YORKSHIRE HOUSING

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 (REGISTERED NUMBER 30443R)

WE ARE YORKSHIRE HOUSING BY NAME AND YORKSHIRE IS OUR FOCUS.

WE OWN AND MANAGE NEARLY 20,000 HOMES WITH A WIDE RANGE OF TENURES ACROSS YORKSHIRE.

WE'RE MAKING A HUGE DIFFERENCE TO THE LIVES OF OUR CUSTOMERS AND WANT TO DO MORE.

STRATEGIC REPORT: INSIDE THIS REPORT

CHAIR'S REPORT:

WELCOME TO OUR ANNUAL REPORT

The year to 31 March 2020 was challenging for Yorkshire Housing in a number of ways. I'm going to start my report by talking about our response to the Covid-19 pandemic.

Covid-19 pandemic
I am immensely proud of our Covid-19 response, which focused our efforts on the health and wellbeing of our customers and staff. Within days, we had moved our operation to primarily home-based working, and started a major programme of befriending calls to customers. In the 4 months of lockdown we made over 5,400 such calls, we delivered over 200 parcels of shopping or medicines and through our money coaches we have supported many people suffering financial hardship.

We've also provided support services to our colleagues, some of whom have found it challenging throughout this period for a variety of reasons. No staff were made redundant, and no staff were furloughed, which provided stability through this period. We managed to redeploy all but 19 of our staff who were unable to carry out their normal duties in the organisation or contributing in some positive way to the wider community.

As we all know, the pandemic has resulted in hardship and great upset for many people; at Yorkshire Housing, we have lost customers and many of us have lost friends and relatives.

Our people at Yorkshire Housing deserve a massive thank you for their fantastic response to Covid-19 and their Yorkshire "can do" approach to a very different way of working.

Regulatory assessment

Moving away from Covid-19, I am disappointed to report that the result of our regulatory In Depth Assessment which took place in late 2019 was a governance downgrade to G2, and a viability regrade to V2. Dealing with the latter first, this was not unexpected, given the ambitious housing development programme we have started, which will be stretching both in operational and financial terms.

The G2 downgrade was not expected, and caused us to look very hard at our governance approach and processes. As a result, we have strengthened our governance arrangements and have emerged a stronger organisation, well equipped to address the challenges of delivering our ambitious business plan within the Covid-19 environment.

553 MORE HOMES THIS YEAR

Building more homes in Yorkshire

I'm proud of our record on growth including delivering more homes this year. Our business model continues to be predicated on selling approximately 15% of those homes on the open market through our commercial subsidiary YH Residential and the Space Homes brand.

In 2019/2020 and as part of our Growth ambition we completed 553 new homes across Yorkshire. The need for good quality affordable rented accommodation remains high as does the demand for affordable entry level shared ownership homes and also for market housing. We continue to provide a range of accommodation to address the needs and demands of mixed income households. Overall we provided 248 new homes for social, affordable, intermediate and market rent together with 305 new homes for shared ownership and market sale.

The coming year will be another significant one for our development programme. As for all house builders and developers, it has been delayed because of COVID-19, but all our sites reopened by June and building work restarted, albeit at a slower pace. We are continuing to deliver on the strategic partnership with Homes England, and have a revised plan to deliver 280 homes in 2020/21. The economic outlook is uncertain but our region looks to be performing relatively well. House prices have remained flat and independent outlooks suggest that the market will remain that way. Our experience to date is that prices are holding up to expectations and enquiries for properties are now consistent with pre-COVID levels again.

Our focus on our customers

Another positive for the group this year was the restructuring of our customer services function supported by the implementation of a Microsoft Dynamics system. This was delivered through the first part of our Today's Yorkshire change programme and has allowed us to improve our services to customers. More of our teams are now working agilely and with better access to customer data, which helps them provide a more tailored service to our customers. We will continue to provide services and communicate more effectively with our customers enabling us to target resources to those who need our support the most.

This year also saw the approval of our Craven Customer Charter, the first in a series of Charters based on the National Housing Federation's Together with Tenants framework which aims to strengthen the voice of the customer in our governance.

Health and Safety

Our record on Health and Safety remains strong. We reviewed key health and safety compliance areas earlier in the year and took that opportunity to make improvements to some of our processes.

Fire safety remains an ever-present focus for the sector, Yorkshire Housing included. Fortunately, we do not have any high-rise blocks with cladding, though we do have some leasehold properties and other contractual relationships for a small number of properties with cladding risks. We are working with landlords and local fire authorities to fulfill our obligations to keep our customers and the general public safe. We are continuing to invest in the programme of Type 4 (invasive) fire risk assessments for our highest risk properties this year. This is over and above our regulatory obligations and demonstrates our commitment to safety.

Finance

The financial position of the organisation remains strong. Our growth ambitions will require additional financing and we are in the final stages of securing additional bank funding to extend our development capacity. We are also looking further ahead to fund the remainder of the homes in our growth strategy whilst managing risk and delivering value for money.

The future

Finally, we launched the new corporate strategy In February of 2020. The Board is committed to this strategy despite the change in operating environment. We believe it is the right path for the organisation and is the start of an exciting new chapter for Yorkshire Housing.

Will Lifford
Chair

CHIEF EXECUTIVE'S REPORT:

WELCOME TO OUR ANNUAL REPORT

After what has been my first full year as chief executive of Yorkshire Housing what is clear is that we're well positioned to embrace the opportunities as well as the challenges the next few years will bring.

Covid-19 pandemic

The response from our people to the Coronavirus pandemic has demonstrated the breadth and depth of talent across the business. We have an excellent group of people who have the skills, energy and commitment to transform this business to be one of the most forward-thinking dynamic, and innovative housing associations in the country. This will see us deliver even more new homes as well as providing a great customer service.

The last year has been one of transition. There have been a few bumps in the road along the way but that is to be expected. The scale and pace of change we are delivering is significant. We continue to make significant investment in our three pillars of Finance, ICT and People to ensure the foundations for our future growth are strong and resilient.

This includes overhauling and replacing many of our systems and processes and has resulted in a short term reduction in our operating surplus.

These factors were a significant contributory factor in the governance downgrade we received this year and we continue to make rapid progress in the delivery of these plans which should see us regain our G1 governance rating.

Our vision

The vision of Yorkshire Housing remains the same being that **everyone should have the opportunity to live in a quality home they can afford.** The strategy to deliver on that vision has 5 key themes:

1 GREAT CUSTOMER EXPERIENCE

2 HOMES AND PLACES TO BE PROUD OF

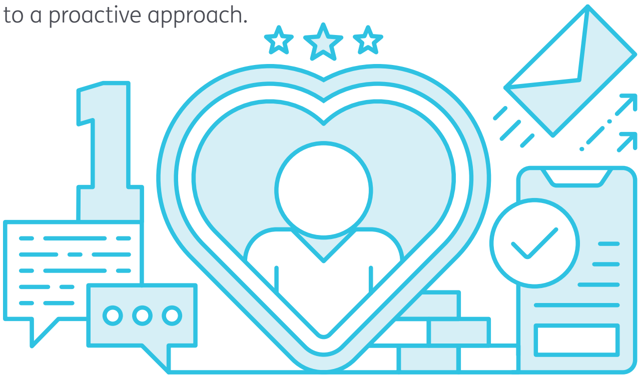
3 GROWTH

4 EMPLOYER OF CHOICE

5 STRONG, RESILIENT AND INNOVATIVE BUSINESS

It is intentional that Great Customer Experience is first on this list. Our customers are at the heart of what we do, they are the reason we exist. We are listening to customers and designing services to meet their expectations.

Technology will underpin our ambitions and we will use data and insight to transform our service offer from a reactive to a proactive approach.



Values and behaviours

Our values and behaviours impact upon everything we do and are an integral part of ensuring we are an employer people choose to work for. We are adopting an innovative approach to transform how we deliver our services which is underpinned by our fully flexible way of working. We were already well advanced along this path, which subsequently paid dividends during the lockdown period with Yorkshire Housing being able to continue operating successfully and delivering services in accordance with the Government guidance.

Technology will also help Yorkshire Housing become more dynamic and, along with a renewed focus on data, will enable the business to be and remain strong and resilient.

Providing homes

At what is widely accepted as being a time of a housing crisis, I am proud that Yorkshire Housing is playing its part in providing a supply of much needed, high quality affordable homes across a range of tenures. We have scaled up our development activity and we currently have 1,342 homes under construction. We're extending our ambition even further to deliver 8,000 new homes by 2030.

8,000 NEW HOMES BY 2030

The future

The one way in which we'll adapt our strategy is to continue some of the innovative approaches we introduced earlier this year. I'm immensely proud of our people and how they have responded during what has been a difficult end to the year.

This has enabled us to have an even stronger focus on the wellbeing of our customers and colleagues, ensuring our resources were targeted to where they were most needed and made a huge difference to the quality of so many people's lives.

I'm looking forward to leading this organisation to achieve the goals set out in our Business Strategy through what we all acknowledge will be challenging but also exciting times ahead.

Nick Atkin
chief executive

STRATEGIC REPORT:

OUR BUSINESS AT A GLANCE

Yorkshire Housing (YH) is one of the largest developing housing associations in Yorkshire. YH owns, manages and builds homes across Yorkshire and works to support sustainable communities.

YH has a broad-reaching portfolio across 20 local authorities throughout Yorkshire and provides over 16,500 homes across a range of tenures. It also supports over a thousand elderly or vulnerable tenants. It is a trusted partner of Homes England, one of just 23 national strategic partners.

The Group’s primary activities are charitable, with further activities provided by a non-charitable subsidiary which rents and sells properties on the open market. All of the profits are reinvested so that we can do even more for our customers.

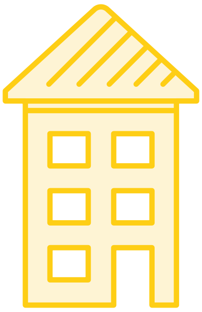
STRATEGIC REPORT:
OBJECTIVES AND PERFORMANCE

Striving to do more: This year Yorkshire Housing set out on a new strategy. We're making a huge difference to the lives of our customers and want to do more. We are revolutionising the way we work - to go from being a good business to a great one.

Our vision

"Everyone should have the opportunity to live in a quality home they can afford" – A safe and secure home provides a solid foundation for everyone. We are more than a landlord and our aim is to improve the quality of people's lives by providing targeted services to meet their needs and support their ambitions. As we grow and expand our development programme we want to become Yorkshire's first choice for anyone looking to rent or buy their home.

EVERYONE SHOULD HAVE THE OPPORTUNITY TO LIVE IN A QUALITY HOME THEY CAN AFFORD



Our strategy and objectives

The new strategy builds on what went before and supersedes the "growth and transformation" plan that was previously in place. The new strategy outlines our five strategic priorities in delivering our vision. It sets targets against each of those strategic priorities as follows:

1. Great Customer Experience - *We will listen to customers, design services to meet their expectations and provide targeted support where needed. We will use data and insight to help us take a proactive approach to delivering services.*

Success measures:

- Customer satisfaction of 90% in 2021 (current 88%)
- 24/7/365 self service offer by December 2020
- Services designed and delivered with customers – Establish a Customer Voice and Assurance Committee by October 2020.

Where we are and what's to come:

- We want to be Yorkshire's first choice for people who want to rent or buy a home. They expect an excellent service from us and we want to meet their expectations. To achieve this we will use data, insight and the views of customers to shape our services. We will establish a Customer Voice and Assurance Committee, covering all service areas and customer types enabling customers to scrutinise our service delivery and recommend improvements. This will ensure we put customers at the heart of all we do and deliver a range of services that meet the needs of both current and future customers.

- The change programme Today's Yorkshire is laying the foundations for this. Through it we have restructured the whole of our customer service directorate, closed 5 local offices and enabled agile and mobile working for a number of colleagues working across Yorkshire. We have implemented the first part of a Microsoft Dynamics package to improve the way we deliver services to our customers. This has provided a solid base on which to progress further towards our aim of having one view of the customer and one view of the property.

- By the end of this year we will have implemented a second phase of Microsoft Dynamics covering the remainder of services to customers and delivered a new customer portal enabling customers to self-serve 24/7/365. This will make us easier to do business with and allow those customers who don't need our support to go about their lives simply and on their terms.

- Moving to self-serve will then allow YH to reallocate resources to provide more focused support to those customers who may need additional support for a period of time.

- We will review our service offer for older people, including design of new developments and services currently provided in our independent living schemes. This will include looking at provision of assistive technology to enable more customers to remain independent.

STRATEGIC REPORT:
OBJECTIVES AND PERFORMANCE

2. Homes and Places to be proud of - *We will provide high quality, safe, affordable homes that meet customer expectations and needs. We will reduce our reliance on fossil fuels and be one of the first UK housing associations to stop using gas heating and hot water systems.*

Success measures:

- All our homes meet the Yorkshire Housing standard
- First time fix for repairs of over 90% (current 90%)
- Reduce reliance on fossil fuels by eliminating them from new developments.

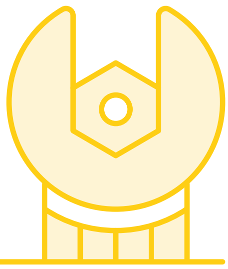
Where we are and what's to come:

- We want to create homes and places, not just provide houses or 'units'. In 2020, 85% of customers were satisfied with their home. 89% of our customers said their rent provided good value for money.

- We will work with customers to develop the Yorkshire Housing Standard. This will go beyond the decent homes standard and include the look, feel and kerb appeal of our homes. We will continue to invest in our homes and build on the significant improvements made in our approach to health, safety and compliance.

- We will end the use of gas in all our new homes in the future and extend this over time to our existing homes. We will reduce our reliance on fossil fuels, promote green technologies and play our part in reducing effects of global warming on homes and places. Plans are being developed on how this will be achieved.

REVIEW
OUR RESPONSIVE REPAIR SERVICE



- We will review our responsive repair service. We want to improve our 'right first time' approach and reduce reactive repairs in favour of planned repairs. This will deliver a better customer experience and improve our efficiency.

- Over the next three years we will invest at least £150m in repairing, maintaining and improving our homes and communities.

3. Growth - *We will deliver 8,000 new homes by 2030. We will provide smarter homes that are more energy efficient, sustainable and affordable to live in. We will renew our focus on social and affordable rented options.*

Success measures:

- 8,000 homes by 2030.

8,000 NEW HOMES BY 2030

Where are we and what's to come:

- We have reset our target to provide an additional 8,000 homes to 2030. The pipeline of 5,000 units to 2026 is supported by the grant funding through our successful Strategic Partnership with Homes England. The remaining 3,000 is aspirational at this stage but we believe there will be opportunities to extend grant funding further to enable YH to deliver on this target.

- This year we have built 553 new homes and have a further 1,342 under construction. We have a growing pipeline of opportunities across the region.

- Covid-19 meant some of our development stopped at the end of the financial year and, when they returned in May and June of 2020, progressed slower than anticipated in the strategy. We believe we can catch up to the target over the next 10 years.

- To fund this will take £1.6bn of investment and at least £200m grant funding received to build 8,000 homes by 2030. We will pursue opportunities to secure long term grant support through strategic partnerships and emerging regional and sub-regional organisations. There will be cross subsidy from the 15% of new homes that will be for market sale and up to 25% for low cost home ownership.

25% OF NEW HOMES FOR LOW COST HOME OWNERSHIP

STRATEGIC REPORT: OBJECTIVES AND PERFORMANCE

4. Employer of Choice – *We will develop a reputation as a dynamic and market-leading innovative employer. We'll create an inspirational working culture, invest in our systems and recruit for values and behaviours. Our people will have choices in where, when and how they work, supported by a flexible and personalized employee offer.*

Success measures:

- The right people, in the right roles with the right behaviours.
- High levels of engagement measured through a range of colleague experience and culture surveys
- A workforce stability index of between 75% - 85% (74.9% April 2020)
- Above benchmark performance across other people performance indicators (incl. sickness absence and voluntary turnover).

Where are we and what's to come:

- We have developed and launched a refreshed set of values and behaviours that are real, lived and visible in all that we do. We have also launched a refreshed People and Culture Strategy that sets out our roadmap to 2022.

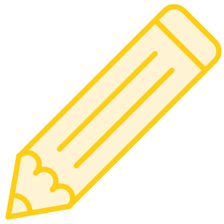
£1.2M ICT INVESTED OVER THE NEXT TWO YEARS

- We have invested significantly in ICT and will increase this to a total £1.2m over the next two years to support flexible and collaborative working. New devices have been rolled out to colleagues, supported by a comprehensive programme of digital fluency training and support.

- We want to make it easy for people to work and develop their careers at Yorkshire Housing, supported by the right leadership, management, learning opportunities, technology and information. We've implemented a self-service HR system that enables managers and colleagues to manage information remotely. This will be followed by a performance management system and process that will enable great quality performance, development and wellbeing conversations and feedback. We're focusing our management development training on the skills that are needed to effectively manage and develop remote and agile teams.

- We have invested in wellbeing at work to enable people to give their best and stay healthy and focused. All colleagues have access to a range of wellness and wellbeing support tools and training, and a colleague wellbeing group has been established to further develop our offer in this area.

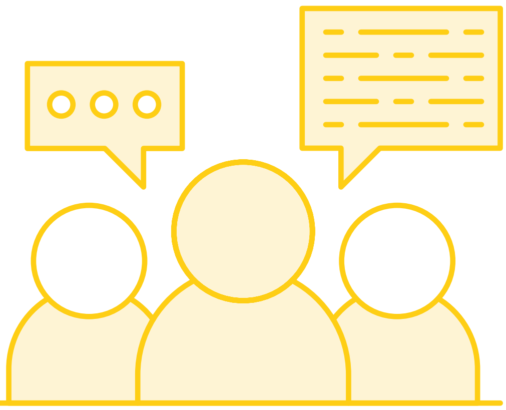
13 NEW APPRENTICESHIPS PLANNED 2020-21



- We will offer opportunities for personal growth and career development both inside and outside Yorkshire Housing. We are working on plans to develop organisational capability now and for the future and we've invested in the skills and structure of our People Team and ICT Teams to support this. Our learning and development (L&D) offer is growing and enables more opportunities for colleagues to access high quality live learning remotely. We will continue to support apprenticeships with 13 new apprenticeships planned between September 2020 and September 2021.

- We will recruit for attitude and skills, placing a strong emphasis on candidates demonstrating the right behaviours. We're also redesigning our recruitment and onboarding services to give candidates and new joiners a brilliant experience throughout.

- We're developing new measures of colleague experience and engagement with detailed analytics to manager level. This will enable targeted action/resolution and cross-sector benchmarking of our performance. level. This will enable targeted action/resolution and cross-sector benchmarking of our performance.



STRATEGIC REPORT: OBJECTIVES AND PERFORMANCE

5. Strong, Resilient & Innovative Business -
We will invest in the three business foundation pillars of Finance, ICT and People. We will influence policy and be a leading-edge organisation that others want to work with. We will be Yorkshire in name and nature, with a sustained focus on value for money.

Success measures:

- Invest in the pillars of finance, ICT and people
- Be well governed
- Lead not follow

Where we are and what's to come:

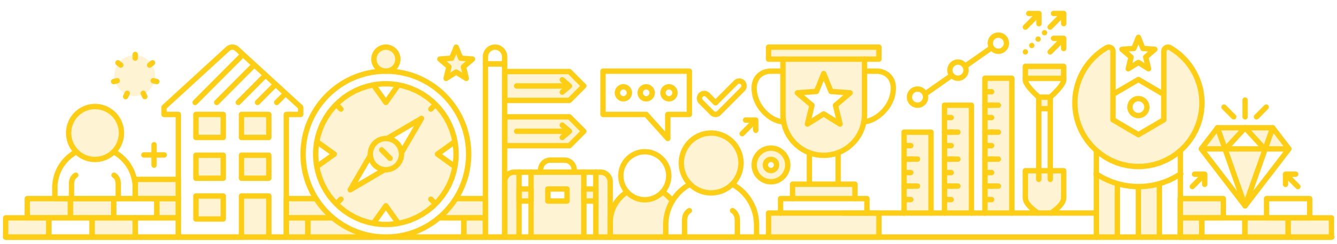
- Yorkshire Housing has invested in growth and transformation of the customer facing parts of the business. This was a conscious choice to focus on the customer and potential customers to meet the growing need for quality homes people can afford.

- This investment has not been replicated in those support services of finance, IT and people and YH is therefore moving focus to ensure these areas catch up. The governance downgrade to G2 was partly as a result in these areas of the business not having had that investment.

- We have completed a governance review, which is a key step towards returning to G1. A number of other improvements have been made to our processes to achieve this. The investment in the three pillars and a focus on better control and use of our data will mean Yorkshire Housing is well placed to build a stronger more resilient business from here.

- Yorkshire Housing will also look to take a bigger leading role in the sector. Rather than waiting for things to happen and responding to them, we need build on our reputation to influence housing policy at a local, regional and national level by leading and not just following others.

- We will sustain a focus on value for money by maintaining an appropriate operating margin to support our business plan aspirations.



