Co-operative and Community Benefit Societies
Registration No 31419R

Annual Report and Financial Statements

For the year ended 31 March 2024

Contents of the Annual Report

Members of the Board of Management, Executive Officers, and Advisers

Board Members

Ian Munro (Chair)	
Steve Bentley (Deputy Chair)	
Keith Bevan	Retired 21 September 2023
John Burt	
Kerry Byrne	
Nicola Haywood-Cleverly	
Silas Heys	
Catherine Lindsay	
Susanne Long	
Tony Muir	
Andrew Oldale	Appointed 01 August 2023
Lesley Peters	Resigned 30 April 2023

Executives

Chief Executive	Catherine Purdy
Director of Customer Experience	Niki Stockton
Director of Business Improvement	John Mansergh
Director of Homes	Richard Hayes
Director of Finance	Richard Morris

Company Secretary John Mansergh

External Auditor

Beever and Struthers
One Express
1 George Leigh Street
Manchester
M4 5DL

Principal Bankers

Santander Bank plc
2 Triton Square
Regent's Place
London
NW1 3AN

Chairs Statement

Welcome to the 2023/24 annual report which outlines the significant progress being made in delivering our strategic objectives of *Greening, Growing & Transformation*. These are just some of the highlights.

- The first Tenant Satisfaction Measures (TSM) customer perception survey, carried out independently, shows overall customer satisfaction of 79%. Satisfaction that homes are safe at 84% and SLH treating tenants with respect at 82% are just two areas where we have targeted business transformation and culture change initiatives. Improvements have been made to complaints processes too.
- A record 95 new homes were built during the year, including 44 rented and 51 shared ownership homes. Our Passivhaus scheme in Lancaster, developed in 2023, went on to receive multiple affordable housing, partnership, and energy efficiency awards. 10 other new homes developed in 2023-24 were built to high-eco standards.
- 100% of properties meet the Decent Homes Standard and all properties have an up-to-date safety certificate in all areas of building safety compliance, with no homes experiencing serious damp and mould problems that could be hazardous to health. The external operating environment for repairs and maintenance delivery remains challenging and we have increased the number of trade operatives and added new local contractors to our supply chain to speed up waiting times for repairs (74% of repairs were completed in target time).
- Over 70% of homes have an Energy Performance certificate (EPC) of Band C or above, compared to 50% in 2022/23. SLH and its principal partner Dyson Energy Services, have completed the first year of a £7.2M two-year '*warmer, greener homes*' programme. In 2023/24, 367 properties were retrofitted with a combination of solar PV systems, insulation upgrades and ventilation measures, helping to lower fuel bills for customers.
- Rent collection and arrears recovery continue to perform well, despite the cost-of-living pressures experienced by many of our customers. 99.05% rent collection was achieved in 2023/24, compared to 98.3% in 2022/23 with recourse to eviction remining a rarity.

In November 2023 as a result of their annual stability check, the Regulator of Social Housing reaffirmed our Governance and Financial Viability ratings as complaint G1 and V2 grades. The judgement reflects SLH's ambitious plans to invest heavily in existing homes and delivering new affordable homes, against the backdrop of increased costs and risks associated with an uncertain economic climate. The SLH Board has enhanced its risk appetite and approach to risk management during 2023/24, alongside a revamped governance and delegation framework. The Board also confirmed its compliance with the National Housing Federation's (NHF) 2020 Code of Governance.

The Board has worked with customers to review its approach to customer voice within governance, leading to the formation of a new Residents Forum, which is more representative of SLH's customer base and geography. The Forum will provide a fresh perspective by helping to shape and influence services to improve customer experience. I would like to thank former members of the Tenants' Committee who have helped to facilitate the change to a new model of engagement. SLH will consult stakeholders on proposals to amend the SLH Rules, designed to improve the running of the organisation by harnessing a fully skills-based Board.

Two Board members are due to retire at the AGM in September after serving the recommended maximum period of 6 years. The Board thanks Kerry Byrne and John Burt for the significant contributions that they have made to the success and growth of Association. The Board has a succession plan to inform further recruitment, part of which saw the appointment of Steve Bentley as Deputy Chair during the year. Thank you to all my fellow Board and Committee Members, the staff, and other partners for delivering another excellent set of results and positive outcomes for customers.

Signed by:

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Ian Munro
Chair of the SLH Board, 8th August 2024

Strategic Report for the year ended 31 March 2024

The Board presents its report and audited financial statements for the year ended 31 March 2024.

Principal activity

SLH's principal activity is the provision, management, maintenance, and improvement of affordable social housing.

Public Benefit Entity

As a public benefit entity, SLH has applied the public benefit entity "PBE" prefixed paragraphs of FRS102.

Business Strategy

SLH's purpose ***'Quality Homes, a platform for life'*** has been central to our planning for the future. SLH is ambitious about the positive and lasting impact it will have over the remainder of our five-year plan and beyond on improving customer experience, homes, neighbourhoods, energy efficiency, affordability and a new supply of quality homes. The Board reviewed progress with the Business Strategy during the year and agreed a number of transformation projects, designed to improve customer experience and efficient use of our 'people', 'process' and 'systems'.

The Board also reflected on the uncertainty for future social housing rent settlements beyond 2026, so is likely to roll forward the current strategy for a further year, until there is greater clarity about future rental income and our capacity to meet strategic priorities for investment.

Strategic Report for the year ended 31 March 2024

Financial Overview

The detailed results for the year are shown in the Financial Statements attached. The key points of note as reported within the Group Financial Statements are as follows:

- Turnover has increased in the year by £2.8m to **£24.8m**; principally due to:
  - 44 first tranche shared ownership property sales in the year realising turnover of £4.1m (2023: 33 first tranche sales and turnover of £3.4m), and
  - Rent and service charge income increased by £1.8m reflecting income from new homes developed, and the increase in rents implemented April 2023.
- Operating costs have increased by £2.8m in the year to **£20.1m** (2023: £17.3m). Economic conditions have seen operating costs increase, with inflation in the costs of property expenditure and insurance premiums significantly exceeding the increase in the Association's income. The higher cost inflation was compounded by a sector wide heightened focus on customer service quality and increased investment in existing homes. The principal variances being:
  - £0.6m increase in the cost of the first tranche shared ownership equity sold to £2.9m (2023: £2.3m),
  - £0.3m increase in management costs to £4.9m, reflecting general inflation of operating costs and particularly increases in the costs of property insurance premiums following a quintennial review of the rebuilding costs of the Association's homes,
  - £0.4m increase in service costs, principally in relation to gas and electricity costs and maintenance of communal equipment and fittings,
  - £0.8m increase in revenue major repair investment in existing homes to £2.9m (2023: £2.1m),
  - £0.3m revenue investment in existing homes energy efficiency, in furtherance of the Association's strategic objectives., and
  - £0.2m increase in depreciation, principally due to the investment in new homes.
- 95 new homes were acquired or developed during the year, comprising of 44 rented and 51 shared ownership homes (2023: 79 new properties).
- The surplus on disposal of fixed assets of £153k relates to the disposal of 11 properties under preserved Right to Buy (RTB) and 1 shared ownership staircasing (2023: 20 sales, £421k surplus), recognising the surplus generated from RTB sales is net of the amounts due to Westmorland and Furness Council under the conditions of the 2012 Transfer Agreement.
- The Association invested £9.5m in the development and acquisition of social housing during the year (2023: £9.1m) and reinvested £6.3m in its existing properties through capital and revenue major repairs (2023: £5.0m).
- The Association continued its programme of energy efficiency improvements during year, that are partially grant funded by the Government's Social Housing Decarbonisation Fund, in furtherance of its business strategy objective of all SLH homes achieving Energy Performance Certificate Band 'C' or above in 2025. SLH invested £4.0m, gross of grant, in fabric first energy efficiency improvements to existing homes (2023 £0.6m).
- Loan facilities drawn have increased to £65.0m as at 31 March 2023, being an increase of £10.0m from the previous year (2023: £55.0m).
  - The Association had £20.0m of arranged, secured and available to draw loan facilities as at 31 March 2024 (2023: £30.0m).
  - The Association's net debt (gross loans drawn less cash at bank) as at 31 March 2024 was £51.30m (2023: £42.0m).
  - As at 31 March 2024 100% of loans drawn were at fixed rates of interest (2023: 100%).
- The Association complied with all financial loan covenants for the year ended 31 March 2024 (2023: complied with all financial covenants).

Strategic Report for the year ended 31 March 2024

Financial Overview (continued)

- The Association participates in two defined benefit pension schemes, that are both closed to new employees.
    - The Local Government Pension Scheme (LGPS) is reported as a net nil liability / asset as at 31 March 2024 (2023: £nil). Independent pension actuaries prepare the valuation of the Association's membership of the Cumbria LGPS, and as at 31 March 2024 reported a surplus of £6.0m (2023: surplus £4.8m), however, in accordance with Financial Reporting Standard 102 (FRS102) the surplus has not been recognised due to inherent uncertainties of the recoverability of this pension asset by the Association.
    - The SHPS pension scheme deficit has increased by £0.1m and the deficit now stands at £0.3m (2023: 0.2m).
- Reserves have increased by £2.9m (2023: £4.5m increase), to £59.8m from £56.9m.

Environment, Social & Governance reporting (ESG)

The Board publishes an annual ESG report on the SLH website in September, alongside the Annual Report and Financial Statements. This can be found here:

https://www.southlakeshousing.co.uk/about-us/corporate-services/#slh-reports

SLH is proud to be an adopter of *The Social Housing Sustainability Reporting Standard* (SRS) providing a consistent reporting standard for stakeholders to judge progress.

SLH is not a 'large' organisation covered by the UK's Streamlined Energy and Carbon Reporting (SECR) policy. However, SLH has chosen to voluntarily report so that stakeholders may review our environmental performance, including data on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions by reviewing the detailed ESG report.

Tenant Satisfaction Measures (TSMs)

The Regulator of Social Housing introduced a new requirement for all social housing landlords to annually report against a set of measures indicating how we are performing on providing quality homes and services. There are 22 TSMs including 12 tenant perception measures and 10 general management measures. The perception data was derived from an external survey carried out by market research specialists TLF. All of the TSM data can be found on the SLH website:

https://www.southlakeshousing.co.uk/tsm-customer-satisfaction-survey-results/

Strategic Report for the year ended 31 March 2024

Value for Money (VfM)

The challenging economic environment means that this has been increasingly important and will continue to be for the coming financial year. For SLH, VfM is an integral part of our business strategy – ‘Our Direction 2025’, rather than an add-on or standalone activity. The Board monitors organisational progress against key priority areas to ensure we maintain an emphasis on delivering core objectives, on becoming a more Economic, Efficient, and Effective business, and on reacting swiftly and appropriately to the key challenges being faced.

This part of the Annual Report demonstrates to stakeholders how SLH is meeting the requirements of the Regulator's VfM Standard. SLH’s strategic approach to VfM is embedded in ‘Growing’, ‘Greening’ and ‘Transforming’ as highlighted in the graphic on page 5, and further articulated in our VfM Strategy and associated VfM action plan that is embedded across operational areas of SLH.

The Board also monitors an Efficiency KPI as part of its Quarterly Business Performance Report, that measures Efficiencies (cashable savings) and additional income generated in comparison to 2021/22 budget as a baseline. The efficiency savings achieved include review and rationalisation of SLH’s office estate, review of our VAT partial exemption and savings arising from insourcing further Treasury activities. Future targets reflect £100k efficiency savings per annum and additional income of £300k per annum by 2024/25.

