



**Leeds Federated Housing Association
Limited**

Report and Financial Statements

Year Ended

31 March 2020

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY NUMBER
IP21457R
HOMES ENGLAND REGISTERED NUMBER LH0989

Leeds Federated Housing Association Limited

Report and financial statements for the year ended 31 March 2020

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Leeds Federated Housing Association Limited

Board Members, Executive Directors and advisors
for the year ended 31 March 2020

Board Members

Stuart Whyte (Chair)

Claire Stone

Jaedon Green

Kim Brear

Martin Warhurst

Robin Machell

Shaid Mahmood

Sue Howlett

Executive Directors

Matthew Walker

Chief Executive

Stephen Blundell

Director of Operations

Jason Ridley

Director of Finance and IT

Secretary

Megan Henderson

Appointed 1st July 2019

Registered office

Arthington House, 30 Westfield Road, Leeds LS3 IDE

Registered number

Leeds Federated Housing Association Limited is registered under the Co-Operative and Community Benefit Act 2014 No. IP21457R and registered by Homes England No. LH0989

Auditors

BDO LLP, 29 Wellington Street, Leeds, LS1 4DL

Bankers

Yorkshire Bank Plc, 94-96 Briggate, Leeds, LS1 6NP

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020

The Board of Leeds Federated Housing Association Limited is pleased to present its report together with the audited financial statements of the Group and the Association for the year ended 31 March 2020. The Group comprises the Association and its subsidiary undertaking Leeds Federated Property Services Limited.

Principal activities

The Association's principal activity is the management of social housing. It operates through three key business streams including 'general needs' housing for rent, supported housing and care for people and low-cost home ownership. The Group's head office is based in Leeds and its 4,414 properties are predominantly located in Leeds, Harrogate and Wakefield.

As well as managing social housing, the Group also provides non-social housing, in particular accommodation for students in higher education.

Leeds Federated Housing Association has charitable status by virtue of its registration as a charitable social landlord under the Co-Operative and Community Benefit Act 2014, No: IP21457R.

Leeds Federated Property Services is a non-charitable company which manages design and build projects.

Board Members and Executive Directors

A list of Board members and the Executive Directors of the Group including dates of appointment and resignation, where applicable, are set out on page 1. The Board consists of 8 members.

Executive Directors are the Chief Executive, the Director of Operations and Director of Finance and IT. None of the Executive Directors hold any interest in the Association's shares and they act as executives within the authority delegated by the Board. Group insurance policies indemnify Board Members and Executive Directors against liability when acting for the Group.

Pensions

The Executive Directors are members of the Social Housing Pension Scheme (SHPS). 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.

Other benefits

The Executive Directors are entitled to other benefits: the provision of a car allowance and health care insurance.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Objectives, strategies and achievement

The Group's vision is "**building futures together**". The achievement of this vision is underpinned by three key goals which are set out in a corporate plan that is reviewed and approved by the Board each year. The Board and senior management team have developed a series of key performance indicators using a Balanced Score Card (BSC) to measure performance against a range of targets in order to monitor achievement of the Group's corporate objectives.

The corporate goals from the current corporate plan fall into the following areas;

Goal 1 – Sustain

- Provide good quality homes that people want to live in – our properties will be well maintained to a standard which makes us an attractive landlord for existing and prospective customers.
- Provide quality services at an affordable cost – we will balance the quality of the service with the cost of providing that service to ensure customers can sustain their tenancies and recognise both their rights and responsibilities as tenants. Where appropriate such services will extend to the wider neighbourhood.
- Maintain a healthy business in terms of its finances, expertise and governance – we will remain viable by managing our cash flow and budgets, will ensure that staff are competent to do their jobs, and ensure that the necessary skills exist around the Board table to govern the Association well.
- Continue to involve customers in the business where appropriate to ensure our services remain relevant and continue to offer value for money.

Goal 2 – Innovate

- Make best use of technology to improve the efficiency and effectiveness of services – we will use existing and develop new technology where necessary to support service delivery
- Find ways to work smarter – we will review how services are delivered and find ways to achieve the same or better ends for reduced or the same cost.
- Adapt to change in our business and operating environment to remain competitive – as the operating context changes we will adapt our plans to ensure our products and services remain attractive to customers. Part of this area will involve our pro-active approach to asset management and the potential disposal/rationalisation of some properties.

Goal 3 - Grow

- Expand our delivery of good quality homes – we will use our borrowing capacity to increase the amount of development undertaken, delivering 150 new homes per year over the life of this Corporate Plan and the next equalling a total of 1,500 new homes over a 10 year period.
- Grow our capacity, skills and influence to support the business – staff will be given opportunity to develop to enable them to better fulfil their responsibilities. We will engage in partnership working at a local, regional and where appropriate national level to further the organisation's interests with others sharing a common objective.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

COVID-19

The World Health Organisation classed COVID-19 as a pandemic on 11 March 2020. Following the announcement the UK Government introduced various measures to address the impact in the UK, resulting in lockdown from 23 March 2020.

We adopted a number of measures to ensure the safety of customers, staff and business partners during this time. We undertook the following:

- With the social distancing measures, we decided to suspend the delivery of planned major works such as kitchens, bathrooms, doors and windows and stop non-emergency repairs for the foreseeable future. We also reduced gardening and cleaning services
- All construction on our development programmes was suspended in line with Government guidelines to protect our staff and business partners. All decisions on uncommitted schemes were put on hold
- Continued with gas safety testing, wherever possible, balancing the risks of carbon monoxide poisoning against the need to protect customers and staff from COVID-19
- Continued with fire safety, asbestos, electrical, lift checks and legionella testing wherever possible
- Contacted older and vulnerable older people to support their wellbeing
- Provided guidance to those customers who faced financial difficulties
- The vast majority of staff transitioned to working from home. Where staff were not able to work from home the Head Office and two of the hubs were available for limited numbers, taking into account social distancing measures. In addition, some members of staff were either redeployed to support another area of the business or, in a small number of instances, were furloughed under the Government Coronavirus Job Retention scheme. In 2019-20 the support received under the scheme totalled £4k

Whilst these measures had an impact on performance in a number of areas, this impact was not material in most areas:

- First tranche sales on new development schemes which were in progress as at 23 March 2020 still progressed to completion, and were managed by the team safely and remotely
- There was no impact on other new development completions expected in the year
- As a precaution against a possible shortfall in income collection and reduced first tranche sales in quarter 1 2020-21 additional funding was drawn down during March; this resulted in an increased cash balance at 31 March
- Maintenance spend was impacted by approximately £160k as a result of non-essential repairs works being temporarily suspended

The Business Plan has been stress tested using multi-variate scenarios based on potential impacts of COVID-19, covering the impacts described above and also more severe potential impacts including (but not limited to):

- Reduced rental income
- Re-phasing of some aspects of the maintenance budget from 2020-21 to future years
- Property values falling by 5%, 10% and 30%
- Construction costs increasing by 8%, 12% and 20%
- Increase of void loss from 1.5% to 2%, 3% and 6%
- Increase of bad debts from 2% to 3.3%, 4.45% and 6.7%
- Loss in value of investment properties of 10%, 20% and 30%
- Delayed development programme
- Pension valuation deficit along with repayments over 10 years based on a loss of £1.5m, £3m and £5m
- Updated economic assumptions reflecting the potential impact of COVID-19

The plan remains compliant in all scenarios tested, with even the most extreme version being compliant with some mitigations incorporated. Further detail is given on pages 5, 21 and 39. As we progress into

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

2020/21, and the impact is clearer, the budget will be updated, approved and reported to the Regulator for Social Housing.

Risks and uncertainties

Risk Agenda

As a co-regulated provider of social housing operating within a very challenging and uncertain economic environment Leeds Federated places a high priority on the identification and effective management of the range of existing and potential risks it faces. Ensuring that risk management is integrated within decision making by the board and management through the Risk Management Framework, stakeholders can take assurance that risks are being effectively managed where possible within the board's risk appetite in support of achievement of the organisation's corporate goals. Internal management, external specialist resources and the Association's Risk and Audit Committee work together to ensure the Association's Risk Management Framework is effectively resourced.

Risk Assessment

Existing and potential emerging risks associated with the current and planned activities of the organisation are identified and documented using a risk Register.

The current principal risks and uncertainties faced by Leeds Federated, in common with most Housing Associations are;

- ensuring our homes are regarded as good value by our customers,
- maintaining financial viability and maximising financial capacity,
- managing cyber risks,
- managing health and safety risks,
- ensuring regulatory compliance including Brexit, and,
- managing development risks.

The principal uncertainty currently facing the Association is the impact of the ongoing global COVID-19 outbreak. The board and executive team continue to monitor the outbreak, including UK Government advice, and acknowledge that the association faces a prolonged period of uncertainty. The risks above remain relevant and further increased by the COVID-19 pandemic which has directly impacted service delivery and development activity and indirectly our income and cash flow as the pandemic impacts our customers' physical health, wellbeing and financial capacity. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the Association is in a good financial position to help manage the risks.

Steps are being taken, on an ongoing basis, to minimise the impact of COVID-19 on Leeds Federated's activities and the effect this may have on the Association's customers and stakeholders, including adjusting operational activity to ensure their safety. Infrastructure is in place to support staff to work remotely, and our key priority is to ensure the safety and wellbeing of our customers and staff and, as far as possible, ensure that our housing services are still available when needed.

Risk consequences are documented and the impact and likelihood are reviewed and individually scored before and after the application of internal controls designed to manage the risks within the risk appetite determined by the board. The Association considers Financial, Health and Safety, Legal & Regulatory, Residents & Community, Reputation & Staff implications when assessing the impact of each risk. All board and committee papers consider the relevant risk to the subject of the paper. The risk register and internal controls are regularly reviewed by Audit & Risk Committee and Board and the risk impact of all papers considered by Board discussed at the conclusion of each meeting.

Risk Response

The board determines the nature and extent of the risks it is willing to take in achieving its corporate plan through a differentiated risk appetite linked to the corporate objectives as follows;

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Risks and uncertainties (*continued*).

Corporate Plan Goal	Risk Appetite	Risk Approach
Sustain	Averse	Accept minimal risk only, where unavoidable
Grow	Conservative	Accept necessary risk where essential to achieve objectives, but mitigate wherever possible
Innovate	Receptive	Take risk if expected reward warrants, within limits.

Leeds Federated continues to review and develop its approach to risk management and has taken the decision to adopt, with the support of our Internal Auditors, the three lines of defence approach to identify and document internal controls which includes increased control risk self-assessment by risk owners.

Financial risks are regularly tested through the multi-variate stress testing of the Association's business plan by the Association's Treasury advisors. Business continuity and mitigation plans are maintained and regularly reviewed to ensure that they will enable the Association to recover from or avoid significant disruption.

Risk Communication

Leeds Federated uses a Risk Management Framework which is reviewed annually by Board. The Framework sets out responsibilities for risk management by the Board and Audit & Risk Committee, reporting & monitoring, documentation of risk, risk appetite, the methodology used to score the impact and likelihood of risks and the risk register.

Annually the Board, through Audit & Risk Committee will consider and review the Risk Management Framework and receive a report from the Internal Auditors on their work and their view on the effectiveness of the internal control framework and that an appropriate framework is in place for identifying, evaluating and managing the significant risks faced by the Association. The annual assurance is then used for compliance reporting to the Regulator of Social Housing and within the annual Report and Financial Statements.

The detail of regular reporting, review of the controls, risks and links to the Association's balanced scorecard are detailed within the Risk Management Framework for management & risk owners, Audit & Risk Committee and Board.

Risk Governance

The Association's approach to Risk Governance forms part of its chosen code of governance and includes meeting the Standards of the Regulator of Social Housing as a registered provider.

The Association uses a Risk Management Framework to set out its approach to the management of risk in conjunction with the terms of reference of the Board and Audit & Risk Committee and to ensure compliance with statutory and regulatory requirements.

Through the use of an external provider of Internal Audit as well as various other specialist 3rd party assurance providers the Association is able to obtain independent assurance on the effectiveness of internal controls used to manage key risks.

The Risk Management Framework and regular reporting of risk at Audit & Risk Committee and Board enable risk performance to be monitored and challenged.

Risk management is considered at every Board meeting, both within each individual paper and taking the whole pack into account at the end of each meeting.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020

Value for Money Statement 2019/20



Leeds Federated Value for Money Statement 2019/20

A version can be found on our website:

<https://www.lfha.co.uk/>

1 Summary

2019/20 was the fourth year of a Corporate Plan covering the period 2016 – 2022, reflecting a set of corporate priorities with a sharper focus on the need to deliver growth. Through the Corporate Plan, Leeds Federated has clarified its approach to increasing its delivery of new homes by:

- Setting a wider geographical area for development
- Reviewing and revising development scheme appraisal criteria where evidence had shown these to be more conservative than was necessary to effectively manage risk
- Developing new systems to further strengthen the management of risk and financial commitment in relation to our development programme

In addition to sustaining our new levels of ambition in providing new homes, the Corporate Plan retains a focus on:

- maximising the sustainability and performance of the existing asset base;
- maintaining, and where appropriate, improving the performance of services;
- obtaining maximum business benefit from the use of technology and continuing to foster and support a culture of innovation throughout all areas of activity.

