Annual report and financial statements

For the year ended 31 March 2025

Co-operative and Community Benefit Societies
Registration No 31419R

Contents

Annual report and financial statements

Members of the board, management, executive officers and advisers.

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

Board Members

Ian Munro	Chair
Steve Bentley	Deputy chair
Nicola Haywood-Cleverly	
Silas Heys	
Steve Hughes	Appointed 19th September 2024
Tony Muir	
Charlie Norman	Appointed 19th September 2024
Andrew Oldale	
John Burt	Retired 19th September 2024
Kerry Byrne	Retired 19th September 2024
Catherine Lindsay	Resigned 22nd September 2024
Susanne Long	Resigned 17th June 2025
Sarah Swindley	Appointed 19th September 2024, resigned 12th June 2025

Executives

Catherine Purdy	Chief Executive to 4 August 2025
Pam Mastrantonio	Chief Executive from 4 August 2025
Niki Stockton	Director of Customer Experience
John Mansergh	Director of Business Improvement
Richard Hayes	Director of Homes
Richard Morris	Director of Finance

John Mansergh	Company Secretary

External Auditor

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Principal Bankers

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

Welcome to the 2024/25 Annual Report

We are highlighting significant progress in achieving our strategic objectives of Greening, Growing, and Transformation.

The challenging economic context which affects us as a business, as it does our customers and supply chains, has continued to have an adverse impact.

Combined with political uncertainty and geopolitical instability has made planning and delivery that bit harder. Locally too, the impact of expansion of BAE Systems is having a knock on impact on availability of contractors and recruitment and retention of our in-house team.

Whilst SLH welcome the more focussed and more stringent Regulatory Standards expected of all affordable housing providers, meeting these and preparing for more to come is coming at a time of tightening resources and stretched operations and I am grateful that our team of dedicated colleagues continue to rise to the on-going challenges.

Chair's statement

This year, I am pleased to report that we have made notable strides in transforming customers' experience of SLH homes and services, in particular:

Enhanced customer satisfaction

Our latest 'independent' survey shows improvement in customer satisfaction, rising from **78.6%** last year to **79.9%** this year.

Keeping tenants safe

We achieved **100% performance** in gas, asbestos, fire, water, and lift safety checks. Additionally, cases of damp and mould have decreased compared to the previous year.

Timely repairs

The completion rate for routine repairs within time-scales has improved from **74% to 78%**. We recognise that further improvement is needed, and this is a key focus for the year ahead.

Providing new affordable homes

We developed **26** new homes in 2024/25, including locations in Kendal, Kirkby-in-Furness and Natland.

Efficient use of our homes

The average time to have an empty property occupied after being vacated by previous tenant has decreased from **68 days** last year to **37** this year.

Energy efficiency

86% of our homes now meet Energy Performance Band C levels, up from **70%** last year and **33%** at the beginning of our business strategy in 2020.

Resolving complaints

99% of Stage 1 complaints were resolved within target, with a high level of complaints being upheld, indicating that customers are right to voice their concerns.

SLH has maintained its Governance and Financial Viability ratings as compliant G1 and V2 grades following the Regulator of Social Housing's annual stability check. External consultants DTP conducted an independent review of governance and board effectiveness, concluding that governance at SLH is effective with robust supporting processes for sound oversight and assurance. Shareholders approved the new company Rules at our last annual general meeting in September. The Board recruited three new board members and co-opted a further member this year, bringing a range of skills in customer experience, transformation, and housing management. These additions are crucial as the Board oversees the delivery of the final phase of its ambitious business strategy. We recognise however that we have more to do in ensuring that the views of customers influence decision-making at the governance level. Our culture needs to evolve so that all customer's feel valued, listened to and informed. This is a key driver of our emerging Resident Engagement Strategy, which we are developing, in consultation with our customers.

I am pleased to announce the appointment of Pam Mastrantonio as SLH's next Chief Executive, following the retirement of Cath Purdy in August 2025. Pam brings extensive experience in various housing roles and is committed to resident engagement and supporting healthy tenancies. We thank Cath for a decade of outstanding service, leading the growth of the association in new homes, our push for greener homes and organisational maturity.

