



**REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED
31 MARCH 2019**

Registered Co-operative and Community Benefit Society No IP14238R

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LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2019

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

1. **Company Details**

Leeds & Yorkshire Housing Association Board of Management

Chair

C. Michael Gaskell

Chair of Audit & Risk Committee

Elizabeth Sandwith CFIIA

Chair of Remuneration & Nominations Committee (from Jan 2019),

and Chair of Customer Experience Cttee

Jon Prashar

Simon Edwards

Philip Johnson

Anne McMaster

Adele Rae

Gail Teasdale B.Com, ACA

Victoria Tolmie-Loverseed

David Craig (Resigned January 2019)

Jack Harrington (Chair Remuneration & Nominations Committee July 2018 – Dec 2018)

(Resigned December 2018)

Andrew Orrey FCCA, CIHCM (Resigned January 2019)

Executive Directors

Interim Chief Executive

Mark Pearson

Interim Director of Customer Services

Gavin Fisk

Director of Resources and Company Secretary

Adam Hutchinson

Registered office

2 Shire Oak Road

Headingley

Leeds

West Yorkshire

LS6 2TN

Registered number

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

Registered by the Homes and Community Agency, No: LH0704

LEEDS & YORKSHIRE HOUSING ASSOCIATION

Year ended 31 March 2019

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

External Auditors

Beever and Struthers

St George's House

215 – 219 Chester Road

Manchester

M15 4JE

Internal Auditors

BDO LLP

29 Wellington Street

Leeds

LS1 4DL

Solicitors

Gordons Solicitors LLP

Riverside West

Whitehall Road

Leeds

LS1 4AW

Ward Hadaway

1A Tower Square

Wellington Street

Leeds

LS1 4DL

Bevan Brittan

Whitehall Riverside

Whitehall Road

Leeds

LS1 4BN

Bankers

Santander

Customer Service Centre

Bootle

L30 4GB

National Westminster Bank Plc

8 Park Row

Leeds

LS1 5HD

Treasury Consultant to the Board

David Tolson Partnership

Adrian Joliffe, Director

Richard House

9 Winkley Square

Preston

PR1 3HP

2. Chair’s Foreword

The last financial year was my first full year as Chair of Leeds & Yorkshire Housing Association and it has been a difficult one for many of our tenants, and also for the Board and the staff, as we grappled with some historic failures in relation to health and safety related work, as well as in other aspects of repairs and maintenance. The Interim Chief Executive outlines more about this in his report. However, I am pleased to be able to report to you that he and the whole of the staff team which he leads, have worked tirelessly throughout the year to address those failures. The Board wishes to place on record its appreciation of the efforts which they have put in and the Board fully anticipates that tenants will see even more of the benefit of those efforts throughout the forthcoming year.



The continued and challenging economic climate, and the potential but continuing uncertain impact of Brexit, coupled with the consequences arising from the Grenfell Tower tragedy, mean that safe, quality and affordable social housing continues to be in high demand, and our responsibilities as a Registered Provider mean we must do as much as we can to positively contribute to addressing that demand through our programme of building new homes. That programme is going very well but the needs of our existing tenants will always be our priority.

Having addressed the presenting issues last year, the Board is currently working with the Interim Chief Executive and his team of directors to plot the best long-term future for the Association. We expect to be discussing this with our tenants and other stakeholders in the second half of the year.

Finally, I would like to acknowledge three long-serving board members, David Craig (a former chair), Andy Orrey and Jack Harrington, who retired from the Board during the year. I would like to thank them for their work and wisdom on the Association’s behalf.

We wish all our tenants and stakeholders a happy and fruitful year.

Michael Gaskell

Mike Gaskell

Chair

3. CEO’s Introduction

The social housing sector currently faces significant challenges. There is an acute shortage of affordable housing and considerable political and economic uncertainty surrounding the impact of Brexit; while on a societal level, recent changes to the benefits system, particularly the roll-out of Universal Credit, have led to increased hardship for many families and individuals. The impact of the Grenfell Tower tragedy ensures that providers continue to place health and safety at the very top of the agenda. This all means that demand for safe, high quality social housing continues to grow significantly and housing associations have a very important role to play.



Transformation and growth

Over the last year we have taken significant steps to transform our operations. After discovering some failings last year in terms of health and safety, we self-referred the matter to the Regulator of Social Housing. Consequently, our governance rating was downgraded from G1 to G2, which remains a compliant grade. Over the last 15 months, all colleagues have worked extremely hard to completely overhaul our approach to compliance and I am delighted to report that we are now more robust than ever with performance levels at 100% across all elements of landlord health and safety. Our customers’ safety is of utmost importance and we’ve made significant investment in fire safety measures, including upgraded detection equipment, alarm systems and the recruitment of in-house health and safety inspectors. We’ve also invested in improvements to our stock, particularly our 200-home Elmetes estate where, in partnership with our Elmetes Customer Steering Group, we are undertaking a £1.5m improvement programme. This has already included the installation of cavity wall insulation, recycling stations, fibre broadband and stairwell improvements, and the next stage will be installing a new heating and hot water system.

“The work on our new kitchen has been fantastic. I couldn’t fault a single thing. I absolutely love it. It feels like a new home.”

We have also worked tirelessly to improve our governance, in terms of our approach to health and safety and risk management, and we are hoping that the significant progress and improvements made will be recognised when our governance rating is next reviewed.

Section 3 – CEO’s Introduction

The National Housing Federation’s 2018 ‘Home Truths’ report found a significant lack of affordable homes in Yorkshire, with the average house price being almost seven times the average income. We are keen to play our role in addressing this by building the right homes in the right areas. In 2018/19 this included the completion of our Rosemary Thompson House development for over 55s in Horsforth (Leeds) and the start on-site of the largest new-build scheme that LYHA has undertaken for many years at Catherine’s Walk in Barnsley. We continue to support customers who wish to get a foot on the housing ladder with our Shared Ownership programme. This has proven very popular and the sales revenues generated are all reinvested to fund repairs and maintenance of our existing homes.

Our commitment to ensuring value for money and improving the

customer experience is central to everything that we do. Over the last 12 months we have increased the size of our frontline customer services team and invested in a new telephony system so that we can respond to enquiries more swiftly as well as upskilling the team to deal with more at first point of contact. This has paid dividends: we have received lots of positive feedback from customers and our repairs satisfaction rate has steadily improved throughout the year, rising to 87.5% for the month of March 2019. Whilst we know that there is still considerable progress to be made, we are confident that we are headed in the right direction.



“The new phone system is so much better. Calls are answered more promptly than they used to be and even if I don’t get to speak to someone straight away, I’m happier to wait knowing where I am in the queue and what my wait time will be.”

Our partnership approach

Whilst we await an update from Government on last year’s Social Housing Green Paper, particularly in terms of increased consumer regulation and strengthening dialogue between landlords and tenants, I should highlight that is something LYHA is already extremely committed to continuing to improve. The positive improvements that we have made to our services have all been informed by customer engagement. After all, there’s no-one better placed to tell us about the services we provide than the real experts – our customers. Over the last year I am proud to say we have invested significant time and resources in forging stronger relationships with residents. This ranges from regular, informal drop-in events around our estates, to our refreshed Scrutiny Panel and Customer Experience Committee (a sub-committee of our Board) that meets every quarter to co-produce strategies/policies and holds us to account on customer related issues.

These improved relationships are credit to the hard work of my passionate team of colleagues here at LYHA. I believe investing in training and developing our people is fundamental to developing a customer-focused culture, where striving for excellence and ‘doing the right thing’ are firmly embedded throughout the organisation. Since joining 18 months ago, I have been consistently impressed by the dedication and commitment shown by staff to drive forward the improvements needed.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

Section 3 – CEO’s Introduction

Our future direction

I look forward to the year ahead and the next stage in our business transformation. As this report highlights, our underlying financial performance remains strong and we have been able to undertake significant additional investment in Health & Safety and The Elmetes within our loan covenants. If we keep focussing on improvement, through enhanced, streamlined services, I believe we are well placed to deliver increased customer satisfaction.

Our vision is “to provide excellent quality homes and services that make a positive impact on people and communities” and over the coming months it’s my ambition for LYHA to commit time and resources to wider community investment activity that will deliver genuine social value and tangible benefits for our customers. There is, as ever, a lot to do but working with a dedicated and committed team of colleagues, Board members and engaged customers, I feel confident we can do it.

