207	-	(5,855)	1,352	6,910	-	(6,900)	10
Other social housing activities								
First tranche low cost home	1,170	(680)	-	490	762	(351)	-	411
Supporting people	-	-	(5)	(5)	-	-	(6)	(6)
Management services	55	-	(47)	8	51	-	(45)	6
Other	31	-	(27)	4	47	-	(26)	21
	8,463	(680)	(5,934)	1,849	7,770	(351)	(6,977)	442
Non-social housing activities								
Lettings	87	-	(3)	84	85	-	(4)	81
	87	-	(3)	84	85	-	(4)	81
<b>TOTAL</b>	<b>8,550</b>	<b>(680)</b>	<b>(5,937)</b>	<b>1,933</b>	<b>7,855</b>	<b>(351)</b>	<b>(6,981)</b>	<b>523</b>

**LEEDS & YORKSHIRE HOUSING ASSOCIATION**

**Year ended 31 March 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

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

ASSOCIATION	2020				2019			
	Turnover	Cost of Sales	Operating expenditure	Operating surplus	Turnover	Cost of Sales	Operating expenditure	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	7,131	-	(5,822)	1,309	6,832	-	(6,839)	(7)
Other social housing activities								
First tranche low cost home	1,170	(680)	-	490	762	(351)	-	411
Supporting people	-	-	(5)	(5)	-	-	(6)	(6)
Management services	74	-	(47)	27	71	-	(45)	26
Other	31	-	(27)	4	47	-	(26)	21
	8,406	(680)	(5,901)	1,825	7,712	(351)	(6,916)	445
Non-social housing activities								
Lettings	87	-	(3)	84	85	-	(4)	81
	87	-	(3)	84	85	-	(4)	81
<b>TOTAL</b>	<b>8,493</b>	<b>(680)</b>	<b>(5,904)</b>	<b>1,909</b>	<b>7,797</b>	<b>(351)</b>	<b>(6,920)</b>	<b>526</b>



**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****NOTES TO THE FINANCIAL STATEMENTS****3a. Particulars of income and expenditure from social housing lettings  
- Group**

	2020	2019 restated
	£'000	£'000
Rent receivable net of identifiable service charges and voids	6,484	6,434
Service charge income	463	385
Amortised government grants	91	91
Other Grants	169	-
Turnover from social housing lettings	7,207	6,910
Management	(2,466)	(2,252)
Service charge costs	(440)	(366)
Routine maintenance	(1,164)	(1,157)
Planned maintenance	(451)	(911)
Major Repairs	(232)	(276)
Bad debts	(2)	(43)
Depreciation of housing properties and write off of replaced components	(1,074)	(1,877)
Other costs	(26)	(18)
Operating expenditure on social housing lettings	(5,855)	(6,900)
Operating surplus on social housing lettings	1,352	10
Void losses	102	75

**NOTES TO THE FINANCIAL STATEMENTS**

**3b. Particulars of income and expenditure from social housing lettings  
- Association**

	2020 £'000	2019 restated £'000
Rent receivable net of identifiable service charges and voids	6,415	6,361
Service charge income	461	385
Amortised government grants	86	86
Other grants	169	-
Turnover from social housing lettings	7,131	6,832
Management	(2,463)	(2,240)
Service charge costs	(431)	(355)
Routine maintenance	(1,153)	(1,136)
Planned maintenance	(451)	(911)
Major Repairs	(232)	(276)
Bad debts	(1)	(32)
Depreciation of housing properties and write off of replaced components	(1,066)	(1,870)
SHPS pension	(16)	(8)
Other costs	(9)	(11)
Operating expenditure on social housing lettings	(5,822)	(6,839)
Operating surplus/(deficit) on social housing lettings	1,309	(7)
Void losses	102	75

**NOTES TO THE FINANCIAL STATEMENTS**

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

	2020 £ '000	2019 £ '000
Income – Market Rented Properties	87	85
Expenditure – Market Rented Properties	(3)	(4)
Surplus from non-social housing lettings	84	81

**4. Accommodation in management and development**

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

	Association 2020 No. of Properties		Association 2019 No. of Properties	
	Owned	Managed	Owned	Managed
Social housing				
General housing				
social rent	1,112	1,107	1,108	1,103
affordable rent	256	256	200	200
Housing for older people	76	144	76	144
Low cost home ownership	51	51	40	40
Sub-Market Rented	79	79	79	79
Total	1,574	1,637	1,503	1,566
Non-social housing				
Market Rented	13	13	13	13
Total owned and managed	1,587	1,650	1,516	1,579

At 31st March 2020, the Association had 46 properties currently in development (2019: 88).

