



**REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED
31 MARCH 2021**

Registered Co-operative and Community Benefit Society No IP14238R

Table of Contents

1.	Company Details	2
2.	Chair's Foreword	4
3.	CEO's Introduction	6
4.	Strategic Review and Value for Money	8
	4a. Value for Money Strategy	9
	4b. Improving Customer Experience	10
	4c. Thriving Communities	11
	4d. Asset Management	12
	4e. More New Homes	13
	4f. A Modern Business	14
	4g. Good governance and Strong Finances	14
	4h. Coronavirus pandemic	16
5.	Report of the Board	17
6.	Board Responsibilities	26
7.	Independent Auditors Report	28
8.	CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME	32
9.	CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION	33
10.	CONSOLIDATED STATEMENT OF CHANGES IN RESERVES	34
11.	CONSOLIDATED STATEMENT OF CASHFLOWS	35
12.	Notes to the Financial Statements	36

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

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

Anne McMaster

Chair of Customer Experience Committee

Jon Prashar

Simon Edwards

Philip Johnson (resigned May 2020)

Adele Rae

Victoria Tolmie-Loverseed (resigned September 2020)

Steven Brook

Anthony Brown (appointed November 2020)

Ulfat Hussain (appointed November 2020)

Carla Makepeace (appointed November 2020)

Matthew Edgar (appointed November 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 2021

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

2. Chair’s Foreword

The last year has undoubtedly been a year like no other: one in which we have all experienced significant changes to our daily lives as a result of the COVID-19 pandemic. LYHA’s top priority has been supporting our customers through this difficult period, particularly those who may need extra help or have experienced challenges, such as health, unemployment and financial difficulties.

We have continued to provide all our core services but have had to make changes to how we do this to keep everyone (customers,



colleagues and contractors) safe. We have put a Customer Support Fund in place to assist those experiencing hardship and made a promise to customers that nobody would be at risk of losing their home as a result of the pandemic. I and the other Board members have been inspired by the dedication the LYHA team have shown in rising to the challenges of the last year and hope, as we all do, for more settled times ahead.

“I’d like to say on behalf of my mum and myself, a very big thank you for your generosity and kindness in helping us at this very difficult time, through the Customer Support Fund. My mum hasn’t been doing too great recently and we appreciate it greatly.”

Despite the difficult circumstances, I am pleased that there were also many positives to take away from 2020/21. LYHA launched a new Corporate Plan ‘*Together 2023*’ which sets out our new mission, vision and values. It was developed in tandem with our customers and its ethos is all about partnership and collaboration: building on the big strides forward we’ve achieved over the last two years and setting out our bold ambitions for the next three. This was followed in November 2020 by The Regulator of Social Housing’s announcement that LYHA had retained its top G1 V1 rating, after an in-depth assessment (IDA). I was delighted by this result and it is testament to the continued hard work and commitment of our colleagues, board members and engaged customers.

In keeping with our board commitment to excellence in the service of our customers, we have recently welcomed four new board members: Carla Makepeace, Ulfat Hussain, Anthony Brown and Matt Edgar, who bring a diverse range of skills and experience that will be a real asset to us as we further strengthen our governance. We also said goodbye to two previous board members, Philip Johnson and Victoria Tolmie-Loverseed, who I’d like to thank for their valuable contribution to the transformation of LYHA.

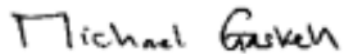
“I am really thrilled to be joining the LYHA team at such an exciting time. With new a Corporate Plan, LYHA is going from strength to strength and I look forward to playing my part in this continued successful journey, ensuring that we provide all our current customers with safe and good quality homes as well as meeting the housing needs of our future customers.” **Ulfat Hussain**

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 2 – Chair’s Foreword

I look forward to the year ahead with optimism. We fully support and welcome the government’s recent Social Housing White Paper, particularly with its focus on a stronger voice for customers, and I am confident that by working in partnership, we will continue to deliver on the key strategic aims set out in our new corporate plan.

A handwritten signature in black ink that reads "Michael Gaskell". The signature is written in a cursive, slightly slanted style.

Mike Gaskell, Chair

3. CEO’s Introduction

2020 turned out to be a year that none of us anticipated and we had to adapt and react to rapidly changing and unprecedented circumstances, whilst at the same time staying true to our mission to *‘enable our customers to live well by providing warm, safe and secure homes, by investing in relationships and by delivering great services.’*



I am proud of the way that the organisation and my colleagues responded, quickly adopting more ‘agile’ and less ‘face to face’ ways of working yet maintaining customer safety and continuing to provide high quality services. We have had positive customer feedback about the level of support we’ve provided, and it has been encouraging to see that satisfaction figures have risen year on year.

As our Chair has already outlined, we have a new three-year Corporate Plan in place. Cascading down from this we have developed a number of individual strategies and action plans including:

- **Improving Customer Experience Strategy** focused on listening to the ‘customer voice’ and improving their overall experience. This includes extending customer engagement to better understand customer needs and embracing and embedding a customer-centric culture.
- **Equality, Diversity & Inclusion Strategy** which defines our approach to tackling inequalities and how we intend to become a more inclusive organisation, ensuring that people from all backgrounds are treated fairly.
- **IT & Digital Strategy** which will allow us to operate more effectively, improve our performance and deliver enhanced services to customers in the ways they want to engage with us

We are firmly committed to helping tackle the housing crisis by delivering high quality, affordable and desirable homes which people feel proud to live in. Over the last year we have built 32 new homes and have ambitious plans to build another 206 over the next three years. To fund this and our other corporate objectives, we have recently secured new loan funding at a record low interest rate of 1.747% from The Housing Finance Corporation.

Stock rationalisation is necessary to ensure we continue to deliver cost efficiencies and the highest levels of service to customers. We have recently sold a small number of homes in the Craven and Pendle districts to a more local housing association, which is in a better position to meet those customers’ needs, enabling us to focus more effectively on servicing homes within our core areas.

Section 3 – CEO’s Introduction

Decarbonisation is one of the biggest challenges facing the whole housing sector and LYHA is committed both to delivering new homes which don’t rely on fossil fuels and to retrofitting our existing properties so that they are as energy efficient and affordable to run as possible. We have recently procured a baseline study to understand the costs and actions required to convert our homes and are working in partnership with other Yorkshire housing associations on a joint decarbonisation plan to achieve our energy efficiency targets.

2021/22 is set to be a busy year with lots of exciting plans to deliver. As we hopefully begin to put the pandemic behind us, there are opportunities to apply some of the key learning of recent months to evolve and improve what we do. I look forward to continuing to work in partnership with our customers to create better ways of working, better ways of delivering services and to co-creating thriving communities where people can live well.



“I purchased a shared ownership home through LYHA in February 2021. The service I received was great, the affordability criteria was easy to follow and the process for being accepted was quicker than expected. Both my partner and I are really happy. It’s in a nice quiet neighbourhood with great views and lovely neighbours.”

A handwritten signature in black ink that reads "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, which was launched in 2020. 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 – we are unafraid to try new things, meaning that we take informed risks to help us be better at what we do.

Empathetic – we understand and always try to see the perspective of others.

Loyal – we are dedicated to what we do for our customers, take responsibility and are ambassadors for LYHA.

Integrity – we always act with honesty and transparency and spend money wisely.

Ethical – we always do the right thing in the right way, rather than take the easy option.