STRATEGIC REPORT:
ENVIRONMENT, TRENDS AND FUTURE OUTLOOK

The economy and Covid-19

There is more uncertainty about the economy than in recent history due to the effects of COVID-19 and related lockdown. The UK economy shrank 20% in April 2020, the largest contraction since records began. The timing and shape of a recovery remains unclear. There are a wide range of potential outcomes and organisations like Yorkshire Housing need to plan for a range of eventualities.

Current macroeconomic conditions have wide implications for Yorkshire Housing. Yorkshire Housing is exposed to housing market fluctuations with approximately 15% of the development programme being open market sales through the commercial subsidiary Yorkshire Housing Residential. In addition, Shared Ownership makes up approximately 25% of the programme and therefore YH's income is sensitive on that front also, particularly on first tranche sales.

The recoverability of income is also impacted by recent events. Our tenant base is split between private payers (65%, including 24% of pension age), those on universal credit (19%) and those on Housing Benefit (16%). Our arrears levels were at 1.7% at the year-end but have increased thereafter as people in our homes have lost income (to 2.0% at the end of June 2020). Arrears levels for private payers, self-employed and those on universal credit have been particularly affected. This is expected to increase further but at a much slower pace for the rest of the year. We also saw an increase in the number of our tenants applying for universal credit early in the lockdown period. YH is supporting our customers throughout this challenging time as detailed later in this section.

Our scenario testing shows that the Group can remain resilient despite these economic pressures. The baseline business plan retains similar overall cashflows due to delayed development and investment spend offsetting the delayed income and increased arrears. The commercial subsidiary Yorkshire Housing residential is more sensitive to changes in the housing market but there are a range of mitigations open to it including slowing development spend and switching tenures of properties within the Group.

Brexit

Brexit has receded from headlines in recent times but the government is continuing to press ahead with plans to leave the EU. Britain is now in the transitional period and therefore hasn't yet felt the full effects of Brexit. It is still unclear what Brexit is with the potential for changes to the deal or for the UK to leave without a deal. Leaving the EU remains a risk for YH due to the impact on the wider economy and the housing market. There remain concerns also about the impact on certain materials for development and investment in existing homes, many of which are sourced from overseas.

Again the scenario testing shows YH is well placed to deal with both a deal or no-deal Brexit. Lending covenants have covenants at exiting use value or market value subject to tenancy, which are less volatile than open market value. YH has also assessed operational implications such as supply chains and has flexibility in contracts to source materials from a number of sources should the need arise.

The housing market

COVID-19 and its economic aftershock dominate influences on the housing market. Forecasts have varied over the last few months and still do show a range of possibilities.

Rather than house prices, it is liquidity in the housing market that has the biggest impact on the YH Group business model, particularly where sales slow but development doesn't. Through late March, April and May of this year sales slowed to a trickle but so did the development spend. In this scenario there is very little impact on YH liquidity and business plan. There has been positive signs of recovery since, suggesting that demand had remained strong and has only been stifled because of the restrictions on being physically able to buy and sell properties. Enquiries have returned to and even exceeded pre-COVID levels by June 2020.

Prices clearly do have an impact on YH Group performance and the effectiveness of the business model. Recent forecasts again have been variable and some have predicted up to 10% falls in values nationally. This has not been witnessed at YH and our modelling tends to use conservative pricing such that there is additional headroom should prices fall. Other forecasts have suggested that prices will hold firm in the short to medium term before increasing again.

Where the economics of the sales units on a particular scheme worsen, YH has the opportunity to change our approach by changing tenures, we also have the options to pause or shelve uncommitted schemes and have extra borrowing capacity should we need it. Changing tenures from sales to rent does have an impact of reducing overall development capacity because returns on rental tenures are over a significantly longer period of time.

A fall in house prices also impacts on some of our banking covenants (where there is an asset cover requirement). Our portfolio is secured on an existing use value or at market value subject to tenancy, both of which are less volatile than open market value. This provides some buffer as does the headroom on cover on each facility. This is also one of the considerations during stress testing of our business plan. Our broader stress testing has focused on these scenarios in combination with other downside factors and these have been updated for COVID implications. This, along with our mitigations, is covered more in the risk section.

STRATEGIC REPORT:
ENVIRONMENT, TRENDS AND FUTURE OUTLOOK

Rents and inflation

The sector has been subject to the 1% rent cut for the last 4 years with the year ended 31st March 2020 being the last. Housing associations like ours now have the ability to move social rents back to an inflation linked measure of up to CPI plus 1%. Yorkshire Housing has opted to apply the full uplift this year to reflect that costs have been increasing over the rent cut period and the business plan requires surplus generation to invest in new and existing homes. This decision was not taken lightly and the Board believes this balances the need to offer affordable housing whilst maintaining quality and boosting supply.

Since September 2019 (when CPI was 1.7% and rents were set) CPI has reduced further and predictions are that it will remain at between current levels and 2%. On the face of it this is good for Yorkshire Housing because income and costs should align more than they have through the rent cut period. However, there are other factors at play specific to our sector and business. Wages have increased this year above CPI and we are expecting some other pricing pressure on developments as these have been progressing slower than in pre-COVID times. The risks around Brexit also add to pricing uncertainty particularly on the goods we buy from overseas.

OUTSOURCED REPAIRS AND MAINTENANCE A MAJOR COST FOR US

Another major cost for us is for outsourced repairs and maintenance. Although we do have an internal direct labour organisation, we use contractors for particular works and/or geographical locations. These costs have increased above inflation this year, which is expected to put pressure on surpluses in the short term. We continue working closely with suppliers and also looking at where we can expand our direct labour organisation (DLO). The Today's Yorkshire (TY) programme is also due to deliver further cost savings but these are not expected to be fully realised until the year ending 31 March 2022.

Capital and interest rates

Confidence in the economy has receded and some of the major banks are reducing lending particularly to new customers. The sector remains well regarded but is not immune from these pressures. Access to capital markets remains more positive with a range of financing options open to us and the broader sector. The cost of borrowing remains low as the sector generally is seen as a low risk return for investors. YH is expecting to seek additional financing to fund further growth. Our exposure to interest rate risk is relatively low with 83% of our borrowing being on a fixed rate at 31 March 2020.

We expect to need additional facilities in place from January 2021 and are well progressed in discussions with funders to do just that. The new funding is expected to be in the form of a further revolving credit facility to provide liquidity without requiring the cash straight away.

YH, like other UK borrowers, is also planning moving the loan portfolio from LIBOR to SONIA linked as LIBOR ceases in its use from the end of 2021. Although an administrative exercise to change these it is not expected to materially impact the cost of borrowing or risk exposure.

At present Homes England has not changed the timescales that apply to the strategic partnership programme. We expect, like others in the sector, to have ongoing dialogue with them and to revise timescales to reflect market conditions.

Tenant safety

The Government's building safety programme has progressed in recent months with various updates for building owners on building coverings such as aluminium composite material (ACM) and high pressure laminates (HPL) and fire doors (types and checking). In addition, the new Building Safety Regulator came into being during January 2020 through the Health and Safety Executive (HSE). There will be a growing requirement on building owners to strengthen how they manage and control higher risk residential buildings, communicate with residents and record and store building safety information.

YH is fortunate to not own any high rise properties with ACM/HPL type cladding. We do, however, have leasehold and other contractual arrangements for a small number of units in blocks owned by others. Yorkshire Housing is treating each one individually depending on the specific circumstances with the ultimate goal of keeping people safe. The health and safety of our customers and staff is not about reacting to events or compliance with regulation. It is part of our core values, is a top priority and we are always looking at ways we can improve in this area. There is further information in the Health and Safety section of the Governance and Compliance report.

STRATEGIC REPORT: ENVIRONMENT, TRENDS AND FUTURE OUTLOOK

Our role in society

The sector has a huge role to play in the post COVID economic recovery and YH is already committed to building homes, which aside from the obvious, also creates jobs and encourages our communities to thrive.

BUILDING HOMES AND CREATING THRIVING COMMUNITIES

Yorkshire Housing was also a pioneering early adopter of the Together with Tenants initiative launched by the NHF. We chose to pilot this work in the established area of Craven, with Skipton at its centre, where there was already a residents' panel keen to review their approach and ensure meaningful engagement.

An initial charter was developed with a sub-group and sent out to all residents in the area for feedback before being presented to the panel for approval.

CRAVEN STANDARD CREATED WITH RESIDENTS

The key commitments of the charter centre around relationships, communication, voice and influence, accountability, quality and when things go wrong. We have also developed a local Craven Standard and a structure that will allow us to review and scrutinise our performance in this area and report back to our board. The next challenge is to embed this approach across all our other areas.

Yorkshire Housing has always had a focus on the wellbeing of our tenants and communities and this continues including our ceaseless work on safeguarding and also support for sufferers of domestic abuse. The latter has involved making vacant properties available to customers who need alternative accommodation because of abuse.

Universal credit

As stated earlier, the number of our tenants in receipt of UC has increased to 19% at 31st March 2020. Arrears for these tenants remain higher than the overall arrears rate at 2.7% (compared to 1.5% from non-UC payers). Performance remains strong comparatively with peers.

We have changed the way our services are delivered and now have Money Coaches and Tenancy Coaches. These recently designed teams are there to support our customers on money matters and on sustaining tenancies respectively. Their services are targeted at those who need our support the most.

Future developments

The new strategy announced to staff in February remains in place largely unaffected by the COVID-19 pandemic except for a few minor adjustments. YH will continue to focus on housing supply. We'll continue to work towards the revised target of 8,000 homes to 2030. In the short to medium term we will continue to build the 1,300 additional homes through our Strategic Partnership with Homes England. Development is expected to be slower than when the new strategy was announced as our development partners comply with social distancing rules. The pace is expected to quicken as these recede. Should there be another spike in the virus our plans will need to be revised again.

The growth will be funded through a combination of cash from sales of properties, surplus generated from operations, grant and additional borrowing. The 5,000 homes to 2026 is supported by the grant funding through our successful Strategic Partnership with Homes England. The additional 3,000 remains aspirational at this stage and dependent on future economic circumstances.

The business will continue to evolve and build on recent improvements. There will continue to be investment in the three pillars of IT, Finance and People as we look to make the most of technology and data.

Finally, we will be investing to reduce our impact on the environment and recognize the important role we have to play in a low carbon future.

INVESTING TO REDUCE OUR IMPACT ON THE ENVIRONMENT

STRATEGIC REPORT: OUR FINANCIAL PERFORMANCE

Our financial performance

The surplus before other comprehensive income was £10m (2019: £18.0m) with total comprehensive income for the group being £17m (2019: £11m) after adjustments in respect of pension schemes. During the year the group turnover has remained broadly in line with the previous year with a slight increase to £116m (2019: 113m).

Underlying operating margin has decreased to 22% (2019: 29%). This calculation excludes any surplus on the disposal of fixed assets to simplify comparison with others in the sector. The fall in operating margin reflects two main factors, a reduction in margin on sales of homes and an increase in costs more generally.

The reduction in margin on sales and first tranche shared ownership is mainly due to the change in profitability of schemes sold in different years. This is due to the range of investments YH has made that offer different margins depending on local market conditions. In 2019 the Lairds Way scheme was particularly profitable for YH for instance. This is not indicative of falling prices or the market generally. In addition to this YH spent £0.6m on marketing and related costs related to sales expected to occur in the year ending 31st March 2021 (and accounting rules determine these must be expensed as incurred rather than matched to the sales they generate). A number of sales (11) were also deferred into the next financial year due to COVID-19.

In terms of costs, the first reason for the increase is the conscious decision to invest in our business through TY, in our three strategic pillars of Finance, IT and People and in tenant safety. The second is where we have experienced external recurring or one-off cost pressures particularly in our property services team. There are other smaller contributory factors including the loss of the Help to Buy contract in February 2020 and a one-off income received in relation to the PFI contract in the prior year of £0.7m.

There were £2.3m of costs charged to the statement of comprehensive income this year for the TY change programme as we reorganised our customer services directorate and invested in systems and training on those systems (plus a £5.2m capital investment). This will continue into the financial year ending 31st March 2021 when the programme will conclude. There was also an additional £1m spent on our corporate teams in the year compared to the year prior. This reflects the start of investment in those areas.

We've recruited new people and also invested in IT to assist the move to agile working. In terms of tenant safety we spent approximately £1.4m more than in our original budget on a combination of fixed wire testing (where we increased the frequency of testing), asbestos and fire safety, and the latter as a result of the works in response to our Type 4 fire risk assessment programme. These costs are all investing in the future of our business or in the wellbeing of our tenants.

In property services in particular we have witnessed an increase in costs this year. There were two particular one-off costs of £1.1m for roofing works at a scheme in Pellon, where the elevated setting of the building meant exposure to the elements required additional works to make it safe and another £0.4 of dilapidation costs at one scheme we exited this year. Neither will be repeated in future years. To a lesser extent there were also some one-off costs in one of the market rental schemes in Sheffield.

£17M
COMPREHENSIVE INCOME FOR GROUP

£10M
GROUP SURPLUS FOR 2019-20

£116M
GROUP TURNOVER DURING 2019-20

£1.4M
MORE SPENT ON TENANT SAFETY

STRATEGIC REPORT:
OUR FINANCIAL PERFORMANCE

The majority of the operating surplus comes from our core business which is the rental of low-cost social housing.

In the table below the "non-social housing activity" includes:

- Sales of properties that were specifically built for sale on the open market,
- "Help to Buy" services delivered on behalf of the government, a contract which finished in December 2019; and,
- Facilities management services (repairs and environmental work) provided to homes on the Swarcliffe estate in Leeds under a PFI contract.

Yorkshire Housing Residential (YHR), the group's commercial arm continues to generate a healthy surplus across all of its business streams of £3.0m (2019: £4.7m) prior to gift aiding surpluses to the parent, which provides important support to our new homes development programme. The operating surplus of YHR has also decreased to 28.9% (2019: 40.8%) because of the particularly high margin achieved on the sales in the prior year coupled with additional marketing spend and the aforementioned costs at the scheme in Sheffield.

There was also a £7m actuarial gain in respect of the SHPS pension scheme taken through other comprehensive income in the year. This was largely due to the performance of corporate bond yields and changes to expectations of future price inflation at as 31st March 2020 compared to the prior year.

The group's balance sheet remains strong with net assets of £234m (2019: £217m.) Ongoing investment in properties has continued in line with the ambitious growth program as show in the increase in net book value of housing properties of £70m (7.6%).

The group's statement of financial position also includes the group's investment in Yorkshire Housing Transformation Holdings Ltd (YTHL) and Forge New Homes LLP. The PFI contract between YTHL and Leeds City Council is for facilities management and improvement of 1,566 homes (2019: 1,325) on the Swarcliffe Estate. Forge New Homes is a joint venture with other Housing Associations for the development of homes in the Sheffield City Region. At 31st March 2020 the investment in Forge New Homes was £60k.

Group turnover and operating surplus by activity

	Turnover		Operating surplus	
Activity (£m)	**2020**	**2019**	**2020**	**2019**
General needs	76	76	20	25
Housing for older people	5	5	(1)	-
Supported housing and care homes	2	3	-	-
Shared ownership	2	1	1	1
Total from lettings	**85**	**85**	**20**	**26**
Non Letting – other social housing activity	15	10	3	2
Non-social housing activity	16	18	3	5
Valuation changes		-	-	1
Sale of fixed assets	-	-	1	1
Total	**116**	**113**	**27**	**35**

STRATEGIC REPORT: OUR FINANCIAL PERFORMANCE

Cashflow and financing

Cash inflows and outflows are set out in the consolidated cash flow statement. The major cash outflow remains the acquisition and construction of new housing properties of £91m in line with our increased development program. This was funded by £15m of grants, £28m generated from operating activities, property asset sales of £6m and the remainder from additional borrowing.

The group has detailed budgets in place as well as short and long-term cash flow projections which demonstrate that both current liquidity and long-term viability are assured. Loan funding facilities are available to cover cash requirements over the next two years. This continues to be closely monitored by the board.

The group funds its operations through a combination of retained earnings, grants, and both long term and short term facilities. Cash flow is monitored in both the short and the long term so that sufficient liquidity is maintained in line with our treasury policy to ensure obligations can be met as they fall due. Excess cash is invested in short term accounts managed by the large UK banks.

The loan portfolio is regularly reviewed by the director of finance and the board, who monitor covenant compliance and the cost of funds. At the end of the year, total borrowings were £568m (2019: £451m). In the year there was a bank loan drawdown of £60m as well as a bond issue of £60m (plus a premium on issue of £15m) through Yorkshire Housing Finance Plc. Therefore £200m (2019: £140m) of the borrowings are in publicly listed bonds; with the remainder borrowed from banks in the UK. All of the borrowings are in sterling.

The group is obliged by its funders to meet a series of loan covenants relating to asset values (asset cover), surpluses (interest cover) and total amount of debt (gearing). All loan covenants were met at the year end and are continuously reviewed.

In respect of bank loans, the group manages interest rate risk through the use of embedded fixed rates within its facilities, the terms of which permit all such loans to be classified as “basic” financial instruments under FRS102. At 31 March 2020 the group had no stand-alone swap arrangements.

The treasury strategy and policy is set by the board, which includes a “normal” target of between 70% and 90% of borrowings at fixed rates of interest. This now stands at 83%. Since interest rates have been at a historic lows, the board believes that fixing rates has been a prudent approach, given the long term nature of the group’s assets. With the introduction of the new YH strategy both the treasury strategy and related policy are being reviewed.

The repayment profile of the debt at the year-end is shown in note 25.

Credit rating

The association has a credit rating of A3 from Moody’s based on a number of credit strengths including a stable income stream and consistent profitability, moderate and stable debt and a simple corporate structure. Risks come from the increased development programme as well as the proportion of properties sold in the open market or on a shared ownership basis. This is particularly the case with uncertainty in the housing market and economy more generally. Other risks include reduced margins as we invest in the future of the business and from potential government policy changes. The social housing sector relies on potential government support in the case of any financial difficulty which is reflected on all credit ratings issued to housing associations.

£91M
OUTFLOW ON CONSTRUCTION OF NEW HOUSING

£568M
TOTAL BORROWINGS DURING 2019-20

£60M
BOND THROUGH YORKSHIRE HOUSING FINANCE PLC

A3
CREDIT RATING FROM MOODY’S

STRATEGIC REPORT: OUR FINANCIAL PERFORMANCE

Five year performance

The group's five year performance shows the asset base increasing as we continue to develop homes and grow the business. The income and expenditure account has been adversely impacted by sales margins, significant ongoing investment in the future of the business and a number of one-off costs. The impact of COVID-19 has also been felt in the final month of the year impacting house sales.

The group's five year financial and operational performance

	2020	2019	2018	2017	2016
Income and expenditure account (£m)					
Total turnover	116	113	101	101	96
Operating surplus	27	35	33	41	28
Surplus for the year transferred to reserves	17	11	16	19	14
Statement of financial position (£m)					
Fixed assets	962	884	849	827	805
Net current (liabilities)/assets	139	69	91	(4)	(8)
Total assets less current liabilities	**1,101**	**953**	**940**	**823**	**797**
Long term loans	559	448	451	352	341
Social housing grant	290	279	282	282	284
Other creditors	18	9	1	1	3
Revaluation reserve	29	29	29	29	29
Revenue reserve	205	188	177	159	140
Group funds	**1,101**	**953**	**940**	**823**	**797**
Cash flow (£m)					
Net cash inflow from operating activities	22	25	28	39	39
Returns on investment and servicing of finance	(20)	(19)	(18)	(16)	(17)
Capital expenditure					
New homes (net of grant)	(62)	(40)	(26)	(29)	(35)
Existing homes improvements	(13)	(11)	(14)	(14)	(14)
Sales of homes	6	8	9	12	9
Other fixed assets	(6)	(1)	(1)	(1)	
	(73)	(37)	(22)	(9)	(18)
New loans (net of repayments)	133	(1)	102	12	(1)
Increase/(decrease) in cash and deposits	**60**	**(38)**	**80**	**3**	**(19)**

STRATEGIC REPORT: VALUE FOR MONEY

Value for money

Yorkshire Housing has a vision that "Everyone should have the opportunity to live in a quality home they can afford". The strategy for achieving that vision is set out above. The strategy goes beyond quality homes and looks at how we serve customers and keep them safe, and how we grow the business to provide our services to more people who need them. It covers how YH will lead the way in the sector through innovation and continue to do so through having a strong resilient business. The growth agenda is the most pertinent from a value perspective. It is capital intensive and YH is investing vast sums of money in new homes. The YH business model requires sales in the open market or through shared ownership to subsidise the grant received for social and affordable rented homes. In our region and in our communities these grant levels are often not enough to make rental tenures economically viable on their own.

The development programme requires significant funding (and therefore gearing) to sustain and also comes with significant costs of borrowing, reducing interest cover in the short to medium term. The sales to open market and 1st tranche shared ownership sales often have a lower overall operating margin than that from rental income but offer a quick return on investment to build more rented homes which remains the core offering.