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

Mark Pearson

Chief Executive

4. Strategic Review and Value for Money

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

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

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

Supported by three strategic priorities:

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

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

The Leeds and Yorkshire Housing Association (LYHA) Values are:

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

Section 4 – Strategic Review and Value for Money

4b. Value for Money Strategy

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

The LYHA board have designed a Scorecard which includes measures and targets that indicate successful delivery of the strategy. The scorecard for 2018/19 is based around the prescribed Value for Money measures indicated in the Regulator’s standard and supplemented with measures that reflect LYHA’s specific objectives. The Board have received updates on performance against the scorecard measures at each meeting, allowing for close oversight of Value for Money at LYHA.

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

4c. VFM Investment in Homes

	2018/19	2017/18	2018/19 Target	Variance to target	Benchmark	Variance to benchmark	2019/20 Target
Reinvestment % ¹	12.1%	12.3%	13.5%	-1.44%	5.49%	6.58%	10.6%
New Supply Delivered # ¹	42	90	46	-4	21	21	80
New Supply Delivered (Social Housing) % ¹	2.8%	6.1%	2.7%	0.1%	2.2%	0.57%	5.5%
New Supply Delivered (Non-social Housing) %	-	-	-	-	-	-	-
3. Gearing ²	35.9%	34.5%	37.0%	-0.60%	34.0%	2.4%	41.0%
4. EBITDA MRI ¹	166%	398%	198%	-32%	220%	-54%	206%

Benchmark source

1 2017/18 Sector Scorecard median for LYHA peer group; 2 2017/18 Q3 HouseMark peer group median;

3 2017/18 Global Accounts median for LYHA peer group

2018/19 has seen a continued major investment into the supply of new homes. It was anticipated that 46 new homes could be delivered within the year, however, delays on-site at our Woodlands development in Horsforth has meant this ambitious target has not been met.

Overall the development programme must still be considered a significant success, delivering 12 homes for affordable rent at schemes we have developed in-house, as well as 22 homes for rent acquired through s106 agreements with commercial housebuilders, ten of which are

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

Section 4 – Strategic Review and Value for Money

let at social rents. Eight homes for shared ownership sale were also delivered in the year. This is a total of 42 new homes in the year.

Our 2017/18 VFM plan identified a target of 190 new homes to be delivered by March 2020 and it is expected that this will be exceeded with 90 homes completed in 2017/18, 42 homes completed in 2018/19 and 80 forecast for 2019/20.

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

Investment in our existing homes has continued through the year with delivery of kitchens, bathrooms and windows into our homes, as well as a significant gas boiler replacement programme. Additionally, in the early part of 2018 we identified significant improvement works were required at The Elmetes, our largest scheme and a programme to deliver those works commenced in the year, to be completed in 2019/20.

A total of £1,039k was spent on replacing components and improving existing homes.

Component	Investment £'000s
Boilers & Heating	£159
The Elmetes	£355
Kitchens & Bathrooms	£283
Roofing	£10
Windows and Fire Doors	£182
Other	£50
TOTAL	£1,039

As part of our VFM strategy we have also identified a number of homes which are of greater value in delivering our objectives when sold for their market value. Three homes were disposed of in 2018/19. The sale of these three properties generated a surplus of £265k which is sufficient to fund at least one-for-one replacement with modern properties.

As at the time of writing these Statements, 9 homes (0.62%) 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.

4d. VFM – Delivering Economically

	2018/19	2017/18	2018/19 Target	Variance to target	Benchmark	Variance to benchmark	2019/20 Target
Headline SH CPU	£3,880	£2,717	£3,621	-£244	£3,041	-£824	£3,516

Benchmark source

2017/18 Global Accounts best quartile for LYHA peer group

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2019

Section 4 – Strategic Review and Value for Money

2018/19 has been a challenging year with a number of very significant issues to address. The two most fundamental issues have been ensuring the electrical safety of all our homes and improving the heating of The Elmetes. These projects have seen material additional costs incurred, however that is secondary to delivering LYHA’s mission of “Quality, affordable homes”. These costs were not unexpected: reference was made to the anticipated additional costs in this report last year and LYHA’s financial plan was updated in July 2018 to reflect the increased costs expected in the short-term.

The board re-affirmed the association’s risk appetite statement in 2018, reflecting the paramount importance of customer safety, and the subsequent investment decisions were taken as a reflection of that fundamental requirement, with achieving an improved financial return traded-off for the safety enhancements.

The costs of assuring our customers, our regulator and ourselves of the health and safety compliance of our homes has been significant this year. The largest element has been the programme of electrical testing and remedial works that has been undertaken in over 75% of homes this year. This has been effective, with 100% of homes now evidencing a satisfactory electrical inspection within the last ten years. Following the completion of the 2019/20 programme, 100% of homes will have had a satisfactory inspection within 5 years and this will be maintained in future. Additionally, we have been completing works subsequent to Fire Risk Assessments and installing smoke alarms in all properties. The additional costs of Health and Safety compliance this year, above and beyond “normal running” were £552k, equivalent to £350 for each property.

Cost per Property	As per Accounts	Additional Costs of Elmetes	Additional H&S Costs	Underlying Costs	2017/18	Best Quartile
Management	£1,466	£58	£18	£1,390	£1,208	£833
Services	£201	-	-	£201	£177	£183
Maintenance	£1,316	£6	£332	£978	£791	£811
Major Repairs	£837	£308		£529	£503	£491
Other Costs	£60	-	-	£60	£55	£69
TOTAL	£3,880	£372	£350	£3,158	£2,734	£3,041

Benchmark source
 2017/18 Global Accounts best quartile for LYHA peer group

Additional costs have also been incurred in the year to redress the issues at The Elmetes, our largest estate. Significant investment was made in 2014 into an innovative infra-red heating system that has not delivered the benefits that were anticipated. The costs of remedying the situation have been £588k in 2018/19, equivalent to £372 per property. Additionally, £846k of accelerated depreciation was incurred in the year which does not feature in the cost-per-unit analysis. A further £700k (£462 per unit) is included in the budget for 2019/20.

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2019

Section 4 – Strategic Review and Value for Money

Excluding the costs of these two projects, the underlying costs of the business compare reasonably well with the peer group at £3,158 per unit (2018: £2,734). The 2017/18 median for our peer group was £3,527 and top quartile was £4,621. The increase in total cost is £424. The material changes are in Management costs and Maintenance. Management costs have increase primarily due to having a full complement of staff and associated costs throughout the year, where 2017/18 saw significant staff vacancies. Maintenance costs have increased as a result of increased costs and volumes of day to day repairs, as well as higher levels of tenancy turnover leading to higher void refurbishment costs. The Property Services team has been restructured to introduce a Contract Manager role to provide better oversight and control in these two areas.

4e. VFM Delivering Efficiently

	2018/19	2017/18	2018/19 Target	Variance to target	Benchmark	Variance to benchmark	2019/20 Target
Operating Margin - SHL only ³	0.1%	31.7%	8.8%	-7.8%	28.3%	-27.3%	17.2%
Operating Margin - Overall ³	6.7%	34.1%	13.6%	-6.3%	25.9%	-18.6%	23.0%
ROCE ³	1.4%	4.97%	2.42%	-1.02%	2.94%	-1.54%	3.20%

Benchmark source

3 2017/18 Global Accounts median for LYHA peer group

Turnover grew significantly in the period, with income from Social Housing Lettings at £6,910k for the year (2017/18: £6,649) an increase of £275k or 3.9%. This was positively influenced by:

- a full year of rents receivable from the 77 homes for rent built in 2017/18, and
- part income for the period from the 34 new homes for rent completed in the year.

These factors have more than off-set the annual 1% reduction in social and affordable rents that took effect from 1st April 2016, which it is estimated reduced LYHA income receivable by £60k in the year.