In accordance with the Rent Standard the SLH Rent and Service Charges Policy recognises that 92% of the Association’s social rented homes are let at less than the Government’s formula rent plus flexibility and consequently the Association’s rental income being c£1.4m (8% lower) per annum lower. SLH recognises that this income forgone by the Association is directly supporting customers during the cost-of-living crisis and the peak of energy prices in recent years, and negatively impacts the Association’s performance when comparing to the RSH’s VfM metrics for EBITDA: MRI, Operating Margin and Return on Capital Employed in particular. SLH implements the opportunity for income maximisation in respect of social rent tenancies on future relets arising from tenancy turnover and its policy is to apply the Rent Standard flexibilities on relets increasing SLH capacity to invest in the Business Strategy aims of Growing, Greening & Transforming.

The Greening strategic theme prioritises the achievement of Energy Performance Certificate (EPC) band ‘C’ or above for all the Association’s homes (except exceptional hard to treat properties). The 2024/25 budget and Long-Term Financial Plan identify the resources to achieve this strategic target; being 5-years ahead of the UK Government’s target for Private Registered Provider (PRP) homes. During 2024/25 SLH was successful in its bid for Social Housing Decarbonisation Funding, wave 2.1 and the Association invested £4.0m in fabric first retrofitting of its existing homes (capital & revenue); in addition to the annual programme of reinvestment in existing homes that invested a further £6.3m in Major Repairs (capital & revenue) during the year. This extraordinary level of investment in SLH homes delivered a ‘step-change’ improvement in the number of SLH homes achieving an EPC of band ‘C’ or above, with 70.4% of SLH homes achieving C or above as at 31 March 2024 (31 March 2023 50% EPC ‘C’ or above). The energy efficiency improvement programme in 2023/24 completed 566 retrofit assessments, 435 retrofit designs and completed works to 367 properties, with SLH achieving 101% of the property completions expected in the SHDF programme to March 2024.

Customers are reporting significant improvements in the warmth, energy efficiency and reduced running costs of their homes as a result of this investment in SLH’s existing homes. During 2024/25 SLH will continue the programme that over the two years will improve over 900 homes from EPC bands ‘D to G’ to a minimum of band ‘C’. The significant improvement in energy efficiency is key to meeting SLH’s Greening strategic theme, supporting tenancy sustainment through lower housing costs, enabling customers to maintain their rent payments to SLH and is anticipated to also reduce tenancy turnover, void rent loss, and void repair costs.

The investment of £4.0m in energy efficiency retrofitting, up to 5-years ahead of the Government’s deadline for English Housing Association’s, was financially planned and is recognised to be driving exceptional results in SLH’s VfM metrics as defined by the Regulator of Social Housing (RSH). SLH’s VfM metrics in comparison to the sector therefore are exceptional and as explained further below.

Strategic Report for the year ended 31 March 2024

A strategic project has commenced in 2024/25 to review the Association's implementation of service charges, recognising that only 26% of SLH homes are charged a service charge and, in the year ended 31 March 2024 service charge recovery was 46% compared to sector average performance of 74%.

The UK economy has experienced high inflation during late 2022/23 and 2023/24, the Consumer Price Inflation (CPI) index peaked in October 2022 at 11.1% and during 2023/24 ranged from a high 8.7% to a low of 3.2% at March 2024. This has significantly increased SLH's costs with some building materials in particular rising faster than CPI. All of the VfM performance metrics comparators, reported below, are for the financial year ended 31 March 2023 in comparison to SLH performance for the year ended 31 March 2024, therefore the relatively high inflation undermines the comparability of the benchmark for 2022/23 when compared with SLH's actual performance for 2023/24.

Regulator's Value for Money Metrics

The table below reports SLH's 2023/24 performance against the Regulator's VfM metrics, including a comparison against national medians for 2022/23 (taken from the Regulator of Social Housing Global Accounts of Registered Providers with greater than 1,000 homes published February 2024).

VfM Metric	SLH Actual	RSH National Median	SLH Target	SLH Actual	SLH 2023/24 Actual v to RSH 2022/23 National Quartiles	SLH Approved Long Term Financial Plan Forecasts		
	2022/23	2022/23	2023/24	2023/24*		2024/25	2025/26	2026/27
Reinvestment	10.2%	6.7%	14.7%	12.1%	Upper	13.7%	14.5%	6.5%
New Supply Social Housing	2.4%	1.3%	1.9%	2.9%	Upper	1.1%	1.9%	2.1%
New Supply Non-Social Housing	0.0%	0.0%	0.0%	0.0%	Upper Median	0.0%	0.0%	0.0%
Gearing	34.1%	45.3%	38.4%	37.5%	Lower Median	40.1%	43.8%	44.7%
EBITDA-MRI Interest Cover	140%	128%	(35.3%)	(43.5%)	Lower	(142.9%)	62.7%	86.1%
Headline Social Cost Per Unit (CPU)	4.6K	£4.6k	£6.1k	£6.3k	Upper	£7.3k	£5.7k	£5.7k
Operating Margin Social Housing Lettings	19.1%	19.8%	22.5%	13.8%	Lower	13.6%	13.1%	19.5%
Operating Margin Overall	22.2%	18.2%	22.7%	19.1%	Upper Median	15.4%	17.8%	21.3%
Return on Capital Employed (ROCE)	3.2%	2.8%	3.5%	3.1%	Upper Median	2.5%	2.8%	3.2%

* Colour shading indicates SLH 2023/24 performance as favourable / equal (green) or adverse (red) in comparison to the National Median taken from the Regulator's Value for Money Metrics and reporting – annex to the Global Accounts 2023 (published February 2024).

Strategic Report for the year ended 31 March 2024

- **Reinvestment** metric for 2023/24 was 12.1%, being significantly greater than the 2022/23 national median average (6.7%) and represents upper quartile performance in the benchmarks published by the RSH.

  This VfM metric performance is an outcome of:
  - the SLH Business Strategy 'Our Direction 2025' commitment to deliver at least 400 new homes and starts by 2025,
  - continuing to reinvest in our existing homes to maintain the SLH standard that is higher than the Government's Decent Homes Standard, and
  - SLH's Greening objective commits SLH to investing in existing homes to achieve EPC band 'C' or above for all properties (except hard-to-treat rural properties) by 2025, being 5-years ahead of the Government's deadline for all PRPs to achieve.

  During 2023/24 the Association invested £9.5m in new property development and acquisitions and invested £7.1m in capital major repairs and energy efficiency retrofit improvements to its existing homes. The investment in new homes during 2023/24 resulted in 95 new homes being completed; with a further £2.2m invested in respect of new homes that were in construction as at 31 March 2024 and in housing stock for sale in respect of current and future first tranche shared ownership developments.

  The Association is committed to maintaining its SLH Homes Standard that is a higher standard than the national Decent Homes Standard (DHS), and in the year invested £3.4m in its existing homes through capital component replacement programmes. SLH, also invested a further £3.7m in capital energy efficiency improvements to existing homes delivering the SLH Greening strategic theme of all homes achieving EPC band 'C' or above by 2025 (except hard-to-treat rural properties).

  SLH had budgeted to achieve Reinvestment of 14.7% for 2023/24. The achievement of upper quartile actual performance of 12.1% reflected the significant change in economic conditions during the year and continuing challenges of achieving land acquisitions and planning approval timely that led to some planned developments being delayed to future years of the programme. The changing economic conditions and Government housing policy also impacted the development programme through:

  - contractors and housebuilder partners experiencing labour and materials shortages resulting in delays to completions,
  - delays in receiving planning permission or land transfer from the local authority following the Local Government review within Cumbria, and
  - the introduction of 'First Homes' a government initiative where housing developers sell market homes at a discount to first time buyers, as opposed to making these units available to Registered Providers.

The forecast reinvestment metric of 13.7% and 14.5% for 2024/25 and 2025/26 reflects:

- £4.3m budgeted investment in energy efficiency during 2024/25 as SLH completes its programme to upgrade all homes to EPC band C or above, in accordance with its SHDF allocation to bring over 900 properties from band 'D' or below up to band 'C'.
- £4.8m capital major repairs programme to maintain the SLH standard (£5.2m during 2025/26).
- £11.7m investment in developing and acquisition of new homes during 2024/25 (£16.4m during 2025/26).

Strategic Report for the year ended 31 March 2024

- **New Supply Social Housing –** SLH's target for new homes supply in 2023/24 was to deliver 76 new social homes and exceeded this target achieving a total of 95 new social homes, including 44 rented and 51 shared ownership homes, and achieving a metric performance of 2.9%. SLH's performance of 2.9% represents upper quartile in comparison to the RSH benchmarks, and:

  - was more than double the 2022/23 RSH published sector median of 1.3%,
  - was significantly higher than SLH's target of 1.9%, principally as some new homes expected to be delivered in 2024/25 were delivered earlier than expected in 2023/24, and
  - reflects SLH's strategic focus on Growing and reflects implementation of the Business Strategy 'Our Direction 2025' in particular the commitment to deliver at least 400 new homes and starts by 2025.

  Growing the number of homes in management is an example of how SLH's VfM strategy is embedded in its Greening, Growing & Transforming objectives; as the Association grows the number of homes in management, whilst containing its fixed costs, which delivers Economy by driving down the cost of management per property.

  The Association has the capacity (see Gearing below) with arranged and secured funding facilities in place to deliver the Business Strategy Growing strategic theme through investing in the development of new homes. As at 31 March 2024 SLH had delivered 288 new homes across the 2020-25 Business Strategy period to date, and was on track to deliver at least 400 new homes and new home starts by 2025, to be delivered through a combination of developing homes in partnership with Homes England grant funding and through acquisitions of affordable housing from private property developers. These new homes will be delivered across SLH's geographic operational area to meet housing needs at differing price points and providing tenure choice for customers.

  This pipeline programme of completions expects the SLH metric to be lower median in 2024/25 of 1.1% (recognising some new homes were delivered in 2023/24 ahead of the 2024/25 expected delivery date), before rising above the RSH median, as SLH forecasts new supply social housing of 1.9% and 2.1% in the 2025/26 and 2026/27 years respectively.

- **New Supply Non- Social Housing –** SLH's Business Strategy commits SLH to the delivery of new social housing homes to contribute to meeting the needs of neighbourhoods within SLH area of operations, and accordingly SLH has not committed its finite resources to the development of new non-social homes.

- **Gearing -** The Association's balance sheet is strong with significant potential for SLH to grow, as calculated by the Gearing metric of 37.5% that is lower than the RSH national median and represents lower median. SLH's gearing has increased by 3.4% in the 2023/24 year as a result of the investment in energy efficiency of £4.0m, Major Repairs of £6.3m in existing homes and £9.5m investment in new homes as reflected in SLH's upper quartile reinvestment metric performance.

  The Gearing performance confirms SLH's capacity to deliver the reinvestment in its existing homes and the delivery of planned new homes. This latent capacity is also reflected in the Association having £20.0m undrawn, secured and available to draw loan facilities as at 31 March 2024. These loan facilities have been arranged and secured to resource the delivery of the Business Strategy to 2025, with the forecast next financing requirement being in 2027/28.

  Gearing is forecast to increase to 40.1% by March 2025 due to the investment in new homes in accordance with our Growing strategic theme to deliver at least 400 new homes or starts by 2025 and to invest in existing homes to achieve a minimum of EPC band 'C' to deliver our Greening strategic theme.

Strategic Report for the year ended 31 March 2024

- **EBITDA-MRI** (Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) of minus 43.5% (2023: 140.0% positive) is lower quartile performance, and significantly lower than the RSH national median of 128%.