The Association has continued to progress its Vision 21 Programme. This is an ambitious organisational change initiative comprising a portfolio of projects to review and re-focus our approach to service delivery, growth, asset management, working practices, and the technology we use to support our business.

A headline aim of the Vision 21 Programme is to deliver ongoing efficiencies in the form of a 5% reduction in operating costs, an annual saving of around £650k per annum from 2021. Staff from across the business are actively engaged in the Vision 21 work and the voice of the customer is a key aspect of our work reviewing the approach to service delivery.

We have taken a prudent approach to reflecting savings from Vision 21 in our business plan. Efficiencies are only being included in the business plan once they have been satisfactorily evidenced in our Benefits Realisation Plan.

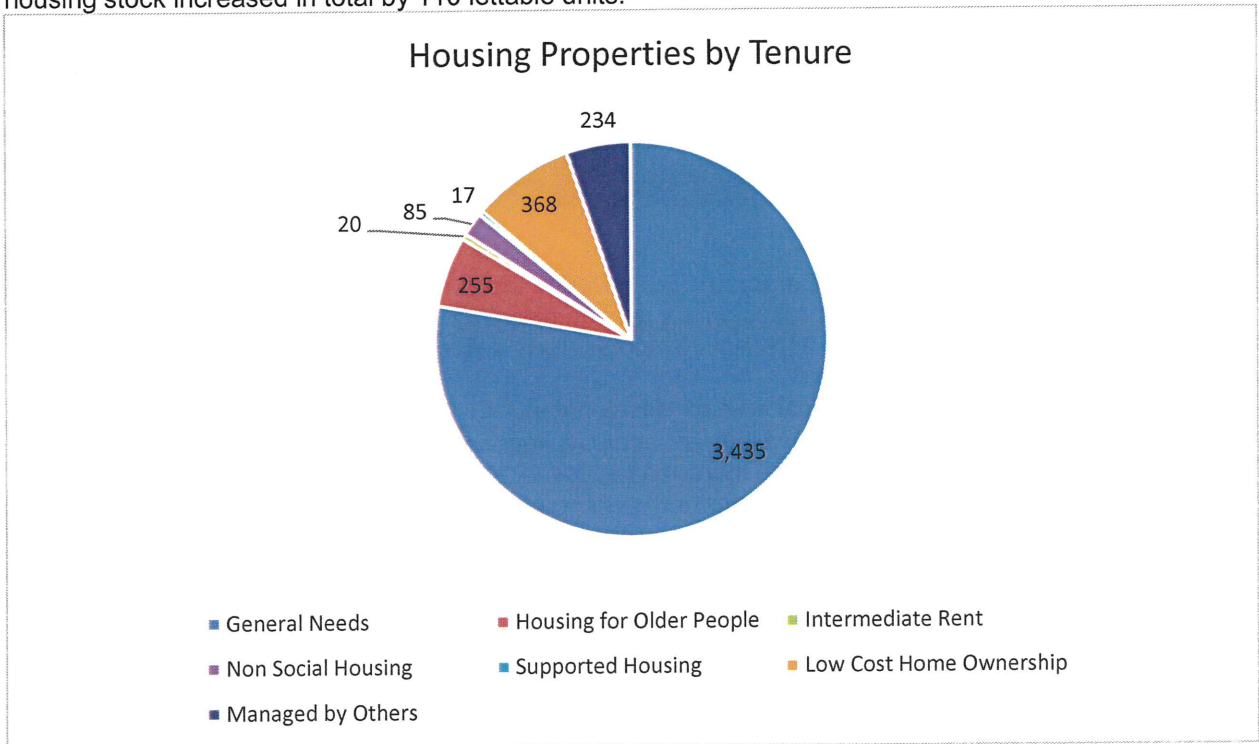
Leeds Federated Housing Association Limited

Value for Money Statement
for the year ended 31 March 2020 (continued)

2 Key Statistics

● Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2019/20, a total of 4,414 units/bedspaces¹ of which 85 units are non-social housing and 234 are managed by others. During the year housing stock increased in total by 110 lettable units.



¹ – unit of measurement per the Homes England and Regulator of Social Housing definition is a bedspace or unit which is lettable.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

Key Performance Indicators

● Measuring Performance

Key Performance Indicators are a series of targets measured by traffic light system:



Performance is tracked and reported using a Balanced Scorecard System

The results are regularly reviewed by staff, customers and by the Association's Board:

- every month by the organisation's Leadership Team
- every quarter by the Challenger Panel, made up of Leeds Federated customers
- every quarter by the Operations Committee
- at each full Board meeting

A major review of the performance scorecard was undertaken for the 2018/19 financial year to further improve our ability to understand and respond to trends in key measures of business performance. As part of this review, the seven standard metrics relating to Value for Money specified by the Regulator of Social Housing were integrated into the scorecard. We have continued to track performance against these measures.

The following table analyses some of the performance indicators for the 2019/20 year. The Value for Money Statement analyses some other performance indicators, as well as giving a summary on overall BSC performance for 2019/20.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services	Minimum of 80% of customers 'satisfied' or 'very satisfied'	86.7% of customers were 'satisfied or 'very satisfied' at the end of the financial year. (Q4 performance result)
	Customer satisfaction with the value for money of rent	A minimum of 83% of customers 'satisfied' or 'very satisfied' that their rent offers value for money	At the end of the financial year, 88.0% of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (Q4 performance result)
Repairs	Appointments Made and Kept	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 97.8% of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources. (March 2020 ytd performance)
	Customer Satisfaction with individual repair jobs	Minimum of 85% customer satisfaction with the quality of individual repair jobs	Average customer satisfaction with individual repair jobs was 88.2% at the end of the year. (March 2020 ytd performance)
Gas Servicing	Up to date gas safety certificates maintained for all relevant stock	100% of required gas safety certificates to be in place at all times	99.73% of gas safety certificates were in place at the end of the financial year. A total of 10 were overdue, but fully compliant with our escalation procedures. (March 2020 performance)
Housing Management	Minimise the level of rent arrears	Current tenant rent arrears at 6.31% or less	Social housing rent arrears at 6.03% at the end of the financial year, based on our 4-weekly rolling average measure. Excluding legacy arrears relating to housing co-ops, many of which were repaid early in 2020/21, this figure drops to 5.01% (March 2020 performance)
	Minimise lost rent due to empty properties	Keep rent losses within budget	Rent losses due to empty properties were 1.5% of overall rental income at the end of the financial year. (March 2020 performance)

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Objective	KPI	Target	Outcome
Development	Successful delivery of our new homes programme	Hand over 175 units during the year	157 units were completed in 2019/20 against a start of year forecast of 175, with 18 units being carried forward in to the 2020/21 programme.
	Achievement of sales targets for shared ownership homes	Achieve average sale proportion of 40% at first tranche for homes outside North Yorkshire and 25% for homes in North Yorkshire	Average in Harrogate 42% (Target minimum: 25%) March 2020 ytd performance Average in other areas – 48% (Target minimum: 35%) March 2020 ytd performance

● How We Compare

Leeds Federated has continued to deliver strong performance in achieving good value for money when compared to the social housing sector nationally. When considered in relation to our regional peers, the organisation is delivering strong levels of reinvestment and new social housing supply, and demonstrating efficient use of financial capacity.

Sector VfM Metric	Leeds Federated			Global Accounts Data 2019
	2018/19	2019/20 (target)	2019/20 (outturn)	Sector Median 2018/19
(1) Reinvestment %	6.10%	>=8%	7.86% ¹	6.2%
(2a) New supply % (SH)	3.97%	>=4.29%	3.65% ²	1.5%
(2b) New supply % (NSH)	0%	0% ³	0%	0%
(3) Gearing at cost %	24.20%	<28.5%	24.84%	43.4%
(4) EBITDA-MRI %	340%	>260%	331%	184%
(5) SH cost per unit	£3,010	<£3,300	£3,145	£3,690
(6a) Op Margin (SH) %	22.7%	>16.42%	20.85%	29.2%
(6b) Op Margin (overall) %	25.70%	>25.02%	25.51%	25.8%
(7) ROCE %	3.80%	>3.1%	3.87%	3.8%

(SH – Social Housing, NSH – Non-social housing, EBITDA-MRI – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included, ROCE – Return on Capital Employed)

¹ The delivery of some planned maintenance programmes was slower than expected during 2019/20

² 18 units originally scheduled for completion during 2019/20 were carried forward to 2020/21

³ Leeds Federated does not have current plans to develop new non-social housing

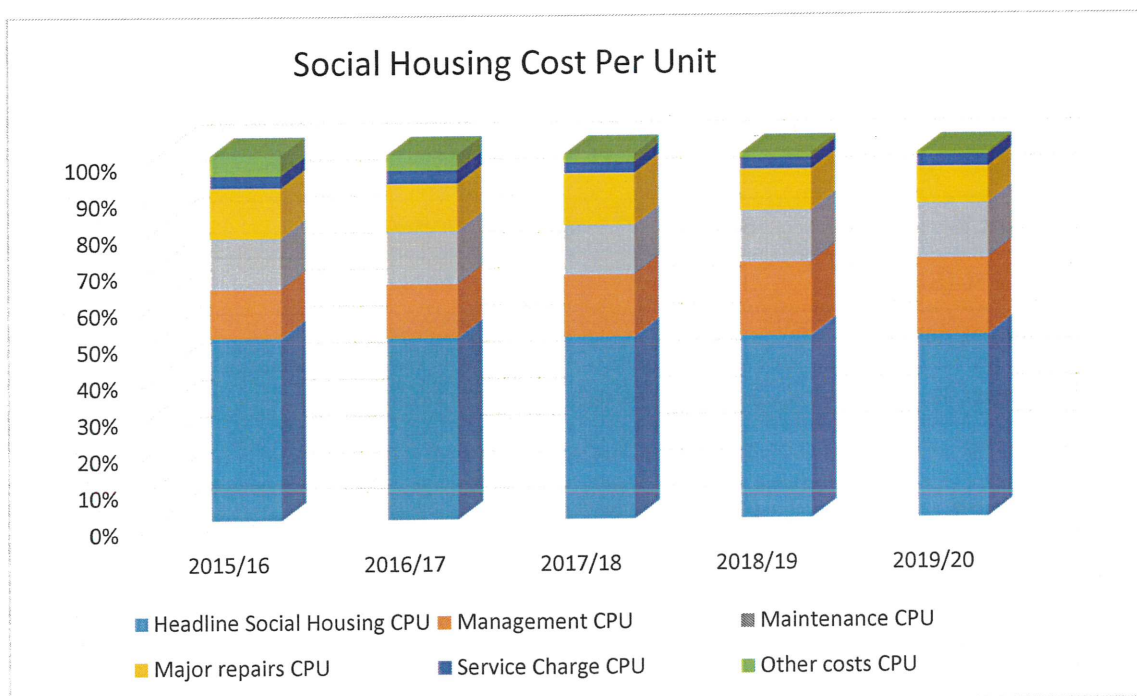
Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Sector VfM Metric	Global Accounts Data 2019					
	LFHA 2019/20	Regional Median ¹	Yorks & Humbs	North East	North West	Midlands
(1) Reinvestment %	7.86%	7.7%	7.4%	8.8%	7.3%	7.3%
(2a) New supply % (SH)	3.65%	1.3%	1.5%	1.1%	0.7%	2.0%
(2b) New supply % (NSH)	0%	0%	0%	0%	0%	0%
(3) Gearing at cost %	24.84%	43.9%	39%	43%	40.8%	52.8%
(4) EBITDA-MRI %	331%	190.6%	180%	181.2%	176.7%	224.5%
(5) SH cost per unit	£3,145	£3,540	£3,800	£3,330	£3,460	£3,560
(6a) Op Margin (SH) % ²	20.85%	26.8%	22.1%	26.3%	25.5%	33.3%
(6b) Op Margin (overall) %	25.51%	24.8%	21.9%	25.4%	23.4%	28.4%
(7) ROCE % ²	3.87%	5.6%	3.2%	6.5%	4.5%	8.1%

¹ An average of the Y&H, NE, NW and Midlands median figures

² Leeds Federated's results reflect the investment in the V21 programme, as described in the VfM statement summary



Leeds Federated Housing Association Limited

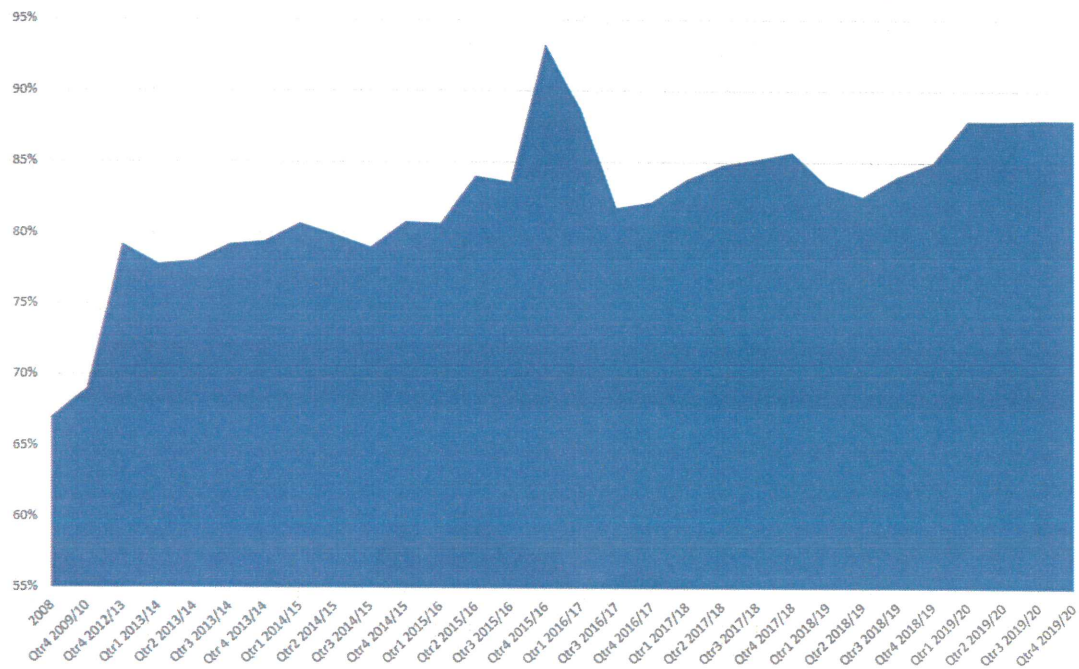
Value for Money Statement for the year ended 31 March 2020 (continued)

4 Customer Perceptions

● Measuring Performance

Customer perception data is collected on a rolling basis, with a minimum of 600 customers participating in the survey annually. This approach has been in operation for many years allowing a useful longitudinal analysis of performance. Leeds Federated has continued to use the National Housing Federation's STAR methodology, which enables straightforward comparison with other organisations in the sector.

