Leeds Federated

Leeds Federated Housing Association Limited

Report and Financial Statements

Year Ended

31 March 2023

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 2023

Contents

Page:

Leeds Federated Housing Association Limited

Board Members, Executive Directors and advisors
for the year ended 31 March 2023

Board Members

Kim Brear (Chair)

Claire Stone

Jaedon Green

Martin Warhurst

Robin Machell

Shaid Mahmood (resigned 8th September 2022)

Innocent Moyo

Dedra Otchere-Darko

Stephen Dungworth

Rob Young (appointed 8th September 2022)

Chris Simpson (appointed 8th September 2022)

Executive Directors

Matthew Walker	Chief Executive
Stephen Blundell	Director of Operations
Jason Ridley	Director of Finance and IT

Secretary

Megan Henderson

Registered office

Suite 5, The Tannery, 91 Kirkstall Road, Leeds, LS3 1HS

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

Virgin Money, 94-96 Briggate, Leeds, LS1 6NP

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 2023. 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 4,593 properties are predominantly located in the Leeds City Region.

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.

Leeds Federated Property Services Limited 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 10 members as at 31st March.

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.

i) Objectives and strategy

The Group's social purpose is clear. "***Leeds Fed exists to help people find an affordable home to own or rent where they are not able to do so on the open market***".

The Group's vision is ***"building futures together"*** and reflects our aims to;

- grow through building more homes across the Leeds City Region;
- provide good value housing offering security and affordability which provides the necessary foundations for our customers to achieve their aspirations and build their futures; and
- work together with staff, customers, and other stakeholders in making our vision a reality in the communities where our customers live.

The achievement of this vision is underpinned by three strategic 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 to monitor achievement of the Group's corporate goals.

The corporate strategic goals from the current corporate plan fall into the following areas:

Objective 1 – Sustain

- Provide quality services at an affordable cost
- Provide good quality homes that people want to live in
- Maintain a healthy business in terms of its finances, expertise and governance

Objective 2 – Engage

- Attract, retain, and develop a healthy and effective staff team that engages with the organisation
- Engage with customers, listening and learning from them
- Maintain a highly satisfied customer base and staff team
- Collaborate with stakeholders to achieve the best outcome for the business and customers
- Demonstrate value for money to our customers

Objective 3 – Grow

- Take a strategic and sustainable approach to growth
- Focus on meeting the needs of current and future customers
- Deliver value for money in our growth programme

ii) Principal Risks and uncertainties

War in Ukraine, Brexit & the Economy

As anticipated in the 2021/22 Financial Statements, Economic risks following Brexit, the pandemic and most recently the war in Ukraine pose significant threats to the association, the social housing sector, the UK and global economy. Inflationary pressures, increased interest rates, and a weak economy in 2022/23 has impacted the association's ability to maximise its revenue whilst also increasing its costs, reducing margin and covenant headroom. Increased energy and food costs have resulted in a 'Cost of Living crisis' which significantly impacts tenant costs and poses increased risks to revenue resulting in more difficult choices for the sector in terms of investment in existing stock and development.

The Group's Business Plan has proven resilient despite the impact of increasing costs. The most recent updated 2023/24 business plan, approved by Board in June 2023, was also stress tested

War in Ukraine, Brexit & the Economy (continued)

against a range of extreme scenarios, and continues to be financially resilient albeit with a reduced operating margin reflecting the necessary trade-off between continuing to deliver services to our tenants and the maintenance of their homes whilst ensuring financial resilience in the face of continued economic and political uncertainty.

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 strategic objectives.

Internal management, external specialist resources and the Association's Audit and Risk 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 strategic risks and uncertainties faced by Leeds Federated, in common with most Housing Associations are:

- maintaining financial viability and maximising financial capacity;
- ensuring regulatory & statutory compliance;
- managing health and safety risks;
- responding to government policy changes;
- supplier or contractor failure;
- poor customer perception of service quality and or value for money; and
- cyber-attack & business disruption.

All financial risks will be closely monitored and assessed through regular stress testing and managed operationally through careful monitoring of performance through the balanced scorecard.

The impact and probability of the association's risks are assessed both before and after the application of internal controls designed to manage the risk within the risk appetite determined by the board. The Association uses the impact criteria of Financial, Health and Safety, Legal & Regulatory, Residents & Community, Reputation & Staff implications when assessing the impact score and both the timing and % likelihood when assessing the probability scores for each risk. All board and committee papers consider the relevant risk(s) 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 taken as a whole are considered by Board discussed at each meeting. The Audit & Risk Committee also conduct 'deep dive' reviews on key risks.

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 key activities undertaken by the association as follows;

Categories of Activity
1. Financial Stability
2. Health & Safety
3. Legal & Regulatory
4. Operational Delivery
5. Customer Experience
6. Investment & Asset Management
7. Technology

The table below represents the current allocation of risk appetite by activity category. Both the activity categories and the allocation of risk appetite are regularly reviewed as part of the on-going review of the Risk Management Framework Policy.

	Averse	Cautious	Balanced	Open	Hungry
1. Financial Stability		■			
2. Health & Safety	■				
3. Legal & Regulatory	■				
4. Operational Delivery				■	
5. Customer Experience				■	
6. Investment & Asset Management				■	
7. Technology			■		

Risk appetite statements

These statements have been developed to summarise the essence of the risk approach for each activity in support of the selected appetite level and noting where necessary exceptional aspects of the activity. Like the list of activities, the statements are regularly reviewed as part of the policy review to ensure they reflect the association's approach.

1. **Financial Stability (Cautious)**
   - Use of targets that balance covenant compliance whilst supporting corporate objectives.
   - Prudent policies to minimise Treasury risks.
   - Regular stress testing and use of prudent planning assumptions to ensure financial resilience.

2. **Health & Safety (Averse)**
   - Legal compliance and protection of customers and staff is of paramount importance and will not be compromised.
   - Where possible wider customer and staff interests will also be taken into consideration.

3. **Legal & Regulatory (Averse)**
   - We operate in a regulated environment where adherence to all laws is an explicit part of the Regulatory Framework.

4. **Operational Delivery (Open)**
   - We are prepared to change and innovate our systems, processes and structures in order to achieve value for money objectives providing this is managed and monitored against performance targets.

5. **Customer Experience (Open)**
   - We are prepared to change and innovate our customer facing activities in order to achieve customer satisfaction and value for money services for our customers providing this is managed and monitored against performance targets.

6. **Investment & Asset Management (Open)**
   - We have clear ambitions in terms of on-going development of new homes delivered independently or in partnerships and take appropriate risks in achieving this growth.
   - We will explore and follow as appropriate best value for money practices in respect to the on-going maintenance of our properties and the achievement of energy efficiency targets.

7. **Technology (Balanced)**
   - Maintaining the security and resilience of our systems is important to us.
   - We will change our technology using tested and appropriate solutions that support and deliver value for money processes.
   - In regard to cyber risk we take a cautious approach which recognises and seeks to minimise the constantly emerging threats through cost effective controls, training and monitoring.

Leeds Federated continues to review and develop its approach to risk management and has adopted 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 the Association's Resilience 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.

Using 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.

iii) Operational Performance & Value for Money

Value for Money Statement 2022/23

Leeds Federated

Leeds Federated
Value for Money Statement 2022/23

A version can be found on our website:

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

1 Summary

2022/23 was the second year of the Corporate Plan covering the period 2021 – 2026, reflecting a set of corporate priorities with a sharper focus on our customers through the introduction of the 'Engage' Strategic objective alongside 'Sustain' and 'Grow'. Through the Corporate Plan, Leeds Federated has clarified its approach to increasing its customer focus objective through the following goals:

- Engage with customers, listen to and learn from the customer voice
- Maintain a highly satisfied customer base and staff team
- Collaborate with stakeholders to achieve the best outcome for the business and for customers
- Demonstrate value for money to our customers

The Corporate Plan continues to also focus on its Sustain and Grow strategic objectives with both day to day activities and corporate projects contributing to specific goals, performance targets and the management of risks associated with the delivery of the Plan.

The Association through its Strategic objectives and supporting goals explicitly identifies Value for Money as a goal for each objective illustrating how Value for Money is fully integrated within all activities undertaken.

2 Economic conditions

The economic conditions resulting from Brexit and the war in Ukraine presented on-going challenge to our business and to our customers during the past year. Inflation and the 'cost of living crisis' have impacted customers directly and increased the financial risks facing the organisation. Supply chain issues, increased costs to deliver our objectives has impacted our operating margin as well as the delivery of some planned maintenance work for our customers.

Many customers continued to experience unexpected changes in their circumstances. We expanded our customer engagement team and continued via our financial inclusion team to provide additional support to customers experiencing hardship and have worked to sustain tenancies and reduce the level of rent arrears.

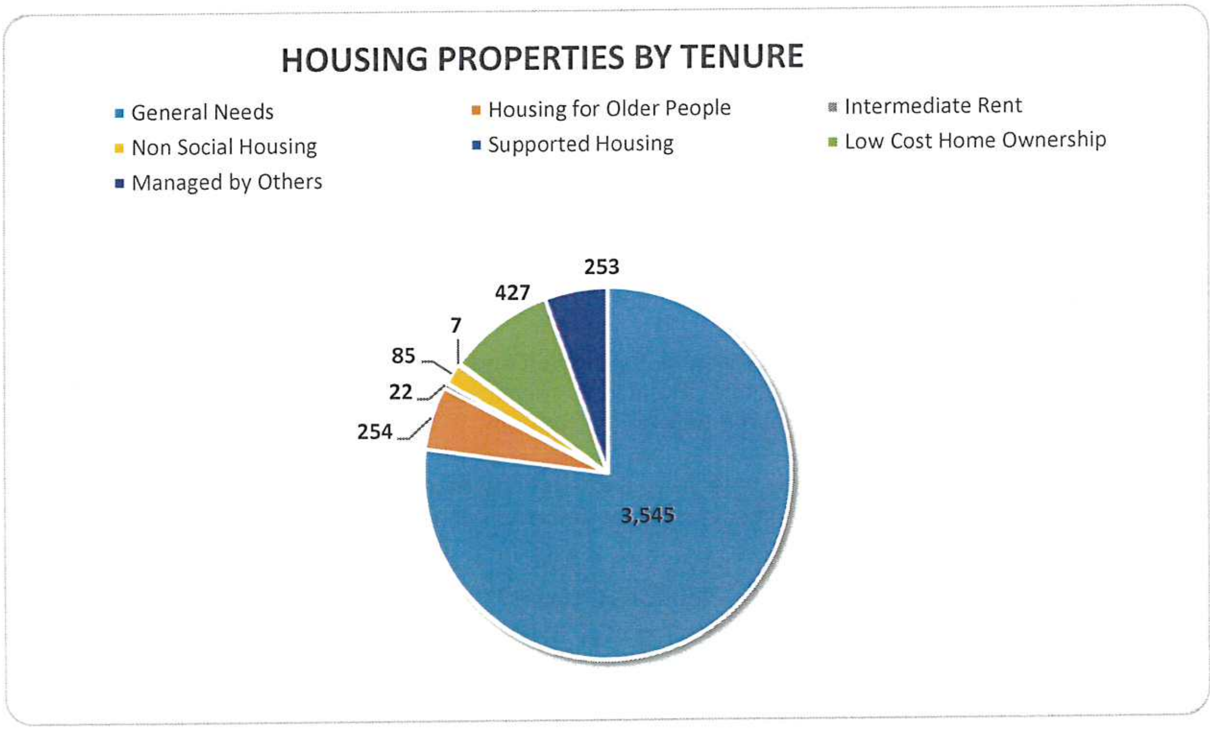
Despite these challenges the association has managed to perform well financially maintaining its financial resilience and capacity to continue to invest in support of its corporate strategic objectives.