**5. Accommodation managed by others**

	2020 No. of Properties	2019 No. of Properties
General needs social housing	5	5

The managing agent is responsible for day to day repairs and cyclical health and safety testing while LYHA remains responsible for the overall condition of the property

**NOTES TO THE FINANCIAL STATEMENTS**

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

		Group		Association	
		2020	2019	2020	2019
		£ '000	£ '000	'000	£ '000
Proceeds of sales		126	372	126	372
Less: costs of sales		(53)	(90)	(53)	(90)
Surplus		73	282	73	282
Capital grant recycled	2	-	(17)	-	(17)
Gain on disposal		73	265	73	265

**7. Net Interest**

		Group		Association	
		2020	2019	2020	2019
		£ '000	£ '000	£ '000	£ '000
Interest receivable and similar income		8	8	2	2
Defined benefit pension charge (SHPS)		51	45	51	45
Loans and bank overdrafts		799	716	799	715
Amortised cost of borrowing		43	42	43	42
Interest payable capitalised on housing		(97)	(19)	(97)	(19)
		796	784	796	783
Net Interest expense		788	776	794	781
Capitalisation rate		3.27%	3.34%	3.27%	3.34%

**NOTES TO THE FINANCIAL STATEMENTS**

**8. Surplus on ordinary activities**

This is arrived at after charging/(crediting):

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Auditors' remuneration (excluding VAT)				
- for audit of the group	16	18	16	18
- for independent exam of subsidiaries	3	6	-	-
Operating lease rentals				
- office equipment and computers	5	5	5	5
Depreciation of housing properties	1,074	1,877	1,066	1,870
Depreciation of other tangible fixed assets	111	56	111	56
Grant income released	(91)	(91)	(86)	(86)

**9. Employees**

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

	2020	2019
	No.	No.
Finance and Corporate Services	8	9
Property Maintenance and Development	6	6
Housing, support and care	22	19
	<hr/>	<hr/>
	36	34

Employee costs:

	2020	2019
	£ '000	£ '000
Wages and salaries	1,238	1,135
Social security costs	112	106
Other pension costs	292	270
	<hr/>	<hr/>
	1,642	1,511

During the year there were no full-time equivalent staff who received remuneration (excluding directors) in excess of £60,000 (2019: 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Key management personnel**

Key management personnel include the Board and Executive Management Team.

	Basic salary & car allowance	Pension contributions	2020 Total	2019 Total
<b>Executive Team</b>				
	£ '000	£ '000	£ '000	£ '000
Chief Executive/Interim CEO	103	7	110	117
Director of Resources	75	5	80	68
Head of Home and Growth/ Director of Assets and Growth	43	4	47	41
Director of Communities and Customer Services	13	1	14	-
<b>Total executive team</b>	<b>234</b>	<b>17</b>	<b>251</b>	<b>226</b>

The Interim CEO was appointed to the role permanently in October 2019. The Head of Home and Growth was promoted to the role of Director of Assets and Growth in January 2020. The third-party consultant acting as Director of Customer Services was appointed to the role of Director of Communities and Customer Services in January 2020. The Association made payments for director services to third parties of £210k during the year (2019 £155k). This involved two third-party consultants holding the interim positions of Director of Customer Services and Head of Asset Management to December 2019.

**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 £103k, (2019: £89k). 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 fee only with no pension contributions accruing.

	Basic salary	Pension contributions	2020 Total	2019 Total
<b>Board Members</b>				
	£ '000	£ '000	£ '000	£ '000
Board members	10	-	10	10

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Social Housing Pension Scheme**

The Association participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

The accounting policy in relation to Pensions is set out on page 35.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 March 2020 by a qualified independent actuary.