This is a key reason the Board decided to drop the previous operating margin target (previously set as 35%). It was incompatible with the growth ambitions and also the investment needed in the future of the business.

In addition to investing in new homes, through our Homes and Places to be Proud of strategic priority, we are also improving existing stock through investment in maintenance and health and safety.

Finally, the investment in technology underpins the changes we are making to improve Customer Experience, being Employer of Choice and to enable the priority of being a Strong, Resilient and Innovative Business. This investment in technology will deliver value to customers, to staff and through maintaining the viability of the organisation for long into the future.

This means significant investment but investment for a purpose. Our strategic priorities remain underpinned by the aim of delivering value for stakeholders, whether they be our customers, the government, local authorities, or others in our communities.

The strategic priorities have been combined into two categories, those considering investment in new or existing homes or those looking at investing in our customers, people and future of the business. These have been considered in turn from a VfM perspective below.

Yorkshire Housing has increased the targets for growth to 8,000 homes to 2030. This expands on the 6,000 homes in the previous plan. In the year ended 31st March 2020 we increased development to work towards this target. We completed 553 homes in the year and had a further 1,342 under construction as at 31 March 2020.

In order to fund this development Yorkshire Housing drew down an additional £65m of bank funding and sold the remaining £60m of the retained bond. The latter attracting £75m of cash investment including the premium on issue. This funding increased capacity and liquidity but also increased the cost of borrowing.

Growth and homes and places to be proud of:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2020 Actual	YH2019 Actual	Benchmark 2019 Median
Yes	New supply of social housing delivered	3.00%	3.1%	1.60%	1.38%
Yes	New supply of non-social housing delivered	0.30%	0.2%	0.17%	0.02%
Yes	Gearing	48%	50%	47%	46%
Yes	Reinvestment in new and existing homes	11.1%	9.9%	6.7%	6.6%
Yes	EBITDA MRI interest cover	187%	120 %	178%	169%

STRATEGIC REPORT: VALUE FOR MONEY

The gearing ratio increased as a result, despite the additional housing assets it has funded. This is in line with expectations and in line with the business plan. The gearing measure is expected to increase further next year as growth continues and YH continues to utilise cash reserves. YH has increased borrowing since 31st March 2020 through an additional revolving credit facility (RCF) but does not expect this to impact gearing in the year ended 31st March 2021 because it is expected to remain undrawn within that time.

This borrowing has helped YH increase both the new supply of social and non-social housing delivered. Non-social supply is delivered through the Yorkshire Housing Residential commercial subsidiary and is solely used to generate returns to fund further social supply. The supply of social housing is broadly in line with our current targets and we expect to do even more in the year ended 31st March 2021.

The additional borrowing in the year had a negative impact on EBITDA MRI interest cover. The new borrowing added approximately £1.2m to interest costs (before capitalisation). The reduction in operating surplus also had an impact and has been considered further below. Capitalised investment works were also £2.6m higher than in the prior year contributing further to the decrease. EBITDA MRI is expected to return to more normal levels next year.

To ensure value for money is achieved through our developments there are strict development appraisal parameters and hurdles to ensure that new homes add a positive value to the group's finances. These hurdles and assumptions were reviewed by the Board in 2019 to make sure they are reflective of our current operating environment and ambition.

The tenure mix of our schemes is balanced to meet our strategic objectives in the most effective way. Our development programme is designed to maximise returns from any open market sales in order to fund the range of social and affordable tenures that is at the core of our offering, all whilst creating thriving sustainable communities.

With this growth and the expansion of other tenures including open market sale comes additional risk. The board manages this through its risk appetite, setting of the New Homes strategy, oversight of investment appraisals and performance monitoring.

Modelling of the 30 year business plan has been used to clarify that there is financial capacity. Stress testing is also a key tool used by the board to manage our development risk and ensuring there are appropriate mitigations available should the external environment change.

The pace of new delivery and reinvestment are particularly susceptible to changes in the economy and housing market and to any further restrictions should COVID-19 re-emerge. These could impact EBITDA MRI predictions further still should interest rates rise and/or recoverability of receivables suffer.

The board acknowledges this risk, has modelled various downside scenarios and mitigations including slowing the pace of growth to maintain viability.

Investment in our customers, communities and the future of our business:

Metric set by the regulator?	VFM metric	YH2020 Target	YH2020 Actual	YH2019 Actual	Benchmark 2019 Median
No	Customer satisfaction	90%	89%	89%	N/A
No	Employee engagement	85%	N/A*	79%	N/A
Yes	Operating margin (overall)	29.3%	21.7%	29.1%	24.9%
Yes	Operating margin (social housing)	29.7%	23.0%	29.3%	28.7%
Yes	Headline social housing cost per unit	3,601	3,672	3,342	3,433
Yes	ROCE[4]	3.8%	2.4%	3.6%	4.0%

STRATEGIC REPORT: VALUE FOR MONEY

Customer satisfaction levels are only marginally behind our target at present. The measure above is for March 2020 and is a point in time and has averaged between 85% and 90% for most of the year. This is in line with our historical performance over the last 2 years. It is a measure we are focused on improving. The TY programme will make it easier for our staff to deliver services well first time and is designed to improve the customer satisfaction further.

CUSTOMER SATISFACTION LEVELS ARE ONLY MARGINALLY BEHIND OUR TARGET AT PRESENT

There was a £2.3m charge to the statement of comprehensive income for the TY programme this year. This has led to the introduction, in March 2020, of a Microsoft Dynamics based customer relationship management system to aid better and more streamlined customer services. Accompanying this was the restructure of our whole Customer Services team so it is now better set up to meet customer needs. This was implemented too late in the year to influence the satisfaction score for March.

The upgrade to our technology will ensure our colleagues have the tools with which to perform their roles more efficiently. Removing system frustration will help reduce operating costs in the longer term. There are further elements of the TY programme still to come in the year ended 31st March 2021 and it lays the foundation for further technological and data led improvements in the future.

Despite this investment in TY it is not the driver of changes in cost per unit or operating margin. Charges through the Statement of Comprehensive Income were £1m less than in the previous year. Investment in IT, Finance and People meant that overall management costs (which include a significant allocation of this investment) for the year were comparable with the previous year.

The key driver in deterioration of cost per unit and a significant factor in the operating margin was the increase in repairs and maintenance costs. Yorkshire Housing consciously decided to invest an extra £1.9m this year on tenant safety measures. This was on a combination of fixed wire testing, asbestos and fire safety. Despite this having a negative impact on metrics we believe it demonstrates value to our tenants. On top of this there was an additional £0.3m in our investment programme through the timing of works required to keep our homes up to the required standard. Through this investment we are making sure we keep people safe and is a good use of resources.

Less positive are the other increases in repairs and maintenance costs. There were £1.5m of one-off costs this year to replace roofing at a scheme in an elevated and exposed part of Yorkshire and to pay dilapidations on a property we vacated during the year. These were not budgeted but we have analysed our housing portfolio and do not anticipate any similar costs will be repeated. These two costs had a significant downside impact on the VFM metrics noted above. These repair and maintenance costs also impacted the margin. A more significant factor still was the margin achieved in respective years on sales of homes.

The margin on sales and first tranche shared ownership was impacted by the change in profitability of schemes. In 2019 the Lairds Way scheme was particularly profitable for YH for instance. Margins for open market sales and first tranche shared ownership were 13% and 20% respectively this year. In comparison to 24% and 26% in the prior year. As part of this YH spent £0.6m on marketing and costs related to sales expected to occur in the year ending 31st March 2021. The remainder is a reflection of the changing economics of underlying schemes. The sales values achieved were consistent with the original investment appraisals. A number of sales (11) were also deferred into the next financial year due to COVID-19 which impacted the results.

Operating margin, costs per unit and ROCE are all expected (and budgeted) to improve for the year ended 31st March 2021. The end to rent cuts and return to CPI linked rental increases will help support this. As for the growth agenda noted above, COVID-19, and a deterioration in the economy and housing market mean there are risks around these forecasts. Income from the sale of homes, recovery of accounts receivable and operating costs are all sensitive to these external factors. Despite this, our forecast operating surpluses are expected to grow further beyond next year increasing to £16m by 2022/23.

* There is no measure for employee engagement at 31st March 2020 because we are in the process of developing new measures of colleague experience and engagement. This will enable targeted action/resolution and cross-sector benchmarking of our performance.

STRATEGIC REPORT:
RISK MANAGEMENT

Our approach to risk management

The delivery of our strategic priorities and the sustainable growth of our business, is dependent on effective risk management. It also helps us to deliver our operations in a socially responsible manner. We regularly face business uncertainties and our structured approach to risk management helps us to mitigate key risks and embrace opportunities when they arise.

As with any business, risks and uncertainties are inherent in our business activities. These risks may have a financial, legal, operational or reputational impact. The operating environment for social housing providers, which is shaped by Government policy and budget announcements, remains challenging.

The Risk and Assurance Committee (now Group Business Assurance Committee) on behalf of the Board, provides oversight and challenge over our risk management framework including strategic risks, internal controls and actions to mitigate risk. An external Governance Review and the Regulator's In-Depth Assessment highlighted several themes for Yorkshire Housing to address to strengthen its governance arrangements. The Board set up a Governance Task and Finish Group to direct and oversee the response to the detailed findings and recommendations. The Group consisted of Board Members and the Governance Review Report consultant.

We encourage our employees to consider risks within everything we do. We ensure that risk management is considered at all levels, through implementation of our business plan, transformation projects and operationally. The more risk aware we are, the more effective we can be at mitigating significant risks before they crystallise.

During the year, the Regulator of Social Housing ('RSH') undertook a regulatory 'In Depth Assessment' which highlighted several areas where improvements can be made to our risk management arrangements. Key actions are being addressed through a 'Post-IDA Improvement Action Plan' and a 'Risk Management Improvement Plan'. In addition, we have undertaken gap analysis of our principal risks against the RSH Sector Risk profile 2019 to ensure comprehensive risk identification. We remain committed to improving and embedding a mature risk culture that helps us to grow and become a more sustainable and resilient business. Delivery of our risk improvement plans and consolidation of our risk management framework will help us to better manage our risks, secure the right opportunities and deliver sustainable strategic priorities.

The Board is accountable for effective risk management, agreeing the principal risks facing our business and ensuring they are managed effectively. The Board also has responsibility for defining our risk appetite (i.e. the amount of risk we are willing to take in pursuit of achieving our strategic priorities). In 2019/20, our risk appetite was defined as follows:

	Risk appetite				
	Averse	**Cautious**	**Balanced**	**Open**	**Hungry**
Risk type			Legal Operational	Financial Reputational	

Risk appetite is used by the Board when assessing decisions and whether they are appropriate for the organisation. It is also used by Board and Committees when assessing the risks of the organisation and whether management is managing risk to an appropriate level. "Balanced" refers to a risk appetite comparable with the majority of other similar organisations. "Open" recognizes an appetite to accept some additional risk where there is reason to do so. An example being accepting some financial risk in delivering on the ambitious growth plans.

ENCOURAGE OUR EMPLOYEES TO CONSIDER RISKS IN ALL THEY DO

THE MORE RISK AWARE WE ARE, THE MORE EFFECTIVE WE CAN BE

STRATEGIC REPORT: RISK MANAGEMENT

Our approach to risk management (continued)

On 23 March 2020, the Government placed the UK in lockdown as a result of the coronavirus (COVID-19) pandemic. Linked to our risk improvement work, we have undertaken a comprehensive review of risks facing the business as a result of the pandemic and key mitigations have been identified. We will continue to monitor these risks during the year ending 31st March 2021.

Our risk management arrangements are intended to mitigate and reduce risk to the lowest extent possible but cannot eliminate all the risks we face. The risk management processes provide reasonable but not absolute assurance against material misstatement or loss.

Going Concern

The group's business activities, its current financial position and factors likely to affect its future development are set out in the report from the board. The group has secured long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. Through additional financing in the year, the group has amassed significant cash balances of £111m at 31st March 2020. Furthermore, additional funding through a revolving credit facility is expected to be agreed in the near future to increase liquidity further.

The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Prior to COVID-19 Yorkshire Housing performed extensive stress testing including covering a hard Brexit and using the Bank of England's stress test scenarios for potential reductions in house prices over an extended period. It also covered a combination of downside scenarios and the mitigations available to the Group. The testing demonstrated the Groups ability to manage through the stressed scenarios considered.

The business plan was updated to cover the impact of COVID-19. This included revised estimates for the development and sales activity, which were stopped initially and then returned at a slower pace, reduced income collection due to voids and bad debts and a revised repairs and maintenance profile, with Yorkshire Housing providing an emergency only repairs service during the start of lockdown. The combination of these factors did not have a material impact on the liquidity of the group. Despite the pandemic, which has created additional risk to the Group, the Group has continued to generate surpluses during lockdown and beyond. Sales of homes post lockdown returned with 14 open market and first tranche shared ownership sales in Q1 of the year ending 31st March 2021.

Latest forecasts expect this to recover further to approximately 80% of the original budget for the year ended 31st March 2021 (an improved position on initial lockdown estimates). The loss of income from sales in the year is expected to be largely recovered from savings on costs, particularly on repairs and maintenance. The Group is expected to continue to trade profitably for the foreseeable future.

The updated business plan (post COVID-19) has also been subject to stress testing. This included additional delays to sales, reduced house prices, and increases to voids and bad debts. Although the stressed scenarios would have a significant impact on the business and the ability to grow in the short term, it again demonstrated the Group's ability to manage through a crisis.

The Board has a number of mitigations available to manage risks including reducing investment, stopping or slowing uncommitted development, and switching homes for sale to rent.

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

Our principal risks and uncertainties

As part of the annual business planning process, the Directors and Board consider and review the main risks that may prevent us from achieving our strategic priorities. The Risk and Assurance Committee also monitor these risks during the year. Risks are assessed in terms of their impact and probability. Major risks, presenting the greatest threats to us, are included in a strategic risk map and linked to our strategic priorities, whilst other risks are included in operational risk maps.

Our strategic risks as at 31 March 2020 are outlined in the table below. These are the principal risks which we believe are likely to have the greatest current or near-term impact on our strategic priorities and reputation. They include external risks, which may occur in the markets or environment in which we operate and internal risks, which relate to internal activity linked to our own operations and internal controls.

STRATEGIC REPORT: RISK MANAGEMENT

Risk context and potential impact	Mitigations	Strategic priority
Non-compliance with Regulatory Standards We are required to comply with the requirements of the RSH economic and consumer standards. Certain constraints, such as resource pressures, ineffective processes or unreliable data, could lead to non-compliance with the standards. A significant breach of the standards could have an adverse impact on our customers, our governance and viability ratings and our ability to access finance. It could also create reputational damage.	The Board undertakes an annual review of compliance. The Governance Team undertake an annual validation exercise in relation to the Governance and Financial Viability Standard. The Customer Services Committee monitors compliance in relation to Consumer Standards. Business critical processes are mapped and documented, including compliance with loan covenants and the Governance & Financial Viability Standard. The Risk and Assurance Committee monitor critical processes. Qualified / skilled staff are recruited into key posts (including data and insight lead). The Internal Audit Plan includes review of the design and operation of controls in relation to the Governance & Financial Viability Standard.	Strong Resilient Innovative Business
Serious health and safety incident Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and customers. Key risk areas include fire, gas, electrical, legionella, asbestos and lifting equipment. If we fail to identify, assess, monitor or control key health and safety risks effectively it could put stakeholder safety at risk and lead to fatality, serious injury or long term disability. We could also breach legal and regulatory requirements, incur financial loss and damage our reputation.	Policies and procedures are in place for the systematic control of significant health and safety risks. This includes critical process maps which are documented for key health and safety areas (fire, legionella, fixed wire testing, gas, asbestos, lone working and fleet services (vehicle checks). Risk assessments are undertaken in relation to key risks. A dedicated Health and Safety team is in place to oversee the management of key health and safety risks. In addition, our Job Essential Learning matrices allow us to ensure that role specific health and safety training is delivered (eg the use of qualified gas and electrical engineers). Mandatory health and safety training is delivered to all staff. There is a Joint Health & Safety Consultation Group made up of a wide section of Yorkshire Housing staff. Its role is to make recommendations on Health, Safety and wellbeing policies and procedures as well as monitor performance and promote awareness of health and safety. The Board monitors health and safety performance metrics at every meeting. These include gas, fire and electrical safety, asbestos, legionella, lifts and accident reporting, including RIDDOR. Our Internal Audit Plan includes review of the design and operation of controls in relation to key areas of health and safety. Additional audits have also been commissioned where appropriate.	Homes and Places to be Proud of

STRATEGIC REPORT:
RISK MANAGEMENT

Risk context and potential impact	Mitigations	Strategic priority
Staff resourcing pressures (recruitment, retention and succession) We require appropriate staff resource in order to run the business and deliver our strategic priorities and services effectively. Ineffective staff resourcing, recruitment and succession plans and labour shortages could make it difficult for us to recruit or retain high calibre people with the requisite skills to run the business. This could adversely affect business plan and service delivery and operational performance. It could also damage our reputation, increase staffing and recruitment costs and compromise the effectiveness of our decision making and internal controls.	Our Governance Committee oversees the delivery of our People Strategy and people management related issues. The leadership team monitor monthly rates of staff absence and turnover including voluntary turnover. This helps us to identify areas of potentially significant resourcing pressure. 'Job Essential Learning' forms one of our critical processes and allows us to map role requirements to skilled resource (in-house or procured from reputable external sources) and mandatory training requirements for each role. Any significant changes in headcount are identified through a monthly reconciliation of payroll new starters against our Learning Management System, with exceptions actioned.	Employer of choice
Treasury management Increased market volatility could result in an inability to manage liquidity effectively and ensure access to sufficient borrowing and adequate security. Ineffective and/or non-compliance with treasury management arrangements could adversely impact our cash flow, liquidity and balance sheet. Consequently this could lead to breach of loan covenants and regulatory requirements, failure to deliver Business Plan priorities, credit rating downgrades, reduced access to funding / increased financing costs, inability to invest in operations and financial penalties.	We follow a Treasury Management Policy which is reviewed and approved by the Board and designed to protect liquidity. Directors and the Board monitor management accounts and cash flow forecasts, including development revenues and any significant budget overspends at each meeting. The Board reviews treasury update reports at least every other meeting, which include our loan covenant forecasts and are provided with oversight of our liquidity position at every meeting. We have Chatham Financial (a third party Treasury Advisory firm) to advise on key treasury matters.	Strong Resilient Innovative Business

STRATEGIC REPORT: RISK MANAGEMENT

Risk context and potential impact	Mitigations	Strategic priority
Cyber threat and data loss Our IT systems and data could be subject to significant disruption arising from cyberattack / cyber security breach (eg hacking, phishing, spoofing, data breach, virus transmission, cyber extortion, sabotage, network downtime, human error and the spread of mis-information). This includes compromise and loss of sensitive corporate information, intellectual property and personally identifiable information (PII) / special category data (SCD) in relation to our customers, suppliers, employees and other stakeholders. Cyber breach could lead to non-compliance with data protection laws, disruption to key services, litigation, financial loss and reputational damage. Additionally, it could compromise our internal controls and increase our fraud exposure.	We operate a Cyber Security Strategy which is reviewed by the Risk and Assurance Committee. Additionally, users of our systems are required to operate in line with our Acceptable Use Policy. Technological controls are applied to protect and monitor our systems and data including firewall, router, anti-virus and encryption software and intrusion prevention and detection systems. We use complex passwords and multi-factor authentication to control access to our systems. Controls are also in place to back up data, restrict physical access to our buildings and prevent the installation of unapproved applications to devices. We also operate data sharing agreements with key suppliers. Our Internal Audit Plan includes review of the design and operation of controls in relation to cyber security. Including an independent annual review of IT controls by Cyber Security specialists, NCC Group	Strong Resilient Innovative Business
Transformation programme failure Our 'Today's Yorkshire' transformation programme could be ineffective in delivering demonstrable benefits because we fail to: identify and cost assess required benefits, engage with key stakeholders, assess transformation risk or implement effective solutions. This could lead to significant financial loss or inefficiencies, service failure, reduced customer satisfaction, compromised internal controls and/or YH becoming subject to takeover.	Our governance structure has been designed to ensure adequate oversight and challenge of the TY transformation programme. The Board was involved in commissioning and approving the Transformation Programme Business Plan and also reviews progress updates at every Board meeting. A dedicated team is in place to deliver the programme. A Programme plan, processes and mandate are in place to manage TY programme risks, decisions and change control and detail the programme (why and what). Directors review a monthly report, including programme status and financial spend against budget. Weekly programme status reporting is also in place. External assurance has been obtained at various stages of the programme including from 'Big 4' firms PWC and KPMG.	Strong Resilient Innovative Business