We have also seen stabilisation and areas of improvement regarding customer satisfaction. We are continuing to increase our investment in resident engagement as part of our corporate plan, to re-establish lines of communication disrupted by the pandemic and to ensure our services reflect and respond to customer needs and priorities.

3 Key Statistics

• Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2022/23, a total of 4,593 units/ bedspaces of which 85 units are non-social housing and 238 are managed by others. During the year we added a total of 85 units to our social housing stock through new development.



4 Key Performance Indicators

• Measuring Performance

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

Red Target Not Achieved

Amber Target Partially Achieved

Green Target Fully Achieved

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

The seven standard metrics relating to Value for Money specified by the Regulator of Social Housing are integrated into the scorecard. We have continued to track performance against these measures.

The following table analyses some of the additional performance indicators for the 2022/23 year contained within the BSC.

Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services (TSM TP01)	Minimum of 80% of customers 'satisfied' or 'very satisfied'	81.7% (78.9% 2022) of customers were 'satisfied or 'very satisfied' at the end of the financial year. (March 2023 ytd performance)

Leeds Federated Housing Association Limited

Report of the board of management and strategic report for the year ended 31 March 2023 *(continued)*

	Customer satisfaction with the value for money of rent (E010)	A minimum of 81% of customers 'satisfied' or 'very satisfied' that their rent offers value for money	At the end of the financial year, 84.7% (77.7% 2022) of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (March 2023 ytd performance)
Repairs	Appointments Made and Kept (SO24)	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 96.8% (95.0% 2022) of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources. (March 2023 ytd performance)
	Customer Satisfaction with individual repair jobs	Minimum of 85% customer satisfaction with the quality of individual repair jobs	Customer satisfaction with individual repair jobs was 90.4% (92.0% 2022) at the end of the year. (March 2023 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	99.85% (99.84% 2022) of gas safety certificates were in place at the end of the financial year. A total of 6 (6 for 2022) were overdue, but fully compliant with our escalation procedures. (March 2023 performance)
Housing Management	Minimise the level of rent arrears (S0002)	Current tenant rent arrears at 5.7% or less (yearend actual)	Social housing rent arrears at 5.5% at the end of the financial year (6.1% in 2022). (March 203 Performance)
	Minimise lost rent due to empty properties (S007)	Keep rent losses within budget	There was a 1.1% (12.5% 2022) positive variance on the void loss budget. (March 2023 ytd performance)

Development	Timely completion of property sales (G001)	No more than 15% of properties to remain unsold five months from handover	2 of 17 homes (12%) (0 homes in 2022) had been on sale for more than five months at the year-end (March 2023 year-end)
	Achievement of sales targets for shared ownership homes (G003)	Achieve average sale proportion of 40% at first tranche.	Average – 51% (46% - 2022) (March 2023 ytd performance)

• How We Compare

Leeds Federated has continued to deliver good performance in achieving value for money when compared to the social housing sector nationally. We have compared our 2021/22 positions against the RSH Global Accounts benchmarks for 2021/22. When considered in relation to peers nationally for 2021/22, the organisation is delivering strong levels of reinvestment, new social housing supply and return on capital employed whilst maintaining financial capacity through relatively low gearing.

We have as shown the 2022/23 outturn and internal targets which will be compared with the 2022/23 Global accounts when released. Except for Reinvestment and New supply activity which were impacted by supply chain challenges and reduced development opportunities during the year other internal VfM metrics have been achieved.

Sector VfM Metric	2020/21	2021/22	2022/23 (target)	2022/23 (outturn)	Sector Median 2021/22[1]	Quartile Position 2021/22
(1) Reinvestment %	4.07%[3]	7.39%[3]	>=11.6%	10.25%	6.5%	Q2
(2a) New supply% (SH)	1.87%[3]	1.59%[3]	>=2.99%	1.90%	1.4%	Q2
(2b) New supply% (NSH)[2]	0%	0%	0%[2]	0%	0%	-
(3) Gearing at cost %	30.6%	22.7%	<30.0%	26.2%	44.1%	Q4
(4) EBITDA-MRI %	281%	187%	>200%	215%	146%	Q2
(5) SH cost per unit	£3,428	£3,882	<£4,148	£4,117	£4,150	Q3
(6a) Op Margin (SH) %	23.1%	18.2%	>13.3%	17.3%	23.3%	Q3
(6b) Op Margin(overall) %	24.55%	20.71%	>20.30%	22.0%	20.5%	Q2
(7) ROCE %	3.44%	3.60%	>2.58%	2.83%	3.2%	Q2

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

1 – RSH Global Accounts for 2021/22 (all providers > 1000 homes)
2 – Leeds Federated does not have current plans to develop new non-social housing

3 – The delivery of planned maintenance programmes and development was significantly adversely impacted in 2020/21 and 2021/22 by Covid-related restrictions on working in customers' homes and a slower than expected recovery of development activity across the sector as was the case for other providers.

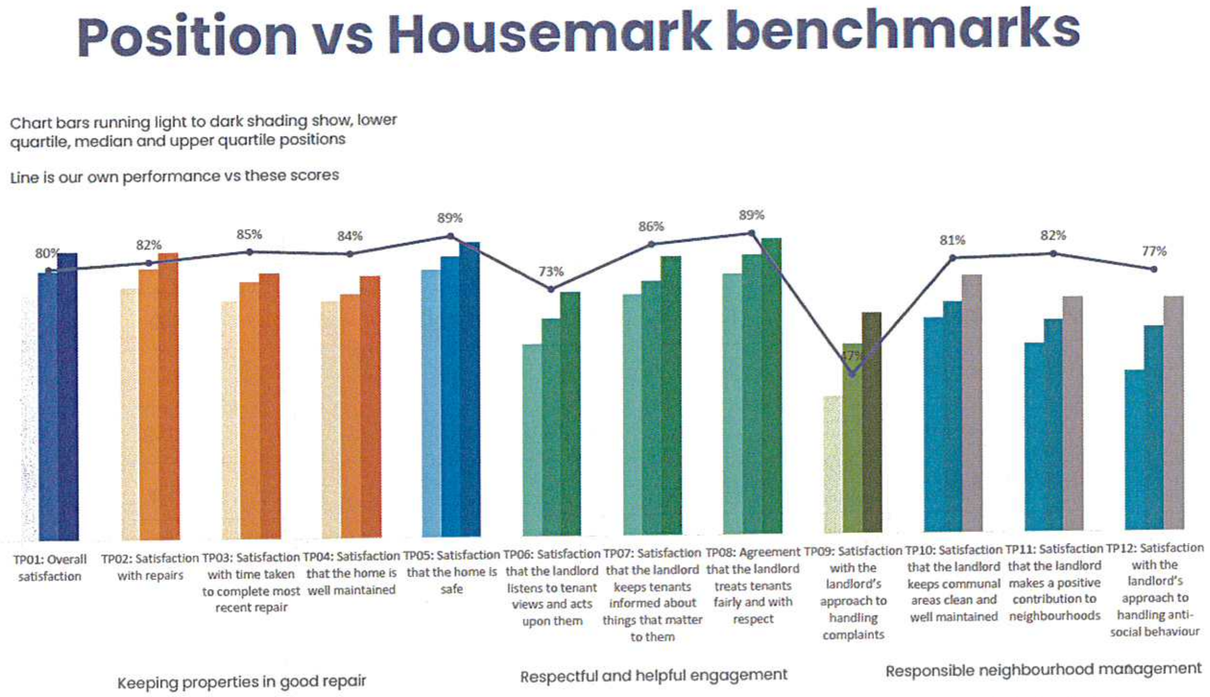
5 Customer Perceptions

• Measuring Performance

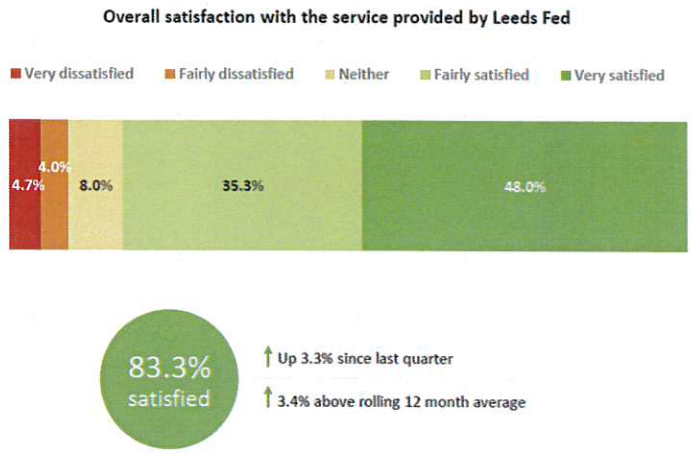
Customer perception data is collected on a rolling basis, with a minimum of 600 customers participating in the survey annually. This approach has been in operation for many years allowing a useful longitudinal analysis of performance and has been adapted to fit with the Regulator of Social Housing's requirements for the calculation of the relevant TSMs.

In addition to gathering information from customers on our performance against the satisfaction based TSMs, we have retained several historical STAR questions where these add to our understanding of customer priorities and perceptions.

We have performed strongly against most customer perception measures in 2022/23, reflecting a concerted effort to engage with customers and show greater accountability. Results can fluctuate through the year, in part because of the relatively small quarterly sample of 150 customers; however, the 12-month rolling average, which includes 600 respondents, demonstrates steady improvement.



The vast majority of customers are satisfied overall, with almost half being very satisfied



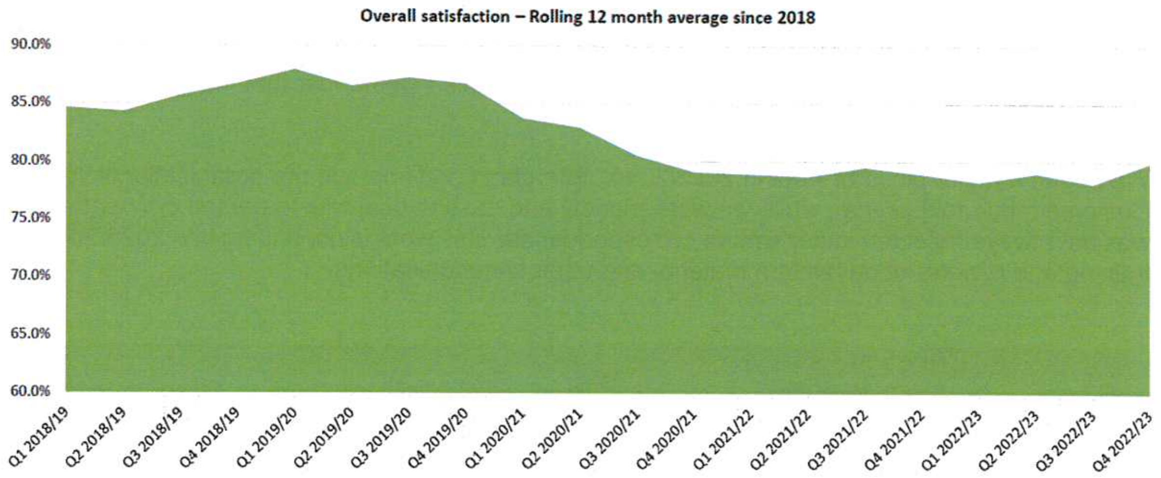
Additional Insights for Q4 22/23:

- This quarter, under 35s are most likely to be satisfied, with the likelihood of being dissatisfied increasing with age. 35-44s are most likely to be neither satisfied nor dissatisfied.
- Customers who have difficulties with day-to-day tasks are most likely to be satisfied, while those with difficulties getting around the home or mental health issues are most likely to be dissatisfied.
- Full-time workers are most likely to be satisfied, while those who are retired are most likely to be dissatisfied.
- Households with two or more adults are most likely to be satisfied, while single person households are most likely to be dissatisfied.
- Customers living in the Central Area are most likely to be satisfied, while those in the South Area are most likely to be dissatisfied. Customers in the North Area are most likely to be neither satisfied nor dissatisfied.