**KEY ASSUMPTIONS**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount rate assumption	2.40%	2.30%
Inflation (RPI) assumption	2.63%	3.30%
Inflation (CPI) assumption	1.63%	2.30%
Pensionable earnings increases assumption	2.63%	3.30%
Mortality before retirement	No allowance	No allowance
Proportion married at retirement	75% for males 75% for females	75% for males 75% for females
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance
Discretionary increases	No allowance	No allowance

<b>Life expectancy at age 65</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>
<b>(Years)</b>		
Male retiring in 2020	21.3	21.8
Female retiring in 2020	23.1	23.5
Male retiring in 2040	22.7	23.2
Female retiring in 2040	24.3	24.7

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Social Housing Pension Scheme (continued)**

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	38	134
Expenses	7	6
Net interest expense	51	45
<b>Defined benefit costs recognised in statement of comprehensive income (SoCl)</b>	<b>96</b>	<b>185</b>

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	79	97
Experience gains and losses arising on the plan liabilities - gain (loss)	60	(34)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	128	(25)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,039	(555)
<b>Total amount recognised in Other Comprehensive Income - gain (loss)</b>	<b>1,306</b>	<b>(517)</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**11. Social Housing Pension Scheme (continued)**

**MOVEMENT IN SURPLUS/(DEFICIT) DURING YEAR**

	<b>Period ended 31 March 2020 (£000s)</b>	<b>Period ended 31 March 2019 (£000s)</b>
(Deficit) in scheme at 1 April	(2,278)	(1,824)
Movement in year:		
Employer service cost (net of employee contributions)	(45)	(140)
Employer contributions	28	89
Past service cost	211	159
Net interest/return on assets	(51)	(45)
Remeasurements	1,306	(517)
<b>(Deficit) in scheme at 31 March</b>	<b>(829)</b>	<b>(2,278)</b>

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION**

	<b>Period ended 31 March 2020 (£000s)</b>	<b>Period ended 31 March 2019 (£000s)</b>
Defined benefit obligation at start of period	8,820	7,956
Current service cost	38	134
Expenses	7	6
Interest expense	203	204
Contributions by plan participants	4	16
Actuarial (gains) / losses due to scheme experience	(60)	34
Actuarial (gains) / losses due to changes in demographic assumptions	(128)	25
Actuarial (gains) / losses due to changes in financial assumptions	(1,039)	555
Benefits paid and expenses	(111)	(110)
<b>Defined benefit obligation at end of period</b>	<b>7,734</b>	<b>8,820</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**11. Social Housing Pension Scheme (continued)**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	6,542	6,132
Interest income	152	159
Experience on plan assets (excluding amounts included in interest income) - gain	79	97
Contributions by the employer	239	248
Contributions by plan participants	4	16
Benefits paid and expenses	(111)	(110)
<b>Fair value of plan assets at end of period</b>	<b>6,905</b>	<b>6,542</b>

**12a. Tangible fixed assets – Group housing properties**

Group	Social housing properties held for letting £'000	Social housing properties under construction £'000	Low cost home ownership properties completed £'000	Total £'000
<b>Cost</b>				
At 31 March 2019	60,492	3,136	2,197	65,825
<b>Additions:</b>				
Properties acquired	-	4,891	-	4,891
Works to existing properties	1,336	-	-	1,336
Interest capitalised	-	97	-	97
Schemes completed	6,744	(7,908)	1,164	-
Transfer SO equity to stock	-	-	(437)	(437)
Transfer SO stock to equity	-	-	29	29
Disposals	(167)	-	(48)	(215)
At 31 March 2020	68,405	216	2,905	71,526
<b>Depreciation</b>				
At 31 March 2019	11,569	-	42	11,611
Depreciation charged in year	1,048	-	26	1,074
Released on disposal	(137)	-	(1)	(138)
At 31 March 2020	12,480	-	67	12,547
<b>Net book value</b>				
At 31 March 2020	55,925	216	2,838	58,979

**LEEDS & YORKSHIRE HOUSING ASSOCIATION**

Year ended 31 March 2020

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 March 2019	48,923	3,136	2,155	54,214
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**12a. Tangible fixed assets – Group housing properties (continued)**

Social housing grant

	2020	2019
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,274	2,183
Held as deferred income	8,809	8,298
Total accumulated SHG received at period end	11,083	10,481

Expenditure on works to existing properties

	2020	2019
	£ '000	£ '000
Amounts capitalised	1,336	1,039
Amounts charged to Statement of Comprehensive Income	683	1,187
Total	2,019	2,226
Finance costs		

2020	2019
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**LEEDS & YORKSHIRE HOUSING ASSOCIATION**

Year ended 31 March 2020

**NOTES TO THE FINANCIAL STATEMENTS**

	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	97	19
Housing properties book value, net of depreciation	2020	2019
	£ '000	£ '000
Freehold land and buildings	57,964	53,194
Long leasehold land and buildings	1,015	1,020
	58,979	54,214