  Although, SLH's performance of minus 43.5% is below the comparison benchmark median, it should be recognised that:
  - SLH invested £4.0m in energy efficiency works to its existing homes as part of its Greening strategic objective that all SLH homes will achieve EPC band 'C' or above by 2025 (except hard-to-treat rural properties),
  - in parallel to the energy efficiency investment in existing homes SLH delivered a programme of Major Repairs of £6.3m in 2023/24 to maintain homes to the SLH standard, that is higher than the RSH's Decent homes Standard,
  - the benchmarks are for the 2022/23 year and the UK has experienced very high inflation with significant increases in the costs of labour, materials and contractors in respect of property maintenance, expected to reduce the sectors median EBITDA:MRI performance during 2023/24, and
  - the RSH is reporting interest cover has seen a significant reduction within the PRP sector, and that interest cover has fallen 54 percentage points to its lowest level since 2010, reporting a national median of 128% for 2023/24. In June 2024, the RSH published that interest cover, excluding sales, had fallen in the quarter ended March 2024 to 84% for PRPs, citing record levels of spend by the sector in part in response to an increased focus on damp and mould rectification across the sector.

  SLH's EBITDA:MRI metric performance has been significantly impacted, as planned, by the investment in energy efficiency expenditure, particularly as the SHDF grant of 50% that SLH is receiving to contribute to these works is excluded from the metric. SLH's performance excluding the energy efficiency investment in existing homes of £4.0m would have been 196% for 2023/24 highlighting the impact of this early investment in the energy efficiency of SLHs homes. To meaningfully compare the EBITDA:MRI metric therefore requires an in-depth knowledge of each PRP's position towards the 2030 deadline of achieving a minimum of EPC band 'C' for their respective homes.

  SLH's performance in 2023/24 of minus 43.5% is lower than the minus 35.3% that the Association budgeted, principally due to increased costs of Void maintenance, Major Repairs and Energy Efficiency improvement works where additional revenue costs were incurred in the year totalling £1.5m, in part due to responding to damp, mould, and condensation in customer's homes.

  The EBITDA-MRI forecast metric is planned to reduce in the 2024/25 year to minus 142.9% as the Association undertakes:
  - the increased reinvestment in its existing homes, delivering the energy efficiency works to achieve EPC band 'C' of £4.4m, and
  - the traditional major repair capital programmes of £4.8m during 2024/25.

  The forecast EBITDA-MRI below median levels during 2024/25 is comfortably within the financial covenant parameters and Financial Golden Rules of the Association, is planned, and is a direct consequence of the implementation of the business strategy.

Strategic Report for the year ended 31 March 2024

- **Headline Social Housing Cost per property** – SLH cost per home of £6.3k (2022/23: £4.6k) for 2023/24 represents upper quartile performance compared to the RSH 2022/23 benchmarks, and £1.7k higher cost per property than the RSH median of £4.6k per home.

  The Association's 2023/24 cost per unit includes £4.0m of energy efficiency investment and £6.3 major repairs investment in existing homes in furtherance of the Greening Strategic theme and maintaining the SLH standard; equating to £1.1k and £1.8k per property in 2023/24 respectively.

  Further analysis of SLH's social housing cost per property is provided below, however, at the headline level SLH's reinvestment per property (major repairs & energy efficiency) was £2.9k per property that compares to the English PRP median of marginally less than £1k per property in 2022/23. This analysis confirms that SLH's 2023/24 costs that were higher than the RSH 2022/23 median social housing cost per property by £1.7K, is entirely due to its higher level of investment in existing homes and is expected to be principally due to investment to achieve a minimum of EPC band 'C' 5-years ahead of the Government target. As above the SHDF grant received in respect of the energy efficiency works is not included within this metric.

  The cost per property metric is forecast to rise to £7.3k per property 2024/25 respectively, as SLH completes its investment to achieve EPC band 'C' for all of its properties (except hard-to-treat rural properties) and also in line with the SHDF grant allocation to complete the programme of works by 2025. The cost of energy efficiency investment planned for 2024/25, in addition to continuing to maintain Decent Homes Standard planned major repairs, is £4.4m and £4.8m capital respectively, thus adding £1.3k and £1.4k cost per home respectively.

- **Operating margin - Social Housing Lettings**, for 2023/24 of 13.8% (2022/23: 19.1%) is lower than the RSH 2022/23 median of 19.8% representing lower quartile performance. Similar to EBITDA:MRI analysis above, it is recognised that the benchmark comparisons are for 2022/23 and before the rapid change in economic conditions of high inflation, capped rent increases, higher repairs and maintenance costs (in part in response to an increased focus on damp and mould) affecting operating costs and margins across the sector.

  The Business Strategy also confirms SLH's commitment to ensuring rents remain affordable, defined as maintaining rents below 35% of average incomes. The significant majority of SLH's homes are social rent tenancies let at formula rents (90% of SLH homes being social rent tenancies as at March 2024), with rents being set in accordance with the rent standard that does not permit 'restructuring' of existing tenant's rent levels. As at March 2024 c92% of SLH's social rents were lower than the Formula Rent plus flexibility prescribed by the RSH's Rent Standard, with SLH's rental income being c£1.4m lower than the rent standard. This lower rental income is compounded by the SLH's history of being a large-scale voluntary transfer organisation with service charges not being recovered from most of its general needs homes.

  The combination of lower rental income and service charge recovery reduces social housing turnover, thus adversely impacting operating surpluses and the Operating Margin percentage.

  SLH's Operating Margin KPI is forecast to rise by 2026/27 because of the delivery of the Growing strategy, increasing the number of homes in SLH's management whilst improving VfM by not increasing expenditure on fixed costs combined with completion of the energy efficiency programme and moderating levels of Major Repair investment.

Strategic Report for the year ended 31 March 2024

- **Operating margin - Overall**, of 19.1% is higher than the RSH median of 18.2% representing upper median quartile performance. Although 2023/24 performance of 19.1% is lower than SLH's performance in the prior year of 22.2%, this reflects the impact of high inflation on operating costs incurred during the year and the implementation of rental income increase caps imposed by the Government.

  The principal difference for SLH between the two operating margin metrics is the inclusion of the surplus on shared ownership first tranche sales that is included in the Overall Margin metric and excluded from the Social Housing Lettings Margin metric. In the year ended 31 March 2024 SLH achieved a surplus on first tranche shared ownership sales of £1.2m.

- **The Return on Capital Employed (RoCE) ratio,** that compares SLH's Operating Surplus to its Total Assets less Current Liabilities, of 3.1% is higher than the RSH 2022/23 median, and represents upper median quartile performance.

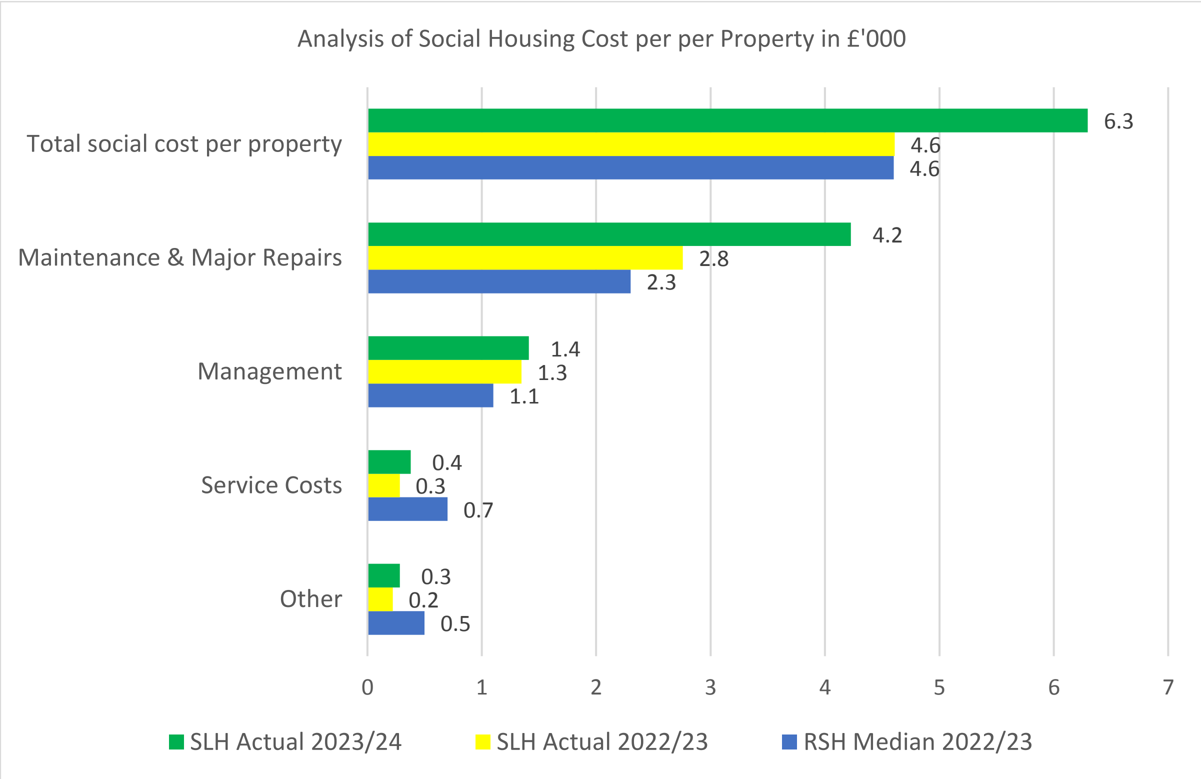
  SLH's performance of 3.1% for 2023/24 compares to 3.2% in the 2022/23 year, reflecting the high inflation SLH incurred on costs during 2023/24 in comparison to the capped increase in rental income for all properties of 7.0% that was applied during the 2023/24 year.

  SLH is a stock transfer association with an ongoing VAT Shelter arrangement: Financial Reporting Standard 102 (FRS102) requires the Association to report the outstanding stock transfer works as both a debtor and long-term creditor in the Statement of Financial Position. As at 31 March 2024 the stock transfer long-term creditor obligation was £9.8m that impacts the calculation of the RoCE ratio. The RSH's definition includes the debtor full amount but not the long-term creditor and this reduces the RoCE ratio. Should the VAT Shelter arrangement be excluded from the calculation the RoCE for the year 2023/24 the resulting KPI would have been 3.2%.

Strategic Report for the year ended 31 March 2024

Analysis of Headline Social Housing Cost per Property

The Regulator of Social Housing's publication 'Value for Money Metrics, Technical Note Guidance: May 2022' confirmed the component elements of the Headline Social Housing cost per property. SLH has analysed its costs and benchmarked performance in the graph below utilising the RSH's 'Value for Money Metrics and reporting – annex to the Global Accounts 2023' (published February 2024):



The graph shows:

- SLH's actual 2022/23 total social housing cost per property of £4.6k per property represented Median performance across all English housing association's with more than 1,000 properties at £4.6k per property.
- SLH's total social housing cost per property has increased from £4.6k per property in 2022/23 to £6.3k in 2023/24, being an increase of £1.7k per property. Principally this increase is in respect of investment in Maintenance and Major Repairs where SLH has increased investment in existing homes, where the cost per property has increased from £2.8k per property to £4.2k. This increase is principally because of:
    - the investment in energy efficiency of £1.1k per property (as described above),
    - High inflation, particularly impacting the cost of materials, labour, contractor prices across responsive, void, planned maintenance and major repairs.
    - an increased focus on damp and mould rectification.
- Management cost per property has increased £0.1k per property in 2023/24. The significant increase during 2023/24 was the 32% increase to property insurance premiums that SLH incurred on the renewal effective April 2023 (the significant premium increase was in part consequent to undertaking the quintennial review of rebuild costs for the property combined policy and as a reduction in flood excess levels effective from April 2023).
- SLH's Service and Other costs are lower than RSH median for 2022/23, with only relatively low increases of £0.1k per property for the 2023/24 year, principally due to inflation.

Strategic Report for the year ended 31 March 2024

Local VfM Metrics

The Board also monitors performance against a range of value for money targets which are linked to the delivery of the Business Strategy 2020-25 themes of Growing, Greening & Transforming (and in line with the requirements of the VfM Standard). The Board reviewed its targets at a Board meeting in March 2024. The table below summarises performance and the plans to address underperformance, clarity around targets or variances to last year's statements is included within the accompanying notes.