Please note: The above analysis excludes comparisons with demographics of fewer than 10 customers, as the data wouldn't be robust enough to draw conclusions.

Q1. Taking everything into account, how satisfied or dissatisfied are you with the service provided by Leeds Federated?
Base: All Q4 22/23 respondents (n=150)

Overall satisfaction (as a 12 month avg.) has remained fairly consistent over recent quarters



Q1. Taking everything into account, how satisfied or dissatisfied are you with the service provided by Leeds Federated?
Base: All survey respondents dating back to 2005

Scorecard for all metrics (ordered by highest to lowest satisfaction in Q4 22/23)

Metric	Q4 22/23		Q3 22/23	Q4 vs Q3 22/23		Rolling 12M avg.	Q4 vs R12M avg.
Home that is safe	91.3%		86.0%	+5.3%		89.2%	+2.1%
Rent value for money	90.3%		84.5%	+5.8%		84.7%	+5.6%
Treat customers fairly and respectfully	90.2%		88.1%	+2.1%		89.2%	+1.0%
Neighbourhood as a place to live	88.5%		87.2%	+1.3%		82.8%	+5.7%
Keep customers informed	87.2%		83.8%	+3.4%		85.6%	+1.6%
Home that is well maintained	86.0%		82.7%	+3.3%		81.9%	+4.1%
Communal areas are clean and well maintained	84.9%		79.1%	+5.8%		81.3%	+3.6%
Time taken to complete most recent repair	84.0%		85.3%	-1.3%		84.7%	-0.7%
Overall satisfaction	83.3%		80.0%	+3.3%		79.9%	+3.4%
Easy to deal with	82.7%		80.0%	+2.7%		80.1%	+2.6%
Way query in last year was dealt with	80.5%		68.9%	+11.6%		72.6%	+7.9%
Overall repairs service in last year	80.0%		86.2%	-6.2%		81.8%	-1.8%
Listen to views and act upon them	79.6%		71.4%	+8.2%		72.5%	+7.1%
Positive contribution to neighbourhood	79.5%		83.9%	-4.4%		81.7%	-2.2%
Do what we say	79.1%		76.3%	+2.8%		76.1%	+3.0%
Service charge value for money	74.8%		77.2%	-2.4%		72.2%	+2.6%
Approach to handling ASB	73.8%		80.2%	-6.4%		77.1%	-3.3%
Approach to complaint handling	52.5%		42.0%	+10.5%		46.7%	+5.8%

= TSM question

= Bespoke question

= Increased satisfaction in Q4 compared to Q3 / Rolling 12 Month Average

= Decreased satisfaction in Q4 compared to Q3 / Rolling 12 Month Average

- **Making Improvements**

A notable outlier is customer satisfaction with our approach to complaint handling. We have performed well in responding to complaints in line with our published timescales and the Housing Ombudsman's Complaint Handling Code, but we have not always done this in a manner that meets our customers' expectations.

We began a major piece of work in 2022/23 to understand and improve our organisational 'tone of voice'. Customers had told us that, while we were friendly and easy to deal with in person or over the phone, this was not always reflected in our written correspondence. This work is continuing into 2023/24 with further training and reviews of our written material and other communications.

6 Asset Performance

- **Measuring Performance**

The Association has used an asset return model to measure the performance of assets and to track progress in net Present Value over recent years.

During 2022/23 the new Asprey system replaced our previous model and will be used to track progress going forward. Comparatives from the previous model have not been provided due to some differences in methodology.

The Asprey system will not only enable the tracking of Net Present Value (NPV) but will also track Strategic Value (SV) which will enhance our ability to target appropriate interventions to address underperforming housing stock. Together with an increase in in high quality new homes as a result of our ongoing development programme we expect this will reflect overall improvement in our asset performance as a whole.

Rank	Unit Type	Average NPV	Average SV
1	Houses (semi-detached or detached)	£43,912	0.73
2	Other (typically agency-managed accommodation)	£8,580	0.64
3	Bungalows	£29,402	0.74
4	Terraced houses	£34,947	0.71
5	Flats	£26,036	0.68
7	Bedsits	£10,444	0.63
Average NPV per unit:		**£31,723**	**0.70**

- **Making Improvements**

We have continued our 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 to make best use of our housing management and maintenance resources.

In 2021/22 we undertook a major new independent stock condition survey involving a full internal and external condition survey of our homes which achieved 85% coverage of our housing stock. In 2022/23 we have worked to collect data for the remaining homes and at year end had achieved 96% coverage.

In 2022/23 we completed the implementation of a new Asset Management System (Asprey) which has replaced legacy software. The Asprey system will ensure that we are able to manage the data generated by the stock condition survey as effectively as possible, targeting our Decent Homes and energy efficiency investment to maximise value for money.

In 2023/24 our plans to improve include:

- Continue to embed the new Asprey asset management system and use its capabilities to model and deliver out future energy upgrade and retrofit programmes, while maintaining compliance with the Home Standard.

Operational performance and value for money *(continued)*

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', 'Engage', 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.
- 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.

Operational performance and value for money *(continued)*

7. Value for Money Standard *(continued)*

- 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 an ongoing programme of corporate projects.
- The board regular considers potential value for money gains in the form of option appraisals and business cases for changes in operational activity. Other examples at board and operational levels include asset disposal decisions, procurement approaches, resource allocation, development of new systems and changes to existing systems.
- VfM performance is measured and recorded monthly through our balanced scorecard KPIs 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.

8 Value for Money Targets

The table below shows Leeds Federated's performance for 2022/23 and our headline targets for the following three years as currently contained in our business plan. 2023/24 is anticipated to be challenging as the association continues to invest it its existing and new homes and services to its customers in line with corporate objectives whilst managing the combined impacts of cost inflation and the rent cap which will impact EBITD-MRI, operating margins, cost per unit and return on capital employed.

		VfM Targets		
Sector VfM Metric	**LFHA 2022/23**	**2023/24**	**2024/25**	**2025/26**
(1) Reinvestment %	10.25%	10.82%	11.78%	7.44%
(2a) New supply % (SH)	1.90%	2.82%	3.75%	2.87%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	26.2%	32%	38%	42%
(4) EBITDA-MRI %	215%	41%	62%	97%
(5) SH cost per unit	£4,117	£5,305	£5,491	£,5,049

(6a) Op Margin (SH) %	17.3%	10.0%	11.9%	14.9%
(6b) Op Margin (overall) %	22.0%	16.2%	17.8%	20.3%
(7) ROCE %	2.83%	2.16%	2.65%	2.77%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2022/23 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.

iv) 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 £2,936k (2022 - £6,411k), after accounting for an actuarial loss of £0.93m on the Social Housing Pension defined benefit scheme (2022 – gain of £1.2m). Operational performance is broadly consistent with 2022 with operational surplus, before 'other gains', reported for the Group of £5,905k (2022 - £5,086k) with higher turnover and higher operating costs compared to last year. 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 85 (2022: 70) new affordable homes during 2022/23. 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 20.

The Group's statement of comprehensive income and statement of financial position for the year ended 31 March 2023 are included on pages 31 and 33.

Accounting policies

The Group's principal accounting policies are set out on pages 38 to 46 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 a 1.70% (2022: 0.91%) net increase in social homes owned this year, with the total number of social homes (including bed spaces) in management now standing at 4,255 (2022: 4,184). In addition, there are 85 non-social bed-spaces (2022: 85) and 234 homes managed by others (2022: 241). The social housing properties were carried in the balance sheet at cost (after depreciation) of £227.1m (2022 - £213.6m).

A small number of properties are classified as Investment Properties. They are carried in the balance sheet at market valuation of £8.3m (2022 - £8.2m).

The Group's hub offices and depot are included within other fixed assets at depreciated cost.

Financial performance for the year *(continued)*

During the year, the Group invested £412k (2022: £194k) in its capitalised computer equipment mainly on improvements to the housing management system in the development of Origin2 and on the development of a new asset management system.

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 latest triennial actuarial valuation of the SHPS was undertaken as at 30 September 2020. The disclosure note can be found on page 64-67.

Capital structure and treasury policy

The Group has £95m of secured funding facilities and as at 31 March there was £33m 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 36. The cash inflow from operating activities increased slightly this year to £7,934k (2022 - £7,412k). There was a net decrease in cash for the year ended 31 March 2023 of £7,286k (2022 - increase in cash £4,325k).

Future developments

The Board approved its March 2023 budget to spend an estimated £21.1m during the next financial year to acquire/build further affordable homes for sale and rent (2022 - £29.9m). £13.1m of funding is for committed schemes and £8.0m for uncommitted schemes. In the period between the budget being prepared and the end of the financial year, the budget was updated and approved by Board in June 2023. This updated included an additional £2.7m of development costs.

The Association's 5 year Corporate Plan for 2022 to 2027 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 on average 143 new homes per year until 2027.

The 2023/24 budget includes completion of 128 new affordable homes, 33 of which are for shared ownership.

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.