## 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 31 March 2019	60,092	3,136	2,197	65,425
Additions:				
Properties acquired	-	4,891	-	4,891
Works to existing properties	1,333	-	-	1,333
Interest capitalised	-	97	-	97
Schemes completed	6,744	(7,908)	1,164	-
Transfer SO equity to stock	-	-	(437)	(437)
Transfer SO stock to equity	-	-	29	29
Disposals	(167)	-	(48)	(215)
At 31 March 2020	68,002	216	2,905	71,123
Depreciation				
At 31 March 2019	11,519	-	42	11,561
Depreciation charged in year	1,040	-	26	1,066
Released on disposal	(138)	-	(1)	(139)
At 31 March 2020	12,421	-	67	12,488

**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****NOTES TO THE FINANCIAL STATEMENTS**

Net book value

At 31 March 2020	55,581	216	2,838	58,635
At 31 March 2019	48,573	3,136	2,155	53,864

Expenditure on works to existing properties

	2020	2019
	£ '000	£ '000
Amounts capitalised	1,333	1,031
Amounts charged to Statement of Comprehensive Income	683	1,187
Total	2,016	2,218

## 12b. Tangible fixed assets – Association housing properties(continued)

Social housing grant

	2020	2019
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,230	2,144
Held as deferred income	8,587	8,071
Total accumulated SHG receivable at period end	10,817	10,215

Finance costs

	2020	2019
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	97	19

Housing properties book value, net of depreciation

	2020	2019
	£ '000	£ '000
Freehold land and buildings	57,620	52,844
Long leasehold land and buildings	1,015	1,020

58,635      53,864

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## 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
<b>Cost</b>						
At 31 March 2019	548	19	114	415	23	1,119
Additions	-	2	-	10	-	12
Disposals	-	(1)	-	(1)	-	(2)
<b>At 31 March 2020</b>	<b>548</b>	<b>20</b>	<b>114</b>	<b>424</b>	<b>23</b>	<b>1,129</b>
<b>Depreciation</b>						
At 31 March 2019	139	14	112	283	23	571
Charged in year	10	2	2	97	-	111
Released on disposal	-	(1)	-	-	-	(1)
<b>At 31 March 2020</b>	<b>149</b>	<b>15</b>	<b>114</b>	<b>380</b>	<b>23</b>	<b>681</b>
<b>Net book value</b>						
At 31 March 2020	399	5	-	44	-	448
<b>At 31 March 2019</b>	<b>409</b>	<b>5</b>	<b>2</b>	<b>132</b>	<b>-</b>	<b>548</b>

**LEEDS & YORKSHIRE HOUSING ASSOCIATION**

Year ended 31 March 2020

**NOTES TO THE FINANCIAL STATEMENTS****13. Investment Properties**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
At start of year	1,490	1,430	1,490	1,430
Additions	-	-	-	-
Gain/(loss) from adjustment in fair value	-	60	-	60
At end of year	1,490	1,490	1,490	1,490

**14. Investment in subsidiaries**

	2020	2019
	£ '000	£ '000
10,000 £1 ordinary shares in Leeds & Yorkshire Property Services Limited	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 2018/19 & 2019/20 the Association provided no management services for Leeds & Yorkshire Property Services Limited and no charges were made.

Three Almshouse, Agnes Marsden Trust, Emily Bentley Homes and Marsden Memorial Homes are consolidated into the group accounts as the Association acts as corporate trustee, no investment in these subsidiaries has been made.

**15. Properties held for sale**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Shared ownership properties				

**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****NOTES TO THE FINANCIAL STATEMENTS**

Completed	32	272	32	272
Work in progress	-	-	-	-
Outright Sale Properties				
Completed	45	-	45	-
Work in progress	-	-	-	-
	<u>77</u>	<u>272</u>	<u>77</u>	<u>272</u>

The £77k reported at 31 March 2020 represents one Shared Ownership home for sale at Catherine's Walk in Barnsley, one property disposal at Townhead Way, Settle and costs incurred for the delayed stock rationalisation project.