STRATEGIC REPORT:
RISK MANAGEMENT

Risk context and potential impact	Mitigations	Strategic priority
Government policy We operate in a highly regulated sector and any changes to Government policy, standards or regulatory compliance requirements could have an adverse impact on the Group's operations and results. Such changes could also result in uncertainty, inability to access government funding, service disruption, income reduction and a need for strategic change.	We undertake horizon scanning to help ensure that the business remains sufficiently strong financially to endure any sudden or significant policy changes. Some of our employees and Board Members attend sector conferences and seminars to help stay abreast of policy changes. Stress testing of our Business Plan helps us to understand how the implications of disaster scenarios would impact the business. It also helps inform us in planning appropriate mitigation actions. Stress triggers are reported to and reviewed by the Board. Board Strategy Days are held each year to review any changes in Government policy and the impact this could have on the strategic aims of the organisation. We are members of the National Housing Federation's Together with Tenants framework, designed to strengthen our approach to co-regulation in anticipation of any changes to consumer regulation in the anticipated Government White Paper. Progress is reported to Customer Services Committee (now Homes and Places Committee) on a quarterly basis.	Strong Resilient Innovative Business
Economic climate The economy could experience significant and/or sudden slow down which might result in: • significant / prolonged recession; • increased unemployment and Universal Credit claims leading to higher rent arrears; • liquidation of key suppliers and supply chain delays; • service failure; • inaccurate business planning assumptions; • inability to deliver strategic priorities; • stock market volatility which could adversely affect our pension fund valuations; • higher borrowing costs; • adverse operating performance and revenues; • uncertainty and delays in decision making arising from significant economic events. This has been heightened by the COVID-19 outbreak and has been considered further earlier in this strategic report.	We undertake stress testing, based on Bank of England worst case scenarios which helps us to assess our stability. Business plan sensitivities are run to assess exposure to increasing costs and/or reduced income with outcomes reported to and reviewed by the Board. Realistic assumptions are made on property sales surpluses. Our Treasury Strategy sets thresholds for holding fixed and variable debt, with a high proportion fixed to benefit from historically low interest rates. Framework agreements are used to help mitigate against sudden or significant inflationary pressure on our costs.	Strong Resilient Innovative Business

STRATEGIC REPORT: RISK MANAGEMENT

Risk context and potential impact	Mitigations	Strategic priority
Contraction in the UK housing market Economic contraction could create significant volatility or slowdown in the UK housing market which might adversely affect our open market sales and shared ownership revenues. This risk could also lead to affordability issues (eg lack of mortgage availability), reductions in asset sales, overtrading, asset impairment and compromised viability of our development schemes. A significant fall in house prices could reduce the levels of cross subsidy we are able to generate from sales to support our delivery of affordable homes. Like the wider economy the risk of contraction in the housing market has been heightened by the COVID-19 outbreak.	Each development scheme and disposal undergoes a risk-based appraisal which considers financial and non-financial aspects. Our Development Committee oversees development activity and monitoring of the external environment. The Board reviews updates on our development schemes. We undertake stress testing to assess market downturn scenarios (linked to political uncertainty and economic change) and consider how we would control development spend in a crisis. These stress tests have covered both a reduction in liquidity in the housing market and also a reduction in sales prices. Director, Development Committee or Board approval is required for developments and new business. We use RICS registered valuers to provide independent valuations for property disposals.	Growth
Welfare Reform Government welfare reforms may lead to a significant increase in Universal Credit (UC) claims by tenants and a reduction in Housing Benefit ('HB') transactions. As local authorities pay UC direct to tenants (unlike HB which is paid direct to YH), there could be a significant reduction in tenants' ability or willingness to pay their rent. This could reduce rental income and increase rent arrears and debt management costs.	Our dedicated Enhanced Tenancy Services Team is there to support customers who need greater intervention around money advice and debt, including new UC claimants. A dedicated and trained Income team review customer payment plans on a weekly basis and escalate debt recovery action where necessary. We use information campaigns and interventions to support our customers in paying their rent. The impact of increased rent arrears on the business plan is modelled and reviewed regularly. Performance dashboards allow Directors and the Board to monitor rent arrears.	Strong Resilient Innovative Business

STRATEGIC REPORT: RISK MANAGEMENT

<table>
<tr><th>Risk context and potential impact</th><th>Mitigations</th><th>Strategic priority</th></tr>
<tr><td>Growth plan failure

Our growth plan becomes ineffective and unprofitable due to competition for land, labour and materials shortages and/or errors in option appraisal.

This could lead to adverse regulatory issues by not being able to demonstrate effective use of our asset base. It may also lead to missed opportunities to do more.</td><td>We have a dedicated team to manage our development programme, including identifying land and selecting development partners.

Our development schemes are subject to option appraisal which utilises data on the cost to build and expected market value. Schemes and new business require director approval.

The Board reviews growth and change options at its annual away day and also regularly reviews development scheme delivery and performance. The Internal Audit Plan includes review of the design and operation of controls in relation to development.</td><td>Growth</td></tr>
<tr><td>Third party / contractor failure

In the event that our key contractors / third parties suffer liquidity / insolvency issues they may no longer be able to operate as a going concern.

Without effective contingency plans this could compromise our strategic priorities and service delivery and lead to operational backlogs, complaints and unbudgeted procurement costs. It could also result in legislative / regulatory non-compliance, financial penalty, supply chain failure and damage to our supplier relationships and reputation.

The risk of a failure at a major third party has heightened due to the COVID-19 outbreak, including our suppliers and development partners.</td><td>The Treasury Policy defines the rules associated with third parties and is designed to limit our counterparty exposure.

Before entering into major contracts, independent legal advice is sought. Joint ventures are scrutinised and approved by the Board. We also operate framework contracts to restrict reliance on single suppliers and undertake due diligence checks on our key contractors.

We adopt the NHBC insolvency guarantee to ensure that contractors' obligations to achieve NHBC Standards are met in the event of contractor insolvency.

The Internal Audit Plan includes review of the design and operation of controls in relation to procurement and contractors going into administration.</td><td>Strong Resilient Innovative Business</td></tr>
</table>

STRATEGIC REPORT:
INTERNAL CONTROL ENVIRONMENT AND ASSURANCE

To ensure that the board delivers upon its requirements for risk management it maintains overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness.

The risk averse approach has been designed to manage the risk of failure to achieve business objectives. The system can only provide reasonable and not absolute assurance against material misstatement or loss. There is a continual process in place for identifying, evaluating and managing the significant risks faced by the group, as well as monitoring the effectiveness of the controls put in place to mitigate them.

This process is on-going and has been in place throughout the year including up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Terms of reference approved by the board which set out the responsibilities for the board itself, its committees and subsidiaries, and delegated authorities covering the chief executive and directors.

- Clear management structure with responsibility for control environment effectiveness built into senior staff role profiles.

- The corporate plan sets out key strategic and business planning considerations and includes financial and performance targets and forecasts. The plan is subject to rigorous testing and scrutiny from the Directors and Board.

- Independent assurance obtained from BDO UK LLP (14 internal audits), Grant Thornton UK LLP (the annual external audit), Homes England (development scheme audits), Investors in People awarded a gold rating, Gas Safe and CORGI (consistently & continuously assess our gas work), NICEIC (assessing our compliance with electrical regulations), Local Authorities (review contracted services against Quality Assessment Framework) and Foundations (a Quality Mark from the national body for Home Improvement Agencies).

- The Regulator of Social Housing published their Regulatory Judgement for Yorkshire Housing in March 2020 which downgraded the ratings to “G2” for governance and “V2” for viability, a number of actions have been taken in subsequent months, particularly regarding governance in order to return to G1 quickly. The Board acknowledges that the organisation will likely remain as a V2 because of the scale of the development programme.

AUDITS
AND REVIEWS HAVE TAKEN PLACE

- Internal audits and management reviews have taken place across the business to ensure we follow best practice through continued promotion of learning, development and engagement.

- Detailed financial regulations which cover authorisation levels, reconciliations and segregation of duties. This is backed up by monthly performance reviews (financial and non-financial), reporting to directors and also presented periodically to the risk and assurance committee.

- YH has a strong culture of integrity led from the board and directors and supported by our code of conduct. Formal recruitment, retention, training and development policies are in place and agreed with the staff forum which meets regularly with the chief executive. The fraud and whistle blowing registers are reviewed by the risk and assurance committee (“RAC”) at least once a year. All cases of fraud are reported to the RAC. There were no fraud loss events reported during the year (2019: 1). 1 case of whistle blowing was received and investigated during the year (2019: 3), each relating to employment aspects, being addressed by HR with no further action required outside of normal working practices (grievance process).

INTERNAL CONTROL ENVIRONMENT AND ASSURANCE

The group also undertakes regular performance reporting including:

BUSINESS PLANNING
Reviewed by the executive team and the board at least annually.

KEY PERFORMANCE INDICATORS (KPIS)
reviewed by senior management and the executive team monthly and the board at least quarterly.

HEALTH AND SAFETY MEASURES AND INCIDENTS
Reviewed by the executive team at least quarterly, with major issues considered as urgent items.

MANAGEMENT ACCOUNTS
reviewed by the executive team monthly and the board at least quarterly.

HR STATISTICS
Reviewed at least annually by the executive team and by the board.

LOAN COVENANT COMPLIANCE AND LIQUIDITY
Reviewed quarterly by the executive team and subsequently reported to lenders.

THE RAC CONVENE QUARTERLY AND REPORT TO THE BOARD ON THE EFFECTIVENESS OF INTERNAL CONTROLS. RAC IS ALSO RESPONSIBLE FOR:
Alerting the board to emerging risks and issues, overseeing both the internal and external audit and maintaining an independent channel of feedback for auditors.

A detailed review is undertaken by management annually to assess the operation of the system of internal control and is reported to the board. The board is satisfied that all necessary action is being taken to address control weaknesses identified in this report and throughout the year.

Will Lifford
Chair
21 September 2020

GOVERNANCE AND COMPLIANCE: YORKSHIRE HOUSING BOARD MEMBERS

The Yorkshire Housing board works with the committees and directors team to ensure that business is dealt with effectively, decisions are taken at the most appropriate level and the results of those decisions enhance our performance.

WILL LIFFORD

Chair of the board

Will is a chartered accountant and a former UK head of audit with accountants Grant Thornton. Since retiring, he has held a number of non-executive roles in the public, charity and not-for-profit sectors. He is a former trustee and Chair of Martin House Children's Hospice and is currently a board member of the Independent Parliamentary Standards Authority. Will is a member of the Governance & People Committee.

LINDA CHRISTON

Board member

Linda has 30 years' experience working in housing, health and social care. Formerly a regional director of the Commission for Social Care Inspection. Linda is chair of the Homes & Places Committee.

ALISON HADDEN

Board member

Alison brings a wealth of housing experience to the Board as a former CEO of Paradigm Housing and a successful interim CEO and Executive at a number of housing associations. She is the former Chair of Stafford and Rural Housing and the Housing Plus Group successfully negotiating the merger of the two organisations. She is currently a Board Member of Peaks and Plains Housing and Civitas Social Housing REIT. Alison is a member of the Group Business Assurance Committee and the Governance & People Committee.

PHILIP SEVERS

Board member

Philip is a chartered accountant. He has substantial public and private sector experience and has held a number of non-executive roles throughout his career. He was formerly finance director of Sheffield Hallam University, a non-executive director of Chesterfield Royal Hospital Foundation Trust and Chairman of Harrogate Integrated Facilities, a wholly owned subsidiary of Harrogate & District Foundation Trust. He is strategy advisor in the educational leader recruitment sector. Philip is chair of the Group Business Assurance Committee.

SUE HALL

Vice chair

Sue has more than 30 years' leadership experience in IT transformation, risk management and consultancy. She was formerly director of information systems and strategy with leading global law firm, Linklaters LLP, and is the lead non-executive director and Board Chair at the Valuation Office Agency. Sue is chair of the Governance & People Committee.

RICHARD FLANAGAN

Board member

Richard is a Chartered Surveyor with over 30 years' experience in property development, valuations and development consultancy. He currently runs his own property consultancy business and is a chair of RICS APC assessment panels, determining whether candidates are competent to practice. Richard is Chair of the Growth & Investment Committee.

NAZ PARKAR

Board member

Naz has worked in social housing for over 30 years, and joined the Home and Communities Agency as head of investment before becoming an executive director in 2013. Naz re-joined local government in 2017 as the director for economy and infrastructure and in 2018 moved to the role of director of growth and housing at Kirklees Council. He lives in Yorkshire and is keen to make a genuine difference to communities in the region. Naz is a member of the Growth & Investment Committee.

DAVID PERRY

Board member

David is a retired managing director of several Shell UK subsidiaries. He also spent time leading the European operation of a foreign exchange brokerage, giving him significant experience in the world of commercial finance. David has been involved with Yorkshire Housing for several years. David is a member of the Homes & Places Committee.

GOVERNANCE AND COMPLIANCE: EXECUTIVE TEAM

NICK ATKIN

Chief executive

Nick joined Yorkshire Housing in 2019 and has worked in the housing sector for 30 years. He has a track record of leading organisations through transformational change, driving performance improvement, with a focus on maximising the untapped potential from businesses and people. Previously he has introduced a fully flexible/ remote working approach. He also led the move to 90% of customer led transactions to be delivered through online self-service channels.

He is regularly included in the top 25 most influential people in housing and is a keen advocate of innovation. He uses digital as an enabler to drive fundamental change in how businesses operate. He is also a disruptor in the 'future of work' debate and has been paperless for 18 years.

He writes regularly for Inside Housing and HR Magazine as one of their columnists and tweets on a regular basis (@nickatkin_yh).

DAVID BOLTON

Director of property services

David has been director of property services since 2008 and is responsible for the delivery of Yorkshire Housing's property related services to over 18,000 homes across Yorkshire including Leeds City Council homes through a PFI Project. David also takes responsibility for health, safety and landlord compliance services and is lead director for Yorkshire Housing's home improvement agencies.

David is a board member of Yorkshire Transformations Ltd and a trustee of East Lancashire Teaching Hospitals NHS Trust. An alumnus of the University of Central Lancashire, David also supports the University Business School in a voluntary capacity.

ANDY GAMBLE

Director of development

Andy joined Yorkshire Housing in June 2017 to lead our new homes and growth strategy including homes for rent and sale. He has over 30 years' experience in the affordable housing sector, working for Housing Associations in the public sector and house builders and contractors in the private sector. Andy began his career with British Waterways Board, now Canal and Rivers Trust as an assistant mining surveyor.

He has a BSc in Building Surveying and is a Member of the Chartered Institute of Housing and Royal Institution of Chartered Surveyors. Andy has previously been an ALMO Board member, a governor at a specialist building college and is currently chair of a small community based housing provider in Harrogate.

GOVERNANCE AND COMPLIANCE: EXECUTIVE TEAM

MICHELLE GREGG

Director of business transformation

Michelle leads our exciting business transformation programme which will ensure the organisation is geared up to meet the challenges of a changing sector. She also has responsibility for HR, learning and development and communications.

Michelle joined us in 2015 from Merseyside and Cheshire-based Plus Dane group where she was interim executive director of neighbourhoods. Her previous roles include deputy chief executive for North West-based Your Housing Group.

CATH OWSTON

Director of customer services

Cath Owston is interim director of customer services at Yorkshire Housing. Her remit includes responsibility for our neighbourhoods, independent living service and customer contact centre teams.

Cath joins Yorkshire Housing from Rochdale Boroughwide Housing where she was executive director of customer and community. Her thirty years in housing include four years at New Charter Housing Trust Group as director of customer experience and five years at Trafford Trust where she was transformation manager. She is also a board member with Bolton at Home and Chair of Starts with you, a social enterprise in Bolton.

BARRY NETHERCOTT

Director of finance

Holding a range of senior roles within different industries, Barry is an experienced CFO and established interim. For the past 10 years he has worked at an executive level at several housing associations including The Guinness Partnership, Southern Housing, Network Homes and most recently Sovereign.

Before joining the housing sector Barry had a distinguished career with Royal Mail in a variety of senior management roles.

Barry has also held a variety of non-executive roles in different industry sectors.

GOVERNANCE AND COMPLIANCE:
REPORT OF THE BOARD

Governance

The Board of Yorkshire Housing Limited, as parent, has ultimate responsibility for the governance and performance of the Yorkshire Housing Group which includes its wholly owned subsidiary companies (YH Residential Limited, Yorkshire Community Property Services and Yorkshire Housing Finance plc) and its shared interest in a number of other legal entities. The Board's central role is to determine strategic direction and policies, to establish and oversee control and risk management frameworks that will ensure Yorkshire Housing achieves its aims and objectives.

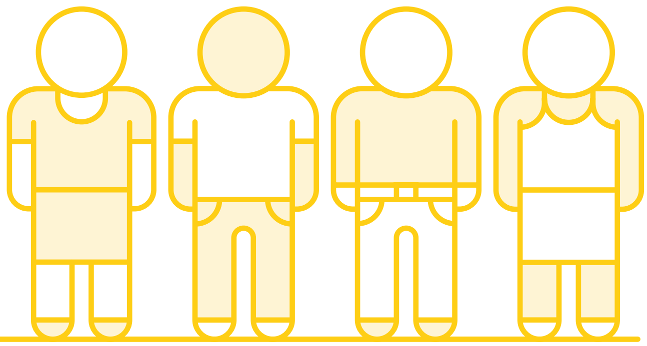
Board composition

During the year, the Board comprised nine members elected by the Shareholders. Keith Holloway retired from the Board in September 2019 having served nine years, the maximum allowed under our governance rules. We are grateful for the service provided by Keith and wish him well for the future. From September 2019, membership of the Board comprised 37.5% women and 12.5% members from the black and minority ethnic communities. There were no members who declared themselves disabled.

Delegation

The Board delegates its responsibility for the day-to-day management and leadership to the Chief Executive, supported by the Directors team. The Board has also established four committees to oversee specific areas of the Group's work and sets the scope and responsibilities for each in approved terms of reference. Delegation from the Board may allow for decisions to be made or request that a committee consider and provide assurance to support the Board on decision making.

Yorkshire Housing Limited's Board / Committees and their respective responsibilities are depicted below:



YORKSHIRE HOUSING BOARD

Charged with overall governance of the organisation

Risk and Assurance Committee

Provides the board with assurance relating to governance, risk management and internal control.

Has primary relationship with internal and external auditors.

Provides scrutiny over financial reporting and related controls.

Customer Services Committee

Advise the board on regulatory and internal requirements relating to customer services for all customers whatever their relationship with YH.

Ensures the customer voice is heard and YH responds accordingly.

Challenge the business to ensure focus on social purpose and value.

Development Committee

Support the board to deliver growth and generate profit for a purpose, approving investment hurdles and assumptions as well as large schemes.

Advise and recommend to the board on matters relating to developments and new business, and monitoring progress.

Governance Committee

Ensure the board and its committees have an appropriate balance of skills.

Ensuring the governance structure remains effective with appropriate succession plans and transparent recruitment for both the Board and executive.

GOVERNANCE AND COMPLIANCE: REPORT OF THE BOARD

NHF Code of Governance

The National Housing Federation ("NHF") 2015 Code of Governance has been adopted by the Board as a formal framework to underpin its governance arrangements. This particular code of governance was selected as it is bespoke to the housing sector and it is a widely recognised example of best practice. Compliance with this code ensures Yorkshire Housing will:

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

Following our annual review, the Board can confirm that Yorkshire Housing Limited substantially complies with the Code of Governance, and the Board and Committee Members are committed to upholding the Code, and to adhering to the high standards of conduct set out in our Code of Conduct for Board and Committee Members and Staff. Where improvements are required to fully comply with the Code of Governance, appropriate plans are in place.

Board and Committee effectiveness

The Board carried out an annual appraisal of its performance and an annual appraisal of individual Board and Committee Members. Each Board and Committee Member (excluding co-optees) is appointed for a fixed term of office of up to three years. Reappointment is possible for up to a maximum of two additional terms.

In accordance with our Code of Governance, the Board commissioned an external independent formal review of our board and committee effectiveness. That review made recommendations about constitutional, meetings, customer voice and housekeeping matters to improve our governance effectiveness. An Action Plan has been put in place and is on schedule for completion. This includes new Terms of Reference for our Boards and Committees, revised Scheme of Delegation, and updates to key governance documents such as Standing Orders and Code of Conduct.

Compliance with the Governance and Financial Viability Standard

In preparing this report, the Board has followed the principles set out in Section 4 of the Housing SORP 2018 'Statement of Recommended Practice for Social Housing Providers' and 'The Accounting Direction for Private Registered Providers of Social Housing 2019 published by the Regulator of Social Housing (RSH).

The Board has undertaken an assessment of its compliance with the RSH's Governance & Financial Viability Standard and YH complies, but acknowledges that there is scope for improvement following the above IDA and governance review.

In March 2020, the Regulator downgraded our Governance rating from G1 to G2. This remains compliant with the Governance Standard, but the Board and Directors team have taken steps to ensure greater board oversight of our subsidiary companies, further develop our financial performance reporting and improve the quality of our stress testing to better aid board understanding, business planning, decision making and risk management. An action plan to restore the grading to G1 as soon as possible has been implemented and is also on schedule. This has included strengthening the skills of the finance team; reviewing processes and reporting and bringing in additional expertise.