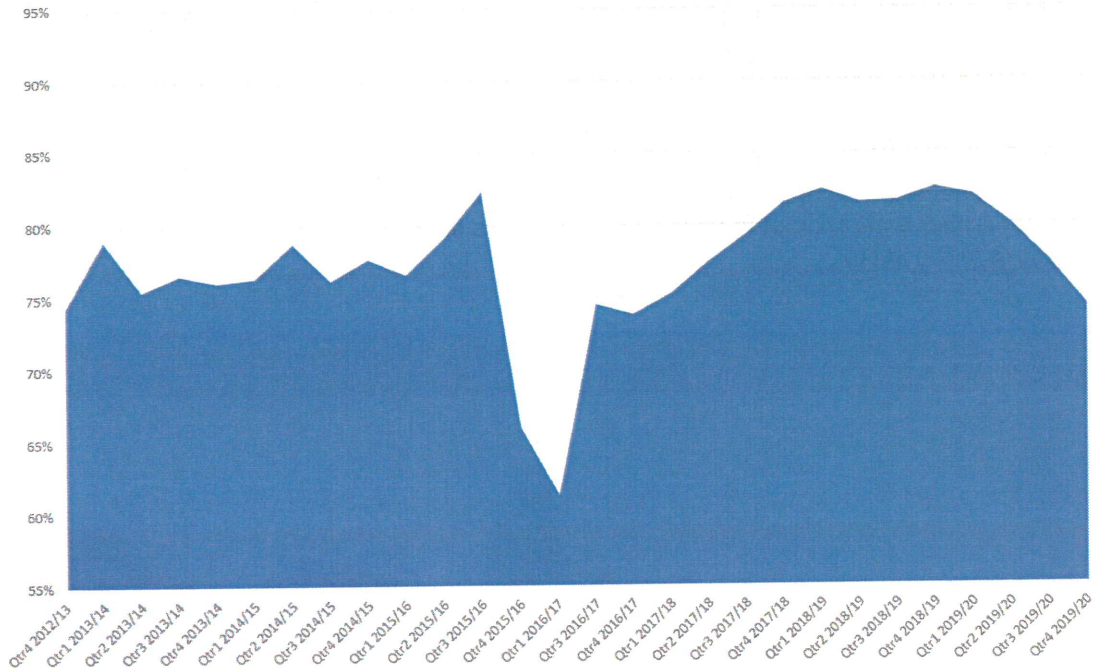
Satisfaction with rent providing value for money (2008 – 2020)



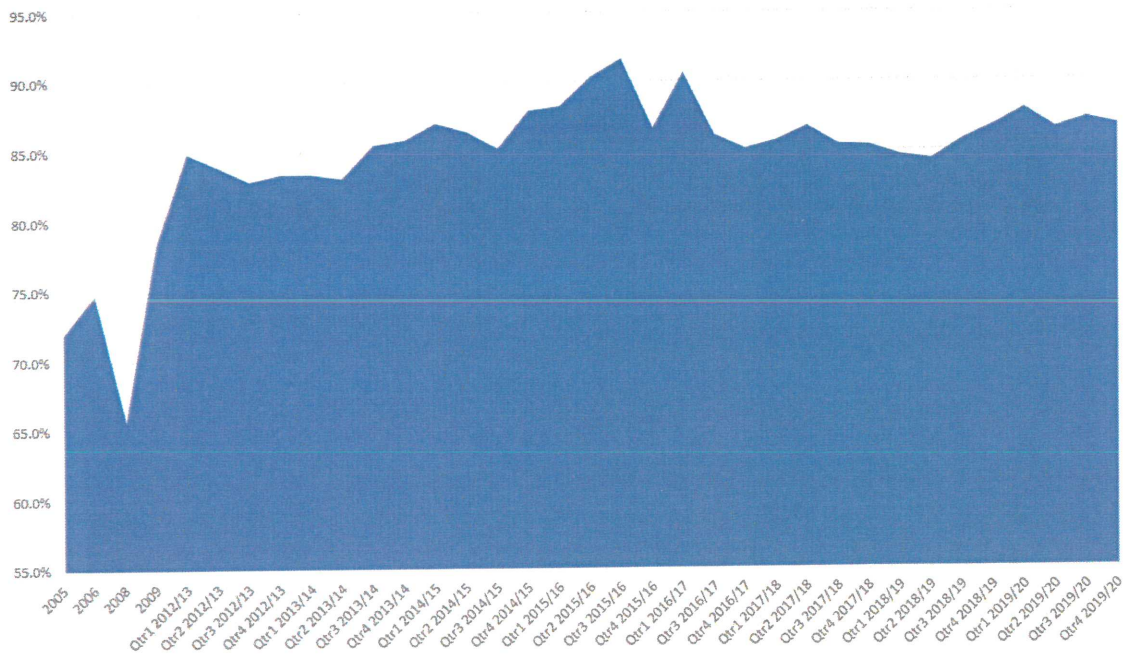
Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Satisfaction with service charges providing value for money (2012 – 2020)



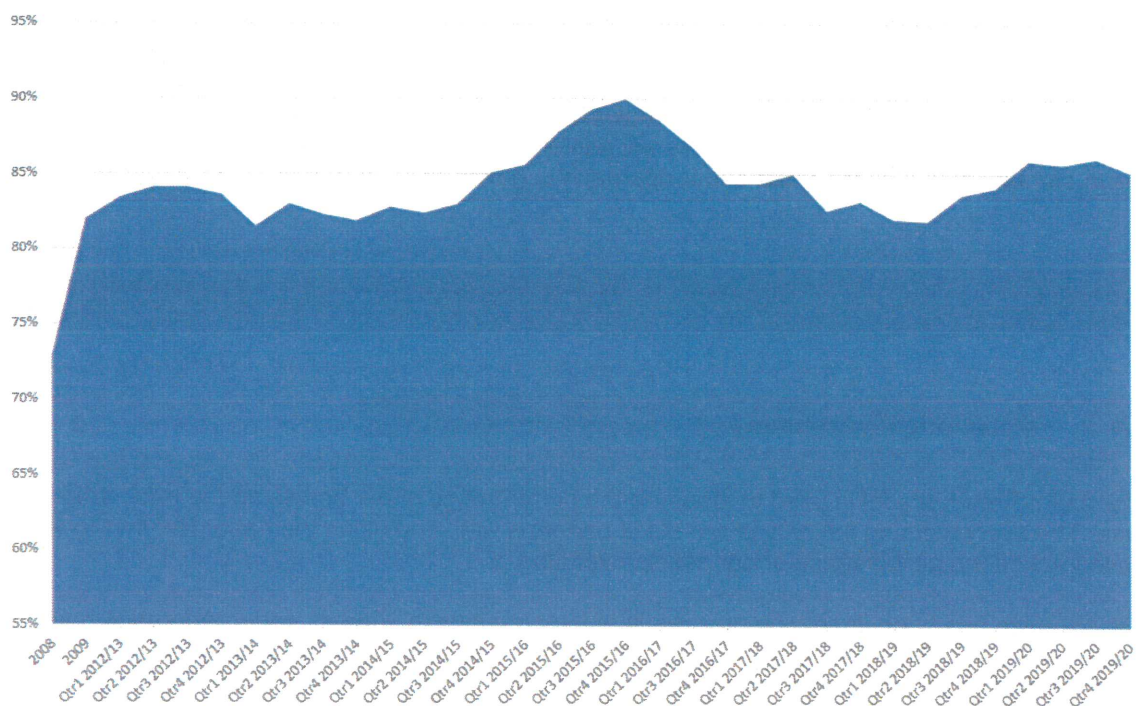
Satisfaction with overall service (2005 – 2020)



Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Satisfaction with the quality of the home (2005 – 2020)



● How We Compare

Our customer perception data for 2019/20 has been compared with that of other providers subscribing to HouseMark¹. This shows that our results fall into a range of quartiles, although the majority of results are above the median.

Satisfaction Question	LFHA 2019/20 Q4	LFHA Quartile Position	HM National Benchmarks		
			Upper	Median	Lower
Overall satisfaction	86.7%	3	89.08%	87.25%	81.15%
The home	85.2%	2	87.50%	85.00%	81.00%
The neighbourhood	76.7%	4	87.00%	84.90%	82.08%
Repairs and maintenance	80.6%	2	84.20%	79.00%	72.00%
Listening to views & acting on them	70.5%	3	78.40%	71.80%	64.20%
Value for money of rent	88.0%	2	88.03%	86.15%	82.00%
Value for money of service charge	74.3%	1	73.35%	66.60%	62.20%

¹ peer comparison relates to general needs customers

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

● Making Improvements

Our customer Challenger Panel continues to consider and scrutinise customer satisfaction data on a quarterly basis.

During 2020/21, we will be adopting and implementing the 'Together With Tenants' Charter developed by the National Housing Federation. This will reinforce our long standing commitment to ensuring that the customer voice is at the heart of our approach to governance and operational decision making.

5 Asset Performance

● Measuring Performance

Our Asset Return Model is used to measure the performance of our assets and to track progress over time. The overwhelming majority of our stock performs well, and using the Asset Return Model we have tracked the performance of our assets over time.

Performance has been improving as a result of interventions to address underperforming housing stock combined with an increase in high quality homes as a result of our expanded development programme.

● Making Improvements

During 2019/20 a number of option appraisals were carried out with a range of recommendations made and implemented with the aim of improving the performance of the Association's asset base. This continues an established programme of work to review and evaluate underperforming assets, with the involvement of the Board.

The aim in all cases is to maximise value for money by making the best use of resources in the form of the assets themselves, and also to make best use of our housing management and maintenance resources.

In 2020/21 we plan to:

- Begin a major review of our most challenging assets, taking into account the Board's aspiration to invest in improved sustainability and energy performance over the long term.
- Launch our new In-House Contractor to deliver the bulk of our planned investment programme, with targets to achieve improved quality and value for money.
- Continue to operate the Asset Return Model, evaluating the performance of our assets and determining the best approach to delivering improvements in Value for Money

6 Vision 21

Through successive iterations of its business plan Leeds Federated has successfully and significantly controlled its social housing cost per unit.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

The Association will continue to drive cost savings as well as increase efficiency and effectiveness of its activities through the implementation of its Vision 21 programme. A key target is to maintain our social housing cost per unit between the anticipated median and upper quartile positions.

Vision 21 is a comprehensive organisational change programme aimed at securing long term improvements in value for money. The targeted savings generated through Vision 21 will further improve on social housing cost per unit and enable us to sustain performance between upper and median quartile, a position which we consider appropriate for an Association of our size, location, stock condition and customer base.

Investment in the V21 programme includes the investment of the project team, software and system development and setting up the in-house contractor and office hub venues. Cumulative spend from 2017/18 to 2019/20 is £1,429k with a further spend of £851k in 2020/21, the final year of the programme.

● Realising The Benefits

As the Vision 21 Programme progresses, we are quantifying the delivery of value for money gains in our Benefits Realisation Plan. As these are confirmed and agreed, they will be reflected in successive iterations of our business plan. It is anticipated that benefits of £650k p/a will be identified and realised once the programme is completed during 2020/21 and all changes have been implemented. To date, £253k p/a benefits have been identified relating to the programme.

At the present time, the Benefits Realisation Plan documents over 110 individual value for money improvements across the three categories of Economy, Efficiency and Effectiveness.

7 Value for Money Standard

Leeds Federated has assessed its performance against the requirements laid out in the Regulator of Social Housing's Value for Money Standard. Leeds Federated has judged itself to be compliant with these requirements.