Operational performance and value for money (continued)

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000 restated
Group statement of comprehensive income					
Total turnover	27,762	25,482	25,614	27,568	26,015
Income from lettings	22,982	21,854	21,229	20,499	20,535
Operating surplus	5,905	5,086	6,195	6,861	6,580
Surplus for the year transferred to reserves (after pension)	**2,936**	**6,411**	**2,191**	**9,336**	**2,111**
Group statement of financial position					
Housing properties	227,104	213,625	205,164	204,666	197,191
Investment properties	8,336	8,221	7,641	6,830	6,830
Housing properties, net of depreciation	235,440	221,846	212,805	211,496	204,021
Other fixed assets	739	734	1,442	1,278	1,051
Fixed assets, net of depreciation	236,179	222,580	214,247	212,774	205,072
Fixed asset investments	2,399	2,661	22,753	2,047	1,795
Net current assets/(liabilities)	(5,319)	1,783	(4,071)	(1,449)	(4,721)
Total assets less current liabilities	**233,259**	**227,024**	**232,929**	**213,372**	**202,146**
Loans (due over one year)	58,045	54,567	62,438	52,762	45,582
Other long term liabilities (includes SHG under FRS102 and pension liability)	108,892	109,071	113,516	105,826	111,116
Reserves:- revaluation	-	-	-	-	-
- revenue	66,322	63,386	56,975	54,784	45,448
	233,259	**227,024**	**232,929**	**213,372**	**202,146**
Accommodation figures					
Social housing owned	4,493	4,418	4,389	4,329	4219
Non-social housing	85	85	85	85	85
Total housing stock owned at year end (number of dwellings)	**4,578**	**4,503**	**4,474**	**4,414**	**4,304**
Statistics					
Surplus for the year as % of turnover (after pension)	10.58%	25.16%	8.55%	33.87%	8.11%
Surplus for the year as % of income from lettings (after pension)	12.78%	29.34%	10.32%	45.54%	10.28%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.19%	1.96%	2.23%	2.57%	2.50%
Interest cover	285.61%	270.33%	323.54%	289.38%	304.71%
Gearing (total loans as % of capital grants plus reserves)	37.73%	34.97%	42.26%	35.99%	32.72%
Total reserves per home owned	14,487	14,123	12,778	12,454	10,616

v) Governance

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 2022 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; and
- 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 2022, the Board received the Company Secretary's annual review of the effectiveness of the system of internal control for the Association for 2021/22 in line with External Audit recommendations to only receive this after the External Auditor has reported its findings for the 2021/22 audit. The 2022/23 annual report of the Internal Auditor was received at the July 2023 Audit and Risk Committee meeting.

The current Internal Auditors are Beever and Struthers who were reappointed in 2022 following a competitive tender process. The Internal Auditors have reported to Audit & Risk Committee four 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 reappointed in 2017 following a competitive tender process.

Governance *(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 for 2022/23 shows that we are compliant with the exception of the Homes Standard due to 14 properties not meeting the Decent Homes Standard as at 31 March 2023. This has been noted in the SDR and all properties have a remediation plan in place to rectify, which was noted by Board at their meeting on the 6 June 2023.

The Association received confirmation from the Regulator of Social Housing in December 2022 that its rating has been regraded to G1V2 gradings following the conclusion of the Stability Check process.

National Housing Federation (NHF) Code of Governance

The Board adopted the NHF Code of Governance 2020 from 1 April 2021. As part of the decision the Board considered a self-assessment against the code noting the work required within the year to be able to confirm compliance with all elements. An action plan was agreed which was monitored by the Governance and Remuneration Committee during the year. As at 31 March 2023, Leeds Federated were able to report compliance with the Code based on the internal assurance process undertaken in May 2022 with the following exceptions:

- The Board agreed a succession plan when adopting the Code of Governance whereby some Board members remained for their previous maximum term of 9 years in order to avoid a large proportion of the Board standing down at the same time. During the 2023/23 year this applied to 3 Board members, Robin Machell, Claire Stone and Martin Warhurst. During the year the Board decided to extend the 9 year term of Board member and Chair of Audit and Risk Committee, Martin Warhurst, for 1 further year to provide for the retention of legacy, knowledge and skills, particularly those relating to housing finance, in respect of the risk and activity within the organisation and the current volatility in the operating environment.

- The Chair of the Board was appointed as a member of Operations and Audit & Risk Committees on 4 October 2022, with the intention of attending each on a rotating basis. It was subsequently established that under the Code of Governance 2020 the Chair should not be a member of the Audit & Risk Committee and as such was removed from membership on 6 June 2023. It is noted that the Chair had not actually attended any of the Audit & Risk Committee meetings during that period.

- One Audit and Risk Committee meeting was not quorate. Decisions were ratified at the following meeting, formally acknowledged in the minutes.

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 to support and inform future succession, recruitment and learning and development requirements. The process is internally supported by the Company Secretary.

Equality, Diversity and Inclusion

In line with the NHF Code of Governance 2020 the Board approved a new Equality, Diversity and Inclusion Policy. The policy outlines that we will set targets against each of the protected characteristics where there is sufficient data to enable the comparison. The principles that we will monitor include: staff and Board being broadly representative of the customer base we serve and our customer base being broadly representative of the communities in which the stock is situated.

Governance *(continued)*

Summary data of the demographic profile of customers, staff and board members are provided to the Board annually for review. The 2022/23 profile shows that the composition of the Board and staff is generally reflective of the diversity of our customer base and the communities in which we work, with some over and under representation, especially in relation to disability. Recruitment opportunities and methods have been reviewed to increase applications from underrepresented groups, specifically disabled candidates at this time. When recruiting new Board members the Board consider the diversity balance and skills mix on the Board.

Ethnic Minority	27%	Average Age	56.2
Ethnic Majority	73%	Bisexual	0%
Female	56%	Gay	0%
Male	44%	Lesbian	0%
Disabled	0%	Heterosexual	100%
Non-Disabled	100%	Prefer Not to Answer	0%

Committees and Attendance

The attendance at the Board and Committee meetings during 2022/23 was:

Board/Committees	**2023**	**2022**
Board	87.5%	83.7%
Operations Committee	67%	77.8%
Audit & Risk Committee	76%	93.8%
Governance & Remuneration Committee	90%	100%
Asset and Investment Committee	75%	78.6%

Names of Board Members sitting on each Committee as at 31 March 2023

Chair of the Board of Management	Kim Brear
Operations Committee	Claire Stone Chair Dedra Otchere- Darko Stephen Dungworth Chris Simpson Innocent Moyo Kim Brear Shubash Miah (Committee Member only)
Audit & Risk Committee	Martin Warhurst Chair Jaedon Green Dedra Obeng-Kwakye Stephen Dungworth Rob Young Kim Brear

Governance & Remuneration Committee	Jaedon Green Martin Warhurst Claire Stone Kim Brear Robin Machell	Chair
Asset and Investment Committee	Robin Machell Jaedon Green Rob Young Chris Simpson Innocent Moyo	Chair

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
2023 - Nil (2022 - Nil).

Going concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out in this Report of the board of management and strategic Report. The Group has in place long term debt facilities and plans to increase these facilities which provide adequate resources to finance committed reinvestment and development programmes along with the Group's day to day operations. The Group also has a long-term Business Plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. The board approved the 2023/24 budget and business plan in March 2023 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis. An updated 2023/24 budget and business plan was approved by board in June 2023 primarily to consider recent development programme changes. This updated plan will be used as the basis of the FFR Report to the regulator.

The ongoing impacts of Brexit and particularly the inflationary economic impact of the war in Ukraine is carefully monitored by the Senior Management Team and the board. Financial assumptions are used 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 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). The Perfect Storm multi-variate scenario resulted in covenant breaches that could be partially mitigated through existing identified cost reductions. Additional strategies remain available to the association including the re-phasing of retrofitting programmes and capital works and the delay or decisions to not proceed with development schemes to maintain liquidity and avoid covenant breaches. Through regular stress testing performed by the Group's treasury advisors the board receives assurance as to the financial viability of the Group.

Governance *(continued)*

The board will continue to review operational plans and performance with the Senior Management Team and to make the necessary changes in response to the pandemic and economic conditions that enable us to continue to work with our customers and stakeholders to deliver services whilst supporting and protecting staff and customers.

Given the strength of the balance sheet, liquidity, and availability of undrawn loan facilities, the board believes that, while uncertainty remains in respect of the recent deteriorating economic conditions, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The Association's financial performance in 2022/23 proved resilient and 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 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 2022. 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.

Governance *(continued)*

Annual General Meeting
The Annual General Meeting will be held on 7 September 2023. The AGM will be held virtually using existing conferencing facilities and a separate shareholder briefing will be held to update members on progress against the Corporate Plan, performance and future direction.

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.

Governance

BDO LLP have expressed their willingness to continue in office.

By order of the Board

KHBrear.

Kim Brear
Chair of the Board
Date 3rd August 2023

Opinion on the financial statements

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 2023 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 2022.

We have audited the financial statements of Leeds Federated Housing Association ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2023 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated statement of cashflow statements 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

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

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

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

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report, Report of the Board of Management, Statement of the Boards Responsibilities for the Report and Financial Statements 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS FEDERATED HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

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 or Community Benefit Societies Act 2014 to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 25, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS FEDERATED HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions made by management in their significant accounting estimates in particular in relation to the defined benefit pension liability;
- discussions with, and inquiries of, management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- identifying and testing journal entries, in particular journals posted to revenue and cash;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing; and
- Completing substantive procedures depending on revenue stream to ensure revenue has been included within the appropriate accounting period.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEEDS FEDERATED HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with 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.

DocuSigned by:
BDO LLP
6C315CA33A8C4C6...

BDO LLP, Statutory Auditor
Leeds
United Kingdom

Date 03 August 2023

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 2023

	Note	2023 £'000	2022 £'000
Turnover	4	**27,762**	25,482
Operating costs	4	**(21,857)**	(20,396)
Surplus on disposal of fixed assets	4	**801**	2,400
Movement in property and gilt valuations	4	**(243)**	473
Operating surplus	4	**6,463**	7,959
Other interest receivable and similar income	9	**155**	37
Interest and financing costs	10	**(2,752)**	(2,787)
Surplus for the financial year		**3,866**	5,209
Actuarial (loss)/gain on defined benefit pension scheme	28	**(930)**	1,202
Total comprehensive income for the year		**2,936**	6,411

All activities relate to continuing operations.

The financial statements were approved by the Board of Management on 3rd August 2023 and signed on its behalf by:

Board Member	**Board Member**	**Secretary**
K H Breed		

The notes on pages 38 to 69 form part of these financial statements.

Leeds Federated Housing Association Limited

Association statement of comprehensive income
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	4	**28,007**	25,715
Operating costs	4	**(21,850)**	(20,391)
Surplus on disposal of fixed assets	4	**801**	2,400
Movement in property and gilt valuations	4	**(243)**	473
Operating surplus	4	**6,715**	8,197
Other interest receivable and similar income	9	**153**	37
Interest and financing costs	10	**(2,752)**	(2,787)
Surplus for the financial year		**4,116**	5,447
Actuarial (loss)/gain on defined benefit pension scheme	28	**(930)**	1,202
Total comprehensive income for the year		**3,186**	6,649

All activities relate to continuing operations.

The financial statements were approved by the Board of Management on 3rd August 2023 and signed on its behalf by:

Board Member **Board Member** **Secretary**

KHBread

The notes on pages 38 to 69 form part of these financial statements.

Leeds Federated Housing Association Limited

Consolidated statement of financial position
at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets - housing properties, depreciated cost	14	**227,104**	213,625
Tangible fixed assets – Other	15	**739**	734
Investment Properties	16	**8,336**	8,221
Investments	13	**2,399**	2,661
		238,578	225,241
Current assets			
Properties held for sale	20	**3,679**	1,185
Stock		**197**	121
Debtors	18	**2,277**	1,848
Investments	19	**-**	-
Cash at bank and in hand		**1,426**	8,712
		7,579	11,866
Creditors: amounts falling due within one year	21	**(12,898)**	(10,083)
Net current (liabilities)/assets		**(5,319)**	1,783
Total assets less current liabilities		**233,259**	227,024
Creditors: amounts falling due after more than one year	22	**(163,084)**	(159,824)
Net assets excluding pension liabilities		**70,175**	67,200
Pension liabilities	28	**(3,853)**	(3,814)
Net assets		**66,322**	63,386
Capital and reserves			
Called up share capital	29	**-**	-
Income and expenditure reserve		**66,322**	63,386
Total capital and reserves		**66,322**	63,386

The financial statements were approved by the Board of Management on 3rd August 2023 and signed on its behalf by:

Board Member	**Board Member**	**Secretary**
K H Breen		

The notes on pages 38 to 69 form part of these financial statements.