Through the IDA process and subsequently Yorkshire Housing has carried out an in depth review of property data. There were a small number of properties where rents and/or service charges had been charged at an incorrect rate. The tenants involved have been or are in the process of being informed and reimbursed where appropriate. The Regulator has been briefed on this matter.

There were instances at 31st March 2020 and during the following months where Yorkshire Housing has been unable to carry out a small proportion of health and safety activity (including gas safety checks and fire risk assessments) because of access issues related to COVID-19. These were not at levels requiring self-reporting to the Regulator and at the 31st July 2020 had returned to a normal position.

Employees

Employees are at the heart of the group's ability to provide high quality services to its customers. The group is accredited by Investors in People, and was awarded a gold rating in November 2016, which we still maintain. The group invests a significant sum in the training and development of its staff and encourages all staff to reach their potential.

A staff forum exists where staff representatives meet with directors to discuss relevant topics and raise issues of concern. During the last year, this group has met quarterly, focusing on staff restructures, the staff survey action plan and HR policies.

The organisation has conducted an annual staff survey since 2009. We use this to benchmark ourselves against other organisations. The company we use are also able to assess which questions have the greatest impact on staff engagement. We analyse our performance in these areas and identify areas for improvement. We are now looking at ways in which we can improve this process and get more regular feedback from staff.

GOVERNANCE AND COMPLIANCE: REPORT OF THE BOARD

Health and safety

The group takes the health and safety of its customers, employees and other people seriously. The board has approved a Health & Safety Policy that sets out how the group provides and maintains appropriate working conditions, equipment and systems of work for all employees. It recognises the group's responsibilities and those of employees to co-operate by working safely at all times and adhering to the procedures set down.

SAFETY OF CUSTOMERS, EMPLOYEES AND OTHER PEOPLE TAKEN SERIOUSLY

Key risk areas have been identified and have action plans in place to ensure compliance and best practice. A new Health, Safety and Compliance service area has now been established with a dedicated senior lead recognizing the importance and business imperative for health, safety and compliance.

Key health and safety activities carried out in the year include:

- An audit of existing asbestos survey information and a programme of works for resurveying and validation.
- A detailed review of all non-YH buildings where YH have a leasehold or tenure relationship was carried out to ensure compliant with YH standards.
- Enhanced lone worker policy developed.
- Internal audit reviews carried out on Fire Safety, Legionella, Asbestos, Automatic gates, Electrical safety, Accident and Incident response and Lifts.
- Significant involvement in the YH wide response to Coronavirus to protect employees and tenants.
- Risk assessments and surveys are in place for all communal areas for fire, asbestos and legionella, with robust arrangements for delivering any required actions.

Managers are responsible for the health and safety of their teams and for providing a safe environment for customers and the public. There is a strong focus on training our colleagues, including health and safety plans for all roles and mandatory e-learning modules for all staff to complete.

The joint health and safety consultation group provides a forum where staff can review and approve policies and challenge any health or safety matters. This group is also working pro-actively to support and deliver our Wellbeing Strategy which aims to improve healthy living and reduce stress.

We are developing the next phase of our building safety programme which will include:

- Complete programme of building safety checks – cladding, timber, in-fill panels, gas main runs with external assessment and evidence.
- Create safety cases/files for all high risk residential buildings (HRRB's).
- Introduce new working practices and processes for all HRRB's including building safety management and permit to work.
- Respond to Grenfell public inquiry first phase recommendations.
- Develop and roll-out customer information and involvement programme.
- Regulatory and Grenfell phase two public inquiry requirements are to be confirmed but will put in place improvement as advised (sprinklers, building height requirements, Stay Put, frequency of fire door checks).
- Person centred risk assessments for residents of HRRB's.

During COVID-19 a number of procedures were changed to safeguard our customers and staff. This included reducing face-to-face interactions, not entering customers' homes where they were isolating, putting social distancing measures in place and also providing PPE where it was appropriate to do so.

Modern Slavery Act 2015

Yorkshire Housing has produced a Slavery and Human Trafficking Statement which can be accessed via Yorkshire Housing's website.

Gender Pay Gap Act 2010

Yorkshire Housing has produced a Gender Pay Gap Report which can be accessed via Yorkshire Housing's website.

GOVERNANCE AND COMPLIANCE: REPORT OF THE BOARD

Equality and diversity

Yorkshire Housing is committed to promoting equality of opportunity and creating a working environment that is inclusive and free from discrimination or harassment. Respect is one of our values, and this policy confirms our commitment to equality diversity and inclusion in employment and service delivery.

We value diversity and recognise the benefits of employing a diverse workforce. As an employer and through our work in providing homes and services, we will help ensure fair treatment for all members of the community regardless of race, ethnic origin, nationality, gender, disability, religion, marital status, maternity, sexuality or sexual orientation, or age.

Under the Equality Act 2010 we have a responsibility as a social housing provider to promote equality of opportunity. The Act makes discrimination unlawful in relation to the nine protected characteristics.

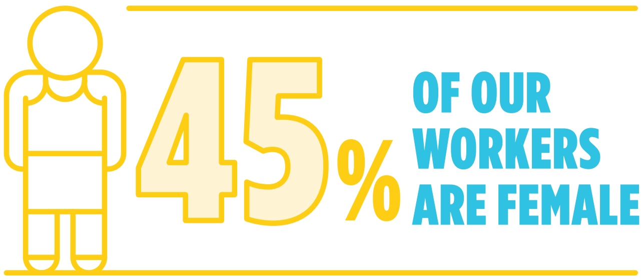
Yorkshire Housing aims to be open, inclusive and diverse. These principles guide our work. Our Respect value means we believe everyone has a right to be treated with dignity, fairness and respect, and we:

- Value the diversity and talents of all individuals
- Support and empower people to succeed in our organisation
- Create a diverse workforce and inclusive workplace
- Understand the diverse needs of our customers
- Promote equality of opportunity in employment and services
- Challenge prejudice discrimination and harassment
- Promote equality diversity and inclusion with our customers, partners, stakeholders and supply chain.
- Deliver appropriate, flexible and accessible services We are committed to creating a positive and inclusive culture with a well-trained workforce. To help achieve a diverse workforce we monitor recruitment and progression against protected characteristics.

Equality and diversity is included in training for all colleagues and board members and specific training is provided appropriate to roles. The Head of People is responsible for equality and diversity training. We consider measures for example:

- Ensuring fair representation of minority communities in the workforce and governance structure
- Setting targets for recruitment of under-represented groups, such as women in trade roles
- As a disability confident employer support recruitment of people with disabilities
- Use apprenticeships and other training opportunities to encourage applications from underrepresented groups

Yorkshire Housing ethnicity make up (at 31 March 2020) was BAME 10.97%, against a target of 12%. The number of male and female Yorkshire Housing workers is almost equal, 55% male and 45% female.



The equality, diversity and inclusion policy is approved by the board of Yorkshire Housing, who with the Chief Executive have overall responsibility for policy and compliance with equality legislation and regulation. The executive is responsible for implementation and monitoring of performance. The Staff Forum is consulted on policy and practice.

GOVERNANCE AND COMPLIANCE: REPORT OF THE BOARD

Statement of the responsibilities of the board for the report and financial statements

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

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

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

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (2019). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of compliance

A key element of the (Regulator for Social Housing) Governance and Financial Viability Standard is the requirement to comply with all relevant laws. Consequently the board has taken reasonable steps to seek necessary assurance and confirms that the group has complied with all relevant laws.

The process of seeking assurance for compliance with the Governance and Financial Viability Standard was independently assessed by internal auditors (November 2018) receiving a rating of moderate for design and substantial for operational effectiveness. As noted above and since then Yorkshire Housing received a G2 V2 rating from the regulator meaning, whilst still compliant, there are areas to improve. An improvement plan is in place and well underway to being delivered. There is an internal audit planned to re-review compliance once complete.

On this basis, with the exception of those items noted in the section "Compliance with the Governance and Financial Viability Standard", the board confirms that the group complies with the requirements of the Regulator for Social Housing Governance and Financial Viability Standard.

Donations

During the year, the group made charitable donations amounting to £2,553 (2019: £833).

Statement of disclosure to auditors

So far as each member of the board is aware, there is no relevant audit information of which the group's auditors are unaware and each member has taken all the steps that he/she ought to have taken as a member in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the Yorkshire Housing Group annual general meeting.

On behalf of the board

Company Secretary

Yorkshire Housing Limited
Co-operative and Community Benefit
Societies Act 2014 (registered number 30443R)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

Opinion

We have audited the financial statements of Yorkshire Housing Group (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the Group and Association statement of comprehensive income, the Group and Association statement of changes in reserves, the Group and Association statement of financial position, the Group cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2020 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter- investment property valuation

We draw attention to Note 15 to the financial statements, which describes the basis for valuing investment properties. The properties were valued as at 31 March 2020 by Jones Lang LaSalle Ltd. The independent expert's valuation obtained included a 'material valuation uncertainty' per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for entities associated with these particular events.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE HOUSING LIMITED

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 8 - 40 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of the responsibilities of the board for the report and financial statements set out in page 40, 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 parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the group or parent society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Leeds
21 September 2020

FINANCIAL STATEMENTS 2019-20:
GROUP STATEMENT OF COMPREHENSIVE INCOME

Group statement of comprehensive income

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Turnover	3	115,693		113,032	
Operating costs	3	(90,644)		(80,156)	
Other income	3	480		578	
Gain on disposal of fixed assets	6	1,477		1,580	
Operating surplus			**27,006**		**35,034**
Interest receivable and dividends	7		889		1,162
Interest and financing costs	8		(17,625)		(18,188)
Surplus before taxation			**10,270**		**18,008**
Taxation	11		(1)		(1)
Deferred tax	11		(115)		(58)
Surplus for the year			**10,154**		**17,949**
Other comprehensive income					
Re-measurement of SHPS obligation	32		-		(4,722)
Actuarial (loss)/gain in respect of pension schemes	32		7,006		(2,577)
Total comprehensive income for the year			**17,160**		**10,650**

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the Board on 21 September 2020.

Board member **Board member** **Company secretary**

Date of approval: 21 September 2020
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

FINANCIAL STATEMENTS 2019-20:
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

Association statement of comprehensive income

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Turnover	3	106,554		102,770	
Operating costs	3	(84,356)		(74,214)	
Other income	3	4,198		2,622	
Gain on disposal of fixed assets	6	1,477		1,580	
Operating surplus			**27,873**		**32,758**
Interest receivable and dividends	7		887		1,187
Interest and financing costs	8		(17,342)		(18,043)
Surplus before taxation			**11,418**		**15,902**
Taxation	11		-		-
Surplus for the year			**11,418**		**15,902**
Other comprehensive income					
Re-measurement of SHPS obligation	32		-		(4,722)
Actuarial (loss)/gain in respect of pension schemes	32		7,006		(2,577)
Total comprehensive income for the year			**18,424**		**8,603**

The association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the Board on 21 September 2020.

Board member **Board member** **Company secretary**

Date of approval: 21 September 2020
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

FINANCIAL STATEMENTS 2019-20:
GROUP AND ASSOCIATION STATEMENT OF CHANGES IN RESERVES

Group statement of changes in reserves

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total reserve
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	177,688	13	28,504	206,205
Surplus for the year	17,949	-	-	17,949
Other Comprehensive Income	(7,299)	-	-	(7,299)
Transfer on asset sale		-	(14)	(14)
Restricted expenditure from restricted reserve		3		3
Balance at 31 March 2019	**188,338**	**16**	**28,490**	**216,844**
Surplus for the year	10,154	-	-	10,154
Actuarial losses on defined benefit pension scheme	7,006	-	-	7,006
Transfer on asset sale	-	-	(14)	(14)
Restricted expenditure from restricted reserve	-	-	-	-
Balance at 31 March 2020	**205,498**	**16**	**28,476**	**233,990**

The accompanying notes form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total reserve
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	170,144	13	28,504	198,661
Surplus for the year	15,902	-	-	15,902
Other Comprehensive Income	(7,299)	-	-	(7,299)
Transfer on asset sale		-	(14)	(14)
Restricted expenditure from restricted reserve		3		3
Balance at 31 March 2019	**178,747**	**16**	**28,490**	**207,253**
Surplus for the year	11,418	-	-	11,418
Actuarial losses on defined benefit pension scheme	7,006	-		7,006
Transfer on asset sale	-	-	(14)	(14)
Restricted expenditure from restricted reserve	-		-	-
Balance at 31 March 2020	**197,171**	**16**	**28,476**	**225,663**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS 2019-20: GROUP AND ASSOCIATION STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2020

Group and association statements of financial position at 31 March 2019

	Note	Group 2020 £'000	Group 2019 Restated £'000	Association 2020 £'000	Association 2019 Restated £'000
Fixed assets					
Intangible fixed assets	12	5,246	-	5,246	-
Tangible fixed assets – housing properties	13	918,976	849,131	918,976	849,131
Other tangible fixed assets	14	6,833	6,467	6,828	6,460
Investment properties	15	29,653	28,253	3,896	3,840
Homebuy loans receivable	19	1,367	1,398	1,367	1,398
Investments	18	-	-	51,453	33,453
		962,075	885,249	987,766	894,282
Current assets					
Properties held for sale	16	54,655	36,419	11,994	18,594
Trade and other debtors	17	12,263	11,743	17,985	11,529
Cash and cash equivalents	18	111,156	50,900	110,754	50,654
		178,074	99,062	140,734	80,777
Creditors: amounts falling due within one year	20	(38,883)	(29,353)	(35,527)	(30,777)
Net current assets		139,191	69,709	105,206	50,000
Total assets less current liabilities		1,101,266	954,958	1,092,972	944,282
Creditors: amounts falling due after more than one year	21	(861,740)	(724,691)	(862,173)	(723,891)
Provisions for liabilities					
Deferred tax provision	28	(400)	(285)	-	-
Pension liability	32	(5,136)	(13,138)	(5,136)	(13,138)
Total net assets		**233,990**	**216,844**	**225,663**	**207,253**
Reserves					
Income and expenditure reserve		205,498	188,338	197,171	178,747
Revaluation reserve		28,476	28,490	28,476	28,490
Restricted reserve		16	16	16	16
Total reserves		**233,990**	**216,844**	**225,663**	**207,253**

The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 21 September 2020

Board member **Board member** **Company secretary**

Date of approval: 21 September 2020
Yorkshire Housing Limited - Co-operative and Community Benefit Societies Act 2014 (registered number 30443R)

FINANCIAL STATEMENTS 2019-20:
GROUP CASH FLOW STATEMENT

Group cash flow statement

	2020 £'000	2019 £'000
Net cash generated from operating activities (note 27)	**21,572**	**25,347**
Cash flow from investing activities		
Purchase of fixed assets - intangibles	(5,246)	-
Purchase of housing properties	(87,614)	(56,726)
Purchase of other fixed assets	(983)	(189)
Purchase of investment properties	(903)	(749)
Proceeds from sale of fixed assets	5,791	8,207
Grants received	14,452	5,751
Interest received	616	479
Interest and dividends from joint venture	272	577
	(73,615)	(42,650)
Cash flow from financing activities		
Interest paid	(20,299)	(19,253)
Bank loan drawn down	135,599	-
Repayments of borrowings	(3,001)	(1,344)
	112,299	(20,597)
Net change in cash and cash equivalents	**60,256**	**(37,900)**
Cash and cash equivalents at beginning of the year	50,900	88,800
Cash and cash equivalents at end of the year	111,156	50,900
Net change in cash and cash equivalents	**60,256**	**(37,900)**
Cash and cash equivalents		
Cash deposits	106,817	45,210
Cash at bank	4,339	5,690
Cash and cash equivalents as at 31 March	**111,156**	**50,900**

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Yorkshire Housing Limited was incorporated on 1 April 2008 and is registered in England and Wales under the Cooperative and Community Benefit Societies Act 2014 (registered number 30443R). The Company is a registered social housing provider (Homes England registration L4521). The registered office is Dysons Chambers, 1214 Briggate, Leeds, England, LS1 6ER.

The companies, Yorkshire Housing Limited and its subsidiaries, are referred to as "the group". Within the group there are three limited companies, a public limited company and two joint ventures. None of the subsidiaries are registered social housing providers. The principal activity of the group is the provision of social housing and housing management.

YH Residential Limited is a company limited by shares, registered with Companies House under the Companies Act 2006. The principal activity of the company is the provision of market rented properties and property management. The registered address is the same as parent company.

Yorkshire Community Property Services Limited is registered with Companies House under the Companies Act 2006. The Company is a non-trading company. The registered address is the same as parent company.

Yorkshire Housing Finance plc is registered with Companies House under the Companies Act 2006 and has listed debt on the London Stock Exchange. The principal activity of the company is to provide long term funding to the group. The registered address is the same as parent company.

Yorkshire Housing Limited owns a 33% share of Yorkshire Transformations Holdings Limited ("YTHL"). YTHL owns 100% of its subsidiary Yorkshire Transformations Limited ("YTL") which manages the maintenance and refurbishment of homes on the Swarcliffe estate for Leeds City Council under a private finance initiative ("PFI").

YH Residential Limited owns a 20% share of Forge New Homes LLP ("FNH LLP") which was registered as a limited liability partnership on 19 September 2019 to provide housing in the Sheffield city region.

Basis of accounting

The consolidated financial statements of the Group and Association are prepared in accordance and are fully compliant with UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 (FRS102) and the Housing Statement of Recommended Practice 2018 (SORP 2018) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Public Benefit Entity sections of FRS102 have been applied. The financial statements are presented in sterling (£), which is also the functional currency.

The association has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by the FRS 102:

- The requirements of Section 7 to present a statement of cash flows and related notes.
- The requirement to present financial instrument disclosures.

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of the group and all constituent subsidiaries.

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the strategic review. The group has a long term business plan which demonstrates its ability to service its long term debt whilst continuing to comply with funders' covenants. The group has secured long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Prior to COVID-19 Yorkshire Housing performed extensive stress testing including downside scenarios and the mitigations available to the Group. The testing demonstrated the Groups ability to manage through the stressed scenarios considered.

The business plan was updated to cover the impact of COVID-19. Despite the pandemic, which has created additional risk to the Group, the Group has continued to generate surpluses during lockdown and beyond. The Group is expected to continue to trade profitably for the foreseeable future.

The updated business plan (post COVID-19) has also been subject to stress testing. Although the stressed scenarios would have a significant impact on the business and the ability to grow in the short term, it again demonstrated the Group's ability to manage through a crisis. See also the strategic report section for further details.

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

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

Basis of consolidation
The group consolidated financial statements include the results of Yorkshire Housing Limited's subsidiary companies Y H Residential Limited, Yorkshire Community Property Services Limited and YH Finance Plc plus a 33% share of Yorkshire Transformations Holdings Limited and a 20% share of Forge New Homes LLP both of which are joint ventures.

Details of the subsidiary undertakings are included in note 18 to the financial statements. All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the relevant company's financial statements.

Accounting judgements and estimates
Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Significant management judgements
The following are management judgements in applying the accounting policies of the group that have the most significant effect on the amounts recognised in the financial statements:

a) Classification and identification of investment properties
The group has reviewed the classification of properties owned and where properties do not meet the criteria for social benefit these have been identified, classed as investment properties and valued at fair value. The group has determined that properties are for social benefit unless they are market rented, market sale, commercial properties including garages, which are investment properties. The group has classified all properties as either held for social benefit or for investment purposes. Where properties do not meet the required criteria these are classed as investment properties and are held at fair value; social benefit properties are held at amortised cost. Valued properties totalled £30.7m at 31 March 2020.

b) Judgements involved in making an assessment of impairment
As part of the group's continuous review of the sustainability of its properties, homes or schemes are assessed for impairment indicators. Long term voids, stock disposals, non-housing properties, properties held for sale including shared ownership properties and work in progress are all reviewed for signs of impairment. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to the recoverable amount and any impairment losses are charged to the statement of comprehensive income.

For the impairment review the following considerations have been made:

- Considered the extent to which a change in the current rent has materially impacted on the net income.
- Where there is a change in demand for properties that is considered to be irreversible i.e. increase in voids, exceeding budgeted levels which is not anticipated to change unless additional expenditure.
- Where there has been a material reduction in the value of properties where assets are intended or expected to be sold.
- Considered if there is obsolescence of properties or part of a property – i.e. regeneration of properties where they demolish and rebuild.
- Impact of Covid-19 on property valuations.

The Covid-19 pandemic has not in itself triggered a review of impairment across YH's housing stock. Whilst there may be a temporary increase in bad debt due to tenants personal circumstances this is not deemed to be a longer term issue requiring impairment as it will not materially impact on net income. Despite the challenges of Covid-19 confidence in the UK social housing sector remains strong with Moody's commenting that it has "inherent" strengths that make it attractive to investors, providing access to liquidity. Moody's also noted that throughout the coronavirus pandemic, several housing associations have continued to secure funding via the public bonds market and through private placements at increasingly attractive rates suggesting confidence in the market despite the pandemic. In addition post year end we are continuing to sell properties and hold margins on these sales.