Metrics	Outturn 2020/21	Outturn 2021/22	Outturn 2022/23	HouseMark Peer Median 2022/23 *1	HouseMark Rural Peer Median 2022/23 *1	Outturn 2023/24	Targets	
							23/24	24/25
Business Strategy Theme: Growing								
% of homes that do not meet the 'Decent Homes Standard'	0%	0%	0%	0%	0.24%	**0%**	0%	0%
% rent collection (inc arrears paid from previous years)	100.33%	100.29%	98.3%	99.4%	99.43%	**99.05%**	98.5%	99.0 %
% rent arrears	2.45%	2.10%	3.15%	3.5%	3.9%	**3.8% *2**	3.2%	3.8%
% customer satisfaction overall	No survey	86%	68.3%	78.6%	78.2%	**78.6%**	75%	79%
New homes added (inc shared ownership)	37	77	79	79	100	**95 *3**	76	39
Business Strategy Theme: Greening								
Energy efficiency ratings - % of stock at Band C or above	39.6%	48%	50%	76.8%	76.6%	**70.4%**	70%	100%
Eco homes built	5	0	37	N/A	N/A	**10**	10	N/A *4
Business Strategy Theme: Transforming								
Average relet times (days)	73	55	55	46	36	**68 *5**	35	45
% of customers registered with 'My Account'	30%	31%	35%	N/A	N/A	**48.14%**	45%	65%
Average employee sickness	10.2	11.96	6.51	10.3	9	**7 *6**	6	6
Efficiencies made	£24k	£51k	£175k	N/A	N/A	**£263k**	£242k	N/A

Strategic Report for the year ended 31 March 2024

1. **Benchmarking** - as per HouseMark peer group stock 2,500 – 7,500 with between 55 and 63 in the sample size (traditional housing associations and LSVTs), taken 5th June 2024. Rural peer group based upon HouseMark peer group DEFRA codes (significant rural and 80% rural). Around 19 organisations, taken on 6th June 2024.

2. **Rent arrears** – rent arrears have increased slightly due to cost-of-living pressures on residents. A small Hardship Fund was established to target those in arrears to sustain tenancies and a reduction in evictions to only 2 during the year. Overall rent collection levels did achieve target.

3. **New homes added** – the outturn was surpassed by 19 homes, primarily through one scheme completing in 23/24 from the year before and additional section 106 opportunities taken from private developers.

4. **Customer satisfaction** – TLF (TLF 'The Leadership Factor') were again appointed to run this year's survey meeting the technical requirements of the Regulator of Social Housing TSMs (Tenant Satisfaction Measures). The fieldwork was completed between 19th December 2023 and 9th February 2024, 525 surveys via telephone and 158 from the web (total sample size 683 responses) with a confidence interval of 95% +/- 3.1%.

   The proposed targets reflect continuous improvement and outcomes arising from investments made e.g. '*Let's Make it Happen'* culture change programme and the delivery of critical actions included within a range of customer transformation projects e.g., repairs customer experience, customer insight and ground maintenance etc.

5. **Average relet times** – the Board undertook a 'deep dive' on performance following reports on poor performance, overseeing the delivery of an improvement plan. There was a strong year-end performance to re-let a number of long-standing voids which were empty for several months impacting negatively on this KPI. A voids internal audit also concluded with a positive assurance opinion.

6. **Employee sickness** – the target was narrowly missed, with absence cases all managed appropriately through policies and procedures.

7. **Efficiencies** – no targets set for 24/25 but the outturn will be reported, links to income actions already put in place. Income maximisation (rents policy – formula rent +5% tolerance on relets) and implementation of service charges on relets.

Future plans and challenges

The Board set three strategic objectives in 2020, with targets being revised in 2022.

- *Growing* – both the number of homes and also growing in terms of our offer to customers. Customer satisfaction is currently 78.6%, compared to our 2025 target of 80%. The revised target of 400 new homes to be completed or started in 2025 is on track. 327 homes are due to complete with a further 128 planned.
- *Greening* – the target of EPC Band 'C' 5 years early and a high Eco standard for new build (land led and where possible through s106). 70% of SLH homes currently meet EPC C, with further work planned for 24/25 and 25/26. SLH has delivered its first Passivhaus scheme in Halton, Lancaster for which it has won several awards.
- *Transforming* – in order to achieve these ambitious targets, we recognised we need to transform 'people', 'processes' and 'systems'. The Board has approved a new Data Strategy and prioritised investment in transformation projects including customer profiling and vulnerability, grounds maintenance, leasehold management, and service charges. Our People priorities have been informed by a recent Employer Value Proposition review which prioritises a number of actions focused improving on attraction and retention and leadership development.

Strategic Report for the year ended 31 March 2024

The organisation will also ensure systems and processes are in place to respond to a significant change in Consumer Regulation and forthcoming legislation such as the new Procurement Act, and while both are broadly welcomed, this is leading to additional management costs to comply.
The Board will review its strategic priorities again in 2024/25 although is minded not to plan too far ahead with rental income uncertainties beyond 2026. Given the many competing priorities facing an incoming Government it is prudent to defer planning for the next five years. However, the Board will be examining closely the plan for 2025/6 and whether the rent settlement or other policy changes will support a further ambitious strategy post 2026.

The Association remains financially viable and able to deliver against the standard of the Regulator and the expectations of customers. It remains open to how this is best achieved and keeps its approach to partnerships and mergers under review.

Governance, Board and Committee structure

The Board confirms that South Lakes Housing has complied with the requirements of the Regulator of Social Housing Governance and Financial Viability Standard and the National Housing Federation Code of Governance.

Under the Society's Rules, the Board is comprised of a maximum 12 Board Members, including an independent member. Current Board Membership and changes during the year are shown on page 3 and details of Board remuneration are shown on pages 46 and 47. Board Members are drawn from a wide range of backgrounds to ensure that the Board is diverse in skills, thought and experience.

The Board reviews governance on an annual basis, including self-assessments against the Regulator of Social Housing's Regulatory Standards (Economic Standards and the 2024 Consumer Standards) and National Housing Federation's (NHF) 2020 Code of Governance. During the year, the Board appointed to a new post of Deputy Chair from the current Board membership and, following an external recruitment process, appointed a new Chair of the Audit & Risk Committee following the retirement of the previous Chair. In addition, an independent member has been recruited to serve on each of the Committees; an experienced finance and audit professional appointed to the Audit & Risk Committee and an experienced development professional to the Development Committee.

The Board has approved a succession plan and Board composition statement to ensure recruitment to Board vacancies is targeted at skills gaps and increasing diversity. In line with the NHF Code of Governance provision regarding extension of Board tenure exceeding 6 years, the Board has determined to extend the term of the Chair of the Board as an exceptional matter. This is in recognition of the significant amount of volatility and uncertainty both within the economy but also within the social housing sector as a whole, including with the introduction of new consumer regulation. There are also local considerations too with the need to strengthen partnership working with the new Local Authority. Having an experienced and skilled Chair on the Board will be crucial in navigating these challenges and in achieving the current SLH business strategy.

The Board has approved consultation with stakeholders to amend the SLH Rules in respect of changing the requirement of the annual general meeting, closure of the shareholder membership scheme and the removal of reserved Board places for residents. The proposals seek to reduce a level of unnecessary governance and improve the way customers have the opportunity to engage with and influence Board decision making, primarily through the new Residents Forum. Removing the two places reserved for customers will provide greater flexibility to appoint to the maximum Board of twelve based on skills and experience. Tenants with suitable skills and lived experience will be encouraged to apply to serve on the Board and the Residents Forum will provide a sound training ground for customers to consider applying for Board vacancies in the future.

Strategic Report for the year ended 31 March 2024

The Board is supported by the Audit and Risk Committee and Development Committee. The Audit and Risk Committee is chaired by a member of the Board, who is not the Chair of the Board, and is supported by an independent member who is not a member of the Board. The Committee met four times during the year and also supported the review of the risk management framework and approach to risk appetite. The Committee formed a panel to oversee the procurement of internal auditors from 2024 and external auditors from 2025. The Committee oversees financial reporting and provides independent scrutiny, challenge and assurance over the risk and internal control framework on behalf of the Board. Amongst other items, the Committee has reviewed and monitored SLH's strategic risks and mitigation plans, approved the strategic and annual internal audit plan, monitored the outcome of individual audits and the implementation of internal audit recommendations, reviewed assurance reports in relation to building safety and other regulatory compliance requirements. The Committee provided an annual assurance report to the Board.

The Development Committee, chaired by a member of the Board and supported by an independent member, provides oversight of the delivery of the Development Strategy and met three times during the year. The remit of the Committee is to approve individual development schemes in line with the agreed Development Strategy and financial appraisal parameters. During the year the Committee has monitored the performance of schemes throughout the development cycle, overseen the completion of shared ownership properties and developed a pipeline of new schemes across two main local authority areas. The Committee also reviewed the performance of all SLH assets so that they support the delivery of thriving and sustainable communities. The Committee provided an annual report to the Board demonstrating how it has discharged its responsibilities.

A new Residents Forum was formed in 2024 to ensure that the customer voice is heard at Board level on the things that matter most to our customers. The Residents Forum has a direct link with the Board and will hold the executive and board to account for overall performance, customer satisfaction across a range of services, and compliance with the RSH Consumer Standards and Housing Ombudsman Complaint Handling Code. Compared to its predecessor, the Tenants' Committee, membership of the Resident Forum reflects a more diverse and inclusive range of SLH customers – tenants, shared owners and leaseholders – recruited via a competitive selection process.

SLH's subsidiary company, Cumbrian Housing & Property Services, remains dormant since April 2023 but is ready to use again should it be required either as it was originally intended (as a cost sharing vehicle should there be a change in the tax exemption potential) or to be used as a subsidiary for other purposes company should it be warranted.

The Board reviews governance matters on a regular basis and improvement actions are included within the Governance Improvement Plan. The Board has reviewed a number of areas during the year, including risk appetite, governance and delegation scheme, board and committee terms of reference, and succession planning.

Statement of Board responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires that the Board prepare accounts for each financial year which give a true and fair view of the situation of the Association and the surplus of the Association for that period.

In preparing these accounts the Board are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed.
- Prepare the accounts on the going concern basis unless it is inappropriate.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, Regulatory Framework, Housing Acts and Accounting Determinations.