Leeds Federated Housing Association Limited

Association statement of financial position
at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets - housing properties, depreciated cost	14	**228,372**	214,643
Tangible fixed assets – Other	15	**739**	734
Investment properties	16	**8,336**	8,221
Investments	13	**2,399**	2,661
		239,846	226,259
Current assets			
Properties held for sale	20	**3,679**	1,185
Stock		**197**	121
Debtors	18	**2,269**	1,844
Investments	19	**-**	-
Cash at bank and in hand		**1,242**	8,504
		7,387	11,654
Creditors: amounts falling due within one year	21	**(12,706)**	(9,871)
Net current (liabilities)/assets		**(5,319)**	1,783
Total assets less current liabilities		**234,527**	228,042
Creditors: amounts falling due after more than one year	22	**(163,084)**	(159,824)
Net assets excluding pension liabilities		**71,443**	68,218
Pension liabilities	28	**(3,853)**	(3,814)
Net assets		**67,590**	64,404
Capital and reserves			
Called up share capital	29	**-**	-
Income and expenditure reserve		**67,590**	64,404
Total capital and reserves		**67,590**	64,404

The financial statements were approved by the Board of Management on 3rd August 2023 and signed on its behalf by:

Board Member	**Board Member**	**Secretary**
KH Bren.		

The notes on pages 38 to 69 form part of these financial statements.

Leeds Federated Housing Association Limited

Group statement of changes in reserves
for the year ended 31 March 2023

	Income and expenditure reserve £'000	Share capital £'000	Total £'000
Balance at 1 April 2021	56,975	-	56,975
Surplus for the year	5,209	-	5,209
Actuarial gain on defined benefit pension scheme	1,202		1,202
Total comprehensive income for the year	6,411		6,411
Balance at 31 March 2022	63,386	-	63,386
Surplus for the year	**3,866**	**-**	**3,866**
Actuarial loss on defined benefit pension scheme	**(930)**		**(930)**
Total comprehensive income for the year	**2,936**		**2,936**
Balance at 31 March 2023	**66,322**	**-**	**66,322**

Leeds Federated Housing Association Limited

Association statement of changes in reserves for the year ended 31 March 2023

	Income and expenditure reserve £'000	Share capital £'000	Total £'000
Balance at 1 April 2021	57,755	-	57,755
Surplus for the year	5,447	-	5,447
Actuarial gain on defined benefit pension scheme	1,202		1,202
Total comprehensive income for the year	6,649		6,649
Balance at 31 March 2022	64,404	-	64,404
Surplus for the year	**4,116**	**-**	**4,116**
Actuarial loss on defined benefit pension scheme	**(930)**		**(930)**
Total comprehensive income for the year	**3,186**		**3,186**
Balance at 31 March 2023	**67,590**	**-**	**67,590**

Leeds Federated Housing Association Limited

Consolidated cash flow statement
for the year ended 31 March 2023

	Note	2023 £'000	As restated 2022 £'000
Cash flows from operating activities			
Surplus for the financial year		**3,866**	5,209
Adjustments for:			
Depreciation of fixed assets – housing properties	14	**4,922**	4,671
Depreciation of fixed assets – other	15	**428**	395
Amortisation of loan set up costs	10	**90**	89
Amortised grant	8	**(1,979)**	(1,986)
Net fair value losses recognised in income statement	13	**358**	107
Movement in fair value of investment properties	16	**(115)**	(580)
Interest payable and finance costs	10	**2,569**	2,585
Interest receivable	9	**(155)**	(37)
Difference between net pension expense and cash contribution	11 & 28	**(891)**	(496)
Surplus on sale of fixed assets – housing properties	7	**(801)**	(2,398)
Deficit/(surplus) on sale of fixed assets – other	7	**1**	(2)
Increase in stock		**(76)**	(93)
Increase in debtors	18	**(429)**	(292)
Increase in creditors	21	**146**	240
Cash flows from operations		**7,934**	7,412
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	7	**1,559**	3,856
Proceeds from sale of fixed assets – other	7	**-**	4
Purchase of fixed assets – housing properties	14 & 4	**(23,205)**	(15,147)
1st tranche sales costs	4	**1,614**	1,467
Purchase of fixed assets – other	15	**(434)**	(201)
Receipt of grant	24	**2,504**	0
Costs associated with selling properties		**(27)**	(77)
Bank interest received	9	**56**	7
Release/(purchase) of cash investment	13	**-**	20,015
Cash paid to THFC to hold for security after sale of property	13	**-**	-
Net cash (used in)/from investing activities		**(17,933)**	9,924
Cash flows from financing activities			
Interest paid	10	**(2,792)**	(2,937)
New loans – bank	26	**7,500**	1,000
Loan premium received	26	**-**	-
New loans – set up costs	26	**(78)**	(46)
Repayment of loans – bank	26	**(1,917)**	(11,028)
Net cash from/(used in) financing activities		**2,713**	(13,011)
Net (decrease)/increase in cash and cash equivalents		**(7,286)**	4,325
Cash and cash equivalents at beginning of year		**8,712**	4,387
Cash and cash equivalents at end of year		**1,426**	8,712

The notes on pages 37 to 68 form part of these financial statements.

1 Legal status

The Association is registered under the Cooperative and Community Benefit Society Act 2014,and is registered with Homes England as a social housing provider. The registered office is Suite 5, The Tannery, 91 Kirkstall Road, Leeds, LS3 1HS.

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 2022.

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; and
- 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 this Report of the board of management and strategic Report. The Group has in place long term debt facilities and plans to increase these facilities which provide adequate resources to finance committed reinvestment and development programmes along with the Group's day to day operations. The Group also has a long-term Business Plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. The board approved the 2023/24 budget and business plan in March 2023 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis. An updated 2023/24 budget and business plan

Going concern (continued)

was approved by board in June 2023 primarily to consider recent development programme changes. This updated plan will be used as the basis of the FFR Report to the regulator.

The ongoing impacts of Brexit and particularly the inflationary economic impact of the war in Ukraine is carefully monitored by the Senior Management Team and the board. Financial assumptions are used 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 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). The Perfect Storm multi-variate scenario resulted in covenant breaches that could be partially mitigated through existing identified cost reductions. Additional strategies remain available to the association including the re-phasing of retrofitting programmes and capital works and the delay or decisions to not proceed with development schemes to maintain liquidity and avoid covenant breaches. Through 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 operational plans and performance with the Senior Management Team and to make the necessary changes in response to the pandemic and economic conditions that enable us to continue to work with our customers and stakeholders to deliver services whilst supporting and protecting staff and customers.

Due to development activity fixed assets continue to grow, however the balance sheet reflects a net current liability due to the timing of loan repayments, but given the liquidity and availability of undrawn loan facilities, the board believes that, while uncertainty remains in respect of the recent deteriorating economic conditions, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The Association's financial performance in 2022/23 proved resilient and 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.

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 2023 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.

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

2 Accounting policies (continued)

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 £841k 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.

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 ending 31 March 2023 the Association's net defined benefit pension liability is £3,853k (31 March 2022 £3,814k), reflecting a net loss in scheme assets and liabilities of £856k and member contributions and other movement of £817k 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 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,

2 Accounting policies (continued)

administration costs and expenditure incurred in respect of improvements or component replacements. 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 for sale are reported as current assets under properties held for sale.

Sale of tangible fixed assets

The surpluses or deficits recognised on disposal of fixed property assets are determined by comparing the proceeds with the carrying amount and are recognised within 'operating surplus' in the statement of comprehensive income.

Investment properties

Investment properties consist of commercial units including shops and garages held for letting, which are not held for a social benefit. They are measured at cost on initial recognition and subsequently carried at fair value. The assessment of fair value is undertaken annually using an external valuer with Jones Lang LeSalle Limited (JLL) completing the most recent valuation on 31 March 2023. No depreciation is provided and changes in fair value are accounted for in operating surplus.

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.

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

2 Accounting policies (continued)

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 unless HE agree otherwise.

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 depreciates the major components at the following rates:

Structure	70 years
Roofs	70 years
Bathrooms & WCs	30 years
Central heating	30 years
Curtilage	30 years
Insulation	30 years
Windows and doors	20 or 30 years
Electrical rewires	30 years
Solar panels	25 years
Kitchens	15 or 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.

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:

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%

2 Accounting policies (continued)

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.

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.

Operating Leases

Leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. A finance lease is identified when the risks and rewards of ownership have been transferred from the lessor to the lessee i.e. to the Association. All other leases are operating leases. Leases held include mainly office space, office equipment and vans. Management has therefore determined that all leases held are operating leases. They are accounted for on a straight-line basis over the term of the lease and reflect the amounts owed to the lessor.

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

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.

2 Accounting policies (continued)

Cashflow restatement

The Consolidated Cashflow Statement previously reported for the year ended 31 March 2022 has been restated to correct for two errors identified. These do not change the overall increase in cash shown. The changes made were firstly to correct the surplus for the financial year from £6,411k to £5,209k with a corresponding movement in the difference between Net pension expense and cash contribution. The second is to show new bank loans gross of repayments made in the year resulting in the recognition of a drawdown of £1m of new cash facilities and a corresponding increase in Repayments of loans – bank within net cash used in financing activities.

3 Significant judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, significant material judgements and estimates have been made. These judgements and estimates are reviewed each year and are based on historical experience and knowledge, and expectations of future events.

The judgements and estimates which have a significant risk of causing a material misstatement to the assets and liabilities held include the following:

Impairment

This includes a review of external and internal indicators of impairment of the group's tangible assets.

Key external factors include social housing market value reductions or a significant change adversely impacting the social housing sector. In April 2023 the government set a social housing rent cap for general needs rents of 7% as opposed to CPI+1% because of high inflation. This impacts rents charged by all social housing providers in 23/24 and results in costs increasing by more than income. This cap is included in the 23/24 budget and business plan and hasn't resulted in an impairment. Surplus and margins have reduced, yet we remain financially resilient, compliant with loans and can continue with service delivery to customers.

Key internal indicators include evidence of deterioration of assets, as well as consideration of 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. These indicators are evident from the ongoing review of asset performance including long term empty homes, properties under asset management review and properties which are held for sale or proposed for disposal.

The process for estimating the recoverable amount of housing assets involves:

- Determine the level at which the recoverable amount is to be assessed (the asset or cash-generating unit (CGU) level (i.e. individual scheme).
- Estimate the recoverable amount of the CGU (market value less costs to sell) i.e. the higher of market value less costs to sell, and value in use.
- Calculate the carrying amount of the CGU (cost less depreciation and grant amortisation).
- Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred i.e. where the carrying amount exceeds the recoverable amount.
- If an impairment is identified the asset's carrying value is reduced to its recoverable amount and the losses are charged to operating surplus.

No impairment was identified and recognised in the year ending 31st March 2023.