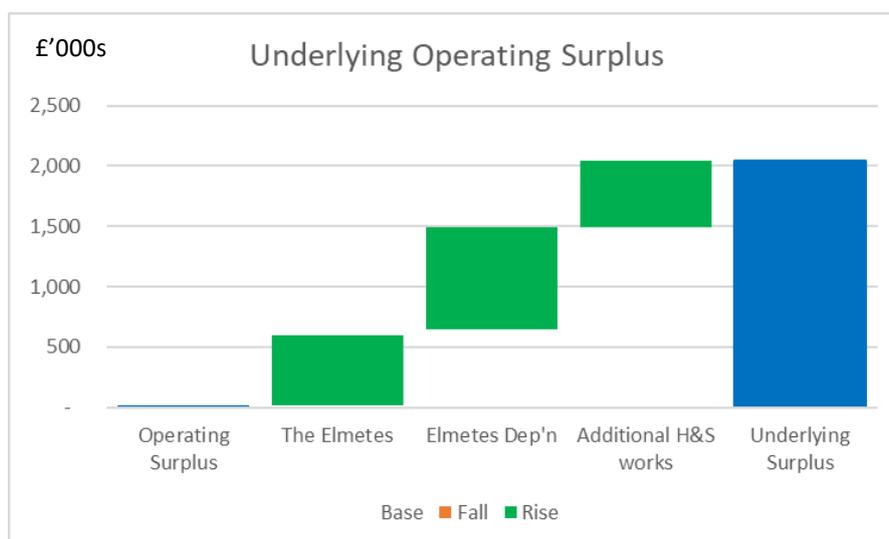
The operating margin on Social Housing Lettings, which reflects the underlying business, has declined significantly in the period to 0.1% (2017/18: 31.8%), as expected and for the reasons noted in 4d above. Excluding the costs outlined above relating to Health & Safety and The Elmetes, which are not expected to recur indefinitely, the Operating Surplus would improve from £10k to £1,996k, which represents a margin of 28.9% and compares well with the peer group.

Overall Operating Margin includes the impact of Shared Ownership and fixed asset sales. Shared Ownership remains a new area for LYHA, with the first homes sold in 2016, however the programme is now established and 10 sales during the year have contributed £411k to

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12 months to 31 March 2019

Section 4 – Strategic Review and Value for Money

the surplus at an average margin of 53.9%. This tenure will continue to feature in development plans, with a further 22 sales planned for 2019/20.



Fixed assets sales contributed £265k to the surplus or 3.4% to Overall Operating Margin. No sales are currently anticipated in 2019/20, however there are a number of higher-value properties kept under review should they become empty during the year.

4f. VFM Delivering Effectively

	2018/19	2017/18	2018/19 Target	Variance to target	Benchmark	Variance to benchmark	2019/20 Target
Customers satisfied with the overall service ¹	70%	66.2%	90.0%	-20%	88.0%	-18%	75.0%
Rent Collected % ¹	99.96%	98.8%	100.1%	-0.1%	99.98%	0.0%	100.1%
Current Tenant Arrears % ¹	3.17%	4.3%	3.8%	0.6%	3.42%	0.25%	3.0%
Former Tenant Arrears % ¹	2.35%	1.8%	1.6%	-0.8%	0.98%	-1.37%	1.60%
Void Loss % ¹	1.1%	1.0%	1.0%	-0.1%	1.06%	-0.02%	1.0%
Colleague Turnover (last 12 months)	8.1%	53.1%	11.0%	2.9%	11.60%	3.50%	16.2%
Average short-term sick days per employee	4.5	2.2	2.2	-2.3	2.2	-2.3	3.0
Average long-term sick days per employee	5.5	4.3	4.3	-1.2	4.3	-1.2	5.0

Benchmark source

1 2017/18 Sector Scorecard median for LYHA peer group

Section 4 – Strategic Review and Value for Money

It is pleasing to note the improvement in Customer Satisfaction, following the significant work undertaken in this area in 2018/19 but the result is still far short of our expectations. This remains an area of intense focus. As noted below the Corporate Action Plan includes a number of projects planned with the intention of improving satisfaction, including the customer services programme, enhanced scrutiny, community investment, and revising our repairs processes.

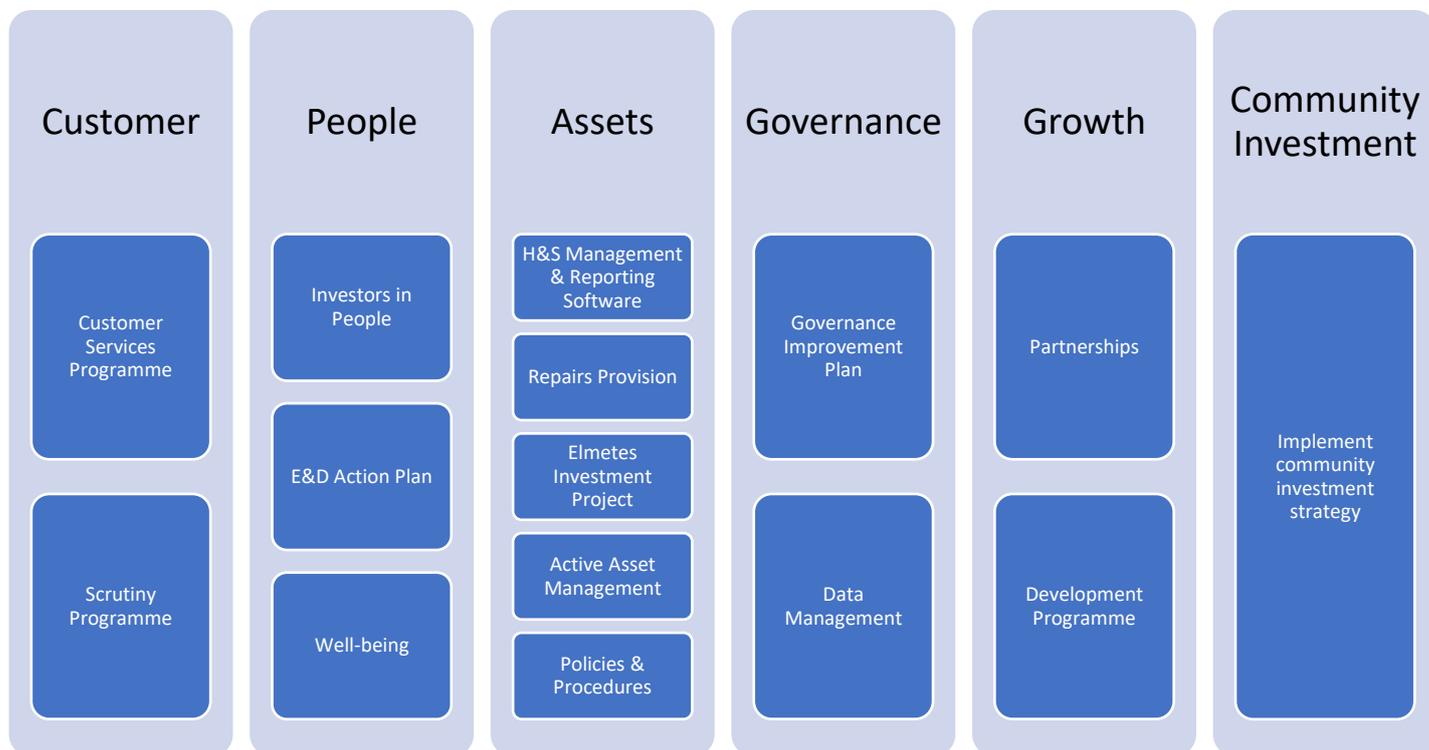
Overall rent collected is very close to target and has shown a consistent and sustainable improvement, despite the roll-out of Universal Credit to all areas of LYHA’s operation in the year. Current tenant arrears show a good improvement compared to last year, with a stable team in post throughout the year and new procedures embedding.

Former tenant arrears are an area which will require significant improvement through 2019/20. Our investment into “Insight” software is expected to bear fruit with tenancies ending since the implementation of the product. In addition, we are working with specialist debt-recovery partners to assist in tracing and recovery of debt from former customers where appropriate. The target of 1.6% Former Tenant Arrears would represent a material improvement in performance in this area.

A programme of engagement activity with colleagues has been designed, focussing on health and well-being, which is anticipated to reduce higher than target sickness absence through the forthcoming months.

The Executive and wider Leadership Team have developed an action plan for implementation through 2019/20 which is intended to continue to deliver improvements throughout the organisation.

The Corporate Action Plan comprises 15 workstreams across six themes:



5. Report of the Board

The Board presents its report and the financial statements for the year ended 31 March 2019.

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. Management consider the activities of each of the Almshouses to be material, and so to improve comparability the Agnes Marsden Trust balances are included in the 2018 (prior year) figures, although this is the first year it has been included in the group report.

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 2014 for Registered Social Housing Providers and has adopted the Accounting Direction for Private Registered Providers of Social Housing 2015. A summary of the principal accounting policies is set out in the notes to the financial statements.