1.1 Registered providers must:

- a. clearly articulate their strategic objectives
- b. have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders
- c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

- Our strategic objectives are articulated in the Corporate Plan, through the three core strategies of 'Sustain', 'Innovate', and 'Grow'.
- We have an approach agreed by the Board to achieving Value for Money in meeting these strategic objectives. This is primarily embedded in those strategies, however a separate Value for Money Policy exists which is approved by the Board.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

- Our 'Grow' Strategy and Development Policy articulate our approach to delivering homes that meet a range of needs.
- Our VfM Policy sets out how we ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of our strategic objectives.

2.1 Registered providers must demonstrate:

- a. a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- b. regular and appropriate consideration by the Board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- c. consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- d. that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

- A robust approach to achieving Value for Money is set out in our Value for Money Policy. We demonstrate this in ongoing business activity through option appraisals, business cases taken to Corporate Investment Group and to Board, and through the goals and projected business benefits of the Vision 21 Programme.
- The Board regularly considers potential value for money gains in the form of option appraisals and business cases for changes in operational activity, and through regular updates on the delivery of the Vision 21 programme.
- The Board has considered and approved the creation of a new In-House Contractor to deliver planned maintenance work. This was on the basis of a rigorous business case with clear value for money targets.
- VfM performance is measured and recorded on a monthly basis through our balanced scorecard KPIs (Linked) and through our annual VfM statement

2.2 Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- a. performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
- b. measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

- Evidence is published annually as part of the statutory accounts to detail performance against Value for Money targets and the metrics set out by the Regulator, along with any plans for improvement. At the present time, the Vision 21 Programme is our principal approach to achieving long term improvements in value and performance.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

8 Value for Money Targets

The table below shows Leeds Federated's performance against various Value for Money metrics for 2019/20 and our headline targets for the following three years as currently contained in our business plan. Future targets do not include assumptions on the value for money gains that will accrue from the Vision 21 Programme. These will be added into the business plan only once fully quantified and timetabled.

Note on COVID-19:

The effects of COVID-19 have been disclosed on pages 4 and 5 of the Strategic Report. Whilst there was an impact of the suspension of some services, performance against our KPI's was still strong, as shown on Page 15 'How We Compare'. The VfM targets shown below for the years 2020/21 and beyond were agreed prior to the COVID-19 outbreak and do not take into account the impact of COVID-19 on the business and the external operating environment. In common with other providers in the sector, we are currently reviewing budgets and business plans in consultation with the Board and when these are updated and approved, at the midyear point, the KPI targets will updated if needed.

Sector VfM Metric	LFHA 2019/20	VfM Targets		
		2020/21	2021/22	2022/23
(1) Reinvestment %	7.86%	7.82%	5.89%	6.95%
(2a) New supply % (SH)	3.65%	3.15%	2.72%	4.03%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	24.84%	28%	29%	30%
(4) EBITDA-MRI %	331%	229%	278%	328%
(5) SH cost per unit	£3,145	£3,650	£3,330	£3,250
(6a) Op Margin (SH) %	20.85%	15.95%	21.06%	22.11%
(6b) Op Margin (overall) %	25.51%	21.14%	25.77%	28.68%
(7) ROCE %	3.87%	2.43%	2.87%	3.87%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2019/20 financial year from a value for money perspective.

Leeds Federated believe that this report provides assurance of compliance with the requirements of the Regulator for Social Housing Value for Money Standard.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Financial performance for the year

The Board is pleased to report another strong financial performance for the year with a healthy total comprehensive income for the Group of £9,336k (2019 - £2,111k), after accounting for an actuarial gain of £3.9m on the Social Housing Pension defined benefit scheme (2019 – loss of £4.1m). Operational performance is broadly consistent with 2019 with operational surplus, before 'other gains', reported for the Group of £6,861k (2019 - £6,580k). The cash generated from the surplus has enabled the group to continue to invest in both its existing stock and new developments, for both rent and low cost shared ownership. The group completed 157 (2019: 171) new affordable homes during 2019/20. These new homes are a combination of Leeds Federated's own development and S106 schemes with regional and national housebuilders, reflecting the group's strong partnership approach to delivering new affordable homes.

Financial position

The Group's five-year statements of income and expenditure and comprehensive income and balance sheets / statement of financial position are summarised in the table on page 22.

The Group's statement of comprehensive income and statement of financial position for the year ended 31 March 2020 are included on pages 31 and 33.

Accounting policies

The Group's principal accounting policies are set out on pages 38 to 45 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include component accounting and housing property depreciation.

Housing properties and other fixed assets

The board is pleased to note the 2.55% increase in property stock this year, with the total number of social homes (including bed spaces) in management now standing at 4,095 (2019 - 3,977). In addition there are 85 non-social bed-spaces (2019: 85) and 234 units managed by others (2019: 242). The social housing properties were carried in the balance sheet at cost (after depreciation) of £204.7m (2019 - £197.2m).

A small number of properties are classified as Investment Properties. They are carried in the balance sheet at market valuation of £6.8m (2019 - £6.8m).

The Group's principal office, located in Arthington House, is included within other fixed assets at cost. The office forms part of a larger development which includes flats and houses.

During the year, the Group invested a further £605k (2019: £489k) in its capitalised computer equipment on improvements to the mobile software Origin and the website, upgrading laptop computers and telephony to enable agile working which proved critical as office based staff were able to work from home from March 2020.

Pension costs

The Group participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Group has contributed to the scheme in accordance with levels set by the actuaries. The last actuarial valuation of the SHPS was undertaken as at 30 September 2017. The next actuarial valuation is due on the 30 September 2020. The disclosure note can be found on page 62-65.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Capital structure and treasury policy

Of the Group's £74.3m of secured funding facilities, as at 31 March there was £23.3m available in the form of undrawn facilities and cash to fund future development and capital spending. The annually approved Treasury Annual Plan and Treasury Policy sets out how the group manages treasury risks including interest rates, refinancing, and counterparty risks as well as determining future borrowing plans to ensure adequate funding in place to meet business plan requirements. All lenders' covenants were met during the year and the Board expects to remain compliant in the foreseeable future.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated statement of cash flows on page 37. The cash inflow from operating activities increased this year to £8,808k (2019 - £9,452k). There was a net increase in cash for the year ended 31 March 2020 of £2,774k (2019 - decrease in cash £2,517k).

Future developments

The Board approved its March 2020 budget to spend an estimated £15.1m during the next financial year to acquire/build further affordable homes for sale and rent. £3.8m of funding is for committed schemes and £11.3m for uncommitted schemes. In the period between the budget being prepared and the end of the financial year, a further £3.1m of cost was committed.

The Association's Corporate Plan 2016/21 sets out the growth aspiration to expand Leeds Federated's delivery of good quality homes – the Association will use its borrowing capacity to increase the amount of development undertaken, delivering 150 new homes per year over the life of this Corporate Plan. This plan to deliver 750 units is expected to complete by 2022/23. During the year the Board has approved a further five year plan of 150 units per annum from 2022/23.

The 2020/21 budget includes 131 completed new affordable homes, 24 of which are for shared ownership.

Since the 2020/21 budget was prepared, the effects of COVID-19 has impacted the development plan. Building work is being delayed in the first half of 2020/21, with an uncertain future recovery timescale. It is likely that development expenditure, development completed unit numbers and shared ownership sales will be lower than the approved budget in 2020/21, however this is unlikely to have a significant effect on the viability of the Association, and instead will just delay the growth plans.

Statement of compliance

In preparing this Report of the Board and Strategic Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers and the reporting requirements of FRS102.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (continued)

	2020 £'000	2019 £'000	2018 £'000 restated	2017 £'000	2016 £'000
Group statement of comprehensive income					
Total turnover	27,568	26,015	23,414	21,983	23,020
Income from lettings	20,499	20,535	20,181	20,269	20,453
Operating surplus (<i>*excluding other income and gains from 2018</i>)	6,861	6,580	8,169	7,827	7,193
Surplus for the year transferred to reserves (after pension)	9,336	2,111	6,179	5,372	3,588
Group statement of financial position					
Housing properties	204,666	197,191	190,713	176,478	174,068
Investment properties	6,830	6,830	5,537	5,537	5,537
Housing properties, net of depreciation	211,496	204,021	196,250	182,015	179,605
Other fixed assets	1,278	1,051	1,340	1,445	1,578
Fixed assets, net of depreciation	212,774	205,072	197,590	183,460	181,183
Fixed asset investments	2,047	1,795	1,647	1,498	1,043
Net current (liabilities)/ assets	(1,449)	(4,721)	(274)	6,808	(3,465)
Total assets less current liabilities	213,372	202,146	198,963	191,766	178,761
Loans (due over one year)	52,762	45,582	46,367	43,955	36,501
Other long term liabilities (includes SHG under FRS102 and pension liability)	105,826	111,116	109,259	110,653	110,474
Reserves:- revaluation	-	-	-	2,622	2,622
- revenue	54,784	45,448	43,337	34,536	29,164
	213,372	202,146	198,963	191,766	178,761
Accommodation figures					
<i>** 2017 restated to include definition of units and bed spaces per Regulator</i>					
Social housing owned	4,314	4197	4,060	3,913**	3,823
Social housing leased	15	22	24	30	42
Non-social housing	85	85	85	85	85
Total housing stock owned at year end (number of dwellings)	4,414	4304	4,169	4,028	3,950
Statistics					
Surplus for the year as % of turnover (after pension)	33.87%	8.11%	26.39%	24.44%	15.59%
Surplus for the year as % of income from lettings (after pension)	45.54%	10.28%	30.62%	26.50%	17.54%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.57%	2.50%	3.09%	2.89%	2.59%
Interest cover	289.38%	304.71%	375.00%	390.00%	349.00%
Gearing (total loans as % of capital grants plus reserves)	35.99%	32.72%	34.00%	33.70%	30.30%
Total reserves per home owned	12,476	10,616	10,455	£9,294*	8,134

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Statement of Internal Controls

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 assurance against material misstatement or loss.

The process for identifying, evaluating and managing the risks faced by the Group is ongoing, and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Audit and Risk Committee and the Operations Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a thorough approach to treasury management which is subject to external review each year;
- regular reporting to the appropriate Committee on key business objectives, targets and outcomes;
- Board approved Whistleblowing policy;
- Board approved Bribery, Fraud and Money Laundering policy, covering prevention, detection and reporting, together with recoverability of assets;
- regular monitoring of loan covenants and requirements for new loan facilities.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives reports from the Audit and Risk Committee together with minutes of Audit and Risk Committee meetings. At the end of each financial year, the Chair of the Audit and Risk Committee reports to the Board on how the terms of reference for the Committee have been met during the year. In July 2020, the Audit and Risk Committee received the Company Secretary's annual review of the effectiveness of the system of internal control for the Association for 2019/20 in line with External Audit recommendations to only receive this after the External Auditor has reported its findings for the 2019/20 audit. The 2019/20 annual report of the Internal Auditor was received at the March 2020 Audit and Risk Committee meeting and its findings were reported to the Board.

The current Internal Auditors are Beever and Struthers who were reappointed in 2017 following a competitive tender process. The Internal Auditors have reported to Audit & Risk Committee three times during the year and the Association undertakes a performance review following each audit, on whether reporting timescales were achieved and annually on the mix of audit staff against the tendered mix. The External Auditors were also reappointed in 2017 following a competitive tender process.

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Compliance with Governance and Financial Viability Standard

The Board receives on an annual basis an assessment of compliance with the Regulator of Social Housing's (RSH's) regulatory standards. The assessment undertaken in 2019-2020 shows that we are fully compliant, which was noted by Board at their meeting on the 16 June 2020.

The Association received confirmation from the Regulator of Social Housing in November 2019 that it had retained its G1V1 grades following the conclusion of the Stability Check process.

National Housing Federation (NHF) Code of Governance

The Board has adopted the NHF Code of Governance. Leeds Federated comply with the NHF Code of Governance with the exception of one Board member in their 10th year who was asked to remain in post to support and retain corporate memory during merger discussions in 2019 which concluded with Leeds Federated deciding to remain independent. The Board member is currently still in post.

Effectiveness

Annual Board effectiveness and annual appraisals are carried out for each Board member. The results are analysed and reported through the Governance & Remuneration Committee to the Board and Committees. The process is internally supported by the Company Secretary.

Diversity

Summary data of the demographic profile of customers, staff and board members are provided to the Board. The 2019-20 profile shows that the composition of the Board is generally reflective of the diversity of our customer base. When recruiting new Board members the Board consider the diversity balance and skills mix on the Board.