Other assets are also reviewed for impairment if there is an indication that impairment may have occurred.

Other assets are also reviewed for impairment if there is an indication that impairment may have occurred. There has been no impairment identified aside from one scheme which has had an impairment of £127k recognised (2019: £nil.)

c) Assessment of Joint Venture for consolidation
Management have considered the requirements under FRS 102 for the accounting treatment of joint ventures. Where joint ventures are making losses and these losses are in excess of the investment value the entity must stop recognising the investment once it has been reduced to zero.

FINANCIAL STATEMENTS 2019-20: NOTES TO THE FINANCIAL STATEMENTS

Principal accounting policies (continued)

c) Assessment of Joint Venture for consolidation
YTL's losses are in excess of the investment value after accounting for its cashflow hedge. The cashflow hedge is used to manage the interest rate risk of the company and is therefore linked to the operations of the Company. Over time it is expected the hedge will unwind and the joint venture will move into surplus.

d) Classification of loans
The group has a number of bank loans and a bond, all of which have been classified as basic financial instruments under the definition given in section 11 of FRS 102. The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Certain loans have two way break clauses which are applicable where the loan is repaid early and could result in a break cost or a break gain. Management have considered the terms of its loan agreements and concluded that they do meet the definition of a basic financial instrument and therefore are held at amortised cost.

Estimation uncertainty
The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful lives of depreciable assets
Useful economic lives are reviewed by Management at each reporting date based on the expected lives of the assets. Accumulated depreciation totalled £175.1m at 31 March 2020. The carrying amount of housing properties was £919.1m at the year ended 31 March 2020.

b) Capitalisation of development costs
The group capitalises development expenditure (allocating development costs to individual components upon completion) in accordance with the new build housing property accounting policy, this requires judgement on the period of time that interest can be capitalised against the build, deciding the point at which the build is complete with any future costs being written off and the value of staff time and overheads to be capitalised as part of the development. Development costs of £1,011k and interest of £3,327k were capitalised in the year ended 31 March 2020.

c) Intangible assets
The group also capitalises software assets created.
The Group capitalises software assets created whether purchased or internally generated where the costs are directly attributable and necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. There is some judgement involved in this and in particular how people costs are allocated for individuals involved in more than one aspect of projects. People costs are allocated based on the nature of the role performed. Where there are capitalisable and non-capitalisable elements, a time sheet system has been used to allocate costs. The amount capitalised in the year was £5,246k (2019: £nil). Amortisation is charged in the first month following the implementation of any software.

d) Fair value measurement
Management uses valuation techniques to determine the fair value of assets which include commercial properties, investment properties and fixed asset investments.
This involves developing estimates and assumptions consistent with how market participants would price the asset. Management base the assumptions on observable data as far as possible but this is not always available.
In that case, management uses the latest information available. The annual valuation for investment properties is carried out by independent professional advisors, qualified by the Royal Institution of Chartered Surveyors to undertake valuations, using a market value short term tenancy basis of valuation.

The independent expert's valuation obtained included a 'material valuation uncertainty' per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of investment property than would normally be the case. The directors have considered the material valuation uncertainty and are comfrtoable that thisd uncertainty is temporary and the investment property valuations are recoverable in the long term, and while less certainty and a higher degree of caution needs to be attached to the valuation, the valuation can still be relied upon. The directors therefore consider the valuation included in the independent expert's report to be an accurate reflection of the investment property fair value. The material uncertainty disclosed in the report does not impact any of the assumptions, disclosed in note 15, used by the valuer. Post year end this material uncertainty has been lifted for reports issued after July 2020. The increase in fair value in the year was £497k (2019: £603k).

e) Impairment of social housing properties
Where there is evidence of impairment the fixed assets are written down to their recoverable amount and any write down is charged to the statement of comprehensive income. Potential indicators of impairment include difficulties in letting empty homes, decisions to dispose of homes and significant policy changes which might offset future revenues. An impairment of £126k was recognised in the year ended 31 March 2020 (2019: £nil.).

f) Pension costs

Estimates of the defined benefit obligation is determined using a number of actuarial valuations using underlying assumptions. These include discount rates, rates of inflation, future salaries and mortality rates. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses. An obligation of £5.1m was recognised at 31 March 2020.

g) Bad debts

Bad debts are provided for within the financial statements at 71% of tenant arrears older than 10 weeks. The estimation uncertainty relates to the 71% applied to former tenant. Tenant arrears includes collection fees associated with historical arrears, rechargeable repairs and investment works. A provision of £1.396m was recognised at 31 March 2020.

Segmental reporting

Due to the Group having listed debt on the London Stock Exchange, it must apply International Reporting Standard 8 – Operating Segments (IFRS 8). Segmental reporting is reporting in the Group and Association's financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segmental reporting is presented in note 2 to the financial statements. As the Group has no activities outside of the UK, segmental reporting is not required by geographical region. The chief operating decision makers (CODM) have been identified as the Executive Management Team and the Board. The CODM review the Group's internal reporting to assess performance and allocate resources.

Management has determined the operating segments as housing services, development sales, asset sales and other. Housing services represents housing for social purposes and non-social housing lettings. Development sales includes 1st tranche, open market sales and sales & marketing costs. Other includes all other central costs incurred for example ICT, finance and corporate services.

Turnover and revenue recognition

The main source of revenue is rental and service charge income from lettings. Revenue is also generated from the sale of properties on the open market or through shared ownership. Other services included in turnover are contractual fees received in respect of private finance initiatives (PFIs), supporting people income, income from other support services, help to buy initiatives, home improvement agency fees, amortised government grants, sale of properties built or acquired for disposal, and other non-lettings income.

Revenue is recorded in respect of actual activity undertaken within each category. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Where activity has been delivered but the income has not been received in the financial year that income is included in turnover.

If there is no requirement to recycle or repay the Government grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as turnover in the statement of comprehensive income. The rechargeable repairs, lifecycle works and related income from the PFI is treated on the basis YH is a principal in the transaction.

Supported housing

Income and expenditure on housing accommodation is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Fixed assets and depreciation

a) New build

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

b) Housing properties

Housing properties are stated at cost less accumulated depreciation. Properties acquired through merger, where they were previously stated at existing use value – Social Housing are stated at deemed cost on transfer to Yorkshire Housing Limited. The valuation at the merger date has been adopted as the deemed cost of acquisition of the properties. No depreciation is charged on land or for properties in the course of construction.

Where a housing property comprises two or more major components with substantially different useful economic lives ("UEL"s), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

Principal accounting policies (continued)

b) Housing properties

Existing schemes at the time of adoption had component values allocated based on a matrix produced by Savills. This was created to be used nationally by all housing associations. New schemes built by Yorkshire Housing since adoption have costs allocated using a local matrix produced by a third party which is reviewed and revised every five years based on construction costs.

Depreciation is charged by component from the date of acquisition until the date of disposal on a straight line basis over the UEL of the component.
Useful economic lives for identified components are as follows:

Housing properties	Years
Heating	13
Kitchen	20
Solar panels	25
Bathroom	25
Windows	25
Roof	50
Structure	75
Freehold land is not depreciated.	

c) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged by component from the date of acquisition until the date of disposal on a straight line basis over the UEL of the component. No depreciation is charged on land. Leased office premises are depreciated over the term of the lease.

Useful economic lives for other fixed assets are as follows:

Other fixed assets	Years
Motor vehicles – residual value £2k	5
Computer equipment	5
Computer data room	10
Fixtures and fittings	10
Freehold office and shops	60

d) Impairment

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential. Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential.

The resulting impairment loss is recognised in the statement of comprehensive income under operating cost (note 3). Where an asset is currently deemed not be providing service potential to the association, its recoverable amount is its fair value less costs to sell. An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and is included in surplus or deficit in the statement of comprehensive income.

e) Capitalisation of interest

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development it represents.

f) Capitalisation of development costs

Costs directly attributable to bringing the asset to its working condition up to the date of completion are capitalised. Development labour and travel costs are allocated on the basis of property additions in the financial year including properties held in stock and work in progress but excluding capitalised major repairs. Development costs not capitalised are shown as other expenditure in note 3.

g) Capitalisation of maintenance costs

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

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

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

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

Intangible assets
Intangible fixed assets are stated at cost less accumulated depreciation. The Group capitalises software assets created whether purchased or internally generated where the costs are directly attributable and necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the criteria as follows is met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and the expenditure attributable to the software during its development can be reliably measured.

Amortisation is charged over the useful economic life of the software, which is assumed to be no greater than 5 years. Amortisation is commenced in the first month following the implementation of any software.

Government grants
Government grants include grants receivable from the Homes England (previously the Homes and Communities Agency), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the UEL of the housing property structure and where applicable its individual components (excluding land) under the accruals model, in the case of new build this will be when the properties are completed. Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a recycled capital grant fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as turnover in the statement of comprehensive income.

Investment properties
Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end. Properties let at a commercial rent are carried at fair value.

The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuations. The basis of valuation is market value subject to tenancy. The properties are held as investment properties and are not subject to depreciation but re-valued annually. Any gains or losses are recognised in the statement of comprehensive income.

Properties held for sale
Shared ownership first tranche sales, and property under construction and completed properties for outright sale are valued at the lower of cost and net realisable value. 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. All properties are held within current assets, under properties held for sale and stock.

Sale of tangible fixed assets
The surplus or deficit recognised on disposal of property assets that are deemed to be in the normal course of business will be included in operating activities and shown within operating surplus. These will include planned individual property sales, right to buy, right to acquire and stock rationalisation. Where disposals are non-routine and outside the remit of normal business these will be treated as non-operating and any surplus/deficit will be disclosed below the operating surplus line.

Investments
Investments in group companies are held at cost less impairment.

Current assets investments
Current asset investments are available at short notice. They include monies held on deposit which are readily available or withdrawn without penalty.

Debtors and creditors
Short term debtors and creditors are measured at transaction values. Debtors are shown less any impairment. Where deferral of payment terms has been agreed below market rate, and where material, the balance is shown at the present value, discounted at a market rate. The debt service reserve has been reclassified this year as a debtor due after one year (previously cash) to better reflect the underlying nature of the balance. The debt service reserve is measured at fair value.

Principal accounting policies (continued)

Homebuy
Homebuy loans are treated as concessionary loans and are recognised at the amount paid to the purchaser. No interest is accrued and any impairment loss is recognised in the statement of comprehensive income. The associated Homebuy grant is recognised as deferred loan until the loan is redeemed.

Leasing
When entering into a lease which requires taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded on the statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors.

Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income, and the capital element which reduces the outstanding obligation for future instalments. All other leases are classified as operating leases.

The rentals paid under an operating lease which is defined as any lease which is not a finance lease, are charged to the statement of comprehensive income on a straight line basis over the term of the lease. There are no finance leases as at 31st March 2020.

Operating lease income is recognised in turnover on a receivable basis over the lease term. This includes rental income from the Group/Association's portfolio of social and non-social housing properties and income from the sublet of office properties, including investment properties.

Joint venture
The Group's interest in the joint venture is a jointly controlled entity and the investment is accounted for using the equity method under FRS 102. The joint venture is carried within the Group's financial statements at the Group's share of its net assets/liabilities and the Group recognises its share of the profits for the period. The joint venture has a different accounting period to the Group and this is considered at the reporting date as to the results that are incorporated. Management deem that unless the difference is material then the year end results and position for the joint venture, at 31 December, are used in the consolidation and/or investment value.

FRS 102 states that where a joint venture is making losses that are in excess of the investment value, the entity must stop recognising the investment once it has been reduced to zero. Management have taken this position to include other comprehensive income. The joint venture is currently in a net liability and generating losses including other comprehensive income as a result of a cashflow hedge held within the joint venture to receive fixed interest rates against a variable rate loan.

Restricted reserve
Yorkshire Housing Limited maintains a restricted reserve for specific amounts donated to a hardship fund.

Revaluation reserve
The difference on transition between the organisation assets that have been revalued and the historical cost carrying value is credited or debited to the revaluation reserve. The reserve is only applicable to housing assets held at deemed cost.

Agency managed schemes
In addition to its own directly managed schemes, Yorkshire Housing Limited owns a number of schemes that are run by outside agencies.

Where Yorkshire Housing Limited carries the financial risk, all of the scheme's income and expenditure is included in the Statement of Comprehensive Income. Where the agency carries the financial risk, only the turnover and costs which relate solely to Yorkshire Housing Limited is included. Other turnover and costs of schemes in this category are excluded from the statement of comprehensive income.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred taxation (continued)
Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Current taxation
The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from net surplus as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current liability is calculated using tax rates 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 financial statements include VAT to the extent that it is suffered by the group and not recovered from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Financial instruments
All financial instruments meet the criteria of a basic financial instrument as defined in section 11 FRS102. Financial instruments are held in the statement of financial position at gross proceeds less the cost of raising the funds which are amortised over the life of the loan and are accounted for in accordance with FRS102.

The financial instruments are initially recorded at amortised cost, adjusted for transaction costs. Subsequent measurement is as follows:

Financial liabilities
- Bonds and loans are classified as "financial liabilities" under FRS102 and are held at amortised cost using the effective interest rate method to allocate costs of issue, including the discount on issue.
- Accrued interest payable on the Bond is also classified as "other financial liabilities" and held at amortised cost.

Financial assets
- Financial assets such as cash, current asset investments and receivables are classified as "loans and receivables" under FRS 102 and are held at amortised cost using the effective interest rate method to allocate cost of issue, including the discount on issue.
- Accrued interest receivable on loans advanced to Yorkshire Housing Limited is classified as "loans receivables" and held at amortised cost as debtors due within one year.

Loan finance issue costs are written off evenly over the expected minimum life of the associated loan. Loans are stated in the statement of financial position at the gross amount less the unamortised portion of the associated issue costs.

Service charge sinking funds and service costs
Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the statement of financial position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the statement of financial position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Pension costs
The company has applied defined benefit accounting from 2018 onwards. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability.

Remeasurements are reported in other comprehensive income. As at 31 March 2020, the net defined benefit pension liability was £5.1m. Refer to Note 32 for more details.

Investment in Preference Shares
The investment in preference shares comprises of the preference shares issued by YH Residential Limited, a wholly owned subsidiary of Yorkshire Housing Limited. The investment is held as a fixed asset in the parent accounts and is a basic financial instrument and is measured at amortised cost. It is held as a creditor due in less than one year in YH Residential Limited.

Gift Aid Policy
Yorkshire Housing Limited receives gift aid from its subsidiary undertaking, YH Residential Limited. This gift aid is received in the year following the year end in which it relates to and therefore Yorkshire Housing only recognise this income once YH Residential has created an obligation to pay it. This obligation is created at the point of payment.

2. Group segmental reporting 2020

	Housing services 2020 £'000	Development sales 2020 £'000	Asset sales 2020 £'000	Other 2020 £'000	Total 2020 £'000
Income from housing lettings	87,573	-	-	-	87,573
Development sales	-	22,137	-	-	22,137
Third party contracts	-	-	-	4,183	4,183
Home Improvement Agencies	-	-	-	1,334	1,334
Other income	-	-	-	466	466
Turnover	**87,573**	**22,137**	**-**	**5,983**	**115,693**
Other income	-	-	6,083	480	6,563
Service charge costs	(6,562)	-	-	-	(6,562)
Bad debts	(834)	-	-	-	(834)
Management	(14,897)	(803)	-	(10)	(15,710)
Routine maintenance	(12,853)	-	-	-	(12,853)
Planned maintenance	(7,854)	-	-	-	(7,854)
Major repairs expenditure	(20,396)	-	-	-	(20,396)
Major repairs expenditure (capitalised)	13,396	-	-	-	13,396
Depreciation of housing properties	(16,644)	-	-	-	(16,644)
Impairment of housing properties	(126)	-	-	-	(126)
Property leasing costs and agency fees	(597)	-	-	-	(597)
Third party contracts operating expenditure	-	-	-	(3,557)	(3,557)
Home improvement agencies operating expenditure	-	-	-	(1,666)	(1,666)
Costs of development sales	-	(17,241)	-	-	(17,241)
Cost of housing fixed asset sales	-	-	(4,606)	-	(4,606)
Operating costs	**(67,367)**	**(18,044)**	**(4,606)**	**(5,233)**	**(95,250)**
Operating surplus	**20,206**	**4,093**	**1,477**	**1,230**	**27,006**
Interest payable	-	-		(17,625)	(17,625)
Interest receivable	-	-		889	889
Total operating surplus (per SOCI)	**20,206**	**4,093**	**1,477**	**(15,506)**	**10,270**

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

2. Group segmental reporting 2019

	Housing services March 2019 £'000	Development sales March 2019 £'000	Asset sales March 2019 £'000	Other March 2019 £'000	Total March 2019 £'000
Income from housing lettings	87,101	-	-	-	87,101
Development sales	-	18,288	-	-	18,288
Third party contracts	-	-	-	5,670	5,670
Home Improvement Agencies	-	-	-	1,453	1,453
Other income	-	-	-	520	520
Turnover	**87,101**	**18,288**	**-**	**7,643**	**113,032**
Other income	-	-	8,446	578	9,024
Service charge costs	(7,210)	-	-	-	(7,210)
Bad debts	(499)	-	-	-	(499)
Management	(15,123)	-	-	-	(15,123)
Routine maintenance	(11,956)	-	-	-	(11,956)
Planned maintenance	(5,118)	-	-	-	(5,118)
Major repairs expenditure	(15,680)	-	-	-	(15,680)
Major repairs expenditure (capitalised)	10,778	-	-	-	10,778
Depreciation of housing properties	(16,110)	-	-	-	(16,110)
Property leasing costs and agency fees	(630)	-	-	-	(630)
Third party contracts operating expenditure	-	-	-	(4,085)	(4,085)
Home improvement agencies operating expenditure	-	-	-	(1,760)	(1,760)
Costs of development sales	-	(12,763)	-	-	(12,763)
Cost of housing fixed asset sales	-	-	(6,866)	-	(6,866)
Operating costs	**(61,548)**	**(12,763)**	**(6,866)**	**(5,845)**	**(87,022)**
Operating surplus	**25,553**	**5,525**	**1,580**	**2,376**	**35,034**
Interest payable	-	-	-	(18,188)	(18,188)
Interest receivable	-	-	-	1,162	1,162
Total operating surplus (per SOCI)	**25,553**	**5,525**	**1,580**	**(14,650)**	**18,008**

3. Particulars of turnover, operating costs and operating surplus

	2020			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Group turnover and costs				
Social housing lettings	85,358	-	(65,778)	19,580
Other social housing activities				
First tranche shared ownership sales	13,921	(11,108)	-	2,813
Other	466	-	(814)	(348)
	14,387	(11,108)	(814)	2,465
Non social housing activities				
Non social lettings	2,214	-	(1,588)	626
Open market sales	6,076	(5,284)	-	792
Help to Buy initiatives	2,141	-	(849)	1,292
Third party contracts	4,183	-	(3,557)	626
Home improvement agencies	1,334	-	(1,666)	(332)
Total	**115,693**	**(16,392)**	**(74,252)**	**25,049**

	2019			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Group turnover and costs				
Social housing lettings	84,930	-	(60,004)	24,926
Other social housing activities				
First tranche shared ownership sales	9,441	(6,983)	-	2,458
Other	519	-	(544)	(25)
	9,960	(6,983)	(544)	2,433
Non social housing activities				
Non social lettings	2,172	-	(1,513)	659
Open market sales	5,938	(4,488)	-	1,450
Help to Buy initiatives	2,909	-	(779)	2,130
Third party contracts	5,670	-	(4,085)	1,585
Home improvement agencies	1,453	-	(1,760)	(307)
	18,142	(4,488)	(8,137)	5,517
Total	**113,032**	**(11,471)**	**(68,685)**	**32,876**

3. Particulars of turnover, operating costs and operating surplus (continued)

Group other income and gains	2020 £'000	2019 £'000
Revaluation gain on investment properties	480	603
Loss on current asset investments	(-)	(25)
	480	**578**

Association turnover and costs 2020	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus £'000
Social housing lettings	85,358	-	(65,715)	19,643
Other social housing activities				
First tranche shared ownership sales	13,921	(11,108)	-	2,813
Other	1,731	-	(2,310)	(579)
	15,652	(11,108)	(2,310)	2,234
Non social housing activities				
Non social lettings	27	-	-	27
Third party contracts	4,183	-	(3,557)	626
Home improvement agencies	1,334	-	(1,666)	(332)
Total	**106,554**	**(11,108)**	**(73,248)**	**22,198**

Association turnover and costs 2019	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus £'000
Social housing lettings	84,930	-	(60,004)	24,926
Other social housing activities				
First tranche shared ownership sales	9,441	(6,983)	-	2,458
Other	1,249	-	(1,382)	(133)
	10,690	(6,983)	(1,382)	2,325
Non social housing activities				
Non social lettings	27			27
Third party contracts	5,670		(4,085)	1,585
Home improvement agencies	1,453		(1,760)	(307)
Total	**102,770**	**(6,983)**	**(67,231)**	**28,556**