Principal activities

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

Homes & Services

As at the 31st March 2019, the Association owns 1,516 homes ranging from individual self-contained houses to purpose built estates and from newly constructed buildings to those dating from the Victorian period. The Association also manages 68 homes on behalf of others:

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

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

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

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12 months to 31 March 2019

Section 5 – Report of the Board

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

The rents for these homes are:

- 1,184 are for social rent, including 76 homes for older people
- 200 are affordable rents
- 79 are sub-market rented (intermediate)
- 13 are market rented
- 40 shared ownership
- 68 belong to Almshouse Trusts as noted above.

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

Board Members

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

During 2018/19 there were three resignations from the Board, leaving nine members which the Board feels is sufficient.

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

In May 2017, the Board agreed to remunerate the Chair and other Committee chairs, which was instituted from December 2017. Payments in 2018/19 were made as follows:

Member	Fees
Michael Gaskell (Chair)	£6,000
Elizabeth Sandwith (Chair, Audit & Risk)	£2,000
Jon Prashar (Chair, Customer Experience)	£2,000
Jack Harrington (Chair, Remuneration)	£667
TOTAL	£10,667

Fees due to Jack Harrington, who chaired the Remuneration and Nominations Committee for four months in 2018 were donated to The Trussell Trust.

During 2018/19 there were no co-optees appointed to the Board.

Section 5 – Report of the Board

Corporate Governance

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

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

An independent governance review was carried out in late 2018. An action plan was developed to manage delivery of the review's recommendations which is now substantially complete.

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

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

Regulation

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

The Board and Executive have developed a comprehensive strategy to deliver the necessary improvements to ensure that our properties are safe and that steps are taken to improve risk management and governance generally. We have maintained regular contact with the Regulator, who has been happy with progress and we look forward to completing the 2019 stability check. We retain our V1 for Viability which was confirmed by a Financial Stability check in 2018.

Statement of Compliance

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

Section 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
- Robust strategic and business planning processes, with detailed financial budgets and forecasts
- Integrated approach to stress testing and business planning that is supported by Board-appointed specialist advisors.
- Formal Code of Conduct and Discipline policies for all staff and Board Members
- A robust approach to treasury management that is supported by Board-appointed Treasury advisors
- Active asset management strategy and detailed Asset and Liabilities registers
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Internal Audit process

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

The Risk Management Policy, approved by the Board, includes a combined assurance approach adopting the principles of Three Lines of Defence. The strategic risk map and register have been thoroughly reviewed by the board, and an assurance map has been developed to illustrate the depth and quality of risk controls.

Business Risks

The risk management processes at LYHA have been overhauled in 2018/19 with the introduction of a new risk management policy and an Internal Audit review of the association's risk management arrangements. The Audit and Risk Committee consider business risks at each meeting and the risk register, presented with the committee's report to the Board, is agreed annually. The Board's risk appetite statement has been central to addressing emerging risks in the year. Considering the Sector Risk Profile assured the

Section 5 – Report of the Board

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

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

- Improving customer satisfaction at our largest estate, The Elmetes
- Collecting rents despite of welfare reform
- Cyber-attack and information security
- Demonstrating excellent governance arrangements
- Recruiting and retaining high-quality board members and staff.

Health and Safety

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

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

In March 2018 it became apparent that a number of homes were missing an up to date electrical safety check. This led to LYHA self-reporting the situation to the Regulator. The Board, with the support of independent Health and Safety experts Pennington Choices, oversaw the implementation of a robust action plan to enhance the processes and procedures which support delivery of safe homes for our customers. We are pleased to report that 100% of our homes now meet the electrical safety requirements. Pennington have validated the progress made and an Internal Audit, carried out by BDO, found that the framework of control provided adequate assurance that the full range of Health and Safety risks were effectively managed.

Asset & Liability Register

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

- Board approved a revised and updated Asset Register in June 2018.
- 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 £27m of borrowing capacity available with 729 homes [48%] currently free from security.

Co-Regulation & Customers

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

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

Section 5 – Report of the Board

The Customer Experience Committee, a formal part of the LYHA governance structure was re-launched in 2018. The committee is chaired by a Board Member and comprised of a mix of Board Members and Customers. The Committee holds four meetings a year in line with its Terms of Reference. The primary aim of this Committee is to ensure the delivery of co-regulation through holding LYHA to account for core service performance and customer satisfaction. This Committee is delegated to ensure the successful compliance with the Regulator’s Consumer Standards where they receive an annual self-assessment and oversee strategy and policy development, complaints performance and customer satisfaction with key services.

LYHA values the perspective brought by customer scrutiny of our services. The organisation and training of an effective scrutiny panel has been refreshed, supported by the Tenant Participation and Advisory Service. A launch event was held early in 2018 and the panel have undertaken two scrutiny exercises in the year, looking at customer services and repairs. Further work with customers and external experts will be undertaken in 2019/20 to enhance our approach to scrutiny.

Complaints

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

The Resolving Complaints policy was formally reviewed in 2018, with the service commitment on response times moved from 10 days to five days for stage one complaints, in order to improve the customer experience. A summary of this policy is available to all customers on our website and is fully compliant with the Regulators Tenant Involvement & Empowerment Standard. In 2018/9 LYHA upheld 52% of all complaints and resolved 96% at stage one.

LYHA is a member of the Independent Housing Ombudsman [IHO] Scheme. There have been no complaint investigations concluded by them during the period 1 April 2018 to 31 March 2019.

Make a Stand

LYHA are proud to support the Chartered Institute of Housing’s “Make a Stand” Campaign to take action to support victims of domestic abuse. We have implemented the following four actions in 2018/19.

- a. Guidance has been updated to enable colleagues to support residents who are affected by domestic abuse
- b. Information about national and local domestic abuse support services has been made available on our website
- c. A new HR policy has been developed to support colleagues who may be experiencing domestic abuse
- d. LYHA’s Director of Customer Services is acting as a champion for this policy area.

Section 5 – Report of the Board

Merger Code

The LYHA Board adopted the NHF Merger Code in February 2016 and adheres to the requirements of the code. On 31st May 2019 LYHA released a press release jointly with Leeds Federated Housing Association stating that we were working towards a merger.

Executive Directors

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

The Head of Home and Growth role, and Head of Asset Management role, whilst members of the Executive Team, were not Executive Directors. The Customer Service Director and Head of Asset Management are currently held by Interim appointees.

The former Chief Executive resigned from the business in June 2018 and was succeeded by Mark Pearson as Interim CEO.

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

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

Service contracts

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

Note 10 summarises the Executive Directors remuneration.

Directors Pensions

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

Employees

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

As at 31st March 2019 LYHA employed 37 colleagues [2018: 37]; 30 on a full-time basis and 7 on a part time basis. 19% of our colleagues working flexibly reflects our on-going commitment to promoting work life balance, which is extended to our full-time colleagues through our flexible working policy. This also supports LYHA to be more responsive and flexible to meet

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

Section 5 – Report of the Board

our customer expectations. 16.2% our workforce is 100% funded through service charge income.

LYHA is committed to equality of opportunity. We positively support the employment of people with a disability and aim to reflect the diversity of our customer base in our workforce. As at 31st March 2019, one of our workforce had a registered disability and 6% were from a diverse background.

Pensions

The table below summarises the pension position in respect of our employees as at 31 March 2019:

Pension Scheme	No. of employees in each scheme	% of staff
SHPS 1/60th - Final Salary	5	13.5
SHPS 1/80th - Defined benefit	15	40.5
SHPS Defined contribution *	13	35.1
Employees not in a scheme**	4	10.9
Total employees	37	100

* This auto enrolment pension scheme was introduced in October 2015

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

LYHA has moved to report the full value of the Defined Benefit pension scheme deficits in these accounts for 2018/19, following the release by SHPS of sufficient information to do so. Moving to this accounting policy has resulted in a charge to Other Comprehensive income of £778k.

In order to limit LYHA's exposure to future increases in the scheme deficit position, the organisation has consulted with staff and will close the Defined Benefit pension schemes with effect from 1st July 2019. From that date forwards all colleagues will have access to the SHPS defined contribution scheme, with enhanced employer contributions matching employee contributions up to 8%.

Political and Charitable Donations

LYHA made an award of £194 [2017/18: £0k] in 2017/18 to the Trussell Trust, representing North Leeds Food Bank and based in the communities in which we work. No donations were made to political parties during the year.