Ethnic Minority	12.5%	Average Age	57.25
Ethnic Majority	87.5%	Bisexual	
Female	37.5%	Gay	
Male	62.5%	Lesbian	
Disabled	12.5%	Heterosexual	100%
Non-Disabled	87.5%	Prefer Not to Answer	

Committees and Attendance

The attendance at the Board and Committee meetings during 2019/20 was:

Board/Committees	2020	2019
Board	87.5%	75%
Operations Committee	62.5%	75%
Audit & Risk Committee	100%	90%
Governance & Remuneration Committee	80%	77%
Development Committee (established 2019/20)	62.5%	N/A

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Names of Board Members sitting on each Committee

Chair of the Board of Management	Stuart Whyte
Operations Committee	Claire Stone Chair Shaid Mahmood Sue Howlett Kim Brear
Audit & Risk Committee	Martin Warhurst Chair Jaedon Green Robin Machell
Governance & Remuneration Committee	Sue Howlett Chair Martin Warhurst Claire Stone Stuart Whyte Robin Machell
Development Committee	Robin Machell Chair Claire Stone Shaid Mahmood Sue Howlett

Remuneration

Board Members are remunerated for their position on the Board. Within their Service Contract reference is made to the level of the fee being subject to an annual review by the Board. It was agreed that remuneration would be at median level (which is consistent with the Association's approach to setting staff salaries) and this be linked to an assessment of the following criteria:

- an independent assessment of the market
- any increase being paid to staff
- any increase paid to Senior Management Team
- the general economic climate

There are no governance related matters to highlight this year.

Charitable donations

2020 - Nil (2019 - Nil).

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out in this Strategic Report. 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 is able to service these debt facilities whilst continuing to comply with lenders' covenants. The board approved the 2020/21 budget and business plan in March 2020 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Senior Management Team and the board have been reviewing financial assumptions in the budget and business plan, particularly focusing on the next 5 years to ensure the Association remains a going concern. The Group's long-term business plan is stress tested twice yearly with additional stress testing carried out on the 2020/21 budget and business plan in response to the potential impacts of COVID-19 to assess the possible financial impacts and the resilience of the business plan including the range of available mitigation plans (further information is provided on page 4). This multi-variate stress testing did not cause a breach in bank covenants, remaining compliant even in the most severe of scenarios once identified mitigations were applied. Through this regular stress testing performed by the Group's treasury advisors the board receives assurance as to the financial viability of the Group.

The board will continue to review plans with the Senior Management Team to make the necessary changes that enable us to continue to work with our customers and stakeholders to deliver exceptional services. The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and are outside of our control, but we have put processes in place to manage cash flow on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling around £17.75m, the board believe that, while uncertainty exists, this does not post a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. On this basis, the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of Board members' responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and Association's transactions and disclose with reasonable accuracy at

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2020 (*continued*)

any time the financial position of the group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and Association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Annual General Meeting

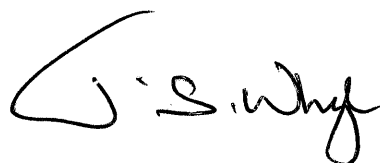
The Annual General Meeting will be held on 10 September 2020 at Leeds Federated Housing, Arthington House, 30 Westfield Road, Leeds LS3 1DE. Should it not be possible to meet physically due to social distancing restrictions, existing video conferencing facilities will be used to conduct the meeting virtually.

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Board Members are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue.

By order of the Board



Stuart Whyte
Chair of the Board
Date 21 July 2020

Leeds Federated Housing Association Limited

Independent auditor's report for the year ended 31 March 2020

Opinion

We have audited the financial statements of Leeds Federated Housing Association Limited ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Emphasis of matter: investment property valuations

We draw attention to note 16, which explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Group and Association's external property valuer has advised that a reduced level of certainty can be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. Other information comprises the information included in the Strategic Report and Operating & Financial Review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Leeds Federated Housing Association Limited

Independent auditor's report for the year ended 31 March 2020 (*continued*)

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and Operating & Financial Review, Statement of Corporate Governance and Internal Controls 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 where we are required by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; 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 board members responsibilities statement set out on page 26, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group 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 intend 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 website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Leeds Federated Housing Association Limited

Independent auditor's report for the year ended 31 March 2020 (*continued*)

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Leeds
Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Leeds Federated Housing Association Limited

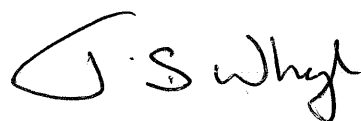
Consolidated statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	27,568	26,015
Operating costs	4	(20,707)	(19,435)
Other income and gains	4	1,197	2,182
Operating surplus	4	8,058	8,762
Other interest receivable and similar income	9	57	58
Interest and financing costs	10	(2,647)	(2,591)
Surplus for the financial year		5,468	6,229
Re-measurement of SHPS obligation actuarial loss to 31 March 2018	29	-	(2,928)
Actuarial gain/(loss) on defined benefit pension scheme	29	3,868	(1,190)
Total comprehensive income for the year		9,336	2,111

All activities relate to continuing operations.

The financial statements were approved by the Board of Management on 21 July 2020 and signed on its behalf by:

Board Member



Board Member



Secretary



The notes on pages 38 to 67 form part of these financial statements.

Leeds Federated Housing Association Limited

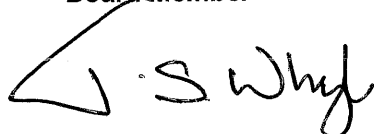
Association statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	27,787	26,165
Operating costs	4	(20,699)	(19,426)
Other income and gains	4	1,197	2,182
Operating surplus	4	8,285	8,921
Other interest receivable and similar income	9	57	58
Interest and financing costs	10	(2,647)	(2,591)
Surplus for the financial year		5,695	6,388
Re-measurement of SHPS obligation actuarial loss to 31 March 2018	29	-	(2,928)
Actuarial gain/(loss) on defined benefit pension scheme	29	3,868	(1,190)
Total comprehensive income for the year		9,563	2,270

All activities relate to continuing operations.

The financial statements were approved by the Board of Management on 21 July 2020 and signed on its behalf by:

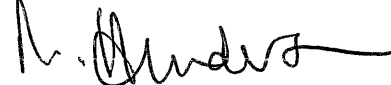
Board Member



Board Member



Secretary



The notes on pages 38 to 67 form part of these financial statements.

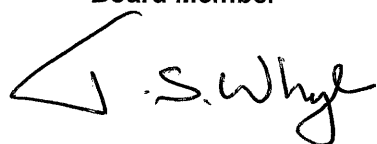
Leeds Federated Housing Association Limited

Consolidated statement of financial position at 31 March 2020

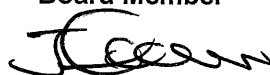
	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets - housing properties, depreciated cost	14	204,666	197,191
Tangible fixed assets – Other	15	1,278	1,051
Investment Properties	16	6,830	6,830
Investments	13	2,047	1,795
		214,821	206,867
Current assets			
Properties held for sale	20	1,358	838
Debtors	18	1,886	1,095
Investments	19	-	-
Cash at bank and in hand		5,752	2,978
		8,996	4,911
Creditors: amounts falling due within one year	21	(10,445)	(9,632)
Net current liabilities		(1,449)	(4,721)
Total assets less current liabilities		213,372	202,146
Creditors: amounts falling due after more than one year	22	(155,587)	(149,430)
Net assets excluding pension liability		57,785	52,716
Pension liability	29	(3,001)	(7,268)
Net assets		54,784	45,448
Capital and reserves			
Called up share capital	30	-	-
Income and expenditure reserve		54,784	45,448
		54,784	45,448

The financial statements were approved by the Board of Management on 21 July 2020 and signed on its behalf by:

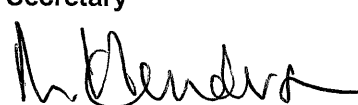
Board Member



Board Member



Secretary



The notes on pages 38 to 67 form part of these financial statements.


Leeds Federated Housing Association Limited

Association statement of financial position at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets - housing properties, depreciated cost	14	205,325	197,623
Tangible fixed assets – Other	15	1,278	1,051
Investment properties	16	6,830	6,830
Investments	13	2,047	1,795
		215,480	207,299
Current assets			
Properties held for sale	20	1,358	838
Debtors	18	1,881	1,086
Investments	19	-	-
Cash at bank and in hand		5,505	2,973
		8,744	4,897
Creditors: amounts falling due within one year	21	(10,193)	(9,618)
Net current liabilities		(1,449)	(4,721)
Total assets less current liabilities		214,031	202,578
Creditors: amounts falling due after more than one year	22	(155,587)	(149,430)
Net assets excluding pension liability		58,444	53,148
Pension liability	29	(3,001)	(7,268)
Net assets		55,443	45,880
Capital and reserves			
Called up share capital	30	-	-
Income and expenditure reserve		55,443	45,880
		55,443	45,880

The financial statements were approved by the Board of Management on 21 July 2020 and signed on its behalf by:

Board Member



Board Member



Secretary



The notes on pages 38 to 67 form part of these financial statements.

Leeds Federated Housing Association Limited

Group statement of changes in reserves for the year ended 31 March 2020

	Income and expenditure reserve	Share capital £'000	Total £'000
Balance at 1 April 2018	43,337	-	43,337
Surplus for the year	6,229	-	6,229
Actuarial loss on defined benefit pension scheme	(4,118)		(4,118)
Other comprehensive income for the year	2,111		2,111
Balance at 31 March 2019	45,448	-	45,448
Surplus for the year	5,468	-	5,468
Actuarial gain on defined benefit pension scheme	3,868		3,868
Other comprehensive income for the year	9,336		9,336
Balance at 31 March 2020	54,784	-	54,784

Leeds Federated Housing Association Limited

Association statement of changes in reserves for the year ended 31 March 2020

	Income and expenditure reserve	Share capital £'000	Total £'000
Balance at 1 April 2018	43,610	-	43,610
Surplus for the year	6,388	-	6,388
Actuarial loss on defined benefit pension scheme	(4,118)		(4,118)
Other comprehensive income for the year	2,270		2,270
Balance at 31 March 2019	45,880	-	45,880
Surplus for the year	5,695	-	5,695
Actuarial gain on defined benefit pension scheme	3,868		3,868
Other comprehensive income for the year	9,563		9,563
Balance at 31 March 2020	55,443	-	55,443

Leeds Federated Housing Association Limited

Consolidated cash flow statement for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus for the financial year		9,336	2,111
Adjustments for:			
Depreciation of fixed assets – housing properties	14	4,404	4,390
Depreciation of fixed assets – other	15	403	799
Amortisation of loan set up costs		54	76
Amortised grant	8	(1,960)	(1,956)
Net fair value gains recognised in income statement	16	(153)	(27)
Movement in fair value of investments	16	-	(1,292)
Interest payable and finance costs	10	2,430	2,356
Interest receivable	9	(57)	(58)
Difference between net pension expense and cash contribution	11	(4,267)	3,992
Surplus on sale of fixed assets – housing properties	7	(1,045)	(862)
(Increase) / decrease in debtors	18	(791)	117
Increase / (decrease) in creditors	21	454	(194)
Cash flows from operations		8,808	9,452
Management of liquid resources			
Payments to acquire listed investments	13&20	-	39
Net cash used in management of liquid resources		-	39
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	7	2,375	1,947
Purchase of fixed assets – housing properties	14	(17,181)	(14,523)
1 st tranche sales costs		3,590	2,396
Purchase of fixed assets – other	15	(630)	(510)
Receipt of grant	24	814	1,975
Costs associated with selling properties		(29)	64
Bank interest received	9	12	37
Cash paid to THFC to hold for security after sale of property	13	(54)	(109)
Net cash used in investing activities		(11,103)	(8,723)
Cash flows from financing activities			
Interest paid	10	(2,596)	(2,598)
New loans – bank	27	10,000	2,000
New loans – set up costs	27	(31)	(136)
Repayment of loans – bank	27	(2,304)	(2,551)
Net cash from / (used in) financing activities		(5,069)	(3,285)
Net increase / (decrease) in cash and cash equivalents		2,774	(2,517)
Cash and cash equivalents at beginning of year		2,978	5,495
Cash and cash equivalents at end of year		5,752	2,978

The notes on pages 38 to 67 form part of these financial statements.

Leeds Federated Housing Association Limited

Notes forming part of the financial statement for the year ended 31 March 2020

1 Legal status

The Association is registered under the Cooperative and Community Benefit Society Act 2014, and is registered with the Homes England as a social housing provider. The registered office is Arthington House, 30 Westfield Road, Leeds LS3 1DE.

The companies, Leeds Federated Housing Association Limited and its subsidiary Leeds Federated Property Services Limited, are referred to as "the group". The principal activity of the group is the provision of social housing and housing management.

Leeds Federated Property Services Limited is a company limited by shares, registered with Companies House under the Companies Act 2006. The principal trading activity of the company is the development of new housing for sale to the Association.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Leeds Federated Housing Association includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. These estimates and judgements are disclosed in note 3.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole. There is no remuneration in the subsidiary company LFPS.

The following principal accounting policies have been applied:

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report. 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 is able to service these debt facilities whilst continuing to comply with lenders' covenants. In order to provide stakeholder assurance as to the resilience of the Association's Business Plan, with the support and advice of the firm's treasury advisors the plan is updated and stress tested using a

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Accounting policies (*continued*)

Going concern (*continued*)

range of board approved multi-variate stress tests before and after mitigation plans. The plan is approved in March of each year and again as part of the mid-year review.

In response to the COVID-19 Pandemic an additional draft Business plan was prepared in May 2020 based on a severe but realistic scenario of the potential impacts of the pandemic on the organisation which has been stress tested against an extremely severe and milder scenario and reviewed at the June Board. As the impacts and implications of COVID-19 become clearer, the draft Business plan will be updated, re-stress tested and approved as the mid-year review update to the Business plan which is expected to be used as the basis for the Financial Forecast Return which is anticipated to be required by the Regulator of Social Housing in the autumn of 2020.