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

Defined benefit pension accounting

Leeds Federated participates in the Social Housing Pension Scheme (SHPS) defined benefit scheme which is accounted for in accordance with FRS102. Management's recognition of this defined benefit obligation is as advised by the SHPS administrators.

The critical underlying assumptions used by SHPS to calculate the scheme's assets and liabilities include estimates of the standard rates of inflation, mortality, discount rate and anticipated future salary increases, as supplied by SHPS. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expensed. In the year ending 31st March 2023 management engaged the services of First Actuarial to independently review these assumptions and provide assurance to management. As a result, no changes were made to any of the assumptions.

Financial Instruments

Loans – basic/non basic

The assessment of loans as basic financial instruments requires an element of judgement. The Association has reviewed its loan agreements and in discussions with funders has determined that they are all considered to be basic financial instruments in accordance with section 11 of FRS102. They are held in the Statement of Financial Position at gross proceeds net of financing costs, which are released over the life of the loan.

Fixed asset investments

Investments held as fixed assets include gilt holdings, sinking funds and a liquidity reserve fund. They are a requirement of some loans. Any movement in value is an expected consequence of maintaining these loans which support normal ongoing activities and any change in fair value is recognised as income or expenditure and shown within operating surplus.

Property categorisation

The categorisation of properties as investment properties or housing properties is determined by establishing which properties are held for the provision of social housing, or otherwise provided for social benefit. These properties are held as housing properties and all other properties are held as investment properties.

Housing properties:

Housing 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.

The disposal of fixed property assets are deemed to be normal ongoing activities and are included in operating activities and shown within operating surplus. This includes staircases, right to buy, right to acquire and property disposals as a result of stock rationalisation.

Useful economic lives (UEL):

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 UEL. Management have

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

estimated the UEL of components by liaising with the asset team to gain their professional opinion based on knowledge and experience. When a component is replaced the carrying amount is written off to the

statement of comprehensive income. The amount written off this year, and last, is insignificant in comparison to the costs of assets held which provides reassurance that assets are being held with the appropriate UEL.

Property categorisation (continued)

Investment properties:
The Leeds Federated investment properties comprise commercial units and properties where market rent is charged. Each year the investment properties are professionally valued by a RICS approved valuer. Any changes in value are reflected in fixed assets with the movement reported in operating surplus, a process deemed to be in the normal course of business of holding investment properties whose revenue and costs are included within operating surplus, albeit non-social housing.

The professional valuation uses the fair value which is the amount at which an asset could be exchanged in an arm's length transaction. 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.

In the year-ending 31st March 2023 the investment properties were valued by JLL and there was an increase to the investment property valuation of £115k (2022: £580k).

Development costs

Capitalising development costs and holding costs for uncompleted schemes as work in progress in the statement of financial position involves an element of judgement to ensure that only costs are capitalised when it is more likely than not that a scheme is to continue. If it is identified that a scheme under development is not going to continue the accumulated abortive costs are written off to the statement of comprehensive income.

The anticipated costs to complete on a development scheme is based on anticipated construction, legal and other costs. Establishing the correct development costs determines 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 Association does not currently develop for outright sale however these are relevant for the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

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

	Turnover 2023 £'000	Operating costs 2023 £'000	Operating surplus 2023 £'000
Social Housing Lettings	**22,192**	**(18,362)**	**3,830**
Other social housing activities			
Agency charges	**1,520**	**(1,245)**	**275**
First tranche shared ownership sales	**3,146**	**(1,614)**	**1,532**
Feed in tariff income / gift aid	**22**	**-**	**22**
Development administration	**-**	**(281)**	**(281)**
	4,688	**(3,140)**	**1,548**
Non-social housing activities			
Lettings	**790**	**(268)**	**522**
Recharges	**92**	**(87)**	**5**
	882	**(355)**	**527**
	27,762	**(21,857)**	**5,905**
Surplus on disposal of fixed assets			**801**
Movement in property and gilt valuations			**(243)**
Total other gains			**558**
Operating surplus – continuing activities			**6,463**

Prior year comparative	Turnover 2022 £'000	Operating costs 2022 £'000	Operating surplus 2022 £'000
Social Housing Lettings	21,131	(17,282)	3,849
Other social housing activities			
Agency charges	1,387	(1,006)	381
First tranche shared ownership sales	2,127	(1,467)	660
Feed in tariff income / gift aid	22	-	22
Development administration	-	(294)	(294)
	3,536	(2,767)	769
Non-social housing activities			
Lettings	723	(270)	453
Recharges	92	(77)	15
	815	(347)	468
	25,482	(20,396)	5,086
Surplus on disposal of fixed assets			2,400
Movement in property and gilt valuations			473
Total other gains			2,873
Operating surplus – continuing activities			7,959

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

	Turnover 2023 £'000	Operating costs 2023 £'000	Operating surplus 2023 £'000
Social Housing Lettings	22,192	(18,362)	3,830
Other social housing activities			
Agency charges	1,520	(1,245)	275
First tranche shared ownership sales	3,146	(1,614)	1,532
Feed in tariff income / gift aid	231	-	231
Development administration	36	(274)	(238)
	4,933	(3,133)	1,800
Non-social housing activities			
Lettings	790	(268)	522
Recharges	92	(87)	5
	882	(355)	527
	28,007	(21,850)	6,157
Surplus on disposal of fixed assets			801
Movement in property and gilt valuations			(243)
Total other gains			558
Operating surplus – continuing activities			6,715

Prior year comparative	Turnover 2022 £'000	Operating costs 2022 £'000	Operating surplus 2022 £'000
Social Housing Lettings	21,131	(17,283)	3,848
Other social housing activities			
Agency charges	1,387	(1,006)	381
First tranche shared ownership sales	2,127	(1,467)	660
Feed in tariff income / gift aid	228	-	228
Development administration	27	(288)	(261)
	3,769	(2,761)	1,008
Non-social housing activities			
Lettings	723	(270)	453
Recharges	92	(77)	15
	815	(347)	468
	25,715	(20,391)	5,324
Surplus on disposal of fixed assets			2,400
Movement in property and gilt valuations			473
Total other gains			2,873
Operating surplus – continuing activities			8,197

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

Income and expenditure from social housing lettings – Group

	General needs £'000	Supported housing £'000	Low cost home ownership £'000	Total 2023 £'000	Total 2022 £'000
Income					
Rents net of identifiable service charges*	17,199	1,123	1,279	**19,601**	18,506
Service charge income*	324	419	70	**813**	771
Amortised government grants	1,604	112	62	**1,778**	1,854
Turnover from social housing lettings	19,127	1,654	1,411	**22,192**	21,131
Expenditure					
Management	(4,893)	(262)	(195)	**(5,350)**	(5,113)
Service charge costs	(601)	(345)	(69)	**(1,015)**	(904)
Routine maintenance	(4,238)	(305)	(148)	**(4,691)**	(4,380)
Planned maintenance	(867)	(8)	-	**(875)**	(714)
Major repairs expenditure	(1,587)	(65)	(13)	**(1,665)**	(1,635)
Bad debts	(117)	(16)	3	**(130)**	(88)
Property lease charges	(4)	-	-	**(4)**	(4)
Impairment of housing properties	-	-	-	**-**	-
Depreciation of housing properties					
- annual charge	(4,141)	(243)	(233)	**(4,617)**	(4,390)
- accelerated on disposal of components	(15)	-	-	**(15)**	(54)
Operating costs on social housing lettings	(16,463)	(1,244)	(655)	**(18,362)**	(17,282)
Operating surplus on social housing lettings	2,664	410	756	**3,830**	3,849
Void losses	256	32	4	**292**	269

*All net of void losses

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

Income and expenditure from social housing lettings – Association

	General needs £'000	Supported housing £'000	Low cost home ownership £'000	Total 2023 £'000	Total 2022 £'000
Income					
Rents net of identifiable service charges*	17,199	1123	1,279	**19,601**	18,506
Service charge income*	324	419	70	**813**	771
Amortised government grants	1,604	112	62	**1,778**	1,854
Turnover from social housing lettings	19,127	1,654	1,411	**22,192**	21,131
Expenditure					
Management	(4,893)	(262)	(195)	**(5,350)**	(5,114)
Service charge costs	(601)	(345)	(69)	**(1,015)**	(904)
Routine maintenance	(4,238)	(305)	(148)	**(4,691)**	(4,380)
Planned maintenance	(867)	(8)	-	**(875)**	(714)
Major repairs expenditure	(1,587)	(65)	(13)	**(1,665)**	(1,635)
Bad debts	(117)	(16)	3	**(130)**	(88)
Property lease charges	(4)	-	-	**(4)**	(4)
Impairment of housing properties	-	-	-	-	-
Depreciation of housing properties					
- annual charge	(4,141)	(243)	(233)	**(4,617)**	(4,390)
- accelerated on disposal of components	(15)	-	-	**(15)**	(54)
Operating costs on social housing lettings	(16,463)	(1,244)	(655)	**(18,362)**	(17,283)
Operating surplus on social housing lettings	2,664	410	756	**3,830**	3,848
Void losses	256	32	4	**292**	269

*All net of void losses

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

	2023 £'000	2022 £'000
Student accommodation	**504**	440
Market rent	**286**	283
External gardening contract	**92**	92
	882	815

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 238 supported housing units (2022: 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 2023 No.	2022 No.
Foundation	**49**	50
Turning Lives Around	**48**	48
Leeds Women's Aid	**35**	35
Community Links	**20**	20
Touchstone (Group homes and floating support)	**13**	13
Catholic Care	**10**	10
St Anne's	**10**	10
Harrogate Homeless	**8**	8
Gipsil	**8**	8
Others including 8 (2022:14) care home bed spaces	**37**	32
	238	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:

	2022 No.	New Units No.	Open market sales No.	Right to acquire sales No.	Shared ownership sales No.	Other gains / (losses) No.	Other movement No.	**2023 No.**
Social housing								
Social rent:								
General needs	3,100	20	(6)	-	-	-	1	**3,115**
Supported housing	7	-	-	-	-	-	-	**7**
Housing for older people	255	-	-	-	-	-	(1)	**254**
Intermediate rent:								
General needs	22	-	-	-	-	-	-	**22**
Affordable rent:								
General needs	381	32	-	(1)	-	-	-	**412**
Low cost home ownership:								
Shared ownership	402	33	-	-	(8)	-	-	**427**
Shared ownership leaseholders paying service charge only	17	-	-	-	-	-	1	**18**
Social housing owned and managed	4,184	**85**	**(6)**	**(1)**	**(8)**	-	**1**	**4,255**

	2022	New Units	Open market sales	Right to acquire sales	Shared ownershi p sales	Other gains / (losses)	Other movement	**2023**
	No.	No.	No.	No.	No.	No.	No.	**No.**
Accommodation managed by others								
General needs – social rent	15	-	-	-	-	10	-	**25**
Supported housing – social rent	201	-	-	-	-	-	-	**201**
Supported housing – affordable rent	4	-	-	-	-	-	-	**4**
Care home bed spaces	14	-	-	-	-	(6)	-	**8**
Total social units managed by others	234	**-**	**-**	**-**	**-**	**4**	**-**	**238**
Non-social housing								
Student accommodation	62	-	-	-	-	-	-	**62**
Market rent	23	-	-	-	-	-	-	**23**
Total non-social housing unit units	85	**-**	**-**	**-**	**-**	**-**	**-**	**85**
Summary								
Social housing owned – managed and managed by others	4,418	85	(6)	(1)	(8)	4	1	**4,493**
Non-social housing owned – managed and managed by others	85	-	-	-	-	-	-	**85**
Total stock	4,503	**85**	**(6)**	**(1)**	**(8)**	**4**	**1**	**4,578**

*15 units (2022: 7 units) are not reported in this note because they are not 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 as housing properties in the statement of financial position.