Strategic Report for the year ended 31 March 2024

Control systems

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This includes;

- *Financial Planning, Stress Testing & Mitigations* – providing for, as a minimum, the annual update and approval by the Board of the long-term financial plan, regular monitoring of cashflow projections, detailed stress testing and mitigation actions documented within a Resilience Plan.
- *Treasury Management* – the strategy is reviewed and updated regularly. The Board also considers the level of headroom and impact upon financial covenants of any investment decisions, to understand the potential impact of these decisions and to ensure resources to deliver the business strategy.
- *Risk Management Strategy* – management responsibility has been clearly defined for the identification, evaluation, and control of significant risks. This is documented in SLH's Risk Management Strategy which is reviewed annually by the Audit & Risk Committee and Board. This provides for the regular reporting of risk to the Committee, with a high-level principal risk register. which summarises the key risks with more detail contained within operational risk registers.
- *Risk Appetite Statement* – the Risk Appetite Statement sets out the level of risk that the organisation is prepared to accept to deliver its strategic themes, remain consistent with its values and meet its targets in terms of performance and outcomes. The risk appetite statements are used to inform target risk scores on the risk register and whether current controls are sufficient or further risk actions / strategies are required to reduce the risk score to an acceptable / tolerable level.
- *Board Assurance Framework* – provides a '*three lines of defence*' structure that enables the Board to consider its most strategically important risks, the key controls in place to manage them, assurance sources in place and their overall effectiveness.
- *Golden Rules* – are agreed by the Board and acts as a framework for articulating the Board's financial risk appetite including clear cushions over lenders' covenants. The 'golden rules' are reported within the Quarterly Finance Reports and are reviewed by the Board. The Board set a new golden rule in 2023 around interest cover to reflect revised financial covenants based on EBITDA only (Earnings before Interest Tax, Depreciation & Amortisation).
- *Insurance* – the Association has property insurance cover until March 2025 and other insurance lines, including Directors & Officers Liability, flood and fleet cover. Flood excesses are £250k.
- Governance and Delegation Framework – documents how SLH is controlled and governed in compliance with the NHF Code of Governance and its approach to decision making, authority and approvals. The document sets out the structure, authority, role and remit of the Board, its committees, Board Members, Executive Leadership Team, and Company Secretary. There are also terms of reference for the Board, its Committees, the Resident Forum, and the Executive Leadership Team.
- *Compliance Report* – a detailed quarterly Compliance Report and Health & Safety Dashboard details the identification and performance on key areas relating to compliance, including Health & Safety, regulation, fraud reporting, legal and financial etc. This is reviewed quarterly by the Audit & Risk Committee.
- *Internal Audit* – the function is provided by BDO, following a tender and subsequent reappointment for a further term in 2024. The internal audit programme is approved annually by the Audit & Risk Committee and takes into consideration SLH's risk profile in the context of the Committee and management's perception of risk, the business strategy, any transformation plans and new ventures and sector wide risks.
- *Policies* – covering; business continuity planning, cyber security, anti-money laundering, data protection, probity, safeguarding, whistleblowing, procurement, health and safety etc.

The Audit and Risk Committee oversees the risk and internal control framework on behalf of the Board and makes recommendations to the Board where necessary. The Committee receive regular information regarding SLH's strategic risk profile, controls and mitigations and improvement plans.

Strategic Report for the Year ended 31 March 2024

The Board has agreed a set of Principal risks that could prevent South Lakes Housing delivering its strategic objectives.

The Board regularly reviews its risks and risk appetite to reflect the external operating environment and that the appetite for risk remains appropriate.

Stress testing and mitigation plans have been established and a resilience plan agreed to trigger the implementation of mitigation plans where necessary.

The scrutiny of risk and the internal control framework has been delegated to the Audit and Risk Committee by the Board, with issues escalated to the Board as required.

These are considered to be the Principal Risks:

Risk Type	Risk	Risk Appetite
Data security & quality	Cyber attack	Cautious
	Inaccurate/unreliable data that may materially impact decision making	Cautious
Financial stability & resilience	Economic Environment	Balanced
	Insufficient financial resources/capacity	Balanced
	Costs for repairs continue to increase	Balanced/open
Governance, legal & compliance and health & safety	Political uncertainty and change	Balanced
	Failure to invest in current housing or neighbourhoods	Cautious
	Non-compliance with existing and changing laws and regulations	Cautious
	Non-compliance with the new approach to consumer regulation	Cautious
	Building safety regulations are not complied with	Cautious
People & culture	Recruitment and retention	Balanced
	The desired customer first culture is not consistently demonstrated across the business	Balanced
Reputation & trust	Counterparties/suppliers do not deliver the required level of service	Balanced
Development	Shared ownership sales	Balanced
	Delays to the affordable homes programme	Balanced
Partnerships	Local and regional partnerships are not effective	Open

Remuneration and pensions

The Board is responsible for setting the Association's remuneration policy and contract liabilities for its Executive Team. The Board approved policy provides a general commitment that SLH will not make non-contractual payments to any member of staff, unless considered in the best interests of the organisation when all the proposed costs of termination have been considered.

The Association currently participates in the Local Government Pension Scheme (a defined benefit pension scheme) and the Social Housing Pension Scheme (offering a range of defined benefit and defined contribution options). The assets of the scheme are invested and managed independently of the finances of the Association. Contributions are based on pension costs of the Association's units in the fund.

As at 31 March 2024, SLH's share of the LGPS scheme deficit was £nil (2023: nil) and SLH's share of the SHPS scheme deficit was £347k (2023: £258k) as shown on the statement of financial position and in note 19.

Strategic Report for the Year ended 31 March 2024

Going concern and liquidity

At the 31 of March 2024 the Association had a restated 20-year financing agreement (maturing 2038) and an agreement split equally between 15-year and 25-year maturities (maturing 2037 - 2047) with M&G Investment Management Ltd, and restated facilities with National Westminster Bank Plc over a range of maturities from 3 years to 23 years (2027 - 2047).

Robust financial forecasting and monitoring systems in place give the Board reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, and for this reason, it continues to adopt the going concern basis in the financial statements.

Stringent cashflow monitoring and reporting arrangements ensure SLH has sufficient liquidity at all times and that funders' covenants will continue to be met.

Statement of compliance

This Strategic Review has been prepared in accordance with the principles set out in the 2018 SORP Update for Registered Providers.

Disclosure of information to auditors

At the date of making this report each member of the Association's Board as set out on page 3, confirm the following:

- So far as each of them is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware, and
- Each of them has taken all the steps that (s)he ought to have taken as a director in order to make her/himself aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

Annual General Meeting and approval

Annual General Meeting

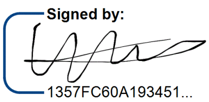
The Annual General Meeting is to be held on 19th September 2024 to receive the accounts to 31 March 2024.

Auditors

Beever and Struthers are the auditors of South Lakes Housing. The Board is undertaking a procurement exercise to select new external auditor with effect from the 2024/25 financial year.

Approval

The Report of the Board was approved on 8th August 2024 by the Board and was signed on its behalf by:



Ian Munro
Chair of the SLH Board

Independent Auditor's Report to the Members of South Lakes Housing

Opinion

We have audited the financial statements of South Lakes Housing (the Association) and its subsidiary (the Group) for the year ended 31 March 2024 which comprise the Group and Association Statement of Comprehensive Income, Group & Association Statement of Financial Position, Group & Association Statement of Changes in Equity (Reserves), Group & Association Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2024 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Independent Auditor's Report to the Members of South Lakes Housing

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

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

Responsibilities of the Board
As explained more fully in the Statement of Board's Responsibilities set out on page 19, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

Independent Auditor's Report to the Members of South Lakes Housing

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

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

Use of our report
This report is made solely to the members of the Association, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Statistory Auditor:

Date: 12 August 2024

Beever and Struthers

Address
Beever and Struthers
One Express
1 George Leigh Street
Manchester
M4 5DL

Group Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	2	24,844	22,064
Operating costs	2	(20,092)	(17,312)
Gain on disposal of fixed assets	6	153	421
Operating surplus		**4,905**	**5,173**
Interest receivable	7	544	166
Interest payable and financing costs	8	(1,986)	(1,796)
Taxation	12	-	-
Surplus for the year before and after taxation		**3,463**	**3,543**
Actuarial gain / (loss) in respect of pension schemes	19	5,379	5,810
Pension surplus not recognised	19	(5,960)	(4,843)
Total comprehensive income for the year		**2,882**	**4,510**

The financial statements on pages 26 to 63 were approved and authorised for issue by the Board on 8th August 2024 and were signed on its behalf by:

Signed by:
1357FC60A193451...
I. Munro
Chair of SLH Board

Signed by:
D4B2032B3F8A4A4...
A. Oldale
Chair of Audit and Risk Committee

DocuSigned by:
A905BA95BE58450...
J. Mansergh
Company Secretary

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

Association Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	2	24,844	21,419
Operating costs	2	(20,092)	(16,667)
Gain on disposal of fixed assets	6	153	421
Operating surplus		**4,905**	**5,173**
Interest receivable	7	544	166
Interest payable and financing costs	8	(1,986)	(1,796)
Taxation	12	0	-
Surplus for the year before and after taxation		**3,463**	**3,543**
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I. Munro	**A. Oldale**	**J. Mansergh**
Chair of SLH Board	Chair of Audit and Risk Committee	Company Secretary

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

Group & Association Statement of Financial Position

	Note	2024 £'000	2023 £'000
Fixed Assets			
Tangible fixed assets	13a & b	137,828	123,547
Debtors: Amounts falling due after more than one year	24	9,788	26,775
Current assets			
Stock	14	1,691	1,876
Trade and other Debtors	15	15,099	7,006
Cash and cash equivalents		13,750	13,031
		30,540	21,913
Less: Creditors: Amounts falling due within one year	16	(17,370)	(9,294)
Net current assets		13,170	12,619
Total assets less current liabilities		160,786	162,941
Creditors: Amounts falling due after more than one year	17a	(100,647)	(105,773)
Provisions for liabilities			
Pension defined benefit liability	19	(347)	(258)
Total net assets		59,792	56,910
Capital and reserves			
Non-equity share capital	20	-	-
Income and expenditure reserve		59,792	56,910
Total reserves		59,792	56,910

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I. Munro	**A. Oldale**	**J. Mansergh**
Chair of SLH Board	Chair of Audit and Risk Committee	Company Secretary

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

Group & Association Statement of Changes in Equity (Reserves)

For the Year ended 31 March 2024

	Income and Expenditure Reserve	Total Reserves
	£'000	£'000
Balance at 1 April 2022	**52,400**	**52,400**
Surplus for the year	3,543	3,543
Actuarial gain in respect of pension schemes	5,810	5,810
Pension surplus not recognised	(4,843)	(4,843)
Balance at 31 March 2023	**56,910**	**56,910**
Surplus for the year	3,463	3,463
Actuarial gain in respect of pension schemes	5,379	5,379
Pension surplus not recognised	(5,960)	(5,960)
Balance as at 31 March 2024	**59,792**	**59,792**

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

Group & Association Statement of Cash Flows

For the year ended 31 March 2024

	2024	2023
	£'000	£'000
Net cash generated from operating activities	5,458	3,497
Cash inflow / (outflow) from investing activities		
Purchase of tangible fixed assets	(16,551)	(12,394)
Proceeds from sale of tangible fixed assets	1,271	1,683
Grants received	2,117	494
Interest received	312	166
	(7,393)	(6,554)
Cash inflow / (outflow) from financing activities		
Interest paid	(1,888)	(1,809)
New secured loans	10,000	25,000
Loan fees capitalised	-	(117)
Repayment of borrowings	-	(6,500)
Net change in cash and cash equivalents	719	10,020
Cash and cash equivalents at beginning of the year	13,031	3,011
Cash and cash equivalents at end of the year	13,750	13,031
Cash flow from operating activities		
Surplus for the year	3,463	3,543
Adjustments for non-cash items		
Depreciation & Amortisation of tangible fixed assets	1,776	1,524
Write out of replaced components	180	262
Interest and financing costs	1,986	1,796
Interest receivable	(544)	(166)
Gain on disposal of fixed assets	(153)	(421)
Decrease/(Increase) in stock	185	(184)
(Increase)/Decrease in trade and other debtors	(8,093)	445
Increase/(Decrease) in trade and other creditors	7,268	(2,821)
Pension costs less contributions payable	(266)	(207)
Government grants utilised in the year	(344)	(274)
Net cash generated from operating activities	5,458	3,497

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

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

Legal Status

The Group comprises of the following:

South Lakes Housing Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing (Number 4686). The registered office is Bridge Mills Business Centre, Stramongate, Kendal, Cumbria, LA9 4BD.

Cumbrian Housing and Property Services Limited, a non-registered subsidiary, incorporated under the Companies Act 2006 (registration number 10519045) that is dormant effective from 31 March 2023.

1. Principal Accounting Policies

Basis of accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group financial statements.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £'000, for the year ended 31 March 2024.

The Group's financial statements have been prepared in compliance with FRS102. The Group meets the definition of a Public Benefit Entity (PBE).