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

6. Board Responsibilities

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

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Cooperative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the group and association and to prevent and detect fraud and other irregularities.

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

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

Annual general meeting

The annual general meeting will be held on 17 September 2019 at Weetwood Hall, Leeds.

External auditors

Our external auditors for the 12 months ended March 2019 are Beever and Struthers LLP

This report of the Board to accompany the audited accounts and financial statements was approved by the LYHA Board of Management on 22nd July 2019 and signed on its behalf by:



Elizabeth Sandwith CFIIA

Chair of the Audit & Risk
Committee



Jon Prashar

Chair of the Remuneration
Committee



Adam Hutchinson ACMA,
CGMA

Company Secretary

7. Independent Auditors Report

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

Opinion

We have audited the financial statements of Leeds & Yorkshire Housing Association (the Association) and its subsidiaries (the Group) for the year ended 31 March 2019 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies (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 2019 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

INDEPENDENT AUDITORS REPORT

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 23, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

INDEPENDENT AUDITORS REPORT

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

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

Date: 8/8/19

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2019
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

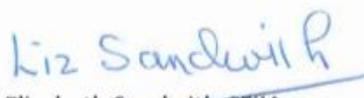
8. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 Mar 2019		Year ended 31 Mar 2018	
		Group	Association	Group	Association
		£ '000	£ '000	£ '000	£ '000
Turnover	2a	7,855	7,797	7,484	7,429
Operating Costs		(7,332)	(7,271)	(4,952)	(4,895)
Operating Surplus before gain on disposal of property		523	526	2,532	2,534
Gain on disposal of property, (fixed assets)	6	265	265	476	476
Operating surplus: continuing Activities		788	791	3,010	3,010
Interest receivable and other income	7	8	2	6	-
Interest payable and similar charges	7	(784)	(783)	(618)	(617)
Increase in valuation of investment properties	13	60	60	247	247
Movement in fair value of financial instruments		4	-	(4)	-
Surplus for year		75	70	2,641	2,641
Other comprehensive income for the year					
Initial recognition of multi-employer defined benefit scheme	11	(778)	(778)	-	-
Actuarial (loss)/gain in respect of pension schemes		(517)	(517)	-	-
Total comprehensive income for the year		(1,220)	(1,225)	2,641	2,641

The financial statements on pages 28 to 31 were approved and authorised for issue by the Board on 15th August 2019 and were signed on its behalf by:



Jon Prashar
Chair, Remuneration Committee



Elizabeth Sandwith CFIIA
Chair, Audit & Risk Committee



Adam Hutchinson ACMA
Company Secretary

The consolidated and parent results relate wholly to continuing activities and the notes on pages 32 to 65 form an integral part of these accounts.

LEEDS & YORKSHIRE HOUSING ASSOCIATION
As at 31 March 2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

On 31 March 2019

	Note	At 31 March 2019		At 31 March 2018	
		Group	Association	Group (Restated)	Association
		£ '000	£ '000	£ '000	£ '000
Fixed assets					
Tangible fixed assets - Housing properties	12	54,214	53,864	49,907	49,556
Tangible fixed assets – other	12	548	548	591	591
Investment Properties	13	1,490	1,490	1,430	1,430
Fixed Asset Investments	14	10	10	10	10
		<u>56,262</u>	<u>55,912</u>	<u>51,938</u>	<u>51,587</u>
Current assets					
Properties held for Sale	15	272	272	272	272
Trade and other debtors	16	420	461	372	363
Current Asset investments		149	-	141	-
Cash and cash equivalents		1,023	880	863	742
		<u>1,864</u>	<u>1,613</u>	<u>1,648</u>	<u>1,377</u>
Creditors: Amounts falling due within one year	17	(1,931)	(1,915)	(2,023)	(1,986)
Net current (liabilities)/ assets		<u>(67)</u>	<u>(302)</u>	<u>(375)</u>	<u>(609)</u>
Total assets less current liabilities		<u>56,195</u>	<u>55,610</u>	<u>51,563</u>	<u>50,978</u>
Creditors: falling due after more than one year	18	(28,138)	(27,915)	(24,564)	(24,336)
Pension Provision	11	(2,278)	(2,278)	-	-
Total net assets		<u>25,779</u>	<u>25,417</u>	<u>26,999</u>	<u>26,642</u>
Reserves					
Revenue reserve		<u>25,779</u>	<u>25,417</u>	<u>26,999</u>	<u>26,642</u>
Total reserves		<u>25,779</u>	<u>25,417</u>	<u>27,000</u>	<u>26,642</u>

The notes on pages 32 to 65 form an integral part of these accounts. The financial statements were approved by the Board on 15th August 2019 and signed on its behalf by:



Jon Prashar
Chair, Remuneration Committee



Elizabeth Sandwith CFIIA
Chair of the Audit & Risk Committee



Adam Hutchinson ACMA
Company Secretary

LEEDS & YORKSHIRE HOUSING ASSOCIATION
12 months to 31 March 2019
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

10. CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the 12 months ended 31 March 2019

	Income and Expenditure Reserve	Total Reserves
	£ '000	£ '000
Balance at 1 Apr 2017	24,359	24,359
Total comprehensive income for the year (Restated)	2,641	2,641
Balance at 1 April 2018 (Restated)	26,999	26,999
Surplus for the year	75	75
Other comprehensive income for the year	(1,295)	(1,295)
Balance as at 31 March 2019	25,779	25,779

The notes on pages 32 to 65 form an integral part of these accounts.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****STATEMENT OF CASHFLOWS****11. CONSOLIDATED STATEMENT OF CASHFLOWS**

Statement of Cashflows	Note	Year ended 31 March 19	Year ended 31 March 18 (Restated)
		£ '000	£ '000
Net cash inflow from operating activities	I	1,753	3,092
Cash flow from investing activities			
Purchase of tangible fixed assets		(6,537)	(6,037)
Proceeds from sale of tangible assets		1,134	1,260
Social housing grant – received		1,625	348
Interest received		3	2
		(2,022)	(1,335)
Cash flow from financing activities			
Interest paid		(708)	(695)
Loans received		3,500	2,450
Housing loans repaid		(611)	(601)
Net change in cash and cash equivalents		159	(181)
Cash and cash equivalents at beginning of the period		863	1,044
Cash and cash equivalents at end of the period		1,022	863

Note i. [Reconciliation of operating surplus to net cash inflow from operating activities](#)

	2019	2018 (Restated)
	£ '000	£ '000
Operating Surplus for the year	75	2,398
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,058	975
Increase in stock held for sale	-	(39)
(Increase) in Debtors	(101)	(55)
(Decrease)/Increase in Creditors	(39)	309
(Increase) in Investment properties	(60)	-
Pension costs less contributions payable	(107)	(153)
Movement in fair value of financial instruments	(4)	-
Other adjustments	5	(37)
Adjustment for current asset disposals	(411)	(356)
Adjustment for carrying value of fixed asset disposals	918	-
Adjustments for investing or financing activities:		
Gain on disposal of fixed assets	(265)	(476)
Grant released in the year	(92)	(86)
Interest and Financing costs	784	618
Interest receivable	(8)	(6)
Net cash inflow from operating activities	1,753	3,092

The notes on pages 32 to 65 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) 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounting for the SPHS pension scheme is not consistent across the two years of the accounts presented. LYHA has adopted the presentation directed in Financial Reporting Exposure Draft 71 in disapplying the exemption previously allowed for SHPS and moving to accounting for the Defined Benefit pension scheme as directed under FRS102 paragraphs 2.11 and 3.11. See the note on Pensions Accounting Policy below for more information.

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

Basis of consolidation

The consolidated financial statements incorporate the results of Leeds and Yorkshire Housing and all of its subsidiary undertakings as at 31 March 2019 management now consider the activity of the subsidiary Agnes Marsden Almshouse to be material and also include in the consolidated accounts, the comparative figures for 2018 have been restated to include the Agnes Marsden Almshouse balances.

The impact on the Statement of Comprehensive income is to decrease surplus by (£10k) and on reserves is to increase the 1st April 2018 total reserves by £53k.

Going concern

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

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of

NOTES TO THE FINANCIAL STATEMENTS

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.

[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

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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.

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

The Board's view, considering the guidance issued in FRED 71 and guidance issued by the National Housing Federation, is that the difference between the deficit funding agreement previously recognised in relation to SHPS, and the net defined benefit deficit, should be recognised in Other Comprehensive Income. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018.

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.