3. Particulars of turnover, operating costs and operating surplus (continued)

Group operating activities	2020					2019
Turnover and costs from social housing lettings	**General needs £'000**	**Housing for older people £'000**	**Supported housing and care homes £'000**	**Shared ownership £'000**	**Total £'000**	**Total £'000**
Turnover from lettings						
Rent receivable	68,843	2,911	1,199	1,304	74,257	72,961
Supporting people income	451	447	658	-	1,556	1,515
Service charges receivable	2,554	1,354	493	574	4,975	5,192
Amortised government grants	4,188	249	133	-	4,570	5,262
Turnover from lettings	**76,036**	**4,961**	**2,483**	**1,878**	**85,358**	**84,930**
Cost of lettings						
Management	(13,049)	(683)	(468)	(138)	(14,338)	(14,550)
Service charge costs	(3,456)	(1,829)	(996)	(151)	(6,432)	(6,513)
Routine maintenance	(11,462)	(714)	(356)	(31)	(12,563)	(11,675)
Planned maintenance	(5,792)	(1,550)	(383)	(43)	(7,768)	(5,083)
Major repairs expenditure	(6,125)	(356)	(293)	(185)	(6,959)	(4,856)
Bad debts	(753)	(40)	(25)	-	(818)	(494)
Property leasing costs and agency fees	(118)	-	(7)	(7)	(132)	(158)
Depreciation of housing properties	(15,462)	(666)	(309)	(205)	(16,642)	(16,109)
Impairment of housing properties	(126)	-	-	-	(126)	
Other expenses	-	-	-	-	-	(566)
Operating cost of lettings	**(56,344)**	**(5,838)**	**(2,837)**	**(760)**	**(65,778)**	**(60,004)**
Operating surplus/ (deficit) on lettings	**19,693**	**(877)**	**(354)**	**1,118**	**19,580**	**24,926**
Void losses	**539**	**64**	**170**	**-**	**774**	**708**

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Association operating activities	2020					2019
Turnover and costs from social housing lettings	**General needs £'000**	**Housing for older people £'000**	**Supported housing and care homes £'000**	**Shared ownership £'000**	**Total £'000**	**Total £'000**
Turnover from lettings						
Rent receivable	68,843	2,911	1,199	1,304	74,257	72,961
Supporting people income	451	447	658	-	1,556	1,515
Service charges receivable	2,554	1,354	493	574	4,975	5,192
Amortised government grants	4,188	249	133	-	4,570	5,262
Turnover from lettings	**76,036**	**4,961**	**2,483**	**1,878**	**85,358**	**84,930**
Cost of lettings						
Management	(12,420)	(681)	(468)	(138)	(13,707)	(14,550)
Service charge costs	(3,456)	(1,829)	(996)	(151)	(6,432)	(6,513)
Routine maintenance	(11,462)	(714)	(356)	(31)	(12,563)	(11,675)
Planned maintenance	(5,792)	(1,550)	(383)	(43)	(7,768)	(5,083)
Major repairs expenditure	(6,125)	(356)	(293)	(185)	(6,959)	(4,856)
Bad debts	(753)	(41)	(25)	-	(819)	(494)
Property leasing costs and agency fees	(118)	-	(7)	(7)	(132)	(158)
Depreciation of housing properties	(15,462)	(666)	(309)	(205)	(16,642)	(16,109)
Impairment of housing properties	(126)	-	-	-	(126)	
Other expenses	(566)	-	-	-	(566)	(566)
Operating cost of lettings	**(56,280)**	**(5,837)**	**(2,837)**	**(760)**	**(65,714)**	**(60,004)**
Operating surplus/ (deficit) on lettings	**19,756**	**(876)**	**(354)**	**1,118**	**19,644**	**24,926**
Void losses	**539**	**64**	**170**	**-**	**774**	**709**

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, operating costs and operating surplus (continued)

Association other income and gains	2020 £'000	2019 £'000
Revaluation gain on investment properties	56	85
Loss on current asset investments	(17)	(25)
Gift Aid	4,159	2,562
	4,198	**2,622**

4. Yorkshire Housing property portfolio

	Group Number of units		Association Number of units	
	2020	**2019**	**2020**	**2019**
Housing properties				
General needs	9,508	9,559	9,508	9,559
Housing for older people	835	767	835	767
Affordable Properties	4,105	3,575	4,105	3,575
Shared ownership	594	445	594	445
Intermediate rent	1,266	1,533	1,266	1,533
Market rent	327	323	-	-
Supported housing and care homes	205	214	205	214
Total managed	**16,840**	**16,416**	**16,513**	**16,093**
Accommodation owned, managed by other bodies	**244**	**281**	**244**	**281**
Properties awaiting sale	**87**	**43**	**38**	**43**
Properties in development at the year end	**1, 342**	**917**	**1,107**	**651**

5. Operating surplus

	Group		Association	
Operating surplus is stated after charging:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Depreciation of housing properties	16,642	16,110	16,642	16,110
Impairment of housing properties	126	-	126	-
Depreciation of other tangible fixed assets	510	522	507	522
Loss on disposal of other tangible fixed assets	(108)	(34)	(108)	(34)
Operating lease rentals				
- land and buildings	690	786	690	786
- office equipment and computers	246	278	246	278
- vehicles	17	-	17	-
Auditors' remuneration (excluding VAT)				
- audit services for the parent	76	54	76	54
- audit services for the subsidiaries	44	16	44	16
Auditors' remuneration for non audit services				
- other advisory services	4	2	4	2
Total audit and non-audit services	**124**	**72**	**124**	**72**

6. Gain on disposal of housing properties

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Housing property				
Disposal proceeds	5,032	7,660	5,032	7,660
Carrying value of fixed assets	(3,744)	(6,311)	(3,744)	(6,311)
Costs associated with disposal	(286)	(229)	(286)	(229)
	1,002	**1,120**	**1,002**	**1,120**
Shared ownership (staircasing)				
Disposal proceeds	1,052	786	1,052	786
Carrying value of fixed assets	(570)	(316)	(570)	(316)
Costs associated with disposal	(7)	(10)	(7)	(10)
Surplus	**475**	**460**	**475**	**460**
Total	**1,477**	**1,580**	**1,477**	**1,580**

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

7. Interest receivable and other income

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable from cash deposits	617	477	615	502
Joint venture dividends and deposits	272	685	272	685
Total	**889**	**1,162**	**887**	**1,187**

8. Interest payable and financing costs

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Payable on bank loans	21,170	19,126	13,921	13,206
On amounts payable to group companies	-	-	6,965	5,775
Defined benefit pension scheme	293	277	293	277
Unwinding amortised bond issue costs	(553)	53	(553)	53
Bond cost	43	43	43	43
	20,953	19,499	20,669	19,354
Less: Interest capitalised on housing properties	(3,328)	(1,311)	(3,327)	(1,311)
Total	**17,625**	**18,188**	**17,342**	**18,043**

Interest has been capitalised at an average rate of 3.92% in 2020 (2019: 4.06%).

9. Remuneration of the board and directors

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Aggregate emoluments payable to board and committee members	121	127	110	127
Aggregate emoluments payable to directors	809	768	809	768
Aggregate remuneration of key management personnel (including Employers' National Insurance)	907	858	907	858

Board

Board and Committee members received emoluments of £121k (2019: £127k).

Remuneration by non-executive board member (excludes committee members):	2020 £'000	2019 £'000
Will Lifford (Chair)	18	17
Sue Hall (Vice Chair)	12	10
Linda Christon	10	10
Richard Flanagan	8	7
Alison Hadden	7	7
Keith Holloway	5	10
Naz Parkar	7	7
David Perry	8	7
Philip Severs	10	10
Total	**85**	**85**

Directors

The emoluments paid to the directors of the group were £809k (2019: £768k).

Emoluments paid to the highest paid director (Chief Executive), including pension contributions, were £202k (2019: £119k for 9 months). The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Key management personnel

Key management personnel are considered to be the executive directors of the Group.

The aggregate remuneration of key management personnel (including employers' national insurance contributions) for the financial year was £907k (2019: £858k). This sum includes executive directors only. Remuneration for Board and Committee members is as shown above.

During the year the aggregate compensation for loss of office of key management personnel was £68k (2019: £29k).

10. Employee information

	Group		Association	
	2020 No.	2019 No.	2020 No.	2019 No.
The average monthly number of employees (including the Chief Executive) expressed as full-time equivalents (FTE) of 35 hours per week. Employed during the financial year was:	599	586	599	586

	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Staff costs (for the above person including Board Members on payroll)				
Wages and salaries	20,858	18,927	19,808	18,972
Social security costs	1,869	1,702	1,775	1,702
Other pension costs	903	799	856	799
Total	**23,630**	**21,473**	**22,439**	**21,473**

39 FTE (2019: 42 FTE) were employed on a joint contract between Y H Residential Limited and the Association, remunerated by the Association and recharged at £1,190k (2019: £1,076k) to Y H Residential Limited. Figures above exclude national insurance rebates for sick and maternity pay.

The number of employees including directors who received emoluments in the following ranges	2020 No.	2019 No.
£200,001 to £210,000	1	-
£130,001 to £140,000	1	-
£120,001 to £130,000	2	-
£110,001 to £120,000	2	4
£100,001 to £110,000	-	3
£80,001 to £90,000	3	-
£70,001 to £80,000	7	3
£60,001 to £70,000	6	6

11. Taxation

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Current tax	**1**	**1**	**-**	**-**
Deferred tax:				
Origination and reversal of timing difference	81	65	-	-
Changes in tax rates	34	(6)	-	-
Adjustment in respect of previous periods	-	-	-	-
Total deferred tax	**115**	**58**	**-**	**-**
Tax per income statement	**116**	**59**	**-**	**-**

The charge for the year can be reconciled to the surplus shown in statement of comprehensive income statement as follows:

	Group		Association	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Surplus on ordinary activities before tax	10,270	18,008	11,418	15,902
Tax on surplus at standard UK rate of 19% (2019: 19%)	1,951	3,421	2,169	3,021
Factors affecting total tax charge for the current period:				
Expenses deductible	-	-	-	-
Income not taxable	(1,869)	(3,326)	(2,169)	(3,021)
Losses	-	-	-	-
Tax rate change	34	(6)	-	-
Gains	-	(30)	-	-
Qualifying charitable donations	-	-	-	-
Adjustment from previous periods	-	-	-	-
	116	**59**	**-**	**-**

12. Intangible fixed assets

	Computer software £'000	Total £'000
Cost	-	-
At 1 April 2019	-	-
Additions	5,246	5,246
Disposals	-	-
At 31 March 2020	**5,246**	**5,246**
Depreciation and impairment		
At 1 April 2019	-	-
Depreciation charged in year	-	-
Eliminated in respect of disposals	-	-
At 31 March 2020	**-**	**-**
Net Book Value at 31 March 2020	**5,246**	**5,246**
Net Book Value at 31 March 2019	**-**	**-**

The TY project went live in March 2020, therefore no amortisation has been recorded in the year.

13. Tangible fixed assets – housing properties

Group and Association	Social housing properties held for lettings £'000	Housing properties for letting under construction £'000	Shared ownership properties under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost					
At 1 April 2019	941,721	29,078	10,677	24,450	1,005,926
Additions	-	53,043	24,502	-	77,545
Works to existing properties	13,396	-	-	-	13,396
Schemes completed	38,385	(38,385)	(16,427)	16,427	-
Disposals (note 6)	(7,003)	-	-	(652)	(7,655)
At 31 March 2020	**986,499**	**43,736**	**18,752**	**40,225**	**1,089,212**
Depreciation and impairment					
At 1 April 2019	155,355	-	-	1,440	156,795
Depreciation charged in year	16,437	-	-	205	16,642
Impairment charged in year	126	-	-	-	126
Released on disposal (note 6)	(3,314)	-	-	(13)	(3,327)
At 31 March 2020	**168,604**	**-**	**-**	**1,632**	**170,236**
Net book value at 31 March 2020	**817,895**	**43,736**	**18,752**	**38,593**	**918,976**
Net book value at 31 March 2019	**786,366**	**29,078**	**10,677**	**23,010**	**849,131**

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount.

Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

13. Tangible fixed assets – housing properties (continued)

Development costs have been capitalised amounting to £1,011,234 (2019: £855,166).

Interest has been capitalised at a rate of 3.823% (2019: 4.093%) during the financial year and amounted to £3,327,338 (2019: £1,310,845).

Housing properties are shown	2020 £'000	2019 £'000
At cost	1,017,948	934,570
At valuation	71,264	71,357
	1,089,212	**1,005,927**

The association acquired 6,337 units of housing stock through mergers with Ryedale Housing in 1999 and Brunel Housing in 2005. Ryedale included their housing stock at Existing Use Value – Social Housing Value (EUV – SH), with the resulting increase in carrying value arising from the valuation transferred to a revaluation reserve. Brunel included their housing stock at cost. Yorkshire Housing Ltd includes its directly acquired and developed housing property in its balance sheet at cost less depreciation less any impairment losses. The property transferred from Ryedale Housing and Brunel Housing is stated in the Yorkshire Housing Ltd balance sheet at deemed cost; being the EUV – SH value at the respective dates of merger. The corresponding revaluation reserves were transferred to Yorkshire Housing Ltd and are amortised over the useful life of the assets associated with the reserve. The total value of assets included in the balance sheet at 31 March 2020 at deemed cost is £71,264k.

Group expenditure on works to existing properties during the year amounted to £40m (2019: £32m) of which £13m (2019: £11m) was capitalised and included as works to existing properties.

	2020 £'000	2019 £'000
Total grant received for existing properties	355,797	341,028
Less amortised through the statement of comprehensive income	(67,471)	(63,106)
Total deferred grant in the statement of financial position	**288,326**	**277,922**

14. Other tangible fixed assets

Group	Freehold offices £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	6,268	2,646	504	2,118	11,536
Additions	-	973	11	-	984
Disposals	-	-	-	(737)	(737)
At 31 March 2020	**6,268**	**3,619**	**515**	**1,381**	**11,783**
Accumulated depreciation					
At 1 April 2019	1,132	1,996	324	1,617	5,069
Depreciation charged in year	97	289	36	88	510
Eliminated in respect of disposals	-	-	-	(629)	(629)
At 31 March 2020	**1,229**	**2,285**	**360**	**1,076**	**4,950**
Net book value at 31 March 2020	**5,039**	**1,334**	**155**	**305**	**6,833**
At 31 March 2019	**5,136**	**650**	**180**	**501**	**6,467**

Association	Freehold offices £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2019	6,268	2,561	468	2,118	11,415
Additions	-	973	11	-	984
Disposals	-	-	-	(737)	(737)
At 31 March 2020	**6,268**	**3,534**	**479**	**1,381**	**11,662**
Accumulated depreciation					
At 1 April 2019	1,132	1,913	293	1,617	4,955
Depreciation charged in year	97	289	36	88	510
Eliminated in respect of disposals	-	-	-	(631)	(631)
At 31 March 2020	**1,229**	**2,202**	**329**	**1,074**	**4,834**
Net book value at 31 March 2020	**5,039**	**1,332**	**150**	**307**	**6,828**
At 31 March 2019	**5,136**	**648**	**175**	**501**	**6,460**

15. Investment properties non-social housing and commercial properties held for letting

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	28,253	26,901	3,840	3,755
Additions	904	749	-	-
Increase in value	496	603	56	85
Total	**29,653**	**28,253**	**3,896**	**3,840**

Investment properties consist of market rented housing properties, garages and commercial units. In accordance with the group accounting policy, investment properties have been included at their market value. The properties were valued as at 31 March 2020 by Jones Lang LaSalle Ltd, Chartered Surveyors. The valuation was undertaken on the basis of market value and in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors, the NHF financial reporting SORP and represents the aggregate of all the units, assuming phased disposal without deduction of costs or incentives. No allowances were made for the vendor's sale costs or for any tax liabilities, which may arise upon the property disposal. The independent expert's valuation obtained included a 'material valuation uncertainty' per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. The directors have considered the material valuation uncertainty and are comfortable that this uncertainty is temporary and the investment property valuations are recoverable in the long term, and while less certainty and a higher degree of caution needs to be attached to the valuation, the valuation can still be relied upon. The directors therefore consider the valuation included in the independent expert's report to be an accurate reflection of the investment property fair value.

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate (capital receipts)	8.5%
Discount rate (rental income)	6.5%
Annual inflation rate (management costs)	1.0%
Annual inflation rate (repairs costs)	1.0%
Level of long-term annual rent increase	1.0%

Underlying inflation was excluded from the cashflow model therefore the income and cost increases noted here are above inflation increases. This has been factored in when selecting the appropriate discount rates.

16. Properties held for sale and stock

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Van stock - materials	360	299	360	299
Completed properties held for sale				
First tranche shared ownership	2,212	1,412	2,212	1,412
Properties for market sale	12,089	-		-
Partially completed properties				
First tranche shared ownership	9,240	5,195	9,240	5,195
Properties for market sale	29,702	29,513	182	11,688
Properties for market rent	1,052	-	-	-
Total	**54,655**	**36,419**	**11,994**	**18,594**

17. Debtors

	Group		Association	
Due within one year	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Arrears of rent and service charges	2,270	1,953	2,243	1,936
Less: provision for bad and doubtful debts	(1,396)	(735)	(1,368)	(740)
	874	1,218	875	1,196
Prepayments and accrued income	3,169	4,472	2,433	3,453
Other debtors	7,462	5,279	7,222	6,106
Amounts owed by group undertakings	-	-	6,697	-
	11,505	**10,969**	**17,227**	**10,755**
Due after more than one year				
Debt service reserve fund cost	605	605	605	605
Increase in fair value	153	169	153	169
	758	**774**	**758**	**774**
Total	**12,263**	**11,743**	**17,985**	**11,529**

The debt service reserve fund is held for an issued bond and is invested in stock under the management of the Royal Bank of Canada Global Markets. The investments are stated at fair value and the overall control of the account is with THFC.

18. Investments, cash and cash equivalents

Fixed asset investments

Association	**2020 £'000**	**2019 £'000**
Investment in group undertakings	900	900
Investment in group undertakings – Preference Shares	50,000	32,000
Investment in Yorkshire Transformations Holdings	553	553
	51,453	**33,453**

YHL owns 33% of Yorkshire Transformations Holdings ["YTH"] as at 31 March 2020. The Group financial statements do not recognise the value of the investment in YTH. As at 31 December 2019 YTL had net liabilities of £8,558k (2018 £7,029k). In accordance with FRS102 no investment has been recognised when the Group's share is in deficit.

In March 2017, Y H Residential Limited issued 32,000,000 £1 preference shares. The shares are non-voting redeemable preference shares of £1 each in the capital of Y H Residential designated as a Preference Share. The preference shares are redeemable at 5 days' notice at the behest of the parent company. In the current year the remaining 18,000,000 £1 preference shares were issued.

The preference shares are non-convertible and are a basic financial instrument measured at cost less impairment. There are no dividend or interest commitments in respect of these preference shares. There is no fixed maturity or redemption date.

As at 31 March 2020, 50,000,000 of these shares have been called up and fully paid (2019: 32,000,000 shares).The remaining shares were allotted and issued on 24th October 2019 for cash at par.

The Board believe that the carrying value of the investments is supported by their underlying net assets.

FINANCIAL STATEMENTS 2019-20:
NOTES TO THE FINANCIAL STATEMENTS

18. Investments, cash and cash equivalents (continued)

Cash and cash equivalents	Group		Association	
	20 £'000	2019 £'000	2020 £'000	2019 £'000
Cash deposits	106,817	45,210	106,817	45,210
Cash at bank	4,339	5,690	3,937	5,444
Total	**111,156**	**50,900**	**110,754**	**50,654**

The cash deposits are deposited with building societies and banks but are not available for immediate access.

19. Homebuy loans

Group and association	2020 Restated £'000	2019 Restated £'000
At 1 April	1,398	1,499
Redeemed in the year	(31)	(101)
At 31 March	1,367	1,398

No interest was payable or receivable on Homebuy loans in either financial year.

20. Creditors: amounts falling due within one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Borrowings (note 25)	9,178	3,340	8,143	2,305
Bank loan interest	5,447	4,533	2,033	2,142
Trade creditors	6,660	5,297	6,572	5,261
Rent and service charges received in advance	4,105	3,250	3,838	2,999
Other taxation and social security costs	886	527	900	523
Accruals and deferred income	7,035	5,878	6,236	4,809
Amounts owed to group undertakings	-	-	2,233	6,210
Deferred capital grant	5,572	6,528	5,572	6,528
Total	**38,883**	**29,353**	**35,527**	**30,777**

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

	Group		Association	
	2020 Restated £'000	2019 Restated £'000	2020 Restated £'000	2019 Restated £'000
Borrowings (note 25)	558,872	447,860	357,268	305,222
Amounts owed to group undertakings	-	-	200,000	140,000
Recycled capital grant fund (note 23)	7,405	7,673	7,405	7,673
Disposal proceeds fund (note 22)	-	255	-	255
Held on behalf of leaseholders	1,308	1,307	1,308	1,307
Homebuy grant	1,367	1,398	1,367	1,398
Deferred capital grant (note 24)	282,754	271,394	282,754	271,394
	851,706	**729,887**	**850,102**	**727,249**
Less bond issue costs (note 25)	10,034	(5,196)	(959)	(1,009)
Less issue costs owed to group undertakings	-	-	13,030	(2,349)
Total	**861,740**	**724,691**	**862,173**	**723,891**

The amounts owed to group undertakings of £200,000,000 represents the on lending of the Public Bond that was issued by YH Finance Plc, a wholly owned subsidiary. Full details of the associated instrument are given in Note 25. Loans are secured against 15,229 properties, with a further 1,267 units available for security.