Thank you to all Board and Committee Members, staff, and partners for delivering another excellent set of results and positive outcomes for our customers.

Ian Munro

Ian Munro
Chair of the SLH Board, 11th September 2025

Strategic Report - year ended 31 March 2025

The Board presents its report and audited financial statements for the year ended 31 March 2025.

Principal activity

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

Business Strategy

SLH's purpose 'Quality Homes, a platform for life' has been central to our planning for the future.

Public Benefit Entity

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

SLH is ambitious about the positive and lasting impact it will have, as a result of delivering this plan over a six-year period and on improving customer experience, homes, neighbourhoods, energy efficiency, affordability and a new supply of quality homes.

The Board agreed to extend the Business Strategy period to 2026 in recognition of...

- The need to secure grant for new developments (particularly our land-led schemes), accessing grant for energy efficiency improvements to the existing stock, and gaining long-term certainty around future rent setting.
- A number of transformation projects that are underway focusing on improving customer experience, procurement of new contracts and use of data.
- The implications of the forthcoming national long-term housing strategy, planning reforms and associated housing targets, local devolution plans and the June 2025 Spending Review.
- Recruitment of a new Chief Executive in spring/summer 2025.

Growing

400 homes completed/on-site with 78% customer satisfaction

Greening

All homes at EPC C* High 'eco standard' new builds

*except hard to treat

Transforming

65% customers using 'My Account'. Culture transformation - Let's Make It Happen!

Strategic report

Financial Overview

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

- Turnover has increased in the year by £0.3m to £25.1m; principally due to:
  - Rent and service charge income increased by £1.8m reflecting income from new homes developed, and the increase in rents implemented April 2024, and
  - 28 first tranche shared ownership property sales were completed in the year realising turnover of £2.4m (2024: 44 first tranche sales and turnover of £4.1m).
- Operating costs have increased by £2.0m in the year to £22.1m (2024: £20.1m). Economic conditions have seen operating costs increase, with the rate of property maintenance inflation significantly exceeding the rate of increase in the Association's rental income. The higher cost inflation was compounded by a sector wide heightened focus on customer service quality and increased reinvestment in existing homes. The principal variances being:
  - £0.7m increase in management costs to £5.6m, reflecting inflation of operating costs, including employee costs to address recruitment and retention challenges,
  - £0.4m increase in responsive and planned maintenance,
  - £1.6m increase in revenue major repair investment in existing homes to £4.7m (2024: £3.1m), reflecting the challenge of national increases in property maintenance inflation, exacerbated by the lack of capacity within supply chains within our operating geography, and increased investment to remediate cases of damp, mould and condensation,
  - £0.4m increase in depreciation, principally due to the investment in new homes and the capital reinvestment in existing homes to improve energy efficiency performance of SLH's homes, and
  - a reduction in the costs of the first tranche shared ownership equity sold of £1.1m to £1.8m (2024: £2.9m)
- The surplus on disposal of fixed assets of £0.3m relates to the disposal of 8 properties under preserved Right to Buy (RTB), 4 shared ownership staircasing sales and a miscellaneous land disposal (2024: 11 RTB and 1 shared ownership staircasing sales achieved a £0.2m surplus), recognising the surplus generated from RTB sales is net of the amounts due to Westmorland and Furness Council under the conditions of the 2012 Transfer Agreement.
- The Association invested £5.2m in the development and acquisition of new social housing during the year (2024: £9.5m). 26 new homes were acquired or developed during the year, comprising of 13 rented and 13 shared ownership homes (2024: 95 new properties).
- Reinvested £12.1m in its existing properties through capital and revenue major repairs (2024: £10.3m), including energy efficiency improvements during year of £4.3m to existing homes (2024 £4.0m).