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.

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Debtors

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

Creditors

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

Employee Benefits

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

Pensions

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

The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRD71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 11.

Housing properties

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

Salaries are capitalised based on a percentage of the time, and therefore cost, attributable to the development schemes and capital works of the Head of Home and Growth, and the Technical Team. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an

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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.

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.

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Depreciation of housing properties

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

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

Bathrooms	30 Years (3.3%)
Boilers	15 Years (6.7%)
Heating & Plumbing	30 Years (3.3%)
Electrics	40 Years (2.5%)
Kitchen	20 Years (5.0%)
Roof	70 Years (1.4%)
Structure	100 Years (1.0%)
Windows and doors	30 Years (3.3%)
Lifts	20 Years (5.0%)

No depreciation is provided for on freehold land.

Other tangible fixed assets

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

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

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

Operating leases

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

[Provisions for liabilities](#)

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

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

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

[Reserves](#)

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

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12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

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

GROUP	2019				2018 (Restated)			
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	6,910	-	(6,900)	10	6,649	-	(4,549)	2,100
Other social housing activities								
First tranche low cost home	762	(351)	-	411	678	(322)	-	356
Supporting people	-	-	(6)	(6)	5	-	(6)	(1)
Management services	51	-	(46)	6	56	-	(52)	4
Other	47	-	(26)	21	15	-	(19)	(4)
	<u>7,770</u>	<u>(351)</u>	<u>(6,978)</u>	<u>442</u>	<u>7,403</u>	<u>(322)</u>	<u>(4,624)</u>	<u>2,457</u>
Non-social housing activities								
Lettings	85	-	(4)	81	81	-	(4)	77
	<u>7,855</u>	<u>(351)</u>	<u>(6,981)</u>	<u>523</u>	<u>7,484</u>	<u>(322)</u>	<u>(4,630)</u>	<u>2,532</u>
TOTAL	7,855	(351)	(6,981)	523	7,484	(322)	(4,630)	2,532

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

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

ASSOCIATION	2019				2018			
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Social housing lettings	6,832	-	(6,839)	(7)	6,581	-	(4,493)	2,088
Other social housing activities								
First tranche low cost home	762	(351)	-	411	678	(322)	-	356
Supporting people	-	-	(6)	(6)	5	-	(6)	(1)
Management services	71	-	(45)	26	69	-	(51)	18
Other	47	-	(26)	21	15	-	(19)	(4)
	<u>880</u>	<u>(351)</u>	<u>(77)</u>	<u>452</u>	<u>767</u>	<u>(322)</u>	<u>(75)</u>	<u>370</u>
Non-social housing activities								
Lettings	85	-	(4)	81	81	-	(4)	77
	<u>85</u>	<u>-</u>	<u>(4)</u>	<u>81</u>	<u>81</u>	<u>-</u>	<u>(4)</u>	<u>77</u>
TOTAL	7,797	(351)	(6,920)	526	7,429	(322)	(4,573)	2,534

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****3a. Particulars of income and expenditure from social housing lettings
- Group**

	2019	2018 (Restated)
	£'000	£'000
Rent receivable net of identifiable service charges	6,434	6,223
Service charge income	385	341
Amortised government grants	91	85
Turnover from social housing lettings	6,910	6,649
Management	(2,302)	(1,870)
Service charge costs	(316)	(272)
Routine maintenance	(1,157)	(817)
Planned maintenance	(911)	(415)
Major Repairs	(276)	(107)
Bad debts	(43)	(85)
Depreciation and write off of replaced components	(1,877)	(974)
Other costs	(18)	(9)
Operating costs on social housing lettings	(6,900)	(4,549)
Operating surplus on social housing lettings	10	2,100
Void losses	75	67

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****3b. Particulars of income and expenditure from social housing lettings
- Association**

	2019	2018
	£'000	£'000
Rent receivable net of identifiable service charges	6,361	6,160
Service charge income	385	341
Amortised government grants	86	80
	<hr/>	<hr/>
Turnover from social housing lettings	6,832	6,581
Management	(2,290)	(1,860)
Service charge costs	(305)	(263)
Routine maintenance	(1,136)	(796)
Planned maintenance	(911)	(415)
Major Repairs	(276)	(107)
Bad debts	(32)	(84)
Depreciation and write off of replaced components	(1,870)	(968)
SHPS pension	(8)	9
Other costs	(11)	(9)
	<hr/>	<hr/>
Operating costs on social housing lettings	(6,839)	(4,493)
Operating (deficit)/surplus on social housing lettings	(7)	2,088
Void losses	75	66

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****3c. Particulars of turnover from non-social housing lettings**

	2019 £ '000	2018 £ '000
Income – Market Rented Properties	85	81
Expenditure – Market Rented Properties	(4)	(4)
Surplus from non-social housing lettings	81	77

4. Accommodation in management and development

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

	Association 2019		Association 2018	
	No. of Properties Owned	Managed	No. of Properties Owned	Managed
Social housing				
General housing				
social rent	1,108	1,103	1,101	1,095
affordable rent	200	200	176	176
Housing for older people	76	144	76	144
Low cost home ownership	40	40	34	34
Sub-Market Rented	79	79	78	78
Total	1,503	1,566	1,465	1,527
Non-social housing				
Market Rented	13	13	13	13
Total owned and managed	1,516	1,579	1,478	1,540

At 31st March 2019, LYHA had 88 properties currently in development (2018: 46).

5. Accommodation managed by others

	2019 No. of Properties	2018 No. of Properties
General needs social housing	5	6
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

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	'000	£ '000
Proceeds of sales	372	564	372	564
Less: costs of sales	(90)	(70)	(90)	(70)
Surplus	282	494	282	494
Capital grant recycled	2	(17)	(17)	(18)
Gain on disposal	265	476	265	476

7. Net Interest

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Interest receivable and similar income	8	6	2	-
Defined benefit pension charge (SHPS)	45	15	45	15
Loans and bank overdrafts	716	646	715	645
Amortised cost of borrowing	42	33	42	33
Interest payable capitalised on housing	(19)	(76)	(19)	(76)
Net Interest expense	776	612	781	617
Capitalisation rate	3.34%	3.39%	3.34%	3.39%

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****8. Surplus on ordinary activities**

This is arrived at after charging/(crediting):

	Group		Association	
	2019	2018 (Restated)	2019	2018
	£ '000	£ '000	£ '000	£ '000
Auditors' remuneration (excluding VAT)				
- for audit of the group	18	15	18	15
- for independent exam of subsidiaries	6	4	-	-
Operating lease rentals				
- office equipment and computers	5	4	5	4
Depreciation of housing properties	1,878	975	1,870	968
Depreciation of other tangible fixed assets	56	54	56	54
Grant income released	(91)	(86)	(86)	(80)

9. Employees

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

	2019	2018
	No.	No.
Finance and Corporate Services	9	8
Property Maintenance and Development	6	5
Housing, support and care	19	17
	<hr/>	<hr/>
	34	30

Employee costs:

	2019	2018
	£ '000	£ '000
Wages and salaries	1,135	1,051
Social security costs	106	101
Other pension costs	270	212
Redundancy costs	-	(13)
	<hr/>	<hr/>
	1,511	1,351

During the year there were no full-time equivalent staff who received remuneration (excluding directors) in excess of £60,000 (2018: none in excess of £60,000).

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

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

10. Key management personnel consist of:

	Basic salary	Pension contributions	2019 Total	2018 Total
	£ '000	£ '000	£ '000	£ '000
Executive Team				
Chief Executive	20	2	22	110
Deputy CEO/Interim CEO	89	6	95	23
Director of Finance/Director of Resources	64	4	68	63
Organisation & Compliance Director	-	-	-	71
Head of Home and Growth	37	4	41	41
Total executive team	210	16	226	308
Other key management personnel				
Interim Head of Operations	-	-	-	30
Total other key management personnel	-	-	-	30

The Association made payments for director services to third parties of £155k during the year (2018 £-)

Executive directors

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

The emoluments of the highest paid director, the Interim Chief Executive, excluding pension contributions, were £95k, (2018: £108k). The Chief Executive and Directors' salaries are set based on the same Pay Strategy methodology used for all staff and are benchmarked independently bi-annually.

Board members

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

	Basic salary	Pension contributions	2019 Total	2018 Total
	£ '000	£ '000	£ '000	£ '000
Board Members				
Board members	10	-	10	3

11. Social Housing Pension Scheme

The company 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 company 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

The accounting policy in relation to Pensions is set out on page 35. As noted in the accounting policy, there has been a change in accounting policy in relation to SHPS.