The bond issue costs disclosed above relate to the three bonds included within note 25.

22. Disposal proceeds fund

	Group		Association	
Movements in the Disposal Proceeds fund (DPF) were as follows:	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening balance as at 1 April	255	395	255	395
Withdrawals	(255)	(140)	(255)	(140)
Closing balance as at 31 March	**-**	**255**	**-**	**255**

Withdrawals from the disposal proceeds fund have been used for the purchase and development of new housing schemes for letting.

23. Recycled Capital Grant Fund

	Group		Association	
Movements in the recycled capital grant fund were as follows:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Opening balance as at 1 April	7,673	7,145	7,673	7,145
Grants recycled	1,758	2,261	1,758	2,261
Homebuy grants recycled	31	97	31	97
Interest accrued	56	53	56	53
Withdrawals	(2,113)	(1,883)	(2,113)	(1,883)
Closing balance as at 31 March	**7,405**	**7,673**	**7,405**	**7,673**

Recycled grant is repayable to Homes England if not recycled within three years, but no repayments were required in the year (2019: £nil).

24. Deferred grant income

Group and association	**2020 £'000**	**2019 £'000**
Opening balance at 1 April	277,922	278,020
Grant received in the year	14,366	5,401
Grant transferred from recycled capital grant fund	2,111	1,883
Grant transferred from disposals proceeds fund	255	140
Released to income in the year – Amortisation	(4,365)	(4,350)
Released to income in the year – Disposal	(205)	(911)
Released to recycled capital grant fund	(1,758)	(2,261)
Closing balance at 31 March	**288,326**	**277,922**
Amounts to be released within one year	5,572	6,528
Amounts to be released in more than one year	282,754	271,394
	288,326	**277,922**

25. Debt analysis

Borrowings	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Due within one year				
Bank loans	9,179	3,340	8,143	2,305
Total due within 1 year	**9,179**	**3,340**	**8,143**	**2,305**
Due after more than one year				
Bank loans	308,750	257,739	307,147	255,101
Other loan	121	121	121	121
THFC bond	30,000	30,000	30,000	30,000
Public bond	200,000	140,000	-	-
AHF Bond	20,000	20,000	20,000	20,000
Total due after more than 1 year	**558,871**	**447,860**	**357,268**	**305,222**
Total borrowings before costs, discount and premium on issue	**568,050**	**451,200**	**365,411**	**307,527**
Bond costs, discount and premium on issue				
THFC bond	(2,780)	(2,884)	(2,780)	(2,884)
Public bond	10,993	(4,187)	-	-
AHF Bond	1,821	1,875	1,821	1,875
	10,034	**(5,196)**	**(959)**	**(1,009)**
Total borrowings	**578,084**	**446,004**	**364,452**	**306,518**

Terms of repayment and interest rates

Bank loans have various repayment profiles with the final maturity date of 2039. There are no plans to make early repayments on loans. The loans have fixed and variable interest rates ranging from 0.78% to 11.30% and a weighted average rate of 4.09%.

As at 31 March 2020 the group had undrawn loan facilities of £16m (2019: £81m).

The 'other loan' is with the Bradford Health Authority. There is no interest payable; but on disposal of the properties the surplus realised is shared between the lender and Yorkshire Housing. There are six properties linked to this loan.

On 31 October 2014 Yorkshire Housing Finance Plc issued a secured bond for £200m at a coupon rate of 4.13% ("the bonds") due to mature 31 October 2044 which are guaranteed by defined assets within Yorkshire Housing Limited. In 2014 the Company placed £140m bonds at an issue price of 98.2% giving an effective yield of 4.23%. In 2019 the Company placed the remaining £60m bonds at an issue price of 126.5% giving an effective yield of 2.70%.

On 30th July 2008 Yorkshire Housing Limited issued a secured bond of £30m with The Housing Finance Corporation ("THFC") attracting 5.13% interest due to mature in 2035. On 28th March 2017 Yorkshire Housing Limited issued a guaranteed secured bond of £20m to the AHF attracting 2.89% interest and due to mature in 2043.

All loans are secured on housing stock, which covers the value of outstanding liabilities.

25. Debt analysis (continued)

Public bond	2020 £'000	2019 £'000
Bond	200,000	140,000
Less: unamortised discount on issue	13,030	(2,348)
Total bond less discount on issue	213,030	137,652
Less: unamortised issue cost	(2,037)	(1,838)
Total	**210,993**	**135,814**

Housing loans from banks are secured by fixed charges on 14,211 (2019: 13,868) of the group's housing properties and repayable at varying rates of interest and instalments.

Capital loan repayments made within the year were £3,001k (2019: £1,345k).

	Group		Association	
Maturity of financial liabilities	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
In less than one year	9,178	3,340	8,143	2,305
In more than one year but less than two years	8,929	5,509	7,895	4,475
In more than two years but less than five years	28,104	14,969	27,535	13,365
In more than five years	521,839	427,382	321,838	287,382
Total	**568,050**	**451,200**	**365,411**	**307,527**

The total group borrowings of £568,050k are split between £476,689k fixed and £91,360k variable rate debt. The maturity analysis above does not include the issue costs disclosed within note 20.

Analysis of changes in debt	1 April 2019 £'000	Cash flows £'000	Non cash movement £'000	31 March 2020 £'000
Cash	5,690	(1,351)		4,339
Money market deposits at call, seven day or monthly floating rates	45,210	61,607		106,817
	50,900	60,256	-	111,156
Bank loans due within one year	(3,340)	(11,347)	5,509	(9,178)
Bank loans due greater than one year	(447,860)	(105,503)	(5,509)	(558,872)
Total	**(400,300)**	**(56,594)**	**-**	**(456,894)**

26. Share capital

	2020 £	2020 £
Shares of £1 each, allotted and fully paid		
As at 1 April	140	167
Net issues less retirements	(15)	(27)
As at 31 March	**125**	**140**

The shares are non-transferable, non-redeemable and carry no rights to receive either income or capital payments. They are thus classified as non-equity shares.

27. Cash flow from operating activities

	2020 £'000	2019 £'000
Surplus for the year	10,270	18,008
Depreciation of housing assets	16,642	16,110
Depreciation of other tangible fixed assets	510	522
Impairment of fixed assets	126	
Gain on investment assets	(496)	(603)
Gain from sale of housing properties	(1,477)	(1,580)
Loss on disposal of other fixed assets	108	34
Increase in stock	(18,236)	(21,226)
Increase in trade and other debtors	(521)	(835)
Increase in trade and other creditors	3,735	4,214
Pension costs	(37)	(42)
Pension contributions paid	(1,217)	(1,020)
Release of capital grants	(4,570)	(5,261)
Interest charge	17,624	18,188
Interest received	(889)	(1,162)
Tax charge	-	-
Net cash generated from operating activities	**21,572**	**25,347**

28. Provision for liabilities – other provisions

Group deferred tax	2020 £'000	2019 £'000
Deferred tax (assets)/liabilities		
Provision at start of period	285	227
Adjustment in respect of prior years	-	-
Deferred tax charge to the SOCI for the period	114	58
Deferred charge to OCI for the period	-	-
Provision at end of period	**399**	**285**
Fixed assets timing difference	404	287
Short term timing difference	(5)	(2)
	399	**285**
Deferred tax (assets)		
Recoverable within 12 months	(5)	(2)
	(5)	**(2)**
Deferred tax liabilities		
Payable within 12 months	404	287
	404	**287**

The provision of deferred tax relates solely to the trading subsidiary.

29. Capital commitments

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Capital expenditure contracted for less certified at the year end	101,998	84,673	99,394	81,716
Capital expenditure authorised by the board but not contracted at the year end	157,330	200,489	157,330	200,489
Total	**259,328**	**285,162**	**256,724**	**282,205**

	2019 £'000	2018 £'000	2019 £'000	2018 £'000
It is proposed that the above commitment will be funded as follows (which covers a number of years):				
Borrowing and operating activities	232,835	251,129	230,232	248,172
Grant	26,493	34,033	26,492	34,033
Total	**259,328**	**285,162**	**256,724**	**282,205**

Our board approved development program takes us up to March 2026 is forecast as follows:	2020 £'000	2019 £'000
Units in the development pipeline	4,449 units	5,007 units
Projected pipeline cost	670,373	782,513
Projected source of funding:		
Social housing grants	75,923	85,293
Proceeds from sales	298,857	302,682
Surplus and borrowing	295,592	394,538
Total	**553,180**	**782,513**

The revised growth strategy of the Group is to March 2030, however, the development programme post 2026 remains aspirational and is not yet committed.

30. Contingent assets/liabilities

The group and association have no contingent liabilities.

31. Operating lease commitments

The Company was committed to making the following remaining lease payments under non-cancellable operating leases:

Group	2020 £'000	Land and buildings 2019 £'000	2020 £'000	Equipment and vehicles 2019 £'000
Operating leases which expire				
Within one year	656	656	309	220
Between two and five years	1,782	1,886	686	339
In over five years	2,158	2,594	-	-
	4,596	**5,136**	**995**	**559**

Association	2020 £'000	Land and buildings 2019 £'000	2020 £'000	Equipment and vehicles 2019 £'000
Operating leases which expire				
Within one year	656	656	309	220
Between two and five years	1,782	1,886	686	339
In over five years	2,158	2,594	-	-
	4,596	**5,136**	**995**	**559**

32. Pensions

The association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a last man standing' arrangement. Therefore, the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

On 1 April 2018, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. This change on transition resulted in a re-measurement difference of £4,722k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary. The SHPS triennial funding valuation is ongoing and will be reflected within March 2021 financial statements.

32. Pensions (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities	31 March 2020 £'000	31 March 2019 £'000
Opening scheme liabilities as at start of period	**51,002**	**48,207**
Current service cost	-	-
Expenses	37	42
Interest expense	1,180	1,221
Actuarial losses (gains)	(7,272)	3,281
Benefits paid and expenses	(951)	(1,749)
Defined benefit obligation at end of period	**43,996**	**51,002**

Reconciliation of opening and closing balances of the fair value of plan assets	31 March 2020 £'000	31 March 2019 £'000
Fair value of plan assets at start of period	37,864	36,907
Interest Income	887	944
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(157)	618
Contributions by employer	1,217	1,144
Benefits paid and expenses	(951)	(1,749)
Fair value of plan assets at end of period	**38,860**	**37,864**

Amounts recognised in surplus or deficit	31 March 2020 £'000	31 March 2019 £'000
Current service cost	-	-
Expenses	37	42
Net interest expense	293	277
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**330**	**319**

Defined benefit costs recognised in other comprehensive income	31 March 2020 £'000	31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(157)	618
Experience gains and (losses) arising on the plan liabilities	813	164
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain (loss)	439	(142)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain (loss)	6,020	(3,303)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) gain (loss)	**7,115**	**(2,663)**
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income	**7,115**	**(2,663)**

32. Pensions (continued)

Assets	31 March 2020 £'000	31 March 2020 %	31 March 2019 £'000	31 March 2019 %
Global Equity	5,684	15%	6,371	17%
Absolute Return	2,026	5%	3,276	9%
Distressed Opportunities	749	2%	688	2%
Credit Relative Value	1,066	3%	693	2%
Alternative Risk Premium	2,717	7%	2,184	6%
Fund of Hedge Funds	23	0%	170	0%
Emerging Markets Debt	1,177	3%	1,306	3%
Risk Sharing	1,312	3%	1,144	3%
Insurance-linked Securities	1,194	3%	1,086	3%
Property	856	2%	852	2%
Infrastructure	2,892	7%	1,986	5%
Private Debt	783	2%	508	1%
Opportunistic Liquid Credit	940	2%	-	0%
Corporate Bond Fund	2,216	6%	1,767	5%
Liquid Credit	16	0%	-	0%
Long Lease Property	672	2%	557	1%
Secured Income	1,474	4%	1,356	4%
Liability Driven Investments	12,897	33%	13,847	37%
Net Current Assets	166	0%	73	0%
Total Assets	**38,860**		**37,864**	

Key Assumptions	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.37	2.33
Inflation (RPI)	2.60	3.28
Inflation (CPI)	1.60	2.28
Salary Growth	2.60	3.28
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:	Life expectancy at 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

33. Group undertakings and related parties

Company	Legal status	RSH Regulated		Basis of control
Yorkshire Housing Limited	Cooperative and Community Benefit Society Act 2014	Registered with RSH	Registered provider	Group company
Yorkshire Community Property Services Limited	Companies Act	Non RSH regulated	Non registered provider	100% share
Y H Residential Limited	Companies Act	Non RSH regulated	Non registered provider	100% share
Yorkshire Housing Finance PLC	Public Limited Company	Non RSH regulated	Non registered provider	100% share
Yorkshire Transformations Holdings Limited	Companies Act	Non RSH regulated	Non registered provider	33% share
Forge New Homes LLP	Companies Act	Non RSH Regulated	Non Registered Provider	20% share

All subsidiaries are incorporated or registered in England and Wales.

Yorkshire Housing Limited had the following transactions with unregistered related parties during the years:

33. Group undertakings and related parties (continued)

YH Residential Limited	2020 £'000	2019 £'000
Received from related group entities:		
Interest receivable	158	35
Management charge for central services	630	598
Rent and service charges	169	169
Gift Aid	4,159	2,562
	5,116	**3,364**
Paid to related group entities:		
Fee for managing group properties	566	566
Fee for selling group properties on the open market	410	261
Interest payable	29	8
	1,005	**835**

Y H Residential Limited owns and manages the market rented homes portfolio. Yorkshire Housing Limited calculates the YH Residential management charge on a combination of FTE and turnover apportionment basis.

Yorkshire Housing Finance Plc	2020 £'000	2019 £'000
Paid to related group entities:		
Interest payable	6,606	5,825

Yorkshire Housing Finance PLC is a wholly owned subsidiary of Yorkshire Housing Limited providing long term finance through a bond issue.

Yorkshire Housing Finance Plc issued a £140m bond in October 2014 and a further issue of £60m in September 2019; the cash raised has been lent to Yorkshire Housing Limited.

Yorkshire Community Property Services Limited	2020 £'000	2019 £'000
Paid to related group entities:		
Interest payable	6	4

Yorkshire Community Property Services Limited is currently not trading.

34. Related party transactions

A proportion of the board members and shareholders are tenants of the group and reside in the group's property. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Group and they are not able to use their position to their advantage.

Yorkshire Transformations Holdings Limited is a joint venture which undertakes the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with BOS Infrastructure (No3) Limited and DIF Infra 3 Limited.

In the year the group entered into a new joint venture, Forge New Homes LLP ("FNH") on 25th September 2019. The Limited Liability Partnership was formed to provide housing in the Sheffield city region and is a partnership between Cube Homes Ltd, Guiness Homes Ltd, Together Commercial Ltd, Syha Enterprises Ltd and YH Residential Ltd. Total cost incurred to date in relation to FNH are £60k and therefore immaterial.

Related party transactions with Yorkshire Transformations Limited were are below.

During the year Yorkshire Housing Limited transacted with its non-regulated subsidiaries, Y H Residential Limited and Yorkshire Community Property Services Limited. These transactions eliminated on consolidation within the group's financial statements.

Yorkshire Housing Finance Plc is a wholly owned subsidiary of Yorkshire Housing Limited providing long term finance through a bond issue.

Yorkshire Transformations Holdings Limited is a joint venture which undertakes the refurbishment, maintenance and financing of homes in the Swarcliffe area of Leeds under a Private Finance Initiative with Leeds City Council.

Yorkshire Community Property Services Limited owned the organisation's York office, Yorkshire House, which had been provided to Yorkshire Housing Limited until its disposal in 2013.

Further details of these transactions can be found within the financial statements of the subsidiary company.

Tenant Board Members

A proportion of the board members and shareholders are tenants of the group and reside in the group's property. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Group and they are not able to use their position to their advantage.

We have one board member, David Perry who is a tenant of Yorkshire Housing and has a tenancy agreement which is on the association's normal terms and he cannot use his position to his advantage. Mr Perry's annual rental amount is £4,530 (2019: £4,576), this is charged on an arm's length basis with had no balance outstanding at 31 March 2020 (2019: nil) payable to Yorkshire Housing Group.

We have one board member, Naz Parkar who is a Director at Kirklees Council and no involvement in the bidding for and setting of any contracts between or against the two parties.

Related party transactions with Yorkshire Transformations Limited	2020 £'000	2019 £'000
Contractual income		
Income received 2019/20	2,806	5,306
Other income		
Repayment of subordinated debt	-	496
Directors fees	63	61
Subordinated debt interest	62	608
Dividend	210	77
Total income	**3,141**	**6,548**
Trading debtor at 31 March	**919**	**1**

35. Financial assets and liabilities

The board policy on financial instruments is explained in the strategic report as are references to financial risks

	2020 £'000	2019 £'000
Financial assets		
Debtors at amortised cost	8,337	6,497
Debt service reserve investments at fair value	758	774
Cash at amortised cost	111,157	50,900
	120,252	**58,171**
Financial liabilities		
Trade and other creditors at amortised cost	20,451	17,017
Loans at amortised cost	568,049	451,200
	588,500	**468,217**

Financial assets
Financial assets are made up of short term debtors, such as trade debtors and other debtors, current investments at fair value and cash at amortised cost.

Financial liabilities

Financial liabilities consist of Trade and other creditors and include loans at amortised cost.

36. Prior year restatement

The 2019 Statement of Financial Position has been restated to present the Homebuy loans and related grant separately as an asset and liability in line with the requirements of the Statement of Recommended Practice for Social Housing Providers 2018. This has been done for consistency of presentation and there is no impact on the reported result for the year.

FINANCIAL STATEMENTS 2019-20:
COMPANY INFORMATION

Registrations:
Co-operative and Community Benefit Society registered number: 30443R
Homes England registered provider number: L4521

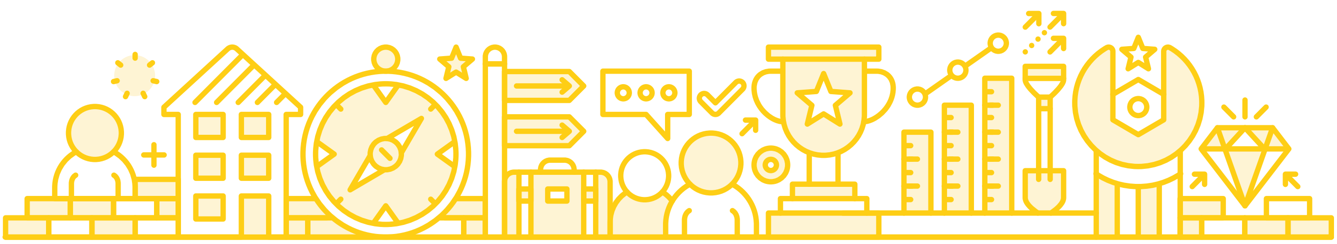
Secretary:
Barry Nethercott

Registered office:
Dysons Chambers, 12-14 Briggate, Leeds, England, LS1 6ER

Independent auditors:
Grant Thornton UK LLP
No 1 Whitehall Riverside, Leeds, LS1 4BN

Board:
Will Lifford – *Chair*
Sue Hall – *Vice Chair*
Linda Christon
Richard Flanagan
Alison Hadden
Naz Parkar
David Perry
Philip Severs

Executive directors:
Nick Atkin – *Chief executive (appointed 1 April 2019)*
David Bolton – *Director of property services*
Andy Gamble – *Director of development*
Barry Nethercott – *Director of finance (Appointed 20 March 2020)*
Michelle Gregg – *Director of business transformation*
Cath Owston – *Director of customer services*



WE ARE YORKSHIRE HOUSING BY NAME AND YORKSHIRE IS OUR FOCUS.

WE OWN AND MANAGE NEARLY 20,000 HOMES WITH A WIDE RANGE OF TENURES ACROSS YORKSHIRE.

WE'RE MAKING A HUGE DIFFERENCE TO THE LIVES OF OUR CUSTOMERS AND WANT TO DO MORE.

YORKSHIRE
HOUSING

Head office:
Yorkshire Housing
Dysons Chambers
12-14 Briggate
Leeds
LS1 6ER

Telephone: 0113 825 6000
Email: enquiries@yorkshirehousing.co.uk
www.yorkshirehousing.co.uk

YHL-5709