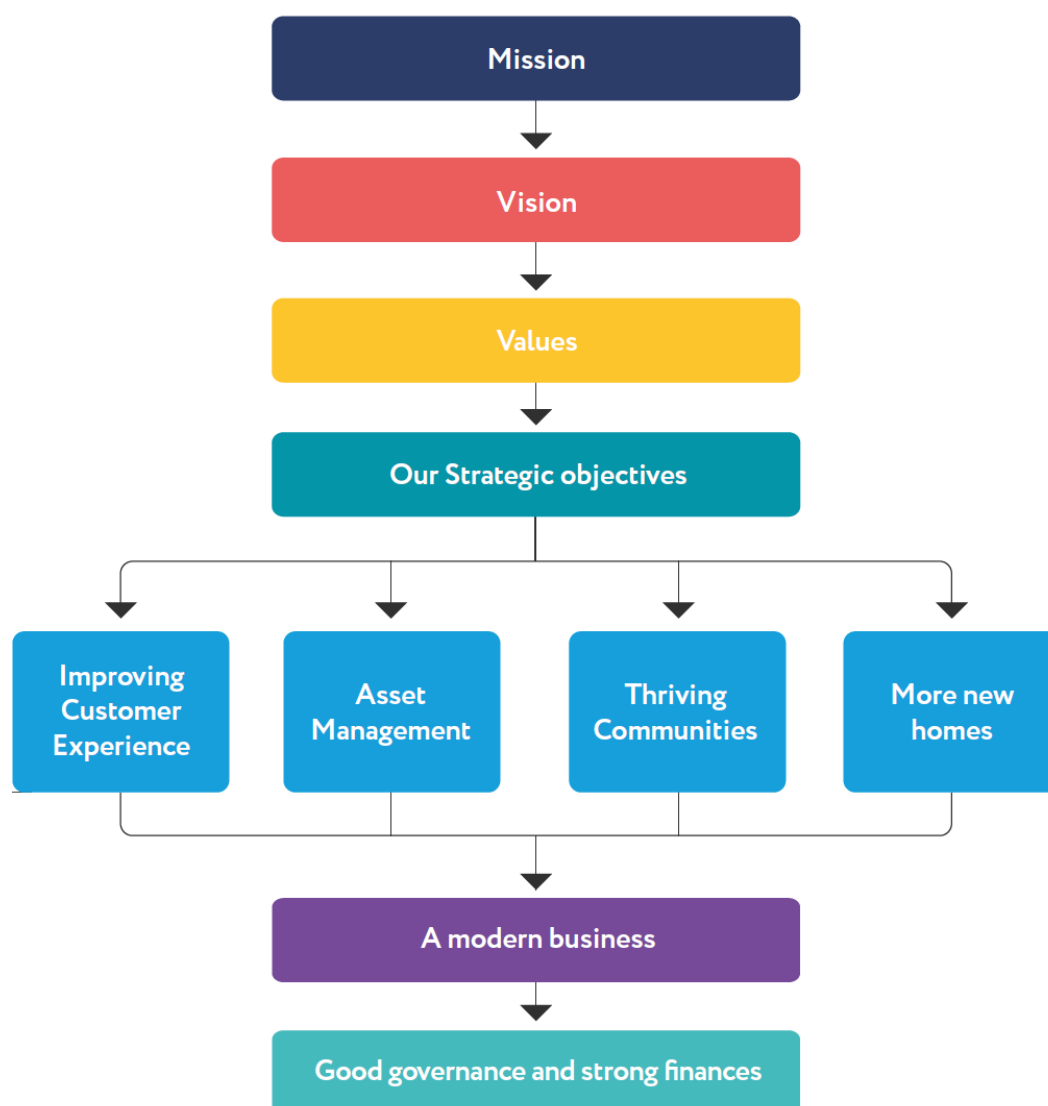
Vibrant – we are dynamic and passionate about delivering excellence and the opportunity we have to make a difference.

Engaged – we work as a team and understand the importance of colleague and customer involvement in how we make decisions.

Section 4 – Strategic Review and Value for Money

Strategic Objectives

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



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 2020/21 is based around the prescribed Value for Money measures indicated in the Regulator’s standard and supplemented with

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

measures that reflect LYHA’s specific objectives. The Board have received updates on performance against the scorecard measures each quarter, 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. Improving Customer Experience

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Customers satisfied with the overall service ¹	73%	70%	80%	7%	87%	14%	76%
Customers satisfied with their most recent repair ²	83.4%	89.4%	89.0%	5.6%	86.6%	3.2%	88%
Rent Collected % ¹	100.23%	100.51%	100.1%	0.13%	99.9%	0.33%	100.1%
Total Tenant Arrears % ²	3.15%	4.45%	4.0%	0.85%	5.23%	2.08%	3.00%

Benchmark source

¹ 2019/20 Sector Scorecard median for LYHA peer group; ² 2020/21 Q3 HouseMark peer group median

Overall Customer satisfaction has now improved for three consecutive years. LYHA introduced a quarterly “tracker” survey for STAR customer satisfaction through 2020/21. Satisfaction peaked in Q1 and Q2 at 76% before falling back to 73% at year-end. 521 surveys were conducted over the year, giving a good degree of confidence in the results. Obviously, it is necessary to consider the impact of the pandemic, and the on-going and restrictive lockdown responses in analysing the results of the survey. Housemark, the data and benchmarking consultancy, have provided research that suggests that, in the sector generally, the impacts of the external environment on customers’ perception of LYHA may be as much as a seven-percentage point reduction:



Section 4 – Strategic Review and Value for Money

We are not complacent about this however, and the Board adopted a new Improving Customer Experience strategy in March 2021, designed to support the objectives of the ‘Together 2023’ corporate plan, the strategy sets out ten actions for 2021/22 across three themes: Customer Engagement, Operational Efficiency, and Customer-centric Culture. The repairs service is key to many customers and satisfaction in this area will remain closely monitored. The repairs service was re-procured in 2020 and we are working with our main contractor across a number of workstreams to design and embed a high quality customer journey.

Overall rent collected has exceeded target and has shown a consistent and sustainable improvement, despite the roll-out of Universal Credit and the impact of the pandemic with increased unemployment and many workers furloughed. Total tenant arrears show a great improvement in the year, with a stable team in post throughout the year, working to consistent processes. Rent collection of over 100% of rent charged in the year shows that inroads have been made into arrears. Current Tenant Arrears fell from 2.46% at March 2020 to 1.69% at 31 March 2021. 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 2021/22 include the anticipated ongoing 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.

4c. Thriving Communities

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
£s well-being generated through community investment	£137,067	£187,659	£150,000	£12,933	n/a	n/a	£150,000
Void Loss %²	1.74%	1.4%	1.87%	0.13%	1.57%	0.17%	1.5%

Benchmark source

² 2020/21 Q3 HouseMark peer group median

Our well-being work to generate social value has been affected by the pandemic in the year. Plans that involved face to face contact have been severely curtailed. A number of projects have delivered substantial social impact however. In particular, our work with the Customer Experience Committee and our Scrutiny group has generated over £50k of well-being improvements, and partnership working to deliver skills training has also delivered £50k of value.

Some of the budget for community investment works was re-purposed this year into our customer support fund, providing support to customers adversely affected by the pandemic. The purpose of this fund is to provide existing customers who are in financial hardship with access to short term support, removing the need to access third party lenders and thereby increasing the sustainability of their tenancy. Additionally, the fund has been used to

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

support new low-income customers to access items like white goods when moving into a new LYHA home.

Support Measure Provided	Number
Food Vouchers	24
White Goods	17
Furniture	5
Payment Assistance	5
Smart Phone	3
Energy Payment	1
Mobile Top up	1
Laptop	1
Microwave	1
Sim Card	1

Expenditure to date is **£12,707.25**, providing 53 customers with varying levels of support dependant on their needs. This averages at £239.76 per award.

The principle reason given by customers for accessing the Customer Support Fund is that they have a low day to day household income. This has been further impacted by Covid-19, with 30% of applicants stating Covid-19 was their primary reason for needing assistance. 90% of all applicants were experiencing some level of hardship irrespective of Covid-19.