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 at least 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.

Basis of consolidation

The consolidated financial statements incorporate the results of Leeds Federated Housing Association Limited and its only subsidiary undertaking as at 31 March 2020 as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Turnover

Turnover represents rental income and service charge income receivable, proceeds from first tranche shared ownership sales, fees and revenue grants from local authorities and Homes England (HE), management fees receivable and miscellaneous income. Income is measured at the fair value of the consideration received or receivable.

Rental income is recognised 14 days from availability at the point when properties under development become available for letting. Income from first tranche sales is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Service income and charges

The Group operates variable service charges, whereby the costs of the scheme are budgeted and any surplus/deficit in any financial year is recovered/refunded in future service charges. The costs for the provision of any communal service or facility within a housing scheme are recharged at cost plus a 15% admin charge to the tenants on that scheme. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Bad debt

A bad debt provision of £706k is included within the financial statements. This includes 85% of current tenant arrears older than 13 weeks and 100% of former tenants arrears, which includes collection fees associated with historical arrears and rechargeable repairs. Bad debt on other income sources is assessed depending upon the individual circumstances present.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

2 Accounting policies (continued)

Taxation

Leeds Federated Property Services is subject to Corporation Tax. The charge for taxation is based on the surplus for the year and takes into account taxation deferred. Surpluses are accrued and gift aided to Leeds Federated Housing Association under a Deed of Covenant.

Value added tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year.

Pension costs

The Group participates in the Social Housing Pension Scheme (SHPS), a defined benefit pension scheme. Contributions are based on pension costs across the various participating Associations taken as a whole. The assets of the scheme are invested and managed independently of the finances of the Group.

For the year ended 31 March 2019 the Association identified its share of scheme assets and scheme liabilities and applied defined benefit accounting for the first time. The net defined benefit pension liability of £7,268k was recognised in the statement of financial position in that year.

For the year ending 31 March 2020 the Association's net defined benefit pension liability is £3,001k, reflecting movement in scheme assets and liabilities of £4,267k in the year.

Supported housing managed by agencies

Social housing capital grants and other revenue grants are claimed by the Association as owner of the property and are included in its statement of financial position. The treatment of other income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, the entire project's income and expenditure is included in its statement of comprehensive income (see note 4).

Where an agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Association. Other income and expenditure of projects in this category is excluded from the Association's statement of comprehensive income (see note 4).

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, incidental costs of acquisition, administration costs and expenditure incurred in respect of improvements or component replacements.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

2 Accounting policies (continued)

Housing properties (continued)

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale. The group's policy is to capitalise the costs associated with acquiring land and building, indirect costs directly attributable to the new build and development expenditure including direct development staff costs.

Works to existing properties, which replace a component that has been treated separately for depreciation purposes, are capitalised as improvements.

Properties held for sale

Shared ownership first tranche sales are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development costs. Net realisable value is based on estimated sales prices allowing for all further costs of completion and disposal. All properties are held within current assets, under properties held for sale and stock.

Sale of tangible fixed assets

The surplus or deficit recognised on disposal of property assets that are deemed to be in the normal course of business is included in operating activities and shown within operating surplus. This includes planned individual property sales, staircases, right to buy, right to acquire and stock rationalisation.

Investment properties

Investment properties consist of commercial properties and other properties held with the intention of not holding these for social benefit. Investment properties are measured at cost on initial recognition and subsequently carried at fair value. The assessment of fair value is undertaken annually using a combination of external valuers and director assessment of the market/ comparable property. The value is derived from the current market rents and investment property yields for comparable real estate, 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 income or expenditure and accounted for in other income and gains.

Shared ownership properties

Under Shared Ownership arrangements, the Group disposes of a long lease to the occupier; the lease premium paid is for between 25% and 75% of the value. The occupier has a right to purchase further proportions up to 100%. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties held for rental.

Proceeds of sale for first tranches are accounted for as turnover in the statement of comprehensive income, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold ("staircasing") are reflected in the statement of comprehensive income as a surplus or deficit on sale of fixed asset housing properties.

Government Grants

Social Housing Grant (SHG) is receivable from Homes England (HE) to subsidise the cost of housing properties and is included in long term liabilities under creditors as deferred income. The grants are amortised to the statement of comprehensive income.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

2 Accounting policies (continued)

Government Grants (continued)

SHG due from HE, or received in advance of total development costs being incurred, is shown as a current asset or liability.

SHG is subordinated to the repayment of loans by agreement with HE. SHG is repayable unless formally abated and waived although it can be recycled. SHG is recycled on disposal of a property and is credited to a Recycled Capital Grant Fund, which is included as a creditor due within one year or due after more than one year, as appropriate. If the recycled capital grant fund is not used within a three year period in principle it becomes repayable.

Grants of a revenue nature are credited to the statement of comprehensive income in the period to which they relate.

Other capital subsidies

The Group has, in the past, received land and capital subsidy from Leeds City Council via Leeds Partnership Homes Limited (LPH) at £nil financial consideration in exchange for nomination rights to the completed dwellings. The policy of the Group is to include the value of the subsidy in long term liabilities under creditors as deferred income. The subsidies are amortised to the statement of comprehensive income over the period to which they relate.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and depreciation is provided to write off the costs evenly over their expected useful lives (UEL). Management have estimated the UEL of components by liaising with the asset team to gain their professional opinion based on knowledge and experience.

The group depreciates the major components at the following rates:

Structure	70 years
Roofs	70 years
Bathrooms	30 years
Central heating	30 years
Curtilage	30 years
Insulation	30 years
Windows and doors	30 years
Solar panels	25 years
Kitchens	20 years
Boilers	15 years

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter

Assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use. Assessing impairment requires the use of estimation techniques. In making this assessment, management considers publically available information and internal forecasts of income streams. Any such write down is charged to operating surplus.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Accounting policies (continued)

Depreciation of other fixed assets

Depreciation is provided to write off the cost, less estimated residual values, of all other tangible fixed assets, evenly over their expected useful lives. No depreciation is provided on freehold land. It is calculated at the following rates:

Freehold office building	60 years
Office hubs and depots	10 years
Computer software	17% to 25%
Motor vehicles	25%
Office furniture and equipment	25%
Computer hardware	33%
Gardening equipment	50%

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

Operating Leases

Operating leases annual rents are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the statement of comprehensive income over the term of the lease.

Fixed asset investments

Investments held as fixed assets are stated at fair value. Changes in fair values are recognised in income or expenditure.

Liquid resources

For the purposes of the statement of cash flows, liquid resources are defined as current asset investments and short term deposits.

Financial Instruments

Financial Assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Loan premium

Premiums arising from the THFC and AHF loan drawdowns are recognised as a separate component of borrowing and shown within the statement of financial position as creditors. The premium is released over the term of the loan to the statement of comprehensive income within loan interest.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the members' best estimate of sales value based on economic conditions within the area of development.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases have been supplied by SHPS. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Key sources of estimation uncertainty

- Tangible fixed assets (note 14, 15 and 16)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Senior management determine whether a professional valuation is required annually or undertake their own assessment of the market. The investment property note will state whether a professional valuation has been undertaken or a director assessment made in any year. Where a professional valuation has been undertaken on the larger investment properties, a yield methodology will be used. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

- Investments (see notes 13 and 19)

Investments are held at the gilt price on 31 March in any year or the investment fund value, whichever is applicable.

- Rental and other trade receivables (debtors) (see note 18)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Year-end accruals

The expenditure estimate for accruals is based on the commitment once an order is placed that it will be due for payment upon completion and hence is included in the creditors of the Group.

- Loans – basic/ non basic

The Association has reviewed its loan agreements and in discussions with funders have determined that they are all considered to be basic loans.

- Capitalisation of maintenance costs

Any expenditure on an existing property that meets one of the following circumstances is capitalised into one of the housing property components;

- Replacement of a component of the property that has been previously treated separately for depreciation purposes and has been depreciated over its individual useful economic life.
- The economic benefits of the property have been enhanced in excess of the previously assessed standard of performance.

Any expenditure on an existing property that does not replace a component or result in an enhancement of the economic benefits of that property is charged to the Statement of Comprehensive income.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

4 Particulars of turnover, operating costs and operating surplus – Group

	Turnover	Operating costs	Operating surplus
	2020	2020	2020
	£'000	£'000	£'000
Social Housing Lettings	19,745	(15,629)	4,116
Other social housing activities			
Agency charges	1,278	(935)	343
First tranche shared ownership sales	5,695	(3,590)	2,105
Development administration	-	(187)	(187)
	6,973	(4,712)	2,261
Non-social housing activities			
Lettings	754	(264)	490
Feed in tariff income / gift aid / recharges	96	(102)	(6)
	850	(366)	484
	27,568	(20,707)	6,861
Surplus on disposal of fixed assets			1,045
Movement in property and gilt valuations			152
Total other gains			1,197
Operating surplus – continuing activities			8,058
	Turnover	Operating costs	Operating surplus
	2019	2019	2019
	£'000	£'000	£'000
Social Housing Lettings	19,801	(15,323)	4,478
Other social housing activities			
Agency charges	1,012	(643)	369
First tranche shared ownership sales	4,371	(2,396)	1,975
Development administration	-	(298)	(298)
	5,383	(3,337)	2,046
Non-social housing activities			
Lettings	734	(707)	27
Feed in tariff income / gift aid / recharges	97	(68)	29
	831	(775)	56
	26,015	(19,435)	6,580
Surplus on disposal of fixed assets			862
Movement in property and gilt valuations			1,320
Total other gains			2,182
Operating surplus – continuing activities			8,762

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

4 Particulars of turnover, operating costs and operating surplus (continued) – Association

	Turnover	Operating costs	Operating surplus
	2020	2020	2020
	£'000	£'000	£'000
Social Housing Lettings	19,745	(15,629)	4,116
Other social housing activities			
Agency charges	1,278	(935)	343
First tranche shared ownership sales	5,695	(3,590)	2,105
Development administration	16	(187)	(171)
	6,989	(4,712)	2,277
Non-social housing activities			
Lettings	754	(264)	490
Feed in tariff income / gift aid / recharges	299	(94)	205
	1,053	(358)	695
	27,787	(20,699)	7,088
Surplus on disposal of fixed assets			1,045
Movement in property and gilt valuations			152
Total other gains			1,197
Operating surplus – continuing activities			8,285

	Turnover	Operating costs	Operating surplus
	2019	2019	2019
	£'000	£'000	£'000
Social Housing Lettings	19,801	(15,308)	4,493
Other social housing activities			
Agency charges	1,012	(643)	369
First tranche shared ownership sales	4,371	(2,396)	1,975
Development administration	15	(298)	(283)
	5,398	(3,337)	2,061
Non-social housing activities			
Lettings	734	(707)	27
Feed in tariff income / gift aid / recharges	232	(74)	158
	968	(781)	185
	26,165	(19,426)	6,739
Surplus on disposal of fixed assets			862
Movement in property and gilt valuations			1,320
Total other gains			2,182
Operating surplus – continuing activities			8,921

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

4 Particulars of turnover, operating costs and operating surplus (continued)

Income and expenditure from social housing lettings – Group and Association

	General needs £'000	Supported housing £'000	Low cost home ownership £'000	Total 2020 £'000	Total 2019 £'000
Income					
Rents net of identifiable service charges*	15,073	1,041	919	17,033	16,773
Service charge income*	402	441	45	888	898
Charges for support services	-	-	-	-	254
Amortised government grants	1,649	121	54	1,824	1,876
Turnover from social housing lettings	17,124	1,603	1,018	19,745	19,801
Expenditure					
Management	(4,604)	(413)	(187)	(5,204)	(5,075)
Support services costs	-	-	-	-	(297)
Service charge costs	(499)	(317)	(45)	(861)	(820)
Routine maintenance	(2,995)	(221)	(99)	(3,315)	(2,772)
Planned maintenance	(546)	(25)	-	(571)	(791)
Major repairs expenditure	(1,195)	(60)	(7)	(1,262)	(1,071)
Bad debts	(203)	(13)	(2)	(218)	(191)
Property lease charges	(21)	-	-	(21)	(42)
Impairment of housing properties	-	-	-	-	(96)
Depreciation of housing properties					
- annual charge	(3,700)	(246)	(183)	(4,129)	(4,099)
- accelerated on disposal of components	(44)	(4)	-	(48)	(69)
Operating costs on social housing lettings	(13,807)	(1,299)	(523)	(15,629)	(15,323)
Operating surplus on social housing lettings	3,317	304	495	4,116	4,478
Void losses	185	66	-	251	219

*All net of void losses

Particulars of turnover from non-social housing lettings – Group and Association

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Student accommodation	506	472	506	472
Market rent	248	262	248	262
External gardening contract	76	81	76	81
Feed in tariff income / gift aid / recharges	20	16	223	151
	850	831	1,053	966

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

5 Supported housing managed by agencies

Group and Association

Where the agency carries the financial risk, the Group's income and expenditure account includes only the income and expenditure for which it retains responsibility. The Group owns 226 supported housing units (2019: 234) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