The following adjustments have been made in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £1,046k; increase in Other Comprehensive Income £1,046k).
- Recognition of the net pension deficit (increase in pension liability £1,824k; reduction in Other Comprehensive Income £1,824k).

Principal Actuarial Assumptions

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****11. Social Housing Pension Scheme (continued)**

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2019 by a qualified independent actuary.

KEY ASSUMPTIONS

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.30%	2.56%
Inflation (RPI)	3.30%	3.19%
Inflation (CPI)	2.30%	2.19%
Salary Growth	3.30%	3.19%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	134
Expenses	6
Net interest expense	45
Defined benefit costs recognised in statement of comprehensive income (SoCl)	185

MOVEMENT IN SURPLUS/(DEFICIT) DURING YEAR

	Period ended 31 March 2019 (£000s)
Surplus/(deficit) in scheme at 1 April	(1,824)
Movement in year:	
Employer service cost (net of employee contributions)	(140)
Employer contributions	89
Past service cost	159
Net interest/return on assets	(45)
Remeasurements	(517)
(Deficit)/Surplus in scheme at 31 March*	(2,278)

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

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 2019
	(£000s)
Defined benefit obligation at start of period	7,956
Current service cost	134
Expenses	6
Interest expense	204
Contributions by plan participants	16
Actuarial losses (gains) due to scheme experience	34
Actuarial losses (gains) due to changes in demographic assumptions	25
Actuarial losses (gains) due to changes in financial assumptions	555
Benefits paid and expenses	(110)
Defined benefit obligation at end of period	8,820

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

11. Social Housing Pension Scheme (continued)

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

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	6,132
Interest income	159
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	97
Contributions by the employer	248
Contributions by plan participants	16
Benefits paid and expenses	(110)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	6,542

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

12a. Tangible fixed assets – Group housing properties

Group	Social housing properties held for letting £'000	Social housing properties under construction £'000	Low cost home ownership properties completed £'000	Total £'000
Cost				
At 31 March 2018 (Restated)	57,159	1,755	1,806	60,720
Additions:				
Properties acquired	-	5,486	-	5,486
Works to existing properties	1,039	-	-	1,039
Interest capitalised	-	19	-	19
Schemes completed	3,364	(4,124)	760	-
Transfer to S/O Stock	-	-	(289)	(289)
Transfer between categories	54	-	(54)	-
Disposals	(1,124)	-	(26)	(1,150)
At 31 March 2019	60,492	3,136	2,197	65,825
Depreciation				
At 31 March 2018 (Restated)	10,794	-	22	10,816
Depreciation charged in year	1,857	-	21	1,878
Released on disposal	(1,082)	-	(1)	(1,083)
At 31 March 2019	11,569	-	42	11,611
Net book value				
At 31 March 2019	48,923	3,136	2,155	54,214
At 31 March 2018 (Restated)	46,367	1,755	1,784	49,907
Expenditure on works to existing properties			2019	2018
			£ '000	£ '000
Amounts capitalised			1,039	668
Amounts charged to Statement of Comprehensive Income			911	415
Total			1,950	1,083

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

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

Social housing grant	2019	2018
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,183	2,109
Held and deferred income	8,297	6,776
Total accumulated SHG receivable at period end	<u>10,480</u>	<u>8,885</u>
Finance costs	2019	2018
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	19	76
Housing properties book value, net of depreciation	2019	2018
	£ '000	£ '000
Freehold land and buildings	53,194	49,514
Long leasehold land and buildings	1,020	333
	<u>54,214</u>	<u>49,847</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

12b. Tangible fixed assets – Association housing properties

Association	Social housing properties held for letting £'000	Social housing properties under construction £'000	Low cost home ownership properties completed £'000	Total £'000
Cost				
At 31 March 2018	56,767	1,755	1,806	60,328
Additions:				
Properties acquired	-	5,486	-	5,486
Works to existing properties	1,031	-	-	1,031
Interest capitalised	-	19	-	19
Schemes completed	3,364	(4,124)	760	-
Transfer SO equity to stock			(289)	(289)
Transfers between categories	54	-	(54)	-
Disposals	(1,124)		(26)	(1,150)
At 31 March 2019	60,092	3,136	2,197	65,425
Depreciation				
At 31 March 2018	10,751	-	22	10,773
Depreciation charged in year	1,849	-	21	1,870
Released on disposal	(1,081)	-	(1)	(1,082)
At 31 March 2019	11,519	-	42	11,561
Net book value				
At 31 March 2019	48,573	3,136	2,155	53,864
At 31 March 2018	46,016	1,755	1,785	49,556

Expenditure on works to existing properties

	2019 £ '000	2018 £ '000
Amounts capitalised	1,031	668
Amounts charged to Statement of Comprehensive Income	276	107
Total	1,307	775

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****12b. Tangible fixed assets – Association housing properties(continued)**

Social housing grant

	2019	2018
	£ '000	£ '000
Recognised in the Statement of Comprehensive Income	2,144	2,075
Held and deferred income	8,071	6,545
Total accumulated SHG receivable at period end	<u>10,215</u>	<u>8,620</u>

Finance costs

	2019	2018
	£ '000	£ '000
Aggregate amount of finance costs included in the cost of housing properties	19	76

Housing properties book value, net of depreciation

	2018	2018
	£ '000	£ '000
Freehold land and buildings	52,844	49,223
Long leasehold land and buildings	1,020	333
	<u>53,864</u>	<u>49,556</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

12c. Tangible fixed assets – other

	Freehold offices	Plant	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 31 March 2018	548	19	114	402	23	1,106
Additions	-	-	-	13	-	13
Disposals	-	-	-	-	-	-
At 31 March 2019	548	19	114	415	23	1,119
Depreciation						
At 31 March 2018	130	12	108	243	23	516
Charged in year	9	2	4	40	-	55
Released on disposal	-	-	-	-	-	-
At 31 March 2019	139	14	112	283	23	571
Net book value						
At 31 March 2019	409	5	2	132	0	548
At 31 March 2018	418	7	6	159	-	591

13. Investment Properties

Social housing grant

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
At start of year	1,430	1,183	1,430	1,183
Additions	-	-	-	-
Gain/(loss) from adjustment in fair value	60	247	60	247
At end of year	1,490	1,430	1,490	1,430

Investment properties were valued at 31 March 2019 by Nigel Tapp FRICS professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. The comparable technique was used to assess the value of the scheme.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****14. Investment in subsidiaries**

	2019	2018
	£ '000	£ '000
10,000 £1 ordinary shares in Leeds & Yorkshire Property Services	10	10

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

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

During both 2017/18 & 2018/19 the Association provided no management services for Leeds & Yorkshire Property Services Limited and no charges were made.

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

15. Properties held for sale

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Shared ownership properties				
Completed	272	272	272	272
Work in progress	-	-	-	-
	<u>272</u>	<u>272</u>	<u>272</u>	<u>272</u>

The £272k reported at 31 March 2019 represents six homes for sale at The Woodlands in Horsforth. Four of the properties had been unsold for 12 months at the reporting date and two were unsold for six months. Five were reserved for sale.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****16. Trade and other debtors**

	Group		Association	
	2019	2018 (Restated)	2019	2018
	£ '000	£ '000	£ '000	£ '000
Due within one year				
Rent and service charges	425	435	409	427
Less: Provision for bad and doubtful debts	(267)	(252)	(256)	(252)
	<hr/>	<hr/>	<hr/>	<hr/>
	158	183	153	175
Other debtors	32	39	32	39
Due from subsidiary	-	-	51	4
Prepayments and accrued income	230	150	225	145
	<hr/>	<hr/>	<hr/>	<hr/>
	420	372	461	363

17. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018 (Restated)	2019	2018
	£ '000	£ '000	£ '000	£ '000
Trade creditors	227	137	222	122
Rent and service charges received	172	160	171	158
Deferred grant income	95	92	90	86
Bank Overdraft	1	-	-	-
Unpaid share capital in subsidiary	10	10	10	10
Other taxation and social security	37	36	37	36
Other creditors	17	22	17	20
Due to group undertakings	-	-	7	-
Accruals and deferred income	756	794	748	784
Housing loan interest & principal payable	615	613	613	611
Pension liability due in less than 1 year	-	159	-	159
	<hr/>	<hr/>	<hr/>	<hr/>
	1,930	2,023	1,915	1,986