7 Surplus on disposal of fixed assets

	Shared ownership staircasing 2023 £'000	Other housing properties 2023 £'000	Other fixed assets 2023 £'000	Total 2023 £'000	Total 2022 £'000
Disposal proceeds	865	694	-	**1,559**	3,860
Cost of disposals	(284)	70	(1)	**(215)**	(669)
Selling costs	(6)	(21)		**(27)**	(76)
Capital grant recycled (note 25)	(151)	(365)		**(516)**	(715)
Surplus on disposal of tangible fixed assets	**424**	**378**	**(1)**	**801**	2,400

During the year 1 property used the right to acquire legislation to progress an outright sale (2022: 1). 8 shared owners increased their shares of equity to 100% (2022: 9) and 5 others increased their share of equity (2022: 3). The Association sold 6 properties on the open market (2022: 26 properties) and disposed of some IT equipment (2022: an acoustic generator).

8 Operating surplus

This is arrived at after charging / (crediting):	2023 £'000	2022 £'000
Depreciation:		
- housing properties	**4,907**	4,610
- accelerated depreciation on replaced components	**15**	61
- impairment	**-**	-
- other tangible fixed assets	**428**	386
Amortisation of grants	**(1,979)**	(1,986)
Operating lease charges:		
- land and buildings	**82**	157
- other	**139**	115
Auditor's remuneration:		
- fees payable to the group's auditors for the audit of the group's annual accounts (excluding VAT)	**30**	22
- all other services	**35**	3

9 Interest receivable and similar income

Group	2023 £'000	2022 £'000
Interest receivable and similar income	**155**	37

Association	2023 £'000	2022 £'000
Interest receivable and similar income	**153**	37

10 Interest and financing costs

Group and Association	2023 £'000	2022 £'000
Bank loans and overdrafts	2,512	2,579
Amortised loan costs	90	89
Recycled capital grant fund and sinking fund	57	6
Pension interest expense	93	113
	2,752	2,787

11 Employees

Group and Association	2023 £'000	2022 £'000
Staff costs (including directors) consist of:		
Wages and salaries *	5,657	5,135
Social security costs	582	492
Other pension costs	230	370
	6,469	5,997

*shown gross - wages and salaries of £1,347k (2022: £991k) have been capitalised as part of the development activity and as part of capitalised component replacements.

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 or 40 hours) during the year was as follows:

Group and Association	2023 No.	2022 No.
Housing management	124	118
Administration	28	28
	152	146

The team introduced during 2021 to provide component replacement and major repairs services, expanded further during the 2022/23 financial year.

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.

	2023 £'000	2022 £'000
Executive directors' emoluments including pensions and benefits in kind	424	379
Amounts paid to non-executive directors including expenses	62	53

12 Directors' remuneration (continued)

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

	2023 **£'000**	2022 £'000
Chief Executive (highest paid director)	149	142
Operations Director	118	107
Finance and IT Director	118	107

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £163,955 (2022: £150,880). Pensions contributions of £15,016 (2022: £8,837) 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. The Group does not make any further contribution to an individual pension arrangement for the Chief Executive.

Emoluments paid to the Board:
Emoluments paid during the year to Board members amounted to £59,675 (2022 - £51,710). Expenses paid during the year to Board members amounted to £357 (2022: £492).
Emoluments include:

Chair £12,024 p/a (2022 - £11,150) Chairs of the Audit & Risk, Operations and Governance & Remuneration and Development Committees each received £6,469 p/a (2022 - £6,281)
Board Members received £4,774 p/a (2022 - £3,859).

	2023 **£'000**	2022 £'000
Kim Brear (Chair from 9/9/21)	12	9
Claire Stone	6	6
Martin Warhurst	6	6
Robin Machell	6	6
Jaedon Green	6	5
Innocent Moyo	4	4
Dedra Otchere-Darko	4	4
Stephen Dungworth	5	2
Christopher Simpson (from 9/9/22)	3	-
Robert Young (from 9/9/22)	3	-
Shaid Mahmood (to 8/9/22)	2	4
Stuart White (Chair to 9/9/21)	-	5

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

	2023 **No.**	2022 No.
£60,000 - £69,999	1	6
£70,000 - £79,999	5	1
£100,000 - £109,999	-	2
£110,000 - £119,999	2	-
£140,000 - £149,999	1	1

13 Fixed asset investments

Group and Association	As at 31 March 2023 £'000	Change in fair value £'000	Interest receivable £'000	As at 31 March 2022 £'000
Interest in subsidiary (note 17)	-	-	-	-
Other fixed asset investments:				
THFC ISRF restricted access account	882	(249)	56	1,075
AHF ISRF restricted access account	485	(109)	25	569
THFC Trustees sinking fund account	331	-	7	324
THFC bLEND liquidity reserve fund	701	-	8	693
Total	**2,399**	**(358)**	**96**	2,661

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 together with cash held on deposit. The market value of this fund, at 31 March 2023 was £881,493 (2022: £1,074,937), including £124,184 cash held in a Barclays instant access account. Gilt interest of £55,636 was received with accrued gilt interest of £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 deposit 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 2023 is £484,753, including £186,440 held in a Barclays instant access account. Gilt interest of £24,774 was received with accrued gilt interest of £3,805.

A sinking fund was set up during 2015-16. The current balance is £330,939, (2022: £324,706) as a result of right to acquire property sales held as security by THFC.

A £20m bond with THFC bLEND was agreed during the 2020/21 year. The loan agreement requires that 1 year of interest payments are held in a bLEND liquidity reserve fund. This fund held £701,504 at 31st March 2023 (2022: £692,962).

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 2022	235,489	2,341	3,660	20,686	3,209	**265,385**
Additions:						
- construction costs	3,325	-	6,938	2,462	6,725	**19,450**
- replaced components	3,719	-	-	-	-	**3,719**
1st tranche sales:	-	-	-	(1,578)	-	**(1,578)**
Reclassification of properties:						
- tenure changes during the year	-	-	475		(475)	-
Completed schemes:	2,215	-	(2,215)	1,533	(1,533)	-
Disposals						
- properties	(337)	-	-	(479)	-	**(816)**
- current assets movement (properties awaiting sale)	107	-	-	409	(3,065)	**(2,549)**
- replaced components	(372)	-	-	-	-	**(372)**
At 31 March 2023	**244,146**	**2,341**	**8,858**	**23,033**	**4,861**	**283,239**
Depreciation:						
At 1 April 2022	49,894	563	-	1,303	-	**51,760**
Charge for the year	4,621	53	-	233	-	**4,907**
Disposals:			-		-	
- properties	(27)	-	-	(94)	-	**(121)**
- current assets movement (properties awaiting sale)	(26)	-	-	(28)	-	**(54)**
- replaced components	(357)	-	-	-	-	**(357)**
At 31 March 2023	**54,105**	**616**	**-**	**1,414**	**-**	**56,135**
Net book value:						
At 31 March 2023	**190,041**	**1,725**	**8,858**	**21,619**	**4,861**	**227,104**
At 31 March 2022	185,595	1,778	3,660	19,383	3,209	213,625

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 2022	235,898	2,383	4,130	20,601	3,391	**266,403**
Additions:						
- construction costs	3,394	-	6,991	2,497	6,818	**19,700**
- replaced components	3,719	-	-	-	-	**3,719**
-						
1st tranche sales:	-	-	-	(1,578)	-	**(1,578)**
Reclassification of properties:						
- tenure changes during the year		-	475		(475)	**-**
Completed schemes:	2,215	-	(2,215)	1,533	(1,533)	**-**
Disposals:						
- properties	(337)	-	-	(479)	-	**(816)**
- current assets movement (properties awaiting sale)	107	-	-	409	(3,065)	**(2,549)**
- replaced components	(372)	-	-	-	-	**(372)**
At 31 March 2023	**244,624**	**2,383**	**9,381**	**22,983**	**5,136**	**284,507**
Depreciation:						
At 1 April 2022	49,894	563	-	1,303	-	**51,760**
Charge for the year	4,621	53	-	233	-	**4,907**
Disposals:						
- properties	(27)	-	-	(94)	-	**(121)**
- current assets movement (properties awaiting sale)	(26)	-	-	(28)	-	**(54)**
- replaced components	(357)	-	-	-	-	**(357)**
At 31 March 2023	**54,105**	**616**	**-**	**1,414**	**-**	**56,135**
Net book value:						
At 31 March 2023	**190,519**	**1,767**	**9,381**	**21,569**	**5,136**	**228,372**
At 31 March 2022	186,004	1,820	4,130	19,298	3,391	214,643

	2023 £'000	2022 £'000
Improvements to existing properties capitalised	3,719	3,238
Major repairs expenditure to statement of comprehensive income	1,665	1,635

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 2022	242	235	3,037	21	3,535
Additions		21	412	1	434
Disposals	-	-	(302)	-	(302)
At 31 March 2023	**242**	**256**	**3,147**	**22**	**3,667**
Depreciation:					
At 1 April 2022	67	210	2,504	20	2,801
Charge for year	25	19	383	1	428
Disposals	-	-	(301)	-	(301)
At 31 March 2023	**92**	**229**	**2,586**	**21**	**2,928**
Net book value:					
At 31 March 2023	**150**	**27**	**561**	**1**	**739**
At 31 March 2022	175	25	533	1	734

16 Investment properties

The group's investment properties were revalued at 31 March 2023 by Jones Lang LeSalle Limited (JLL), in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As a result, an increase in the valuation since the prior year has been reflected. The gain on revaluation of investment properties arising in the year is £115k (2022 - £580k).

Movement on investment properties is as follows:

	Group 2023 £'000	Group 2022 £'000	**Association 2023 £'000**	Association 2022 £'000
At 1 April	8,221	7,641	8,221	7,641
Revaluation gain (through Statement of Comprehensive Income)	115	580	115	580
At 31 March	**8,336**	8,221	**8,336**	8,221

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 (2022: £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:

17 Investment in subsidiary (continued)

	2023 £'000	2022 £'000	**Allocation basis**
Management services	250	239	Percentage of turnover
Staffing recharge	36	27	Administration time
Gift aid received	209	206	Accrued at year end (Deed of Covenant)

18 Debtors

	Group 2023 £'000	Group 2022 £'000	**Association 2023 £'000**	Association 2022 £'000
Rent and service charge arrears	1,486	1,443	1,486	1,443
Less: Provision for doubtful debts	(841)	(790)	(841)	(790)
	645	653	645	653
Other debtors	273	230	272	230
Taxation and social security	7	4	-	-
Prepayments and accrued income	1,352	961	1,352	961
	2,277	1,848	**2,269**	1,844

19 Current asset investment

Group and Association	**2023 £'000**	2022 £'000
Listed investments – restricted access accounts	-	-

The Association holds 1 share, at a nominal value of £1, in Procurement For All Limited (in liquidation), representing a 16.67% shareholding.