	Number of bed spaces	
	2020 No.	2019 No.
Turning lives around	52	58
Foundation	55	58
Touchstone (Group homes and floating support)	13	14
Community Links	20	16
Gipsil	8	8
Leeds Women's Aid	35	34
Others including 14 (2019:14) care home bed spaces	43	46
	226	234

6 Accommodation in management reconciliation

Group and Association

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

	2019 No.	New Units No.	Open market sales No.	Right to acquire sales No.	Shared ownership sales No.	Other gains / (losses) No.	Other movement No.	2020 No.
Social housing								
Social rent								
General needs	3,142	76	(12)	(3)	-	3	(7)	3,199
General needs leased	12	-	-	-	-	(6)	-	6
Supported housing	16	-	-	-	-	(11)	8	13
Housing for older	255	-	-	-	-	(1)	1	255
Intermediate rent								
General needs	18	2	-	-	-	-	-	20
Affordable rent								
General needs	217	-	(1)	-	-	-	(1)	215
General needs leased	2	-	-	-	-	(2)	1	1
Supported housing	4	-	-	-	-	-	-	4
Shared ownership	298	79	-	-	(8)	-	(1)	368
Shared ownership leaseholders paying service charge only	13	-	-	-	-	-	1	14
Total social housing units	3,977	157	(13)	(3)	(8)	(17)	2	4,095

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

6 Accommodation in management reconciliation (continued)

	2019	New Units	Open market sales	Right to acquire sales	Shared ownership sales	Other gains / (losses)	Other movement	2020
	No.	No.	No.	No.	No.	No.	No.	No.
Units managed by others								
Coop managed units – general needs	22	-	-	-	-	(7)*	-	15
Agency managed units	198	-	(6)	-	-	-	(2)	190
Agency managed leased	8	-	-	-	-	-	-	8
Care home bed spaces	14	-	-	-	-	-	-	14
Total social units managed by others	242	-	(6)	-	-	(7)	(2)	227
Non-social housing								
Student accommodation	62	-	-	-	-	-	-	62
Market rent	23	-	-	-	-	-	-	23
Total non-social housing unit units	85	-	-	-	-	-	-	85
Summary								
Owned social – managed and managed by others	4,197	157	(19)	(3)	(8)	(16)	(1)	4,307
Not owned social – managed and managed by others	22	-	-	-	-	(8)	1	15
Non-social	85	-	-	-	-	-	-	85
Total stock	4,304	157	(19)	(2)	(8)	(24)	-	4,407

*Includes 7 units removed because, under a new lease arrangement, they are no longer classified as owned and managed as defined by the Regulator of Social Housing in their FVA and Statistical Data Return (SDR). Under UK GAAP these units are correctly classified as Social Housing and are included in the unit numbers referred to throughout the statutory accounts and the value for money metrics.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

7 Surplus on disposal of fixed assets

	Shared ownership staircasing 2020 £'000	Other housing properties 2020 £'000	Total 2020 £'000	Total 2019 £'000
Disposal proceeds	823	1,552	2,375	1,947
Cost of disposals	(320)	(86)	(406)	(426)
Selling costs	(4)	(26)	(30)	(29)
Capital grant recycled (note 25)	(142)	(752)	(894)	(630)
Surplus on disposal of tangible fixed assets	357	688	1,045	862

During the year, 3 properties used the right to acquire legislation to progress an outright sale (2019: 3). 8 shared owners increased their shares of equity to 100% (2019: 11) and 3 increased their share of equity (2019: 1). The Association sold 7 properties (19 rooms) on the open market (2019: 6 properties, 21 rooms).

8 Operating surplus

This is arrived at after charging / (crediting):	2020 £'000	2019 £'000
Depreciation:		
- housing properties	4,352	4,226
- accelerated depreciation on replaced components	51	67
- impairment	-	96
- other tangible fixed assets	403	799
Amortisation of grants	(1,960)	(1,956)
Operating lease charges:		
- land and buildings	7	7
- other	55	73
Auditor's remuneration:		
- fees payable to the group's auditors for the audit of the group's annual accounts (excluding VAT)	18	17
- all other services	2	2

9 Interest receivable and similar income

Group and Association	2020 £'000	2019 £'000
Interest receivable and similar income	57	58

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

10 Interest and financing costs

Group and Association	2020	2019
	£'000	£'000
Bank loans and overdrafts	2,421	2,356
Amortised loan costs	54	76
Recycled capital grant fund	9	2
Pension interest expense	163	157
	2,647	2,591

11 Employees

Group and Association	2020	2019
	£'000	£'000
Staff costs (including directors) consist of:		
Wages and salaries *	4,190	4,091
Social security costs	379	368
Other pension costs	180	119
	4,749	4,578

*shown gross - wages and salaries of £236k (2019: £116k) has been capitalised as part of the development activity.

The average number of full time equivalent employees (including directors and agency staff covering permanent vacancies expressed as full time equivalents (calculated based on a standard working week of 37.5 hours) during the year was as follows:

Group and Association	2020	2019
	No.	No.
Housing management	87	92
Administration	25	23
	112	115

During 2019 we closed our Learning Disability Service and increased our Vision 21 transformation team.

12 Directors' remuneration

Group and Association

The directors, who are considered to be the group's key management personnel, are defined as the members of the board of management, the Chief Executive and the executive management team disclosed on page 1.

	2020	2019
	£'000	£'000
Executive directors' emoluments including pensions and benefits in kind	364	345
Amounts paid to non-executive directors including expenses	47	44

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

12 Directors' remuneration (continued)

The emoluments of the directors including benefits in kind but excluding pension contributions are:

	2020 £'000	2019 £'000
Chief Executive (highest paid director)	137,102	128,047
Operations Director	103,518	101,189
Finance and IT Director	103,294	101,578

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £145,008 (2019: £133,519). Pensions contributions of £7,906 (2019: £5,472) were made to the Social Housing Pension Scheme – Defined Benefit Scheme on his behalf.

As members of the Social Housing Pension Scheme, the pension entitlement of the directors is identical to those of other members.

Emoluments paid during the year to Board members amounted to £45,216 (2019 - £43,959). Expenses paid during the year to Board members amounted to £1,487 (2019: £1,472).

Emoluments paid to the Board:
Chair £9,583 (2019 - £9,350) Chairs of the Audit & Risk, Operations and Governance & Remuneration Committees each received £6,098 (2019 - £5,950)
Board Members received £3,747 (2019 - £3,656).

The remuneration paid to staff (including executive management) earning over £60,000 upwards:

	2020 £'000	2019 £'000
£60,000 - £69,999	3	3
£100,000 - £109,999	2	2
£120,000 - £129,999	1	1

13 Fixed asset investments

Group and Association	As at 31 March 2019 £'000	Change in fair value £'000	Interest receivable £'000	Purchase of investments £'000	As at 31 March 2020 £'000
Interest in subsidiary (note 17)	-	-	-	-	-
Other fixed asset investments:					
THFC ISRF restricted access account	1,067	105	31	-	1,203
AHF ISRF restricted access account	562	48	13	-	623
THFC Trustees sinking fund account	166	-	1	54	221
Total	1,795	153	45	54	2,047

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

Other fixed asset investments

Other fixed asset investment represents £718,528 of Gilt holdings, UKT 4.25% due 2039, acquired on 22 September 2009 and on 20 January 2011. The THFC loan agreement requires a minimum of £717,550 to be held in an Interest Service Reserve Fund (ISRF), and as a result the investment has restricted access. Gilts were acquired to hold in the Interest Service Reserve Fund and are carried in the financial statements at market value. The market value of the gilt holdings at 31 March 2020 was £1,172,207 (2019: £1,066,870), cash held at Barclays following receipt of gilt interest of £30,581 and accrued gilt interest of £1,992 (2019: £1,992).

A further tranche of the AHF loan was completed in September 2017, and added to tranche 1, and in line with the terms gilts were purchased, and added to the original purchase for Tranche 1. These were held together with cash held on business reserves as a requirement to hold a minimum of £433,950, to be held in an Interest Service Reserve Fund, and are carried in the financial statements at market value. The market value of this fund, at 31 March 2020 is £622,626, including £146,454 held in a Barclays current account. Accrued gilt interest is £3,818.

A sinking fund was set up during 2015-16. The current balance is £221,625, (2019: £165,903) as a result of a right to acquire property held as security by THFC.

14 Tangible fixed assets – housing properties

Group	General needs Completed £'000	Non-social housing Completed £'000	General needs Under construction £'000	Shared ownership Completed £'000	Shared ownership Under construction £'000	Total £'000
Cost or valuation:						
At 1 April 2019	215,751	2,359	1,610	14,670	3,360	237,750
Additions:						
- construction costs	5,999	-	3,124	2,250	838	12,211
- replaced components	1,380	-	-	-	-	1,380
Completed schemes	856	-	(909)	3,487	(3,434)	-
Disposals						
- properties	(1,007)	-	-	(483)	-	(1,490)
- properties current assets (awaiting sale)	(63)	-	-	(457)	-	(520)
- replaced components	(212)	-	-	-	-	(212)
At 31 March 2020	222,704	2,359	3,825	19,467	764	249,119
Depreciation:						
At 1 April 2019	39,356	416	-	787	-	40,559
Charge for the year	4,119	55	-	178	-	4,352
Disposed properties:	(211)	(51)	-	(36)	-	(298)
- replaced components	(156)	(4)	-	-	-	(160)
At 31 March 2020	43,108	416	-	929	-	44,453
Net book value:						
At 31 March 2020	179,596	1,943	3,825	18,538	764	204,666
At 31 March 2019	176,395	1,943	1,610	13,883	3,360	197,191

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

14 Tangible fixed assets – housing properties (continued)

Association	General needs Completed £'000	Non-social housing Completed £'000	General needs Under construction £'000	Shared ownership Completed £'000	Shared ownership Under construction £'000	Total £'000
Cost or valuation:						
At 1 April 2019	216,132	2,401	1,829	14,460	3,360	238,182
Additions:						
- construction costs	5,999	-	3,215	2,374	850	12,438
- replaced components	1,380	-	-	-	-	1,380
- reclassification of properties	-	-	(53)	-	53	-
Completed schemes	856	-	(856)	3,487	(3,487)	-
Disposals						
- properties	(1,007)	-	-	(483)	-	(1,490)
- properties current assets (awaiting sale)	(63)	-	-	(457)	-	(520)
- replaced components	(212)	-	-	-	-	(212)
At 31 March 2020	223,085	2,401	4,135	19,381	776	249,778
Depreciation:						
At 1 April 2019	39,356	416	-	787	-	40,559
Charge for the year	4,119	55	-	178	-	4,352
Disposed properties:	(211)	(51)	-	(36)	-	(298)
- replaced components	(156)	(4)	-	-	-	(160)
At 31 March 2020	43,108	416	-	929	-	44,453
Net book value:						
At 31 March 2020	179,977	1,985	4,135	18,452	776	205,325
At 31 March 2019	176,776	1,985	1,829	13,673	3,360	197,623

	2020 £'000	2019 £'000
Improvements to existing properties capitalised	1,380	1,768
Major repairs expenditure to statement of comprehensive income	1,262	1,071

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

15 Tangible fixed assets – other

Group and Association	Land and buildings £'000	Tools and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost:					
At 1 April 2019	1,553	165	1,899	18	3,635
Additions	-	23	605	2	630
At 31 March 2020	1,553	188	2,504	20	4,265
Depreciation:					
At 1 April 2019	996	161	1,422	5	2,584
Charge for year	23	10	365	5	403
At 31 March 2020	1,019	171	1,787	10	2,987
Net book value:					
At 31 March 2020	534	17	717	10	1,278
At 31 March 2019	557	4	477	13	1,051

16 Investment properties

The group's larger investment properties were valued on 31 March 2016 at fair value, determined by an Independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Investment properties were revalued at 31 March 2020 by Ryden LLP, a RICS approved valuer, with no movement in the valuation since the prior year.

The surplus on revaluation of investment property arising in the year is £nil (2019 - £1,293k).

Movement on investment properties is as follows:

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Value as at 1 April	6,830	5,537	6,830	5,537
Revaluation (through Statement of Comprehensive Income)	-	1,293	-	1,293
Fair value as at 31 March	6,830	6,830	6,830	6,830

Ryden LLP have included the following statement in their valuation report at 31 March 2020:

"We have sought to consider the prevailing economic and political environment in appraising the properties. Most commentators consider that the property market demonstrated increased confidence in the three months since the General Election on 12 December 2019, which essentially saw an end to the impasse associated with Brexit. There is now, however, a much wider nervousness within the market at the date of reporting due to the COVID-19 coronavirus pandemic.

The world, as at the valuation date, is in the grips of the global COVID-19 coronavirus pandemic. The UK and world economy has experienced unprecedented disruption as a result of the pandemic and the associated social distancing and "lockdown" measures that were introduced by the UK Government to combat the spread of the coronavirus. The lockdown took effect from 23 March 2020, only 8 days before the valuation date.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

16 Investment properties (continued)

The pandemic, and the resultant government mandated social distancing measures, have resulted in a situation whereby the UK's property markets are not functioning as normal. In response to the unprecedented situation, any valuation represents a snapshot at a point in time and, unfortunately, the market was experiencing unprecedented uncertainty at 31 March 2020. It will take some time before the full effects on the economy and property markets are known and quantified.