Void loss has risen in the year, due primarily to the impact of the pandemic with customers unwilling or unable to move. The target for the year reflected the anticipated difficulties in letting properties and our performance against benchmark indicates that the increase in void loss this year is widespread.

4d. Asset Management

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Reinvestment % ¹	7.71%	10.72%	8.2%	0.49%	5.94%	1.77%	19.8%
Average SAP rating	71	63	65	8	72	1	73

Benchmark source

¹ 2019/20 Sector Scorecard median for LYHA peer group

Reinvestment indicates the total level of spend on new and existing homes. The group's high levels of reinvestment compared to the benchmark reflect, in particular, the on-going and successful delivery of new homes. Investment in our existing homes has also continued through the year with delivery of kitchens, in particular. Works in customers' homes have been problematic this year, with restrictions in the early part of the year as well as anxiety through the period about the ability to work safely. As such, much of the programme this year was refocussed to external and communal works such as roof and window replacements.

A total of £1,227k was spent on replacing components and improving existing homes.

Component	Investment £'000s
Windows, doors & fire doors	£425
Boilers & Heating	£118
Roofs	£323
Kitchens & Bathrooms	£259
Other	£102
TOTAL	£1,227

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

As at 31st March 2021, 4 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 fallen slightly at approximately 2.2 repairs per home, but average costs rose in the year. After consideration of alternative options, we re-tendered for a longer-term contract to deliver the repairs service in 2020. It is expected that this will reduce the average cost of each repair in future.

4e. More New Homes

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
New Supply Delivered # ¹	32	72	37	-5	40.5	-8.5	46
New Supply Delivered (Social Housing) % ¹	1.98%	4.53%	2.5%	-0.52%	1.8%	0.18%	3.96%
New Supply Delivered (Non-social Housing) % ¹	-	-	-	-	-	-	-

Benchmark source

¹ 2019/20 Sector Scorecard median for LYHA peer group

2020/21 has seen a continued major investment into the supply of new homes. It was anticipated that 37 new homes could be delivered within the year, however, the closedown of sites through the first quarter of the year, and subsequent revised working practices on site, have delayed the programme by around six-months.

Overall, the development programme must still be considered a significant success, delivering 12 homes for affordable rent, 10 homes for social rent, 5 homes for intermediate (sub-market) rent and 5 homes for shared ownership. This is a total of 32 new homes in the year. Two shared-owners stair-cased their ownership to 100%, acquiring full ownership of their home, and one social rented property was sold with vacant possession to a private buyer, making a net increase of 29 homes.

Our target for 2021/22 is 46 homes, at 3.96% growth this is comfortably above the median for our peer group. We expect to complete around 200 new homes over the three years of our corporate plan.

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

4f. A Modern Business

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Colleague Engagement ³	85%	93%	90%	5.0%	67%	18%	90%
Average sick days per employee ²	8.6	8.1	8.0	0.6	7.23	1.37	8.0

Benchmark source

³ Median of employers using engagement survey supplier Workbuzz.; ² 2020/21 Q4 HouseMark peer group median

A quarterly colleague engagement survey was implemented in 2019, with engagement scores rising from an initial 81% to 95% in Q2 before falling back to 85% at the end of the year.

Whilst we are disappointed not to sustain our highest levels of engagement, we are mindful of the difficult circumstances our colleagues have encountered this year. A new People and Culture strategy will be launched in 2021/22 with a clear focus on building on our high levels of colleague engagement, which compares very favourably to the benchmark.

80% of sickness absence in 2020/21 was long-term, with a small number of colleagues experiencing lengthy absences from work. We have not seen significant coronavirus-related sickness absences.

4g. Good governance and Strong Finances

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Operating Margin - SHL only ¹	19.8%	18.8%	20.8%	-1.00%	24.58%	-4.78%	19.3%
Operating Margin – Overall ¹	22.8%	22.6%	21.1%	1.70%	23.64%	-0.84%	20.4%
Gearing ¹	51.2%	37.2%	41.0%	-10.20%	30.9%	-20.30%	32.0%
EBITDA MRI ¹	216.7%	190.3%	167%	49.70%	203%	13.70%	203%
ROCE ¹	3.00%	3.34%	2.6%	0.40%	2.69%	0.31%	3.33%

Benchmark source

¹2019/20 Sector Scorecard median for LYHA peer group

It had been expected that a small stock rationalisation project would complete in the year, with LYHA disposing of its homes in Craven and Pendle local authorities. However, this project was delayed until April. The homes for sale were transferred on the balance sheet from Housing Properties to Stock for Sale. One element of this is to reverse out all the social

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

housing grant amortised to date, as the grant liability is to transfer with the stock. This reversal of grant amortisation has affected the turnover and therefore operating margin, bringing the year-end position just slightly short of target. The EBITDAMRI position, which excludes this amortisation is conversely better than target.

Turnover grew significantly in the period, with income from Social Housing Lettings at £7,640k for the year (2019/20: £7,207k) an increase of £433k or 6.0%. This was positively influenced by:

- a first increase in rents from 1st April 2020 of 2.7%
- a full year of rents receivable from the 60 homes for rent built in 2019/20, and
- part income for the period from the 27 new homes for rent completed in the year.

The operating margin on Social Housing Lettings, which reflects the underlying business, has remained consistent with last years' figure. The margin remains slightly 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 2021/22 as we continue to deliver our IT and Digital Strategy which will provide the foundation for continued improvements to service delivery and efficiency in future years.

Gearing was higher than planned at 31st March 2021 with £7.5m of funds received from the THFC loan in short-term investments, rather than held as cash or equivalents. This is a short-term adjustment and does not reflect a sudden, or long-term deterioration in the Association's gearing ratio.

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Headline SH CPU	£3,679	£3,772	£3,635	-£44	£3,817	£138	£3,899

Benchmark source

2019/20 Sector Scorecard median for LYHA peer group

As detailed in the table below, our costs per unit are broadly in line with targets for the year. Maintenance costs are higher than initially anticipated. We have continued to offer a full repairs and maintenance service through the year, with the exception of the first lockdown in Q1. With some evidence of small underspends across other budget we have reprofiled some health & safety works to be carried out within the year, where they might otherwise have been included in programmes for delivery through 2021/22, specifically new electrical supplies to some older buildings and replacement of emergency lighting systems.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 4 – Strategic Review and Value for Money

	2020/21	2019/20	2020/21 Target	Variance to target	Benchmark	Variance to benchmark	2021/22 Target
Management	£1,531	£1,502	£1,593	£62	£1,047	-£484	£1,793
Services	£278	£268	£264	-£14	£262	-£16	£290
Maintenance	£969	£984	£844	-£125	£1,107	£138	£968
Major Repairs	£845	£955	£862	£17	£623.5	-£221.5	£803
Other Costs	£56	£63	£73	£17	£234	£178	£45

Benchmark source

2019/20 Sector Scorecard median for LYHA peer group

We know that Management Costs, although on target, are higher than the peer group. Management costs and Other costs are open to greater interpretation and we know that overall our costs benchmark fairly well. As we are at the smaller end of the benchmark group there are fixed costs of operation that have a disproportionate impact when analysed per unit. As noted above we expect our IT & Digital strategy to deliver efficiency improvements in the longer term, whilst our development programme will drive down the unit cost.

4h. Coronavirus pandemic

The Coronavirus pandemic has inevitably had a significant impact on service delivery through the year. All office-based colleagues moved to work from home in March 2020. Key services provided by our Estates Teams 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 through the first lockdown in quarter 1 of the financial year.