The carrying value of these investments at 31 March 2023 is £1 (2022 - £1).

The assets and liabilities of this investment entity is not material to the Association or the Group Financial Statements.

20 Properties held for sale

Group and Association	2023 £'000	2022 £'000
First tranche sale units	3,065	618
Staircasing units	180	-
Social units	434	567
	3,679	1,185

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 15 sales being progressed as at March 2023.

21 Creditors: amounts falling due within one year

	Group 2023 £'000	Group 2022 £'000	Association 2023 £'000	Association 2022 £'000
Trade creditors	104	428	104	428
Loans (note 26)	3,943	1,826	3,943	1,826
Rent and service charges received in advance	424	400	424	400
Recycled capital grant fund (note 25)	1,415	934	1,415	934
Contractors for capital work and retentions	1,191	991	952	576
Loan interest	359	281	359	281
Taxation and social security	153	147	153	147
Loan premium on AHF/ THFC drawdowns	358	358	358	358
Deferred income capital grants/other subsidy (note 23)	1,979	1,986	1,979	1,986
Other creditors	1,825	1,742	1,825	1,742
Amount owed to group undertakings	-	-	54	209
Accruals and deferred income	1,147	990	1,140	984
	12,898	10,083	**12,706**	9,871

22 Creditors: amounts falling due after more than one year

Group and Association	2023 £'000	2022 £'000
Loans (note 26)	58,045	54,567
Recycled capital grant fund (note 25)	1,290	1,255
Loan premium on AHF and THFC drawdowns	7,745	8,103
Deferred income – capital grants/other subsidy (note 23)	96,004	95,899
	163,084	159,824

23 Deferred income - capital grants and other subsidies

Group and Association	2023 £'000	2022 £'000
Total Social Housing Grant (SHG) received as at 31 March (note 24)	105,907	103,867
Total SHG amortisation	(19,278)	(17,611)
	86,629	86,256
Total other subsidies received as at 31 March	13,908	13,951
Total other subsidies amortisation	(2,554)	(2,322)
	11,354	11,629
Total deferred capital grant and other subsidies	**97,983**	97,885
Deferred capital grant and other subsidies due within one year	1,979	1,986
Deferred capital grant and other subsidies due in more than one year	96,004	95,899

24 Deferred capital grant

Group and Association	2022 £'000	2022 £'000
At 1 April	103,867	104,144
Grant received during the year	2,504	-
Grant recycled to Recycled capital grant fund (RCGF)	(516)	(714)
Grant recycled from Recycled capital grant fund (RCGF)	55	440
Released to income during the year	(3)	(3)
At 31 March	**105,907**	103,867

25 Recycled capital grant fund

Group and Association	2023 £'000	2022 £'000
At 1 April	2,189	1,910
Inputs to fund:		
- grants recycled	516	715
- interest accrued	55	4
Recycling of grant		
- purchase of properties	(55)	(440)
At 31 March	**2,705**	2,189
Amounts 3 years or older where repayment may be required	879	31

There has been an allocation of £55k for the purchase of one affordable home. This property was purchased towards the end of 2021/22 but the sale didn't legally complete until 21/04/2022.

25 Recycled capital grant fund (continued)

Inputs to RCGF from recycling grant relate to disposals in the year of six outright sales by auction, five final staircasing sales, one interim staircasing sale, one RTA and the lease transfer of Ashlar House.

In respect of RCGF utilisation in 2022/23, Homes England had approved the use of £990k to support the Owlcotes Road Strategic Partnership scheme. At 31/03/2023 we had not yet purchased the land and Homes England have provided formal confirmation that we can carry forward the +3year RCGF balance for utilisation on this scheme in 2023/24.

In respect of 2023/24 usage, we are looking to identify potential additional new home purchases from housebuilders over and above the normal S106 requirements. This however is dependent on such opportunities becoming available and being viable.

For the longer term we are also looking to identify land acquisition opportunities for development by LFPS.

26 Loans and borrowings

Maturity of debt

Group and Association	**2023 £'000**	2022 £'000
In one year or less, or on demand	3,943	1,826
In more than one year but not more than two years	1,178	3,939
In more than two years but not more than five years	291	3,598
In more than five years	56,576	47,030
Total loans net of financing costs	**61,988**	56,393
Due within one year:		
Banks	**3,943**	1,826
Due after more than one year		
Banks	10,281	6,831
THFC	32,886	32,867
AHF	14,878	14,869
	58,045	54,567

Loans are shown net of financing costs of £826,605 (2022: £838,540), 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) including THFC bLEND 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 3.459% to 8.63%. The remaining principal sums fall to be repaid in October 2023, 2039 and 2047.

There are two AHF facilities with one being for £5m at a 2.89% coupon rate and an effective rate of 2.073% and one being for £10m at a 2.89% coupon rate, with an effective rate of 1.983%. Both are repayable in August 2043.

26 Loans and borrowings (continued)

The loan from the Co-operative bank is repayable quarterly over a term of 25 years at fixed rates of interest ranging from 3.31% to 5.18%. The principal sums fall to be repaid in the period September 2024 to March 2025.

A loan with Orchardbrook (ex Housing Corporation) is repayable in twice yearly instalments with an interest rate of 10.632% and a final payment date in 2032.

There is a total facility with Santander of £32m which has been restated during the year. Of this £2.25m is forward fixed at 1.34% to February 2024 with a 1.65% margin. The balance of £29.75m is a revolving credit facility of which £7.5m was drawn at 31 March 2023, leaving £22.25m available to draw. The interest on the variable balance is based upon SONIA plus 1.65% margin. There is a final bullet to repay the balancing facility in March 2030.

During 2020/21 a £10m revolving credit facility (RCF) with Lloyds was agreed. This was not secured during 2022/23 and the RCF is unavailable to drawdown as at the 31st March 2023. The Lloyds facility is due to be cancelled and replaced with additional facilities with Santander and bLEND in 2023-24.

27 Financial instruments

	Group 2023 £'000	Group 2022 £'000	**Association 2023 £'000**	Association 2022 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	2,343	9,595	2,404	9,620
Financial liabilities				
Financial liabilities measured at amortised cost	171,730	165,260	171,783	165,280

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.

28 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 completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

28 Pensions (continued)

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

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

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

	31 March 2023	31 March 2022
	£'000	£'000
Fair value of plan assets	17,471	26,768
Present value of defined benefit obligation	(21,324)	(30,582)
Defined benefit asset/(liability) to be recognised	**(3,853)**	(3,814)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation	**Period ended 31 March 2023**
	£'000
Defined benefit obligation at start of period	30,582
Current service cost	79
Expenses	19
Interest expense	850
Member contributions	250
Actuarial gains due to scheme experience	(528)
Actuarial gains due to changes in demographic assumptions	(45)
Actuarial gains due to changes in financial assumptions	(9,366)
Benefits paid and expenses	(517)
Defined benefit obligation at end of period	**21,324**

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets	**31 March 2023**
	£'000
Fair value of plan assets at start of period	26,768
Interest income	757
Experience on plan assets (excluding amounts included in interest income) - loss	(10,795)
Employer contributions	1,008
Member contributions	250
Benefits paid and expenses	(517)
Fair value of plan assets at end of period	**17,471**

28 Pensions (continued)

The actual return on the plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was £10,038,000 (prior year: £1,353,000)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)	Period ended 31 March 2023 £'000
Current service cost	79
Expenses	19
Net interest expense	93
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**191**

Defined Benefit Costs Recognised in Other Comprehensive Income	Period ended 31 March 2023 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	(10,795)
Experience gains and losses arising on the plan liabilities - (loss)	528
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	45
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	9,366
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain	(856)
Total amount recognised in other comprehensive income - gain	**(856)**

Assets	**31 March 2023 £'000**	31 March 2022 £'000
Global Equity	326	5,137
Absolute Return	189	1,074
Distressed Opportunities	529	958
Credit Relative Value	659	890
Alternative Risk Premia	32	883
Fund of Hedge Funds	-	-
Emerging Markets Debt	94	779
Risk Sharing	1,286	881
Insurance-Linked Securities	441	624
Property	752	723
Infrastructure	1,996	1,907
Private Debt	777	686
Opportunistic Illiquid Credit	747	899
High Yield	61	231
Opportunistic Credit	1	95
Cash	126	91
Corporate Bond Fund	-	1,786
Liquid Credit	-	-
Long Lease Property	527	689
Secured Income	802	997
Liability Driven Investment	8,047	7,469
Currency Hedging	34	(105)
Net Current Assets	45	74
Total assets	**17,471**	26,768

28 Pensions (continued)

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 2023 % per annum	31 March 2022 % per annum
Discount Rate	4.86%	2.79%
Inflation (RPI)	3.19%	3.54%
Inflation (CPI)	2.77%	3.17%
Salary Growth	3.77%	4.17%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

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 £157,889 (2022: 102,753).

29 Share capital

	2023 £	2022 £
At 1 April	30	29
Shares issued in the year	2	1
Shares issued in the year	(1)	-
	31	30

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.

30 Operating leases

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

	Land and buildings 2023 £'000	**Other 2023 £'000**	Land and buildings 2022 £'000	Other 2022 £'000
Operating leases which expire:				
Within one year	57	111	82	103
In one to five years	179	144	179	136
Over five years	90	-	134	-
Total	**326**	**255**	395	239

31 Capital commitments

	Group 2023 £'000	Group 2022 £'000	**Association 2023 £'000**	Association 2022 £'000
Commitments contracted but not provided for in the accounts	45,081	19,948	31,499	18,335
Commitments approved by the board but not contracted for	40,078	26,716	27,335	10,752
	85,159	46,664	**58,834**	29,087

The above commitments will be financed through a combination of borrowings and social housing grant.

32 Contingent liabilities

The group and association have one contingent liability at 31 March 2023 (2022:1).

We were notified in 2021 by the Trustee of the Defined Benefit Pension Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the total value of the full Scheme liabilities by £155m which would be split across all participating employers proportionately. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

33 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 two tenant members: Innocent Moyo and Dedra Otchere-Darko who hold tenancy agreements on normal terms and cannot use their position to their advantage. The rent charged for the year was:

	Rent charged weekly 2023 £	Rent charged weekly 2022 £	**Balance at 31 March 2023 £**	Balance at 31 March 2022 £
Tenant board member				
Innocent Moyo	98	95	(87)	(514)
Dedra Otchere-Darko	84	72	(28)	(198)

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

34 Net debt reconciliation

Group	1 April 2022 £'000	**Cash flows £'000**	**Other non-cash changes £'000**	**31 March 2023 £'000**
Cash at bank and in hand	8,712	(7,286)	-	1,426
Bank and THFC loans	(56,393)	(5,505)	(90)	(61,988)
	(47,681)	**(12,791)**	**(90)**	**(60,562)**

Association	1 April 2022 £'000	**Cash flows £'000**	**Other non-cash changes £'000**	**31 March 2023 £'000**
Cash at bank and in hand	8,504	(7,262)	-	1,242
Bank and THFC loans	(56,393)	(5,505)	(90)	(61,988)
	(47,889)	**(12,767)**	**(90)**	**(60,746)**

35 Legislative provisions

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