Property transactions have largely ceased or, at least, been put on pause. The effects of the crisis (both short and longer term, after the lockdown measures are relaxed) will take some time to wash through into the transactional data and pricing signals that market participants and valuers ultimately rely on to assess pricing and value. As a result there is considerable uncertainty in the market and in valuation processes as at the valuation date.

In accordance with RICS guidance, we have sought to reflect available comparable evidence when undertaking this valuation exercise. It must be stressed, however, that there is a time-lag before the impact of a market shock is fully revealed in the property market by a change in the transactional data. There is a reduced level of certainty that can be attached to the valuation, due to inconsistency or the absence of empirical data or the valuer being faced with an unprecedented set of circumstances on which to base judgement. It is important that the context of the judgement being made is clear and understood. Due to the uncertainty, we would recommend that a review of the valuation is undertaken in the next 12 months. If there is a material change then we would reserve the right to amend our valuation accordingly. The above comments are carried out in accordance with VPGA 10 - "Matters that may give rise to material valuation uncertainty" in accordance with the RICS Valuation - Global Standards 2020.

Further guidance provided by the RICS states that the situation should be clearly explained and provides the following suggested wording: *"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is, therefore, reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review"*.

We consider these comments to be helpful and applicable in this case."

17 Investment in subsidiary

As required by statute, the financial statements consolidate the results of Leeds Federated Property Services Limited (LFPS), which was a subsidiary of the Association at the end of the year. The Association has the right to appoint members to the board of the subsidiary and thereby exercises control over it. Leeds Federated Property Services Limited is a non-regulated company.

Leeds Federated Housing Association is the ultimate parent undertaking. LFPS is a wholly owned subsidiary of the Association with a carrying value of £2 (2019: £2) and the principal activity of the company is the provision of design and build projects within the social housing sector.

During the year the Association had the following intra-group transactions with Leeds Federated Property Services Limited, a non-regulated entity:

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

17 Investment in subsidiary (continued)

	2020 £'000	2019 £'000	Allocation basis
Management services	227	110	Percentage of turnover
Staffing recharge	16	15	Administration time
Gift aid received	203	135	Accrued at 2019/20 year end

18 Debtors

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Rent and service charge arrears	1,454	1,154	1,454	1,154
Less: Provision for doubtful debts	(706)	(659)	(706)	(659)
	748	495	748	495
Amounts owed by group undertakings	-	-	9	-
Other debtors	241	135	241	135
Taxation and social security	14	9	-	-
Prepayments and accrued income	883	456	883	456
Fair value as at 31 March	1,886	1,095	1,881	1,086

19 Current asset investment

Group and Association	2020 £'000	2019 £'000
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Listed investments – restricted access accounts	-	-
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The Association holds 1 share, at a nominal value of £1, in Procurement For All Limited, representing a 16.67% shareholding.

The carrying value of these investments at 31 March 2020 is £1 (2019 - £1).

20 Properties held for sale

Group and Association	2020 £'000	2019 £'000
First tranche sale units	970	692
Staircasing units	179	-
Social units	209	146
	1,358	838

First tranche sale units are units for shared ownership awaiting first tranche sale.
Staircasing units are shared ownership properties where the owner is purchasing a further share.
Social units represent two right to acquire transactions being progressed as at March 2020.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

21 Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Trade creditors	459	451	459	458
Loans (note 27)	3,183	2,644	3,183	2,644
Rent and service charges received in advance	372	468	372	468
Recycled capital grant fund (note 25)	-	99	-	99
Disposal proceeds fund (note 26)	-	118	-	118
Contractors for capital work and retentions	1,008	439	761	110
Loan interest	692	578	692	578
Taxation and social security	109	171	109	171
Loan premium on AHF/ THFC drawdowns	126	93	126	93
Deferred income capital grants/other subsidy	1,960	1,956	1,960	1,956
Other creditors	1,731	1,653	1,731	1,653
Amount owed to group undertakings	-	-	-	315
Accruals and deferred income	805	962	800	955
	10,445	9,632	10,193	9,618

22 Creditors: amounts falling due after more than one year

Group and Association	2020 £'000	2019 £'000
Loans (note 27)	52,762	45,582
Recycled capital grant fund (note 25)	1,374	889
Loan premium on AHF and THFC drawdowns	2,759	2,967
Deferred income – Capital Grants/other subsidy (note 23)	98,692	99,992
	155,587	149,430
Pension deficit liability (note 11)	3,001	7,268
	158,588	156,698

23 Deferred income - capital grants and other subsidies

Group and Association	2020 £'000	2019 £'000
Total Social Housing Grant (SHG) received as at 31 March (note 24)	102,874	102,322
Total SHG amortisation	(14,320)	(12,702)
	88,554	89,620
Total other subsidies received as at 31 March	13,949	13,949
Total other subsidies amortisation	(1,851)	(1,621)
	12,098	12,328
Total deferred capital grant and other subsidies	100,652	101,948
Deferred capital grant and other subsidies due within one year	1,960	1,956
Deferred capital grant and other subsidies due in more than one year	98,692	99,992

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

24 Deferred capital grant

Group and Association	2020 £'000	2019 £'000
At 1 April	102,322	101,682
Grant received during the year	814	1,238
Grant recycled to Recycled capital grant fund (RCGF)	(894)	(630)
Grant recycled from Recycled capital grant fund (RCGF)	517	38
Grant Recycled from Disposal proceeds fund (DPF)	118	-
Released to income during the year	(3)	(6)
At 31 March	102,874	102,322

25 Recycled capital grant fund

Group and Association	2020 £'000	2019 £'000
At 1 April	988	395
Inputs to fund:		
- grants recycled	894	630
- interest accrued	9	1
Recycling of grant		
- new build	(517)	(38)
At 31 March	1,374	988

Amounts 3 years or older where repayment may be required	-	56
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Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and shared ownership.

26 Disposals proceeds fund

Group and Association	2020 £'000	2019 £'000
At 1 April	118	117
Inputs to fund:		
- interest accrued	-	1
Recycling of grant		
- new build	(118)	-
At 31 March	-	118

Amounts 3 years or older where repayment may be required	-	74
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Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

27 Loans and borrowings

Maturity of debt

Group and Association	2020 £'000	2019 £'000
In one year or less, or on demand	3,183	2,644
In more than one year but not more than two years	2,870	2,847
In more than two years but not more than five years	11,138	11,473
In more than five years	38,754	31,262
Total loans net of financing costs	55,945	48,226
Due within one year:		
Banks	3,183	2,644
Due after more than one year		
Banks	24,741	17,577
THFC	13,169	13,162
AHF	14,852	14,843
	52,762	45,582

Loans are shown net of financing costs of £554,477 (2019: £524,000), which will be released over the period of the loans.

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

The loans from The Housing Finance Corporation (THFC) are secured by fixed charges on individual properties and are repayable on an interest-only basis during the term of the loans at fixed rates of interest ranging from 6.35% to 8.63%. The remaining principal sums fall to be repaid in 2023, 2039 and 2040.

A £5m facility was completed in September 2017 with AHF at a 2.89% coupon rate and an effective rate of 2.073%, to add to the £10m facility was completed with AHF at a 2.89% coupon rate, with an effective rate of 1.983%, from the previous financial year, which are repayable in August 2043.

The loans from the Co-operative bank and Dexia are repayable quarterly over terms of 25 years at fixed and variable rates of interest ranging from 1.01% to 5.18%. The principal sums fall to be repaid in the period 2021 to 2025.

A total facility with Santander of £32m was agreed in January 2019. Of this £2.25m is forward fixed at 1.334% to February 2024 with a 1.75% margin. The balance of £29.75m is a revolving credit facility of which £12.00m was drawn at 31 March 2020, leaving £17.75m available to draw. The interest is based upon LIBOR plus 1.75% margin.

The facility is reduced by a further £1.5m each year from January 2024 to January 2026 with a final bullet to repay the balancing facility in January 2027.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

28 Financial instruments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	6,741	3,608	6,682	3,621
Financial liabilities				
Financial liabilities measured at amortised cost	166,148	163,270	166,075	163,275

Financial assets measured at amortised cost comprise cash at bank and in hand and debtors excluding prepayments and taxation and social security.

Financial liabilities measured at amortised cost comprise creditors excluding loan premium.

29 Pensions

The group and association operate two pension schemes.

Defined benefit pension scheme

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

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 was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company 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.

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

29 Pensions (continued)

	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets	22,064	20,921
Present value of defined benefit obligation	(25,065)	(28,189)
Defined benefit asset (liability) to be recognised	(3,001)	(7,268)

	Period ended 31 March 2020 £'000
Defined benefit obligation at start of period	28,189
Current service cost	233
Expenses	21
Interest expense	654
Member contributions	168
Actuarial losses (gains) due to scheme experience	217
Actuarial losses (gains) due to changes in demographic assumptions	(239)
Actuarial losses (gains) due to changes in financial assumptions	(3,394)
Benefits paid and expenses	(784)
Defined benefit obligation at end of period	25,065

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	Period ended 31 March 2020 £'000
Fair value of plan assets at start of period	20,921
Interest income	491
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	452
Contributions by the employer	816
Contributions by plan participants	168
Benefits paid and expenses	(784)
Fair value of plan assets at end of period	22,064

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £943,000.

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Period ended 31 March 2020 £'000
Current service cost	233
Expenses	21
Net interest expense	163
Defined benefit costs recognised in statement of comprehensive income (SoCI)	417

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

29 Pensions (continued)

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	452
Experience gains and losses arising on the plan liabilities - gain (loss)	(217)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	239
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,394
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	3,868
Total amount recognised in other comprehensive income - gain (loss)	3,868

Assets

	31 March 2020 £'000	31 March 2019 £'000
Global Equity	3,227	3,520
Absolute Return	1,150	1,810
Distressed Opportunities	425	380
Credit Relative Value	605	383
Alternative Risk Premia	1,543	1,207
Fund of Hedge Funds	13	94
Emerging Markets Debt	668	722
Risk Sharing	745	632
Insurance-Linked Securities	678	600
Property	486	471
Infrastructure	1,642	1,097
Private Debt	445	281
Opportunistic Illiquid Credit	534	-
Corporate Bond Fund	1,258	976
Liquid Credit	9	-
Long Lease Property	382	308
Secured Income	837	749
Liability Driven Investment	7,323	7,651
Net Current Assets	94	40
Total assets	22,064	20,921

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.36%	2.33%
Inflation (RPI)	2.58%	3.28%
Inflation (CPI)	1.58%	2.28%
Salary Growth	2.58%	3.28%

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

29 Pensions (continued)

Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance
		Life expectancy at age 65 (Years)
Male retiring in 2020		21.5
Female retiring in 2020		23.3
Male retiring in 2040		22.9
Female retiring in 2040		24.5

Defined contribution scheme

The company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pensions charge represents contributions payable by the company to the fund and amounted to £62,642 (2019: £38,567).

30 Share capital

	2020 £	2019 £
At 1 April	27	26
Shares issued in the year	-	2
Shares cancelled in the year	-	(1)
Total loans net of financing costs	27	27

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests.

31 Operating leases

The payments which the Association is committed to make under operating leases are as follows:

	Land and buildings 2020 £'000	Other 2020 £'000	Land and buildings 2019 £'000	Other 2019 £'000
Operating leases which expire:				
Within one year	2	24	-	21
In one to five years	-	87	9	48
Over five years	441	-	-	-
Total	443	111	9	69

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (continued)

32 Capital commitments

Group and Association	2020	2019
	£'000	£'000

Capital expenditure commitments are as follows:

Commitments contracted but not provided for in the accounts	7,690	14,031
Commitments approved by the board but not contracted for	4,364	10,144
	12,054	24,175

33 Contingent liabilities

The group and Association had no contingent liabilities at 31 March 2020 (2019 - £Nil).

34 Related parties

The group has taken advantage of the exemption conferred by FRS 102, not to disclose party transactions with other group entities.

The Board includes one tenant member: Sue Howlett who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was:

	Rent charged weekly 2020 £	Rent charged weekly 2019 £	Balance at 31 March 2020 £	Balance at 31 March 2019 £
Tenant board member				
Sue Howlett	73	79	(268)	(243)

All rounded to the nearest pound. '-ve' = credit balance

35 Net debt reconciliation

Group	1 April 2019 £'000	Cash flows £'000	Other non-cash changes £'000	31 March 2020 £'000
Cash at bank and in hand	2,978	2,774	-	5,752
Bank and THFC loans	(48,226)	(7,696)	(23)	(55,945)
	(45,248)	(4,922)	(23)	(50,193)

Association	1 April 2019 £'000	Cash flows £'000	Other non-cash changes £'000	31 March 2020 £'000
Cash at bank and in hand	2,973	2,532	-	5,505
Bank and THFC loans	(48,226)	(7,696)	(23)	(55,945)
	(45,253)	(5,164)	(23)	(50,440)

Leeds Federated Housing Association Limited

Notes forming part of the financial statements
for the year ended 31 March 2020 (*continued*)

36 Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Society Act 2014 and is a Registered Provider of Social Housing registered with the Housing and Regeneration Act 2008.