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 additional support. 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 have tracked key performance indicators on a weekly basis through the year and therefore we believe that the actions taken by our engaged and committed staff team have mitigated the worst effects of the pandemic.

5. Report of the Board

The Board presents its report and the financial statements for the year ended 31 March 2021.

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 2021, the Association owns 1,616 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 Trustee 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 2021

Section 5 – Report of the Board

The basis for setting rents for these homes are:

- 1,197 are for social rent, including 76 homes for older people
- 268 are affordable rents
- 84 are sub-market rented (intermediate)
- 13 are market rented
- 54 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 2020/21 there were two resignations from the Board and four new appointments.

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. Furthermore, payment to all Board Members was agreed in February 2020, which commenced in April 2020. Payments in 2020/21 were made as follows:

Member	Fees
Michael Gaskell (Chair)	£6,000
Elizabeth Sandwith (Chair, Audit & Risk)	£3,200
Jon Prashar (Chair, Customer Experience)	£3,200
Anne McMaster (Chair, Remuneration)	£3,200
Victoria Tolmie-Loverseed	£600
Simon Edwards	£1,200
Adele Rae	£1,200
Steven Brook	£1,200

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 5 – Report of the Board

Member	Fees
Anthony Brown	£500
Matthew Edgar	£500
Ulfat Hussain	£500
Carla Makepeace	£500
TOTAL	£21,800

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 Association adopted The National Housing Federation (NHF) Model Rules 2015 as its constitution and the NHF Code of Governance 2015 was adopted by the Board as a formal framework to underpin its governance. The Board have chosen to adopt the NHF Code of Governance 2020 with effect from 2021/22.

Compliance with our chosen 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

The Regulator of Social Housing notified LYHA of their intention to conduct a virtual In-Depth Assessment (IDA) in August 2020. This assessment concluded in November 2020 with a judgement that LYHA should retain its G1/V1 ratings for Governance and Financial Viability.

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. As noted above (pg13) 4 homes were outside the decent homes standard.

Section 5 – Report of the Board

Internal Control Assurance

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

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

- Board approved financial regulations and Scheme of Delegations
- Board Terms of Reference which includes delegated authorities to 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. 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 assurance against key 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.

Section 5 – Report of the Board

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. Furthermore, in 2020 the Board has fundamentally upgraded its Risk Appetite Statement, now detailing a nuanced risk statement for each of the main drivers of risk facing the Association. The Board’s risk appetite statement has been central to addressing emerging risks in the year and a summary is reproduced below:

The table below sets out each risk driver and the risk appetite agreed for each area.

Risk Descriptors						
	Risk Drivers	Averse	Cautious	Balanced	Open	Hungry
1	Income collections/rent compliance/welfare reform					
2	Costs and Inflation					
3	Governance & Culture					
4	Business Plan / Treasury & Funding risks					
5	Data management and integrity/Tech risks					
6	Existing stock/asset management & investment					
7	Development delivery					
8	Health & Safety					
9	Regulatory compliance					
10	Reputation & communities					

Key:

- **Averse** = avoidance of risk and uncertainty as a key organisational objective; prepared only to accept the very lowest level of risk
- **Cautious** = preference for extremely safe business delivery options that have low degrees of inherent risk and only have potential for limited reward
- **Balanced** = preference for safe business delivery options that have a degree of inherent risk and may only have limited potential reward; tending towards only modest risk exposure
- **Open** = willing to consider all potential options and choose the one that is most likely to result in success, while providing an acceptable level of reward
- **Hungry** = eager to be innovative and to choose options with potentially higher returns despite greater inherent risk.

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. Considering the

Section 5 – Report of the Board

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

The Board consider the following three risks to be the most serious facing the Association.

Risk 1 - Failure to understand stock quality and lack of investment, may lead to significant health and safety breaches, disrepair and a failure to achieve our carbon reduction targets.

Our exposure to the carbon-neutrality agenda drives the high profile of risk 1. Our asset management strategy sets out clear shorter-term objectives but delivery of our research into current stock and options, undertaken in collaboration with other local housing associations and supported by asset management consultancy Turner & Townsend, will be key to mitigating this risk. A five-year programme of stock condition surveys has commenced with the 20% target for year one completed in December 2020 and a further 20% of stock expected to be surveyed by July 2021.

Risk 2 - The 2020 COVID-19 Pandemic and resulting national mitigation actions severely impacts colleagues and customers. This results in a reduction in the services provided, reduced rent collections, increased costs, low staff morale and increased stress and mental ill-health. Financial targets are missed, customer satisfaction and community investment is curtailed, new developments and projects are delayed, postponed or cancelled and strategic objectives are not met.

The total risk score has remained the same through the latest pandemic mitigation measures as revised ways of working have made LYHA more resilient to the impact of the pandemic. Consistent highlights of performance include landlord health and safety and current tenant arrears. Whilst there remains a significant risk to the organisation, the position is improving as the Government road map continues to be rolled out in tandem with the highly successful vaccination programme. The longer-term socio-economic impact will be unparalleled, however. Further unemployment is expected in the coming months, in particular once the furlough scheme ceases at the end of September 2021.

Risk 3 - We must keep accurate, up-to-date information to make good decisions. This may become inaccurate or outdated, or may be lost or stolen, resulting in fines, regulatory intervention and a poor reputation with customers.

Cyber-security and data-protection remains a high risk. The three-year IT and Digital strategy approved by the Board in February 2020 will address both the downside and upside risks inherent in working in an ever more digital way with the delivery, in particular, of the Azure Cloud Migration project. This project, which is now materially complete, is key to strategically managing this risk improving resilience and security arrangements as well as permitting for increased end-point protection of all user devices. We will follow the conclusion of that workstream with an independent “external infrastructure” assessment to provide assurance that the project has delivered the intended enhanced security.

Section 5 – Report of the Board

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.

A health check of LYHA's health and safety compliance data was undertaken in October 2020 by independent consultants Pennington Choices Ltd. The scope of the health check was a compliance review focused on data management to provide assurance that data is robust and the new H&S management system, C365, is effectively embedded. Penningtons found that *“Overall, we have full assurance that LYHA is managing compliance effectively”*.

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 £26m of borrowing capacity available with 669 rented homes [41%] currently free from security. Based on an average asset valuation, subject to tenancy of £64,818, and a notional asset cover of 125%. A prudent assumption of 25% of properties are unsuitable for security at MVT due to s106 agreements and undischarged planning obligations.

Going concern

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

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

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.

Section 5 – Report of the Board

LYHA maintains a Customer Experience Committee as a formal part of the LYHA governance structure. The committee is chaired by a Board Member and comprises 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 was completed in 2019/20 and the panel undertook a successful review of the Estates Service. The coronavirus pandemic delayed the next scrutiny activity although the panel was involved in selecting the Association’s main repairs contractor as part of an OJEU compliant procurement which took place in the summer of 2020.

Complaints

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

In 2018 we refreshed our complaints policy, halving our response time target to 5 days and focusing on complaint resolution to improve customer satisfaction. We received top marks in our recent internal audit of complaints and a positive rating in the Housing Ombudsman’s Service new ‘Landlord Performance Report’.

The HOS Complaints Handling code self-assessment was completed and published on LYHA’s website. The most significant change to LYHA’s complaints process has been the move from a 3 to 2 stage internal process as recommended by the Code. Our revised policy went live on 1st April 2021, published on our website here: [Complaints Policy](#)

A total of 57 complaints were responded to in 2020/21, an average of 5 per month. A total of 73.6% of our complaints were responded to within 5 days and our average days to respond was 4.6 days against a target of 5 days. We did not uphold 27.6% of complaints, with 24.1% of complaints partially upheld, and 48.3% of complaints fully upheld.

We successfully resolved 85.7% of complaints at stage 1 of our complaints process in the year, dealing with 2 complaints at stage 2. No complaints escalated to stage 3.