Parent company disclosure exemptions

In preparing the separate financial statements of the Parent Entity, advantage has been taken of the following disclosure exemption available in FRS 102:

- No cash flow statement has been presented for the Parent Entity.

Basis of consolidation

The consolidated financial statements incorporate the results of South Lakes Housing and its subsidiary Cumbrian Housing and Property Services Limited as at 31 March 2024 using the merger method of accounting as required.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. No significant concerns have been noted in the Financial Plan updated for 2024/25 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Robust financial forecasting and monitoring systems in place give the Board reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, and for this reason, it continues to adopt the going concern basis in the financial statements.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Stringent cashflow monitoring and reporting arrangements ensure SLH has sufficient liquidity at all times and that funders' covenants will continue to be met.

Most of the Association's housing properties have been in stock for a significant period and are held at cost less depreciation. This significantly mitigates the impairment risk. A review considering evidence of indicators of impairment was conducted that concluded no indicators of impairment or triggers for impairment existed.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a) **Development expenditure.** The Group capitalises development expenditure in accordance with the accounting policy for Housing properties set out in note 1 below. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b) **Categorisation of housing properties**. The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals.

c) **Impairment**. The Group considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Group also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

   Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

   Following a trigger for impairment, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the Long-Term Financial Plan for the next 30 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

d) **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 19.

Other Key Sources of estimation and assumptions

a) **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying value of fixed assets at 31 March 2024 was £137.83M.

b) **Lease accounting**. Whether the risks and rewards of ownership in relation to individual leases indicate that it should be accounted for as a finance lease or an operating lease.

Turnover and revenue recognition

Turnover represents rental income receivable, service charges receivable, amortised capital grant, revenue grants from Local Authorities, income from the sale of first tranche shared ownership housing properties developed for sale and other income.

Rental Income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Service charges

Service charge income and costs are recognised on an accrual's basis. The Group operates variable service charges on a scheme-by-scheme basis in full consultation with residents. The charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced service charge and deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of United Kingdom tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 Group financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from HM Revenue and Customs. Recoverable VAT arises from:

- an agreement with Westmorland and Furness Council to improve the transferred properties, with 50% of the amounts recoverable under this scheme being repayable to the Council and the remaining proportion credited to the Statement of Comprehensive Income.
- 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.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Tangible Fixed Assets and Depreciation

Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land / assets or assets acquired at below market value from a government source, i.e. Local Authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different Useful Economic Lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELS for identified components are as follows:

Component	years	Component	years
Structure	100	Electrics	30
Slate roofing	90	Lifts	25
Non-slate roofing	70	Kitchens	22
Render	60	Gas boilers and fires	15
Insulation	35	Air & Ground source heat pumps	15
Windows	35	Building alarms	15
External doors	35	Solar battery storage	15
Mechanical systems	35	Ventilation systems	10
Bathrooms	32	Disabled adaptations	10
Photovoltaic panels	30	Heat metering equipment	10

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	years
IT equipment	3
IT infrastructure & applications	7
Furniture & fittings	10

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Low-cost home ownership properties

The costs of low-cost home ownership properties are split between current and tangible fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a tangible fixed asset and subsequent sales treated as sales of fixed assets/property sales in operating surplus.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their useful economic lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Stock and properties held for sale

Stocks of materials are valued at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying value is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Provisions for doubtful debts

The provision is calculated for each individual tenancy in line with the most recent payment patterns. The provision rates used at the reporting date have been reviewed in light of the current economic climate and rising costs of living and are judged to be prudent and appropriate.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of capital grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Agreements to improve existing properties

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Retirement benefits

The Group operates two defined benefit plans for certain employees (note 19). The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligations less the fair value of the plan assets at the reporting date. The defined benefit obligation is calculated using the projected unit credit method and the present value is determined by discounting the estimated future payments. The cost of the defined benefit plans is recognised in the Statement of Comprehensive Income in operating costs. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

A net surplus is recognised only to the extent that it is recoverable by the Group.

The Group also participates in a defined contribution scheme operated by the Social Housing Pension Scheme. Contributions payable under this scheme are charged in the Income statement in the period to which they relate.

Loans

All loans held by the Group are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

- Debt instruments that meet the conditions in paragraph 11.8(b) or 11.8(bA) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method,
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

South Lakes Housing Accounting Policies

For the year ended 31 March 2024

1. Principal Accounting Policies (continued)

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

a) All equity instruments regardless of significance; and
b) other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.
b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset’s carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.

As part of the response to risks generated by the economic climate and rising costs of living, the estimation technique for calculating the impairment of arrears balances was reviewed to reflect the actual collection rates since year end.

Notes to the Financial Statements

For the year ended 31 March 2024

2. (a) Group turnover, operating expenditure, and operating surplus

31 March 2024	**Turnover £'000**	**Operating Costs £'000**	**Operating surplus £'000**
Social Housing Lettings (note 3)	18,547	(15,982)	2,565
Other Social Housing Activities			
- Sale of first tranche shared ownership	4,129	(2,910)	1,219
- Development Activities not capitalised	-	(251)	(251)
- Other services	1,945	(735)	1,210
Activities other than Social Housing	223	(214)	9
Total	**24,844**	**(20,092)**	**4,752**

31 March 2023	**Turnover £'000**	**Operating Costs £'000**	**Operating surplus £'000**
Social Housing Lettings (note 3)	16,675	(13,486)	3,189
Other Social Housing Activities			
- Sale of first tranche shared ownership	3,418	(2,281)	1,137
- Development Activities not. capitalised	-	(481)	(481)
- Other services	1,841	(943)	898
Activities other than Social Housing	130	(121)	9
Total	**22,064**	**(17,312)**	**4,752**

Notes to the Financial Statements

For the year ended 31 March 2024

2. (b) Association turnover, operating expenditure and operating surplus

31 March 2024	**Turnover £'000**	**Operating Costs £'000**	**Operating surplus £'000**
Social housing lettings (note 3)	18,547	(15,982)	2,565
Other social housing activities			
- Sale of first tranche shared ownership	4,129	(2,910)	1,219
- Development activities not capitalised	0	(251)	(251)
- Other services	1,945	(735)	1,210
Activities other than social housing	223	(214)	9
Total	**24,844**	**(20,092)**	**4,752**

31 March 2023	**Turnover £000**	**Operating Costs £000**	**Operating surplus £000**
Social housing lettings (note 3)	16,675	(13,486)	3,189
Other social housing activities			
- Sale of first tranche shared ownership	3,418	(2,281)	1,137
- Development activities not capitalised	-	(481)	(481)
- Other services	1,196	(298)	898
Activities other than social housing	130	(121)	9
Total	**21,419**	**(16,667)**	**4,752**

Notes to the Financial Statements

For the Year ended 31 March 2024

3. (a) Group & Association turnover and operating expenditure from social housing letting

	General needs housing	Housing for older people	Low cost home ownership	Total 2024	Total 2023
	£'000	£'000	£'000	£'000	£'000
Income					
Rent net of service charges and voids	15,340	1,884	317	17,541	15,971
Service charge income	56	560	46	662	430
Amortised government grants	315	14	15	344	274
Turnover from social housing lettings	**15,711**	**2,458**	**378**	**18,547**	**16,675**
Operating Expenditure					
Management	(4,166)	(661)	(98)	(4,925)	(4,590)
Service charge costs	(459)	(829)	(31)	(1,319)	(966)
Routine maintenance	(2,901)	(430)	-	(3,331)	(2,718)
Planned maintenance	(1,029)	(152)	-	(1,181)	(1,101)
Major repairs	(2,492)	(369)	-	(2,861)	(2,085)
Major repairs - Energy efficiency	(224)	(33)	-	(257)	-
Bad debts	(227)	(20)	(12)	(259)	(367)
Depreciation of housing properties:					
- annual charge	(1,508)	(108)	(53)	(1,669)	(1,397)
- on disposal of components	(172)	(8)	-	(180)	(262)
Operating expenditure of social housing lettings	**(13,178)**	**(2,610)**	**(194)**	**(15,982)**	**(13,486)**
Operating surplus on social housing lettings	**2,533**	**(152)**	**184**	**2,565**	**3,189**
Void losses	(175)	(40)	-	(215)	(88)

In accordance with the Accounting Direction 2022, lease costs are analysed separately in Note 5 and Note 22 and are included within their relevant cost areas above.

Management costs relative to size of landlord: in accordance with the Regulator of Social Housing publication ‘Director’s remuneration and management costs note’, published April 2024: the management costs relative to size of landlord are £1,410 per property in management (2023 £1,346).

Notes to the Financial Statements

For the Year ended 31 March 2024

4. Accommodation owned, managed and in development (Group & Association)

	2023 No.	Additions No.	Disposals No.	Transfers No.	2024 No.
In management and ownership					
General needs - social rent	2,627	6	(11)	(1)	2,621
General needs - affordable rent	161	38	-	1	200
General needs - intermediate rent	14	-	-	-	14
General needs - rent to buy	1	-	-	-	1
Housing for older people - social rent	420	-	-	-	420
Low cost home ownership	77	51	(1)	-	127
Total	**3,300**	**95**	**(12)**	**-**	**3,383**
In Management, but not ownership:					
Properties managed for local authorities: General needs - social rent	2	-	-	-	2
Properties managed for private parties: General needs - affordable rent	2	-	-	-	2
Properties managed for other registered providers					
General needs - social rent	79	-	-	-	79
General needs - affordable rent	27	-	-	-	27
Leasehold properties	275	1	-	-	276
Total	**385**	**1**	**-**	**-**	**386**

As at 31 March 2024 there were 17 properties under development that were either committed purchases from developers under S106 agreements or SLH led projects that were under contract (71 properties as at 31 March 2023).

Notes to the Financial Statements

For the Year ended 31 March 2024

5. Surplus on ordinary activities

	2024 £'000	2023 £'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):		
for external audit services	28	20
for non-audit services (accountancy, tax advisory)	2	3
Operating lease rentals:		
Land and buildings	242	171
Office equipment	5	8
Motor vehicles	265	196
Depreciation of housing properties (including write out of components)	1,849	1,659
Impairment of housing properties	-	-
Depreciation of other fixed assets (including write out of assets)	109	126
Gain on disposal of fixed assets	153	421

6. Gain on disposal of fixed assets (Group & Association)

	Right to Buy sales	Shared ownership staircasing	Other social housing property sales	Total	Total
	2024	2024	2024	2024	2023
	£'000	£'000	£'000	£'000	£,000
Proceeds of sales	1,271	56	-	1,327	1,683
Less: cost of sales	(1,137)	(37)	-	(1,174)	(1,262)
Surplus	**134**	**19**	**-**	**153**	**421**

7. Interest receivable (Group & Association)

	2024 £'000	2023 £,000
Bank & building society interest receivable	312	166
Pensions interest receivable	232	-
	544	**166**

Notes to the Financial Statements

For the Year ended 31 March 2024

8. Interest payable and financing costs (Group & Association)

	2024	2023
	£'000	£,000
On defined benefit pension schemes	6	34
On loans repayable within 5 years	294	293
On loans wholly or partly repayable in more than 5 years	1,424	1,339
Total interest	**1,724**	**1,666**
Arrangement fees amortised or written off	74	74
Other finance costs including non-utilisation & trustee fees	188	187
	1,986	**1,927**
Interest payable capitalised on housing properties under construction	-	(131)
Total interest payable and similar charges	**1,986**	**1,796**

9. Employee information (Group & Association)

The average number of persons employed during the year, expressed in full-time equivalents (37 hours per week) was as follows:

	2024	2023
	Number	Number
Housing, customer services, insight & engagement	31	30
Property maintenance & asset management	61	54
Property development	4	4
Business support	23	23
Executive	5	5
	124	116

Employee costs	2024	2023
	£'000	£,000
Wages and salaries	4,519	4,134
Social security costs	441	435
Other pension costs	353	329
	5,313	**4,898**

Notes to the Financial Statements

For the Year ended 31 March 2024

Social Security costs includes exceptional National Insurance Contributions of £nil in respect of the buy-out of contractual benefits (2022/23: £nil).