**16. Trade and other debtors**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges	309	425	297	409
Less: Provision for bad and doubtful debts	(183)	(267)	(175)	(256)
	<u>126</u>	<u>158</u>	<u>122</u>	<u>153</u>
Other debtors	27	32	27	32
Due from subsidiary	-	-	62	51
Prepayments and accrued income	215	230	211	225
	<u>368</u>	<u>420</u>	<u>422</u>	<u>461</u>

**17. Creditors: amounts falling due within one year**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000



**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****NOTES TO THE FINANCIAL STATEMENTS**

Trade creditors	223	228	222	222
Rent and service charges received	232	172	232	171
Deferred grant income	113	95	108	90
Bank Overdraft	1	1	-	-
Unpaid share capital in subsidiary	10	10	10	10
Other taxation and social security	42	37	42	37
Other creditors	7	17	7	17
Due to group undertakings	-	-	6	7
Accruals and deferred income	1,158	756	1,152	748
Housing loan interest & principal payable	1,156	615	1,155	613
	2,942	1,931	2,934	1,915

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

	Note	Group		Association	
		2020	2019	2020	2019
		£ '000	£ '000	£ '000	£ '000
Bank Loans	25	22,534	20,139	22,534	20,138
Cost of Borrowing		(239)	(281)	(239)	(281)
Deferred grant income	19	8,696	8,203	8,479	7,981
Recycled capital grant fund	20	-	77	-	77
		30,991	28,138	30,774	27,915

**19. Deferred grant income**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000

**LEEDS & YORKSHIRE HOUSING ASSOCIATION****Year ended 31 March 2020****NOTES TO THE FINANCIAL STATEMENTS**

At 1 April 2019	8,298	6,777	8,071	6,545
Grant received in the year	524	1,625	524	1,625
Released to income in the year	(91)	(91)	(86)	(86)
Recycled in period	78	(13)	78	(13)
At 31 March 2020	8,809	8,298	8,587	8,071

Amounts to be released within one year	113	95	108	90
Amounts to be released in more than one year	8,696	8,203	8,479	7,981
	8,809	8,298	8,587	8,071

**20. Recycled capital grant fund**

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
At start of year	(77)	(46)	(77)	(46)
Inputs to fund:				
Grants received from deferred capital grants fund	-	(31)	-	(31)
Interest accrued	(1)	-	(1)	-
Recycling of grant to new build	78	-	78	-
At end of year	-	(77)	-	(77)
Due in more than one year	-	(77)	-	(77)

**21. Non-equity share capital**

	2020	2019
Shares of £1 each issued and fully paid	£	£
At 1 April	9	13
Shares issued during the year	1	-
Shares surrendered during the year	(1)	(4)
At 31 March	9	9

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**22. Capital commitments**

Capital expenditure commitments were as follows:

	2020 £ '000	2019 £ '000
Capital expenditure		
Expenditure contracted for, but not provided in the accounts	1,781	6,711
Expenditure authorised by the Board, but not contracted	8,821	2,413
	<u>10,602</u>	<u>9,124</u>

The expenditure authorised by the Board, but not contracted represents financial commitments made for five future developments and the major repairs programme for the forthcoming year, approved with the annual budget.

The above commitments will be financed from operating cash flow and through borrowings, under existing loan arrangements during 2020/21.

**23. Operating leases**

The future minimum lease payments are as follows:

	Group		Association	
	2020 £ '000	2019 £ '000	2020 £ '000	2019 £ '000
Office equipment and computers expiring;				
Within one year	-	-	-	-
One to five years	3	9	3	9
Over five years	12	-	12	-
	<u>15</u>	<u>9</u>	<u>15</u>	<u>9</u>

**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 2020 was £5,611 (2019 £5,663) and the balance at 31 March 2020 was -£150 in credit (2019 £2).

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

## NOTES TO THE FINANCIAL STATEMENTS

	Transactions in the period		Receivable at the year period	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Agnes Marsden Trust	5	7	15	25
Emily Bentley Homes	5	5	1	1
Marsden Memorial Homes	8	8	46	25
	18	20	62	51

## 25. Financial risk management - Group

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 not measured at amortised cost are:

Financial assets measured at fair value	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Current Asset Investments	127	149	-	-
TOTAL	127	149	-	-

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 £23,689k (see notes 17 & 18), the Association has £6.2m of undrawn and secured facilities available to borrow against. In August 2020, the Board approved long-term financial plan (LTFP) which indicates that further borrowing will be

**NOTES TO THE FINANCIAL STATEMENTS**

necessary in order to deliver the ambition to deliver more homes. The Association will therefore seek additional funding in 2020/21 to finance an additional development programme of c200 homes over five years.