Merger Code

The LYHA Board adopted the NHF Merger Code in February 2016 and adheres to the requirements of the code. No formal approaches were received by the Association in the year.

Executive Directors

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

Section 5 – Report of the Board

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 2021 LYHA employed 43 colleagues [2020: 37]; 35 on a full-time basis and 8 on a part time basis. 16.6% 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 our customer expectations. 19% 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](#)

Colleagues have access to a defined contribution scheme, administered by SHPS, with the organisation matching colleagues' contributions up to 8%.

[Political and Charitable Donations](#)

LYHA made no awards in 2020/21 to local charities [2019/20: £379].

No donations were made to political parties during the year.

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

6. Board Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the Group's and Association's income and expenditure for the year then ended.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 that disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the 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 in England 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 is 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.

Annual general meeting

The annual general meeting will be held virtually on 16 September 2021.

External auditors

Our external auditors for the 12 months ended 31 March 2021 are Beever and Struthers. The auditors have served for five years and a retender exercise has been undertaken in 2021.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

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

Beever and Struthers were successful and will be re-appointed, with a change of Responsible Individual ensuring their on-going independence.

This report of the Board to accompany the audited accounts and financial statements was approved by the LYHA Board of Management on 21 July 2021 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 and Yorkshire Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association 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 in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 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 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.

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.

INDEPENDENT AUDITORS' REPORT

Conclusions relating to going concern

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

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

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

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:

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

INDEPENDENT AUDITORS' REPORT

Responsibilities of the Board

As explained more fully in the Statement of Board Responsibilities set out on page 26, 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.

INDEPENDENT AUDITORS' REPORT

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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



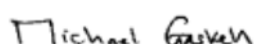
Date: 17 August 2021

CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

8. CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 Mar 2021		Year ended 31 Mar 2020	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
Turnover	2a	8,463	8,370	8,550	8,493
Operating Expenditure		(6,531)	(6,487)	(6,617)	(6,584)
Operating Surplus before gain on disposal of property		1,932	1,883	1,933	1,909
Gain on disposal of property, (fixed assets)	6	150	150	73	73
Operating surplus: continuing activities		2,082	2,033	2,006	1,982
Interest receivable and other income	7	7	1	8	2
Interest payable and similar charges	7	(870)	(870)	(796)	(796)
Increase in valuation of investment properties	13	180	180	-	-
Movement in fair value of investments		30	-	(28)	-
Surplus for year		1,429	1,344	1,190	1,188
Other comprehensive income for the year					
Actuarial (loss)/gain in respect of pension schemes	11	(860)	(860)	1,306	1,306
Total comprehensive income for the year		569	484	2,496	2,494

The financial statements on pages 32 to 68 were approved and authorised for issue by the Board on 21 July 2021 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 36 to 68 form an integral part of these accounts.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

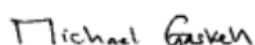
As at 31 March 2021

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION


9. CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Note	At 31 March 2021		At 31 March 2020	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
Fixed assets					
Tangible fixed assets - housing properties	12	60,494	60,152	58,979	58,635
Tangible fixed assets – other	12	539	539	448	448
Investment properties	13	1,670	1,670	1,490	1,490
Fixed asset investments	14	10	10	10	10
		<u>62,713</u>	<u>62,371</u>	<u>60,927</u>	<u>60,583</u>
Current assets					
Properties held for sale	15	1,314	1,314	77	77
Trade and other debtors	16	445	457	368	422
Current asset investments	17	7,567	7,406	127	-
Cash and cash equivalents		948	765	1,538	1,366
		<u>10,274</u>	<u>9,942</u>	<u>2,110</u>	<u>1,865</u>
Creditors: amounts falling due within one year	18	(3,521)	(3,508)	(2,942)	(2,934)
Net current assets/(liabilities)		<u>6,753</u>	<u>6,434</u>	<u>(832)</u>	<u>(1,069)</u>
Total assets less current liabilities		<u>69,466</u>	<u>68,805</u>	<u>60,095</u>	<u>59,514</u>
Creditors: falling due after more than one year	19	(39,132)	(38,920)	(30,991)	(30,774)
Pension provision	11	(1,490)	(1,490)	(829)	(829)
Total net assets		<u>28,844</u>	<u>28,395</u>	<u>28,275</u>	<u>27,911</u>
Reserves					
Revenue reserve		28,844	28,395	28,275	27,911
Total reserves		<u>28,844</u>	<u>28,395</u>	<u>28,275</u>	<u>27,911</u>

The notes on pages 36 to 68 form an integral part of these accounts. The financial statements on pages 32 to 68 were approved by the Board and authorised for issue on 21 July 2021 and signed on its behalf by:



C. Michael Gaskell
Chair


Liz Sandwith CFIIA

Elizabeth Sandwith
Chair Audit and Risk Committee



Adam Hutchinson
Company Secretary

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**10. CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

For the year ended 31 March 2021

	Income and Expenditure Reserve	Total Reserves
	£ '000	£ '000
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	<hr/> 28,275	<hr/> 28,275
Surplus for the year	1,429	1,429
Actuarial loss in respect of pension schemes	(860)	(860)
Balance as at 31 March 2021	<hr/> <hr/> 28,844	<hr/> <hr/> 28,844

The notes on pages 36 to 68 form an integral part of these accounts.

11. CONSOLIDATED STATEMENT OF CASHFLOWS

Statement of Cashflows	Note	Year ended 31 March 21	Year ended 31 March 20
		£ '000	£ '000
Net cash inflow from operating activities	i	3,262	3,042
Cash flow from investing activities			
Purchase of tangible fixed assets		(4,539)	(6,476)
Proceeds from sale of assets & stock		267	1,296
Social housing grant – received		195	524
Interest received		7	3
		(4,070)	(4,653)
Cash flow from financing activities			
Interest paid		(1,013)	(800)
Loans received		14,692	3,550
Housing loans repaid		(6,055)	(624)
Transfers to investment accounts		(7,406)	-
		218	2,126
Net change in cash and cash equivalents		(590)	515
Cash and cash equivalents at beginning of the period		1,538	1,023
Cash and cash equivalents at end of the period		948	1,538

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

	2021	2020
	£ '000	£ '000
Surplus for the year	1,429	1,190
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,309	1,185
Decrease in Shared Ownership stock held for sale	28	195
(Increase)/Decrease in Debtors	(77)	52
Increase Creditors	404	452
(Increase) in Investment properties	(180)	-
Pension costs less contributions payable	(216)	(194)
Movement in fair value of financial instruments	(34)	28
Adjustment for current asset disposals	-	(490)
Adjustments for investing or financing activities:		
Gain on disposal of fixed assets	(150)	(73)
Grant released in the year	(114)	(91)
Interest and Financing costs	870	796
Interest receivable	(7)	(8)
Net cash inflow from operating activities	3,262	3,042

The notes on pages 36 to 68 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 2021

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 reinvestment and development programmes, along with the Group's day to day operations. Although the Group reported net current liabilities in 2020 this has been reversed with the arrangement and completion of new loan funding .

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

Significant judgements and estimates

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.

NOTES TO THE FINANCIAL STATEMENTS

[Significant management judgements](#)

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

[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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2021 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 increased by 14% over the 12 months to the end of March 2021.

[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.

[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.

NOTES TO THE FINANCIAL STATEMENTS

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 1st July 2019, 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 1st 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

[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.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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.