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

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

	Note	Group		Association	
		2019 £ '000	2018 £ '000	2019 £ '000	2018 £ '000
Bank Loans	25	20,139	17,254	20,138	17,251
Cost of Borrowing		(281)	(308)	(281)	(308)
Deferred grant income	19	8,203	6,685	7,981	6,459
Recycled capital grant fund	20	77	46	77	46
Pension liability due in more than 1 year	11	-	887	-	887
		<u>28,138</u>	<u>24,564</u>	<u>27,915</u>	<u>24,336</u>

19. Deferred grant income

	Group		Association	
	2019 £ '000	2018 £ '000	2019 £ '000	2018 £ '000
At 1 April 2018	6,777	6,542	6,545	6,306
Grant received in the period	1,625	348	1,625	348
Released to income in the period	(91)	(84)	(86)	(80)
Recycled in period	(13)	(29)	(13)	(29)
At 31 March 2019	<u>8,298</u>	<u>6,777</u>	<u>8,071</u>	<u>6,545</u>
Amounts to be released within one year	96	92	90	86
Amounts to be released in more than one year	8,202	6,685	7,981	6,459
	<u>8,298</u>	<u>6,777</u>	<u>8,071</u>	<u>6,545</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****20. Recycled capital grant fund**

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
At start of year	(46)	-	(46)	-
Inputs to fund:				
Grants received from deferred capital grants fund	(31)	(46)	(31)	(46)
Interest accrued	-	-	-	-
Recycling of grant to new build	-	-	-	-
At end of year	<u>(77)</u>	<u>(46)</u>	<u>(77)</u>	<u>(46)</u>
Due in more than one year	<u>(77)</u>	<u>(46)</u>	<u>(77)</u>	<u>(46)</u>

21. Non-equity share capital

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April	13	10
Shares issued during the year	0	3
Shares surrendered during the year	<u>(4)</u>	<u>-</u>
At 31 March	<u>9</u>	<u>13</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.

22. Capital commitments

Capital expenditure commitments were as follows:

	2019	2018
	£ '000	£ '000
Capital expenditure		
Expenditure contracted for, but not provided in the accounts	6,711	2,494
Expenditure authorised by the Board, but not contracted	<u>2,413</u>	<u>6,297</u>
	<u>9,124</u>	<u>8,791</u>

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

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****22. Capital commitments (continued)**

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

The above commitments will be financed from operating cash flow and through borrowings, under existing loan arrangements during 2018/19.

23. Operating leases

The future minimum lease payments are as follows:

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Office equipment and computers expiring;				
Within one year	-	2	-	2
One to five years	9	12	9	12
Over five years	-	-	-	-
	<u>9</u>	<u>14</u>	<u>9</u>	<u>14</u>

24. Related parties

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

The aggregated rent payable by Board Member related parties for 2019 was £5,663 (2018 £5,678) and the balance at 31 March 2019 was £2 (2018 CR £309).

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

	Transactions in the period		Receivable at the year period	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Agnes Marsden Trust	7	5	25	9
Emily Bentley Homes	5	5	1	3
Marsden Memorial Homes	8	8	25	2
	<u>20</u>	<u>18</u>	<u>51</u>	<u>14</u>

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS****25. Financial risk management**

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

The financial assets and liabilities are:

Financial assets measured at amortised cost	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Trade and other debtors (note 16)	478	371	461	363
Cash and cash equivalents (SoFP)	1,023	861	880	1,018
TOTAL	1,501	1,232	1,341	1,381

Financial liabilities measured at amortised cost	Group		Association	
	2019	2018 restated	2019	2018 restated
	£ '000	£ '000	£ '000	£ '000
Debt (bank loans and other loans)	20,473	17,559	20,469	17,554
Trade and other creditors	1,278	1,307	1,211	1,289
TOTAL	21,751	18,866	21,680	18,843

Financial assets measured at fair value	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Current Asset Investments	149	141	-	-
TOTAL	149	141	-	-

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.

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

25. Financial risk management (continued)

Liquidity risk

The Association seeks to manage financial risk by ensuring sufficient liquidity is available to meet projected commitments on a rolling basis over at least the following 18 months. In addition to drawn loans of £20,751m (see note 18), the Association has £9.75m of undrawn and secured facilities available to borrow against and to adequately meet its business plan activity until 2023/24, when our LTFP indicates further borrowing will be necessary.

At 31 March 2019, the Association had an undrawn loan facility with the Santander Bank of £9.750m (2018: £13.250m Santander Bank) of the £30.5m facility available.

Current available and drawn facilities are as follows:

Lender	Current Facility Available £'000s	Loan as at 31-Mar-19 £'000s	Available To Draw at 31-Mar-19 £'000s	Interest Rate% Fixed Inc. Margin %	Interest Rate% Variable Inc. Margin %	Maturity
Santander Fixed Rate	10,620	10,620	-	3.210		2024
Santander RCF	6,700	6,700	-		2.674	2024
Santander Tranche D	10,000	250	9,750		2.385	2027
THFC	2,750	2,750	-	4.162		2030
Orchardbrook Ltd	431	431	-	9.153		2030
	<u>30,501</u>	<u>20,751</u>	<u>9,750</u>	<u>3.590%</u>		

The outstanding balance of £6.7m in Tranche B (the RCF), which was at variable rates on 31st March, was fixed in April 2019 at a rate of 3.016% including margin for the remaining term of the loan to October 2024.

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

The Association has undrawn committed borrowing facilities. The facilities available at 31 March 2019 in respect of which all conditions precedent had been met were as follows:

LEEDS & YORKSHIRE HOUSING ASSOCIATION**12 months to 31 March 2019****NOTES TO THE FINANCIAL STATEMENTS**

25. Financial risk management (continued)

	2019	2018
	£ '000	£ '000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two	-	3,250
Expiring beyond two years	9,750	10,000
Total	9,750	13,250

Debt is repayable as follows:

	Group		Association	
	2019	2018	2019	2018
	£ '000	£ '000	£ '000	£ '000
Bank loans				
Within one year	615	613	613	611
Between one and two years	1,156	614	1,155	612
Between two and five years	3,480	3,473	3,480	3,472
After five years	15,503	13,167	15,503	13,167
	20,754	17,867	20,751	17,862

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

Interest rate risk

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

As at 31st March 2019, the Association's debt portfolio is split between fixed interest rate debt of £13,801k (67%) and variable interest rate debt of £6,950k (33%). The outstanding balance of £6.7m in Tranche B (the RCF), which was at variable rates on 31st March, was fixed in April 2019 at a rate of 3.016% including margin for the remaining term of the loan to October 2024. 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.

25. Financial risk management (continued)

Terms of repayment and interest rates

The bank loans are repaid in instalments at a combination of fixed rates of interest of between 2.69% and 9.44% and variable rate of Libor plus 1.65%. The final instalments to be repaid in the period 2024 to 2030.

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

	2019	2018
	£ '000	£ '000
Variable rate	6,950	3,450
Fixed rate	13,801	14,412
Total	<u>20,751</u>	<u>17,862</u>

The proportion of Fixed and Variable rate interest loans at 31st March 2019 was 67% fixed and 33% variable with new drawdowns at variable rates reflecting current market conditions. New drawings in the year are intended to be at the variable rate, bringing the mix back towards a 75% fixed 25% variable ratio, subject to a review of the association's treasury strategy in the summer of 2019.

The Group's weighted average cost of capital at 31 March 2019 is 3.34%.

Credit risk

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

In the 12 months to 31st March 2019, the risk and impact of Welfare Reform has been well managed and has had limited impact on current tenant arrears and the outturn remains well within the parameters of the LTFP. Sensitivity and stress testing have been completed against the long-term plan to ensure we can mitigate the impact of future changes. Comprehensive assurance has been provided to the Board and robust controls are in place to continue to monitor and if necessary further respond to this credit risk

Covenant Compliance

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

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

1. Interest Cover
 - a. Interest cover has been calculated at 111.1%, with the requirements to be in excess of the 110%.

LEEDS & YORKSHIRE HOUSING ASSOCIATION

12 months to 31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

2. Gearing
 - a. Gearing, calculated with reference to Net Worth, rather than Housing Properties, was 61.4%, within the requirement to be less than 75%.
3. Asset Cover
 - a. Asset cover is 210% based on valuation subject to tenancy, within the requirement of 125%.