Other pension costs include a defined benefit pension cost accounting adjustment of (£266k) for 2023/24 ((£207k) for 2022/23).

The aggregate number of full-time equivalent staff whose remuneration, including pension contributions, exceeded £60,000 in the period:	**2024 Number**	**2023 Number**
£60,000 to £69,999	7	5
£70,000 to £79,999	2	1
£80,000 to £89,999	-	1
£90,000 to £99,999	4	3
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	1	1

10. Key Management personnel remuneration (Group & Association)

	2024	**2023**
	£'000	**£,000**
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	39	38
The aggregate emoluments paid to or receivable by executive directors and former executive directors, including pension contributions	527	541
The emoluments paid to the highest paid director, excluding pension contributions	118	118

Remuneration paid to executive directors and former executive directors, including pension and National Insurance Contributions, in relation to the period of account amounted to £586,561; that represented £167.92 per property managed (2023: £603,111 representing £176.87 per property managed).

Remuneration payable to the highest paid director in relation to the period of account, excluding pension contributions and National Insurance Contributions, amounted to £117,687 (2023: £117,687); that represented £33.69 per property (2023: £34.51).

The Chief Executive of South Lakes Housing received remuneration for the year ended 31 March 2024, excluding pension contribution of £117,687 (2023: £117,687).

The Chief Executive was a member of a defined benefit pension scheme during the year. The defined benefit pension scheme is a Career Average Revalued Earnings (CARE) scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements.

Notes to the Financial Statements

For the Year ended 31 March 2024

Key management personnel are defined as the members of the Board, the Chief Executive and any other person who is a member of the executive management team or their equivalent.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2023: £10,000).

11a. Non-executive Board Members remuneration (Group & Association)

	2024	2023
	£	£
Ian Munro	6,500	6,000
Steve Bentley	3,625	3,000
Keith Bevan	2,000	4,000
Loraine Birchall	-	1,500
Stephen Bolton	-	2,250
John Burt	3,875	3,500
Kerry Byrne	3,250	3,000
Nicola Haywood-Alexander	3,250	1,500
Silas Heys	3,250	3,000
Catherine Lindsay	3,250	1,500
Susanne Long	3,250	3,000
Brain McDonough	-	1,500
Anthony Muir	3,250	1,500
Andrew Oldale	2,833	-
Lesley Peters	250	1,500
George Taylor	-	1,500
Total	**38,583**	**38,250**

11b. Co-opted Members remuneration (Group & Association)

	2024	2023
	£	£
David Butcher (Co-opted to Audit & Risk Committee)	1,458	-
Martyn Nicholson (Co-opted to Development Committee)	1,458	-
Sarah Swindley (Co-opted to Board)	625	-
Total	**3,541**	**-**

Notes to the Financial Statements

For the Year ended 31 March 2024

12. Tax on Surplus on Ordinary Activities (Group & Association)

	2024	**2023**
	£'000	**£,000**
Current Taxation:		
UK Corporation Tax charge for the year	**-**	**-**
Deferred taxation:		
Net origination and reversal of timing differences	**-**	**-**
Tax on surplus on ordinary activities	**-**	**-**

The tax assessed

The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 0% (2022: 0%). The differences are explained as follows:	**2024**	**2023**
Total tax reconciliation	**£'000**	**£'000**
Surplus on ordinary activities before taxation	3,463	3,544
Theoretical tax at UK corporation tax rate of 19% (2023: 19%)	658	673
Effects of:		
Surpluses relating to charitable period	(658)	(673)
Total taxation charge	-	-

Notes to the Financial Statements

For the Year ended 31 March 2024

13. (a) Tangible fixed assets (Group & Association)

	Social Housing Properties for Letting Completed	Social Housing Properties for letting under Construction	Shared Ownership Housing Properties Completed	Shared Ownership Housing Properties Under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 April 2023	123,462	1,332	6,859	1,563	133,216
Additions	-	5,327	-	4,137	9,464
Components capitalised	7,134	-	-	-	7,134
Schemes completed	6,487	(6,487)	5,317	(5,317)	-
Disposals	(445)	-	(37)	-	(482)
Component disposals	(275)	-	-	-	(275)
As at 31 March 2024	**136,363**	**172**	**12,139**	**383**	**149,057**
Depreciation and impairment					
As at 1 April 2023	(10,123)	-	(24)	-	(10,147)
Charge for the year	(1,616)	-	(53)	-	(1,669)
Disposals	41	-	-	-	41
Component disposals	95	-	-	-	95
As at 31 March 2024	**(11,603)**	**-**	**(77)**	**-**	**(11,680)**
Net book value 31 March 2024	**124,760**	**172**	**12,062**	**383**	**137,377**
Net book value 31 March 2023	113,338	1,332	6,835	1,563	123,068

Expenditure to works on existing properties:

	2024	2023
	£'000	£'000
Amounts capitalised: energy efficiency for the decarbonisation of properties	3,739	626
Amounts capitalised: excluding energy efficiency for the decarbonisation of properties	3,395	2,870
Capitalised Major Repairs	7,134	3,496
Amounts charged to Statement of Comprehensive Income	3,130	2,085
Total Major Repairs	**10,264**	**5,581**

Notes to the Financial Statements

For the Year ended 31 March 2024

In the year to 31 March 2024, expenditure under Wave 2.1 of the Social Housing Decarbonisation Fund totalled £3,264,774, of which £2,720,427 was classified as capital and £544,347 as admin & ancillary revenue costs under the terms of the Grant Agreement (2023: nil). Total grant of £1,632,387 was allocated in relation to this expenditure, of which £1,360,213 was classified as capital grant and £272,174 revenue (2023: nil).

13. (b) Other tangible fixed assets (Group & Association)

	Computer Equipment	IT Infrastructure & Applications	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 April 2023	692	673	425	1,790
Additions	12	22	45	79
Disposals	(48)	(183)	-	(231)
As at 31 March 2024	**656**	**512**	**470**	**1,638**
Depreciation and Impairment				
As at 1 April 2023	(642)	(304)	(365)	(1,311)
Charge for the year	(20)	(70)	(17)	(107)
Disposals	48	183	-	231
As at 31 March 2024	**(614)**	**(191)**	**(382)**	**(1,187)**
Net book value 31 March 2024	**42**	**321**	**88**	**451**
Net book value 31 March 2023	50	369	60	479

14. Stock (Group & Association)

	2024	2023
	£'000	£'000
First tranche shared ownership properties:		
Completed	1,400	951
Under construction	196	837
	1,596	1,788
Materials in Stock	95	88
	1,691	**1,876**

Notes to the Financial Statements

For the Year ended 31 March 2024

15. Group & Association Trade and Other Debtors

	2024	2023
	£'000	£'000
Rent and service arrears:		
General Needs & sheltered	1,177	920
Leasehold	157	123
Less: provision for bad debts	(992)	(715)
	342	**328**
Other debtors	27	188
Prepayments and accrued income	1,875	198
Value Added Tax	97	143
Stock transfer obligation (note 24)	12,758	6,149
	15,099	**7,006**

16. Group & Association Creditors: Amounts falling due within one year

	2024	2023
	£'000	£,000
Rent and service charges received in advance:		
General needs & sheltered	339	321
Leasehold	20	19
Trade creditors	412	253
Accruals and deferred income	2,308	1,328
Other taxation and social security	179	101
Other creditors	1,002	794
Deferred capital grant (note 17c)	352	329
Stock transfer obligation (note 24)	12,758	6,149
	17,370	**9,294**

Notes to the Financial Statements

For the Year ended 31 March 2024

17a. Creditors: Amounts falling due after more than one year (Group & Association)

	2024	2023
	£'000	£'000
Loans	64,189	54,115
Deferred capital grant	26,670	24,883
Stock transfer obligation (note 24)	9,788	26,775
	100,647	**105,773**

17b. Debt Analysis (Group & Association)

	2024	2023
	£'000	£'000
Loans repayable by instalments		
Within one year	-	-
In five years or more	40,000	30,000
Loans not repayable by instalments		
Within one year	-	-
In two years or more but less than five	10,000	10,000
In five years or more	15,000	15,000
Less loan arrangement fees	(811)	(885)
	64,189	**54,115**

M&G Investments have provided finance of £20m since May 2017 at a fixed interest rate of 3.18%. This facility is fully drawn and secured by a fixed charge over association assets, based on a mixture of Existing Use Value and Market Value (Tenanted) valuation bases. A further £15m was drawn in the year being £7.5m maturing 2037 at 3.27% and £7.5m maturing 2047 at 3.32%. The Association's total facilities with M&G Investments facilities as at 31 March 2024 are £35m.

National Westminster Bank Plc have provided facilities of £20m since May 2017. During 2020/21 this facility was increased to £40m. A further £10m was approved and secured in 2021/22 resulting in total facilities of £50m. As at 31 March 2024, £30m was drawn, with £10m at fixed interest rates (£5m at 2.98% and £5m at 2.882%), £10m at a fixed interest rate of 2.784% and £10m at a fixed interest rate of 3.316%. The facilities are secured by a fixed charge over Association assets, on a mixture of Existing Use Value and Market Value (Tenanted) valuation bases.

Loan arrangement fees are capitalised and amortised over the remaining life of the loans. No material amendment was made to existing facilities as part of the 2021/22 refinancing. Charges to the revenue account for 2023/24 reflect only the regular amortisation of fees over the life of the loans.

Notes to the Financial Statements

For the Year ended 31 March 2024

17c. Deferred capital grant (Group & Association)

	2024	**2023**
	£'000	**£'000**
Gross as at 1 April	27,861	27,395
Recognised as income 1 April	(2,649)	(2,375)
Net as at 1 April	25,212	25,020
Grant received in the year	2,234	584
Released to income in the year	(344)	(274)
Relating to disposals in the year	(80)	(118)
As at 31 March	**27,022**	**25,212**
Amount to be released < 1year	352	329
Amount to be released > 1year	26,670	24,883
As at 31 March	**27,022**	**25,212**

18. Analysis of changes in net debt (Group & Association)

	At 1 April 2023	Cash Flows	Non-cash Movements	At 31 March 2024
	£'000	£'000	£'000	£'000
Cash and cash equivalents	13,031	719	-	13,750
Housing loans due in one year	-	-	-	-
Housing loans due after one year	(54,115)	(10,000)	(74)	(64,189)
	(41,084)	**(9,281)**	**(74)**	**(50,439)**

Notes to the Financial Statements

For the Year ended 31 March 2024

19. Pension obligations (Group & Association)

	2024	**2023**
	£'000	**£'000**
Actuarial (losses) and gains on defined benefit pension schemes:		
Local Government Pension Scheme (note 19a)	(233)	1,259
Social Housing Pension Scheme (note 19b)	(348)	(292)
Statement of Total Comprehensive Income	**(581)**	**967**
Pension liability:		
Local Government Pension Scheme (note 19a)		
Present value of funded obligations	(14,919)	(14,900)
Fair value of plan assets	20,879	19,743
Surplus not recognised	(5,960)	(4,843)
	-	-
Social Housing Pension Scheme (note 19b)		
Present value of funded obligations	(1,722)	(1,458)
Fair value of plan assets	1,375	1,200
	(347)	(258)
Total Pension liabilities	**(347)**	**(258)**

19a. Local Government Pension Scheme (LGPS)

The Combria LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Westmorland and Furness Council. The total contributions made for the year ended 31 March 2024 were £63,732 of which employer's contributions totalled £48,571 and employees' contributions totalled £15,161. The agreed contribution rates for future years are 20.6% for employers and range from 5.8% to 6.5% for employees, depending on salary.