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 2021

NOTES TO THE FINANCIAL STATEMENTS

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

GROUP	2021				2020			
	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	7,640	-	(6,126)	1,514	7,207	-	(5,855)	1,352
Other social housing activities								
First tranche low cost home ownership sales	441	(298)	-	143	1,170	(680)	-	490
Supporting people	-	-	(4)	(4)	-	-	(5)	(5)
Management services	44	-	(26)	18	55	-	(47)	8
Properties previously held for sale	173	(38)	-	135	-	-	-	-
Other	40	-	(37)	3	31	-	(27)	4
	698	(336)	(67)	295	1,256	(680)	(79)	497
Non-social housing activities								
Lettings	90	-	(2)	88	87	-	(3)	84
Other	35	-	-	35	-	-	-	-
	125	-	(2)	123	87	-	(3)	84
TOTAL	8,463	(336)	(6,195)	1,932	8,550	(680)	(5,937)	1,933

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

ASSOCIATION	2021				2020			
	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	7,563	-	(6,082)	1,481	7,131	-	(5,822)	1,309
Other social housing activities								
First tranche low cost home ownership sales	441	(298)	-	143	1,170	(680)	-	490
Supporting people	-	-	(4)	(4)	-	-	(5)	(5)
Management services	63	-	(26)	37	74	-	(47)	27
Properties previously held for sale	173	(38)	-	135	-	-	-	-
Other	40	-	(37)	3	31	-	(27)	4
	<u>717</u>	<u>(336)</u>	<u>(67)</u>	<u>314</u>	<u>1,275</u>	<u>(680)</u>	<u>(79)</u>	<u>516</u>
Non-social housing activities								
Lettings	90	-	(2)	88	87	-	(3)	84
	<u>90</u>	<u>-</u>	<u>(2)</u>	<u>88</u>	<u>87</u>	<u>-</u>	<u>(3)</u>	<u>84</u>
TOTAL	8,370	(336)	(6,151)	1,883	8,493	(680)	(5,904)	1,909

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

3a. Particulars of income and expenditure from social housing lettings

– Group

	2021	2020
	£'000	£'000
Rent receivable net of identifiable service charges and voids	6,997	6,484
Service charge income	469	463
Amortised government grants	114	91
Other Grants	60	169
Turnover from social housing lettings	7,640	7,207
Management	(2,559)	(2,466)
Service charge costs	(465)	(440)
Routine maintenance	(1,154)	(1,164)
Planned maintenance	(465)	(451)
Major Repairs	(185)	(232)
Bad debts	(19)	(2)
Depreciation of housing properties	(1,254)	(1,074)
Other costs	(25)	(26)
Operating expenditure on social housing lettings	(6,126)	(5,855)
Operating surplus on social housing lettings	1,514	1,352
Void losses	130	102

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS3b. Particulars of income and expenditure from social housing lettings
– Association

	2021	2020
	£'000	£'000
Rent receivable net of identifiable service charges and voids	6,927	6,415
Service charge income	467	461
Amortised government grants	109	86
Other grants	60	169
Turnover from social housing lettings	7,563	7,131
Management	(2,550)	(2,463)
Service charge costs	(455)	(431)
Routine maintenance	(1,138)	(1,153)
Planned maintenance	(465)	(451)
Major Repairs	(185)	(232)
Bad debts	(18)	(1)
Depreciation of housing properties	(1,245)	(1,066)
Other costs	(26)	(25)
Operating expenditure on social housing lettings	(6,082)	(5,822)
Operating surplus on social housing lettings	1,481	1,309
Void losses	132	102

NOTES TO THE FINANCIAL STATEMENTS

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

	2021 £ '000	2020 £ '000
Income – Market Rented Properties	90	87
Expenditure – Market Rented Properties	(2)	(3)
Surplus from non-social housing lettings	88	84

4. Accommodation in management and development

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

	Association 2021		Association 2020	
	No. of Properties		No. of Properties	
	Owned	Managed	Owned	Managed
Social housing				
General housing				
social rent	1,121	1,117	1,112	1,107
affordable rent	268	268	256	256
Housing for older people	76	144	76	144
Low cost home ownership	54	54	51	51
Sub-Market Rented	84	84	79	79
Total	1,603	1,667	1,574	1,637
Non-social housing				
Market Rented	13	13	13	13
Total owned and managed	1,616	1,680	1,587	1,650

Owned properties have increased by 32 acquisitions and reduced by three disposals.

At 31st March 2021, the Association had 46 properties currently in development (2020:46).

5. Accommodation managed by others

	2021 No. of Properties	2020 No. of Properties
General needs social housing	4	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.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	'000	'000
Proceeds of sales	269	126	269	126
Less: costs of sales	(119)	(53)	(119)	(53)
Gain on disposal	150	73	150	73

7. Net Interest

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Interest receivable and similar income	7	8	1	2
Defined benefit pension charge (SHPS)	17	51	17	51
Loans and bank overdrafts	818	799	818	799
Amortised cost of borrowing	45	43	45	43
Interest payable capitalised on housing	(10)	(97)	(10)	(97)
	870	796	870	796
Net Interest expense	863	788	869	794
Capitalisation rate	2.69%	3.27%	2.69%	3.27%

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS**8. Surplus on ordinary activities**

This is arrived at after charging/(crediting):

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Auditors' remuneration (excluding VAT)				
- for audit of the group	16	16	16	16
- for independent exam of subsidiaries	3	3	-	-
Operating lease rentals				
- office equipment and computers	5	5	5	5
Depreciation of housing properties	1,254	1,074	1,245	1,066
Depreciation of other tangible fixed assets	55	111	55	111
Grant income released	(114)	(91)	(109)	(86)

9. Employees

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

	2021	2020
	No.	No.
Finance and Corporate Services	10	8
Property Maintenance and Development	8	6
Housing, support and care	23	22
	<hr/>	<hr/>
	41	36

Employee costs:

	2021	2020
	£ '000	£ '000
Wages and salaries	1,433	1,238
Social security costs	134	112
Other pension costs	291	292
	<hr/>	<hr/>
	1,858	1,642

During the year there were no full-time equivalent staff who received remuneration (excluding the Executive Team) in excess of £60,000 (2020: 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.

Executive Team	Basic	Pension	2021	2020
	salary & car allowance	contributions	Total	Total
	£ '000	£ '000	£ '000	£ '000
Chief Executive	108	7	115	110
Director of Resources	81	6	87	80
Director of Assets and Growth	61	4	65	47
Director of Communities and Customer Services	76	6	82	14
Total executive team	326	23	349	251

The Association made payments for director services to third parties of £38k during the year (2020 £210k).

Executive directors

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

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £108k, (2020: £103k). 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. Any increase in salary from 2020 to 2021 derives from a restructuring of the Executive Team, including the appointment of a permanent CEO, and subsequent salary benchmarking exercise in late 2019. Faced with the uncertainty of the pandemic and its impact on customers, the CEO and Executive Directors declined any cost of living increase in 2021.

Board members

All board members have been remunerated from April 2020. Members receive a basic fee only with no pension contributions accruing.

Board Members	Basic salary	Pension	2021	2020
		contributions	Total	Total
	£ '000	£ '000	£ '000	£ '000
Board members	22	-	22	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.

Actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The accounting policy in relation to Pensions is set out on pages 37 and 39.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

11. Social Housing Pension Scheme (continued)

KEY ASSUMPTIONS

	31 March 2021 % per annum	31 March 2020 % per annum
Discount rate assumption	2.17%	2.40%
Inflation (RPI) assumption	3.28%	2.63%
Inflation (CPI) assumption	2.65%	1.63%
Pensionable earnings increase assumption	3.65%	2.63%
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

Life expectancy at age 65 (Years)	31-Mar-21	31-Mar-20
Male retiring in 2021 (2020)	21.4	21.3
Female retiring in 2021 (2020)	23.3	23.1
Male retiring in 2041 (2040)	22.7	22.7
Female retiring in 2041 (2040)	24.9	24.3

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

	Period from 31 March 2020 to 31 March 2021 (£000s)	Period from 31 March 2019 to 31 March 2020 (£000s)
Current service cost	-	38
Expenses	7	7
Net interest expense	17	51
Defined benefit costs recognised in statement of comprehensive income (SoCl)	24	96

NOTES TO THE FINANCIAL STATEMENTS

11. Social Housing Pension Scheme (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2020 to 31 March 2021 (£000s)	Period from 31 March 2019 to 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain	759	79
Experience gains and losses arising on the plan liabilities – (loss) / gain	(2)	60
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(34)	128
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(1,583)	1,039
Total amount recognised in Other Comprehensive Income - (loss) / gain	(860)	1,306

MOVEMENT IN (DEFICIT) DURING YEAR

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
(Deficit) in scheme at 1 April	(829)	(2,278)
Movement in year:		
Employer service cost	(7)	(45)
Employer contributions	223	239
Net interest/return on assets	(17)	(51)
Remeasurements	(860)	1,306
(Deficit) in scheme at 31 March	(1,490)	(829)

NOTES TO THE FINANCIAL STATEMENTS

11. Social Housing Pension Scheme (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	7,734	8,820
Current service cost	-	38
Expenses	7	7
Interest expense	184	203
Contributions by plan participants	-	4
Actuarial losses/(gains) due to scheme experience	2	(60)
Actuarial losses/(gains) due to changes in demographic assumptions	34	(128)
Actuarial losses/(gains) due to changes in financial assumptions	1,583	(1,039)
Benefits paid and expenses	(137)	(111)
Defined benefit obligation at end of period	9,407	7,734

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

	Period ended 31 March 2021 (£000s)	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	6,905	6,542
Interest income	167	152
Experience on plan assets (excluding amounts included in interest income) - gain	759	79
Contributions by the employer	223	239
Contributions by plan participants	-	4
Benefits paid and expenses	(137)	(111)
Fair value of plan assets at end of period	7,917	6,905

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

12a. Tangible fixed assets – Group housing properties

Group	Social housing properties held for letting	Social housing properties under construction	Low cost home ownership properties completed	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 March 2020	68,405	216	2,905	71,526
Additions:				
Properties acquired	-	3,426	-	3,426
Works to existing properties	1,227	-	-	1,227
Interest capitalised	-	10	-	10
Schemes completed	2,404	(2,970)	566	-
Transfer equity to stock	(1,957)	-	(260)	(2,217)
Disposals	(164)	-	(123)	(287)
At 31 March 2021	69,915	682	3,088	73,685
Depreciation				
At 31 March 2020	12,480	-	67	12,547
Depreciation charged in year	1,224	-	30	1,254
Transferred to stock	(440)	-	-	(440)
Released on disposal	(165)	-	(5)	(170)
At 31 March 2021	13,099	-	92	13,191
Net book value				
At 31 March 2021	56,816	682	2,996	60,494
At 31 March 2020	55,925	216	2,838	58,979

Expenditure on works to existing properties	2021	2020
	£ '000	£ '000
Amounts capitalised	1,227	1,336
Amounts charged to Statement of Comprehensive Income	650	683
Total	1,877	2,019

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

Social housing grant	2021	2020
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,388	2,274
Held as deferred income	8,638	8,809
Total accumulated SHG received at period end	<u>11,026</u>	<u>11,083</u>
Finance costs	2021	2020
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	10	97
Housing properties book value, net of depreciation	2021	2020
	£ '000	£ '000
Freehold land and buildings	59,491	57,964
Long leasehold land and buildings	1,003	1,015
	<u>60,494</u>	<u>58,979</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

12b. Tangible fixed assets – Association housing properties

Association	Social housing properties held for letting	Social housing properties under construction	Low cost home ownership properties completed	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 March 2020	68,002	216	2,905	71,123
Additions:				
Properties acquired	-	3,426	-	3,426
Works to existing properties	1,221	-	-	1,221
Interest capitalised	-	10	-	10
Schemes completed	2,404	(2,970)	566	-
Transfer equity to stock	(1,957)	-	(260)	(2,217)
Disposals	(164)	-	(123)	(287)
At 31 March 2021	69,506	682	3,088	73,276

Depreciation

At 31 March 2020	12,421	-	67	12,488
Depreciation charged in year	1,215	-	30	1,245
Transferred to stock	(440)	-	-	(440)
Released on disposal	(164)	-	(5)	(169)
At 31 March 2021	13,032	-	92	13,124

Net book value

At 31 March 2021	56,474	682	2,996	60,152
At 31 March 2020	55,581	216	2,838	58,635

Expenditure on works to existing properties

	2021	2020
	£ '000	£ '000
Amounts capitalised	1,221	1,333
Amounts charged to Statement of Comprehensive Income	650	683
Total	1,871	2,016

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

Social housing grant

	2021	2020
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,339	2,230
Held as deferred income	8,421	8,587
Total accumulated SHG receivable at period end	<u>10,760</u>	<u>10,817</u>

Finance costs

	2021	2020
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	10	97

Housing properties book value, net of depreciation

	2021	2020
	£ '000	£ '000
Freehold land and buildings	59,149	57,620
Long leasehold land and buildings	1,003	1,015
	<u>60,152</u>	<u>58,635</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

12c. Tangible fixed assets – other Group and Association

	Freehold offices	Plant	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 31 March 2020	548	20	114	424	23	1,129
Additions	-	-	-	146	-	146
Disposals	-	-	-	-	-	-
At 31 March 2021	548	20	114	570	23	1,275
Depreciation						
At 31 March 2020	149	15	114	380	23	681
Charged in year	10	2	-	43	-	55
Released on disposal	-	-	-	-	-	-
At 31 March 2021	159	17	114	423	23	736
Net book value						
At 31 March 2021	389	3	-	147	-	539
At 31 March 2020	399	5	-	44	-	448

13. Investment Properties

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
At start of year	1,490	1,490	1,490	1,490
Additions	-	-	-	-
Gain from adjustment in fair value	180	-	180	-
At end of year	1,670	1,490	1,670	1,490

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

14. Investment in subsidiaries

	2021 £ '000	2020 £ '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 2019/20 & 2020/21 the Association provided no management services for Leeds & Yorkshire Property Services Limited and no charges were made.

Three Almshouse Trusts, 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	
	2021 £ '000	2020 £ '000	2021 £ '000	2020 £ '000
Shared ownership properties				
Completed	-	32	-	32
Work in progress	-	-	-	-
Outright Sale Properties				
Completed	1,314	45	1,314	45
Work in progress	-	-	-	-
	1,314	77	1,314	77

The £1,314k reported at 31 March 2021 represents 35 properties identified as part of the stock rationalisation project. These 35 properties were sold in April 2021.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

16. Trade and other debtors

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges	235	309	223	297
Less: Provision for bad and doubtful debts	(154)	(183)	(145)	(175)
	<u>81</u>	<u>126</u>	<u>78</u>	<u>122</u>
Other debtors	152	27	152	27
Due from subsidiary	-	-	18	62
Prepayments and accrued income	212	215	209	211
	<u>445</u>	<u>368</u>	<u>457</u>	<u>422</u>

17. Current asset investments

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
M&G investments	161	127	-	-
THFC interest reserve sinking fund	390	-	390	-
THFC investment account	7,016	-	7,016	-
	<u>7,567</u>	<u>127</u>	<u>7,406</u>	<u>-</u>

The THFC sinking fund is a designated interest-bearing account in respect of The Housing Finance Corporation facility to cover 12 months interest of the nominal £7,500k. The Association is not able to access this fund.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

18. Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Trade creditors	268	223	265	222
Rent and service charges received in advance	301	232	298	232
Deferred grant income	111	113	106	108
Bank overdraft	-	1	-	-
Unpaid share capital in subsidiary	10	10	10	10
Other taxation and social security	46	42	46	42
Other creditors	9	7	9	7
Due to group undertakings	-	-	5	6
Accruals and deferred income	1,443	1,158	1,436	1,152
Housing loan interest & principal payable	1,157	1,156	1,157	1,155
Loan premium	176	-	176	-
	<u>3,521</u>	<u>2,942</u>	<u>3,508</u>	<u>2,934</u>

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

	Note	Group		Association	
		2021	2020	2021	2020
		£ '000	£ '000	£ '000	£ '000
Bank loans	25	26,327	22,534	26,327	22,534
Loan premium		4,625	-	4,625	-
Cost of borrowing		(347)	(239)	(347)	(239)
Deferred grant income	20	8,527	8,696	8,315	8,479
		<u>39,132</u>	<u>30,991</u>	<u>38,920</u>	<u>30,774</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

20. Deferred grant income

	Group		Association	
	2021 £ '000	2020 £ '000	2021 £ '000	2020 £ '000
At 1 April 2020	8,809	8,298	8,587	8,071
Grant received in the year	195	524	195	524
Released to income in the year	(114)	(91)	(109)	(86)
Transferred as part of disposal	(252)	-	(252)	-
Recycled in period	-	78	-	78
At 31 March 2021	<u>8,638</u>	<u>8,809</u>	<u>8,421</u>	<u>8,587</u>
Amounts to be released within one year	111	113	106	108
Amounts to be released in more than one year	8,527	8,696	8,315	8,479
	<u>8,638</u>	<u>8,809</u>	<u>8,421</u>	<u>8,587</u>

21. Non-equity share capital

	2021	2020
Shares of £1 each issued and fully paid	£	£
At 1 April	9	9
Shares issued during the year	4	1
Shares surrendered during the year	<u>(2)</u>	<u>(1)</u>
At 31 March	<u>11</u>	<u>9</u>

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:

	2021 £ '000	2020 £ '000
Capital expenditure		
Expenditure contracted for, but not provided in the accounts	2,349	1,781
Expenditure authorised by the Board, but not contracted	4,497	8,821
	6,846	10,602

The expenditure authorised by the Board, but not contracted represents financial commitments made for two 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 2021/22.

23. Operating leases

The future minimum lease payments are as follows:

	Group		Association	
	2021 £ '000	2020 £ '000	2021 £ '000	2020 £ '000
Office equipment and computers expiring;				
Within one year	2	6	2	6
One to five years	7	8	7	8
Over five years	-	1	-	1
	9	15	9	15

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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 2021 was £5,728 (2020 £5,611) and the balance at 31 March 2021 was £477 (2020 credit £150).

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:

	Transactions in		Receivable at the year	
	the period		period	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Agnes Marsden Trust	5	5	1	15
Emily Bentley Homes	5	5	15	1
Marsden Memorial Homes	8	8	1	46
	<u>18</u>	<u>18</u>	<u>17</u>	<u>62</u>

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	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Current Asset Investments	161	127	-	-
TOTAL	<u>161</u>	<u>127</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Financial risk management (continued)

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 and loan premium of £32,285k (see notes 18 & 19), the Association has £8.75m of undrawn and secured facilities available to borrow against.

At 31 March 2021, the Association had an undrawn loan facility with the Santander Bank of £8.75m (2020: £6.2m Santander Bank) of the £26.1m facility available.

Current available and drawn facilities are as follows:

Lender	Current Facility	Loan as at	Available To Draw at	Interest Rate%		Maturity
	Available	31-Mar-21	31-Mar-21	Fixed Inc. Margin	Variable Inc. Margin	
	£'000s	£'000s	£'000s	%	%	
Santander Fixed Rate	16,100	16,100	-	3.171		2024
Santander RCF	10,000	1,250	8,750	-	1.74	2027
THFC	9,750	9,750	-	2.219		2043
THFC Loan Premium	4,801	4,801	-	1.747		2043
Orchardbrook Ltd	384	384	-	9.437		2030
	<u>41,035</u>	<u>32,285</u>	<u>8,750</u>	<u>2.730</u>		

The Santander RCF has availability to October 2022 at which point it becomes a term loan.

The Association has undrawn committed borrowing facilities. The facilities available at 31 March 2021 in respect of which all conditions precedent had been met were as follows:

	2021	2020
	£ '000	£ '000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two	8,750	6,200
Expiring beyond two years	-	-
Total	<u>8,750</u>	<u>6,200</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Financial risk management (continued)

The Bank Loans are secured by fixed charges on individual properties and debt is repayable as follows:

	Group		Association	
	2021	2020	2021	2020
	£ '000	£ '000	£ '000	£ '000
Bank loans				
Within one year	1,157	1,156	1,157	1,155
Between one and two years	1,159	1,157	1,159	1,157
Between two and five years	15,199	16,068	15,199	16,068
After five years	9,969	5,309	9,969	5,309
Total loans payable	27,484	23,690	27,484	23,689
Premium on THFC loan	4,801	-	4,801	-
Total	32,285	23,690	32,285	23,689

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 2021, the Association's debt portfolio is split between fixed interest rate debt of £31,035k (96%) and variable interest rate debt of £1,250k (4%). The relative proportions of fixed and variable rate debt are reviewed regularly as part of the Association's Treasury Strategy that aims to optimise the balance between minimising market volatility exposure whilst benefiting from currently low interest rates.

Terms of repayment and interest rates

The bank loans are repaid in instalments at a combination of fixed rates of interest of between 1.41% and 9.44% and variable rate of Libor plus 1.65%. The final instalments to be repaid in the period 2024 to 2043.

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

	2021	2020
	£ '000	£ '000
Variable rate	1,250	3,800
Fixed rate	31,035	19,889
Total	32,285	23,689

NOTES TO THE FINANCIAL STATEMENTS

25. Financial risk management (continued)

The Group's weighted average cost of capital at 31 March 2021 is 2.69%.

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.

The 12 months to 21st March 2021 have seen a significant transition towards customers being in receipt of Universal Credit, with changing circumstances created by the pandemic accelerating the change introduced by the full roll-out of universal credit in our operating areas. At the year-end over 30% of LYHA's households were in receipt of universal credit [2020: 20%] and direct receipt of housing benefit payments had fallen from 29.1% of rental income to 25.3%. However, the 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 long-term financial plan.

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 monthly basis for the Association:

1. Interest Cover
 - a. Interest cover has been calculated at 174.8%, with the requirements to be in excess of 110%.
2. Gearing
 - a. Gearing, calculated with reference to historic cost of properties, rather than net worth, was 44%, within the requirement to be less than 55%.
3. Asset Cover
 - a. Asset cover is 221% based on valuation subject to tenancy, within the requirement of 125%.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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	1,538	(590)	-	948
Housing loans due in one year	(1,156)	(1)	-	(1,157)
Housing loans due after one year	(22,534)	(3,793)	-	(26,327)
	<u>(22,152)</u>	<u>(4,384)</u>	-	<u>(26,536)</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	1,366	(601)	-	765
Housing loans due in one year	(1,155)	(2)	-	(1,157)
Housing loans due after one year	(22,534)	(3,793)	-	(26,327)
	<u>(22,323)</u>	<u>(4,396)</u>	-	<u>(26,719)</u>

27. Stock Rationalisation

It is the intention of the Association to pursue stock rationalisation projects in 2021/22, with the objective of transferring its outlying and non-core stock to other registered providers of social housing. This will 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.

The sale of 35 housing units in Craven and Pendle was completed on 30th April 2021. The net book value of assets and grants was transferred to stock for sale at the balance sheet date.