At 31 March 2020, the Association had an undrawn loan facility with the Santander Bank of £6.2m (2019: £9.750m Santander Bank) of the £29.9m facility available.

## 25. Financial risk management (continued)

Current available and drawn facilities are as follows:

Lender	Current Facility Available £'000s	Loan as at 31-Mar- 20 £'000s	Available To Draw at 31-Mar-20 £'000s	Interest Rate% Fixed Inc. Margin %	Interest Rate% Variable Inc. Margin %	Maturity
Santander Fixed Rate	16,980	16,980	-	3.138		2024
Santander Tranche D	10,000	3,800	6,200		2.459	2027
THFC	2,500	2,500	-	3.793		2030
Orchardbrook Ltd	409	409	-	9.153		2030
	29,889	23,689	6,200	3.344		

Santander Tranche D has availability to October 2021 at which point it becomes a term loan.

The Association has undrawn committed borrowing facilities. The facilities available at 31 March 2020 in respect of which all conditions precedent had been met were as follows:

2020	2019
£ '000	£ '000

**NOTES TO THE FINANCIAL STATEMENTS**

Expiring in one year or less	-	-
Expiring in more than one year but not more than two	6,200	-
Expiring beyond two years	-	9,750
Total	6,200	9,750

## 25. Financial risk management (continued)

Debt is repayable as follows:

	Group		Association	
	2020	2019	2020	2019
	£ '000	£ '000	£ '000	£ '000
Bank loans				
Within one year	1,156	615	1,155	613
Between one and two years	1,157	1,156	1,157	1,155
Between two and five years	16,068	3,480	16,068	3,480
After five years	5,309	15,503	5,309	15,503
	23,690	20,754	23,689	20,751

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 2020, the Association's debt portfolio is split between fixed interest rate debt of £19,889k (84%) and variable interest rate debt of £3,800k (16%). 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

**NOTES TO THE FINANCIAL STATEMENTS**

The bank loans are repaid in instalments at a combination of fixed rates of interest of between 3.1% and 9.1% and variable rate of Libor plus 1.65%. 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:

	2020	2019
	£ '000	£ '000
Variable rate	3,800	6,950
Fixed rate	19,889	13,801
Total	<u>23,689</u>	<u>20,751</u>

## 25. Financial risk management (continued)

The proportion of Fixed and Variable rate interest loans at 31st March 2020 was 84% fixed and 16% variable with new drawdowns 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 67% fixed 33% variable ratio, subject to a review of the Association's treasury strategy in the summer of 2020.

The Group's weighted average cost of capital at 31 March 2020 is 3.2%.

### 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 2020, 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 have 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 cover has been calculated at 134.2%, with the requirements to be in excess of the 110%.

**NOTES TO THE FINANCIAL STATEMENTS**

2. Gearing
  - a. Gearing, calculated with reference to Net Worth, rather than Housing Properties, was 64.9%, within the requirement to be less than 80%.
3. Asset Cover
  - a. Asset cover is 177% based on valuation subject to tenancy, within the requirement of 125%.

## 26. Analysis of changes in net debt.

### Group

	At the beginning of the year £ '000	Cash flows £ '000	Non cash movements £ '000	At the end of the year £ '000
Cash and cash equivalents	1,023	515	-	1,538
Housing loans due in one year	(615)	(541)	-	(1,156)
Housing loans due after one year	(20,139)	(2,395)	-	(22,534)
	<u>(19,731)</u>	<u>(2,421)</u>	<u>-</u>	<u>(22,152)</u>

### Association

	At the beginning of the year £ '000	Cash flows £ '000	Non cash movements £ '000	At the end of the year £ '000
Cash and cash equivalents	880	486	-	1,366
Housing loans due in one year	(613)	(542)	-	(1,155)
Housing loans due after one year	(20,138)	(2,396)	-	(22,534)
	<u>(19,871)</u>	<u>(2,452)</u>	<u>-</u>	<u>(22,323)</u>

## 27. Stock Rationalisation

It is the intention of the Association to pursue a stock rationalisation project in 2020, with the objective of transferring its outlying and non-core stock to another registered provider of social housing. This would involve the sale, at existing use value – social housing, of c.150 homes. The project would reduce rental income and also capital and revenue repair and maintenance spend. The NBV of the proposed transfer stock is c.£5m.