The Association's participation in the plan has a gross surplus at the reporting date of £5,960,000, as reported by the independent scheme actuaries. In accordance with Financial Reporting Standard 102 (FRS102) an asset can be recognised to the extent that South Lakes Housing is able to recover the surplus through either reduced contributions in the future, or through refunds from the plan. As at the reporting date the Association has only eight employees in the scheme and benefitted from a reduction in employer contributions of 2.9% effective from 1 April 2023. The reduction in contributions will result in an immaterial recovery of the gross surplus and therefore the Association has not recognised the surplus of £5,960,000 in the SOFP and not recognised any gains in the Statement of Comprehensive Income in order to report a £nil surplus / (deficit) position as at the reporting date in the SOFP.

Notes to the Financial Statements

For the Year ended 31 March 2024

Principal Actuarial Assumptions:
The following information is based upon a full actuarial valuation of the fund at 31st March 2022 updated to 31st March 2024 by a qualified independent actuary.

	2024	2023
	% per annum	**% per annum**
Rate of increase in salaries	4.2	4.2
Rate of increase in pensions in payment	2.8	3.4
Discount rate	4.9	4.8
Inflation assumptions (CPI)	2.7	2.7

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2024	2023
	Years	**Years**
Retiring today		
Males	21.5	21.9
Females	23.9	24.2
Retiring in 20 years		
Males	22.8	23.3
Females	25.7	26.0

Analysis of the amounts charged to operating costs in the Statement of Comprehensive Income

	2024	2023
	£'000	**£'000**
Employer service cost (net of employee contributions)	48	96
Total operating charge	**48**	**96**

Analysis of pension finance income / (costs)

	2024	2023
	£'000	**£'000**
Expected return on assets	(938)	(593)
Interest on pension liabilities	706	625
Amounts (credited) / charged to financing costs	**(232)**	**32**

Notes to the Financial Statements

For the Year ended 31 March 2024

19a. Pension obligations (Group & Association) (continued)

Amount of gains and losses recognised in the Statement of Comprehensive Income

	2024	2023
	£'000	£'000
Actuarial gains / (losses) on pension scheme assets	582	(1,744)
Actuarial gains / (losses) on scheme liabilities	302	7,846
Surplus not recognised	(1,117)	(4,843)
Actuarial (loss) / gain recognised	**(233)**	**1,259**

Movement in surplus / (deficit) during the year

	2024	2023
	£'000	£'000
Surplus / (Deficit) in scheme at 1 April	4,843	(1,195)
Movement in year:		
Employer service cost (net of employee contributions)	(46)	(94)
Employer contributions	49	64
Net return / (interest) on assets	232	(32)
Re-measurements	884	6,102
Administration expenses	(2)	(2)
Surplus in scheme at 31 March	**5,960**	**4,843**

Asset and Liability Reconciliation

	2024	2023
Reconciliation of liabilities	£'000	£'000
Liabilities at start of period	14,900	22,658
Service cost	46	94
Interest cost	706	625
Employee contributions	15	16
Re-measurements	(302)	(7,846)
Benefits paid	(446)	(647)
Liabilities at end of period	**14,919**	**14,900**

Notes to the Financial Statements

For the Year ended 31 March 2024

19a. Pension obligations (Group & Association) (continued)

Reconciliation of assets	**2024 £'000**	**2023 £'000**
Assets at start of period	19,743	21,463
Return on plan assets	938	593
Re-measurements	582	(1,744)
Administration expenses	(2)	(2)
Employer contributions	49	64
Employee contributions	15	16
Benefits paid	(446)	(647)
Assets at end of period	**20,879**	**19,743**
Actual return on plan assets	**1,520**	**(832)**

19b. Pension obligations (Group & Association)

Social Housing 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.

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 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.

The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2024 to 28 February 2025 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.

Notes to the Financial Statements

For the Year ended 31 March 2024

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 30 September 2020 updated to 31st March 2024 by a qualified independent actuary.

	2024	**2023**
	% per annum	**% per annum**
Rate of increase in salaries	3.8	3.8
Discount rate	4.9	4.8
Inflation assumptions (CPI)	2.8	2.8

The assumed life expectancy on retirement age 65 are:

	2024	**2023**
	Years	**Years**
Retiring today		
Males	20.5	21.0
Females	23.0	23.4
Retiring in 20 years		
Males	21.8	22.2
Females	24.4	24.9

Analysis of the amounts charged to operating costs in the Statement of Comprehensive Income

	2024	**2023**
	£'000	**£'000**
Employer service cost (net of employee contributions)	55	173
Expenses	9	10
Total operating charge	**64**	**183**

Notes to the Financial Statements

For the Year ended 31 March 2024

19b. Pension obligations (Group & Association) (continued)

Analysis of pension finance costs

	2024	2023
	£'000	£'000
Expected return on assets	(69)	(65)
Interest on pension liabilities	75	67
Amounts charged / (credited) to financing costs	**6**	**2**

Amounts of gains and losses recognised in the statement of Comprehensive Income

	2024	2023
	£'000	£'000
Actuarial (losses) / gains on pension scheme assets	(360)	(1,494)
Actuarial gains / (losses) on scheme liabilities	12	1,202
Actuarial (loss) / gain recognised	**(348)**	**(292)**

Movement in deficit during the year

	2024	2023
	£'000	£'000
(Deficit) in scheme at 1 April	(258)	(203)
Movement in the year:		
Employer service cost (net of employee contributions)	(55)	(173)
Employer contributions	329	422
Net (interest) / return on assets	(6)	(2)
Re-measurements	(348)	(292)
Administration expenses	(9)	(10)
(Deficit) in scheme at 31 March	**(347)**	**(258)**

Notes to the Financial Statements

For the Year ended 31 March 2024

19b. Pension obligations (Group & Association) (continued)

Asset and Liability Reconciliation

	2024	2023
Reconciliation of liabilities	**£'000**	**£'000**
Liabilities at start of period	1,458	2,264
Service cost	55	173
Interest cost	75	67
Employee contributions	153	192
Re-measurements	(12)	(1,202)
Benefits paid	(16)	(46)
Expenses	9	10
Liabilities at end of period	**1,722**	**1,458**

	2024	2023
Reconciliation of assets	**£'000**	**£'000**
Assets at start of period	1,200	2,061
Return on plan assets	69	65
Re-measurements	(360)	(1,494)
Employer contributions	329	422
Employee contributions	153	192
Benefits paid	(16)	(46)
Assets at end of period	**1,375**	**1,200**
Actual return on plan scheme assets	**(291)**	**(1,429)**

Notes to the Financial Statements

For the Year ended 31 March 2024

20. Non-equity share capital (Group & Association)

	2024	**2023**
	No. of shares	**No. of shares**
Allotted, Issued and Fully paid		**24**
As at 1 April	24	23
Shares issued during the year	-	4
Cancelled during the year	(4)	(3)
As at 31 March	**20**	**24**

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable. Each share had full voting rights. All shares are fully paid.

21. Capital commitments (Group & Association)

	2024	**2023**
	£'000	**£'000**
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,430	6,136
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for.	38,314	24,864
	40,744	**31,000**

Capital expenditure from 1st April 2024 includes proposed development costs to build and acquire new properties during the period to 2025. The Association expects to finance the above expenditure with a combination of public authority grants, loans drawn down under existing loan arrangements and cash reserves generated from operations and property sales.

In addition, Board approved £171k (2022/23: £482k) of non-housing capital budget and £9,241k (2022/23: £7,494k) of capital major repairs and energy efficiency works to achieve EPC band 'C' for 2023/24, these are included within the authorised not contracted total.

Notes to the Financial Statements

For the Year ended 31 March 2024

22. Operating leases (Group & Association)

SLH holds properties, vehicles and plant and equipment under non-cancellable operating leases. At the end of the year commitments of future minimum lease payments were follows:

	2024	2023
	£'000	£'000
Land and buildings		
In one year or less	197	197
In one year or more but less than two years	195	197
In two years or more and less than five years	274	464
In five years or more	625	629
Others		
In one year or less	139	103
In one year or more but less than two years	141	105
In two years or more and less than five years	226	296
In five years or more	-	-
	1,797	**1,991**

The lease agreements do not include any contingent rent or restrictions. Leases for land and buildings include renewal periods after 5 years throughout the lease except for the long lease for land at Halton which was entered into during 2021/22 as part of the Halton Passivhaus development scheme. This is an annual rental of £4.4k with a 150-year lease term, with a break option at year 55. This was assessed against the FRS102 criteria for lease classification and has been accounted for as an operating lease.

23. Related party transactions

Tenant Board Members

The Rules of the Association reserve two places on the Board for residents and as at the 31 March 2024 the Board places for residents were both vacant. In May 2024 the Board commissioned a review of the Associations Rules that reserved two Board Member places for tenants, recognising that revitalised and more effective Customer engagement measures had been implemented, including the establishment of a Tenant Forum.

The previous tenant Board members held tenancy agreements on normal terms and could not use their position to their advantage. Rent & services charged to the tenant board members, during their period of board membership, within the year ended 31 March 2024 was £477 (2023: £8,139). As there were no tenant Board Members as at 31 March 2024 there was no arrears on tenant Board Member tenancies (2023: £356).

Notes to the Financial Statements

For the Year ended 31 March 2024

24. Stock transfer obligations

Immediately prior to entering into the Stock Transfer Agreement between the Council and the Association, the Council and Association entered into a contract for the Association to perform the refurbishment works required to bring the properties into an agreed state.

The contract was for a fixed sum equal to the expected cost of the works i.e. £96.04 million. At transfer the Association contracted with the Council to acquire the benefit of the agreed refurbishment works (£96.04 million). The nature of the works under the initial agreement was specified and a right of set off exists between the contracts. These contracts have enabled the Association to recover VAT on repair/improvement costs that would otherwise have been expensed.

The impact of these two transactions is that whilst the Council has a legal obligation to the Association to complete the refurbishment works this work has been contracted back to the Association who are also legally obligated. The underlying substance of the transaction is therefore that the Association has acquired the properties in their existing condition at their agreed value and will complete certain repairs/improvements in line with guarantees to tenants of not less than £96.04 million.

The amount outstanding at the 31st March 2024 was £22,546k of which £12,758k is due in less than one year and £9,788k is due in more than one year (2023: £32,924k, £6,149k & £26,775k respectively). The gross value of the major repairs programme for the period to the end of the VAT shelter is £35,224k which is greater than the balance of the outstanding obligation.

25. Contingent liability

In the year ended 31 March 2022, the Association acquired 11 properties from Great Places Housing Group. The properties were acquired and capitalised based on a £700k net acquisition cost (£1,450k gross valuation less of £750k of grant). The grant (or part thereof) may become re-payable should the properties (or individual property) be disposed of. Any grant repayable would likely be met in full out of the sales receipt.

Senior managers were consulted on their knowledge of any other events which could result in contingent liabilities requiring disclosure as at 31 March 2024. No further contingent liabilities were identified (2023: none).

26. Group Undertakings

Cumbrian Housing and Property Services Limited (CH&PS) was a cost sharing vehicle that ceased all operations 31 March 2023, and since this date CH&PS has remained dormant.

The Consolidated financial statements, for the year ended 31 March 2023, incorporate the results of CH&PS. South Lakes Housing provided the labour and associated costs to CH&PS. The costs of delivering CH&PS activities were shared by SLH and another Housing Association and were allocated between the two organisations according to volume of work each organisation provided. There was no mark-up or profit generated by CH&PS as all transactions were made at cost. During the year ended 31 March 2023 CH&PS charged £3.14m to SLH from of a gross turnover of £3.78m.

The provision of responsive maintenance services provided in the year ended March 2023 by CH&PS were, with effect from 1 April 2023, provided directly by South Lakes Housing to the unrelated Housing Association.