Strategic report

- The Association's net debt (gross loans drawn less cash at bank) as at 31 March 2025 was £56.2m (2024: £51.3m) and had £20.0m of arranged, secured and available to draw loan facilities as at 31 March 2025 (2024: £20.0m). As at 31 March 2025 100% of loans drawn were at fixed rates of interest (2024: 100%).
- Reserves have increased by £1.2m (2024: £2.9m increase), to £61.0m from £59.8m.
- The Association complied with all financial loan covenants for the year ended 31 March 2025 (2024: complied with all financial covenants).
- The Association participates in two defined benefit pension schemes, that are both closed to new employees.
  - The Local Government Pension Scheme (LGPS) is reported as a net £nil liability / asset as at 31 March 2025 (2024: £nil). Independent pension actuaries prepare the valuation of the Association's membership of the Cumbria LGPS, and as at 31 March 2025 reported a surplus of £7.9m (2024: surplus £6.0m), however, in accordance with Financial Reporting Standard 102 (FRS102) the surplus has not been recognised due to inherent uncertainties of the recoverability of this pension asset by the Association.
  - The SHPS pension scheme deficit reduced by £0.1m to £0.2m as at 31 March 2025 (2024: £0.3m).

Capital Structure and treasury policy

SLH has a Treasury Policy that adopts the key principles of The Chartered Institute of Public Finance & Accounting's ('CIPFA') Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

The approach is that treasury management is a function to allow access to funds to carry on the business; it is not a separate activity that is expected to produce surpluses. As such, whilst SLH endeavours to borrow at as low a cost as possible, the objective is to primarily manage cash flow effectively and monitor the inherent risks in treasury activities by maintaining a reasonable split of fixed and variable loans.

SLH's borrowings and investments are with financial institutions in line with the Treasury Policy that defines credit quality criteria.

Environment, Social & Governance reporting (ESG)

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

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

SLH is proud to be an adopter of The Social Housing Sustainability Reporting Standard (SRS) providing a consistent reporting standard for stakeholders to judge progress. SLH is not a 'large' organisation covered by the UK's Streamlined Energy and Carbon Reporting (SECR) policy. However, SLH has chosen to voluntarily report so that stakeholders may review our environmental performance, including data on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions by reviewing the detailed ESG report.

Tenant Satisfaction Measures (TSMs)

The Regulator of Social Housing introduced a new requirement for all social housing landlords to annually report against a set of measures indicating how we are performing on providing quality homes and services.

There are 22 TSMs including 12 tenant perception measures and 10 general management measures. The perception data was derived from an external survey carried out by market research specialists TLF. All of the TSM data can be found on the SLH website:

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

Value for Money (VfM)

The challenging economic environment means that this has been increasingly important and will continue to be for the coming financial year. For SLH, VfM is an integral part of our business strategy – 'Our Direction 2026', rather than an add-on or standalone activity. The Board monitors organisational progress against key priority areas to ensure we maintain an emphasis on delivering core objectives, on becoming a more Economic, Efficient, and Effective business, and on reacting swiftly and appropriately to the key challenges being faced.

This part of the Annual Report demonstrates to stakeholders how SLH is meeting the requirements of the Regulator's VfM Standard. SLH's strategic approach to VfM is embedded in 'Growing', 'Greening' and 'Transforming' as highlighted in the graphic on page 7 and further articulated in our VfM Strategy and associated VfM action plan that is embedded across operational areas of SLH.

The Board also monitors an Efficiency KPI as part of its Quarterly Business Performance Report, that measures Efficiencies (cashable savings) and additional income generated in comparison to 2021/22 budget as a baseline. The efficiency savings achieved include review and rationalisation of SLH's office estate, review of our VAT partial exemption and savings arising from process design reviews.

In accordance with the Rent Standard the SLH Rent and Service Charges Policy recognises that 86% of the Association's social rented homes are let at less than the Government's formula rent plus flexibility, and consequently the Association's rental income being £1.4m (c7%) per annum lower at April 2025. The Association is particularly impacted by low rents as it transferred from the local authority in 2012 with rent levels significantly below formula rent levels, and the former opportunity to restructure rents was removed in 2015.

SLH recognises that this £1.4m income forgone by the Association is directly supporting customers during the cost-of-living crisis and the peak of energy prices in recent years and negatively impacts the Association's performance when comparing to the RSH's VfM metrics for EBITDA: MRI, Operating Margin and Return on Capital Employed in particular. SLH implements the opportunity for income maximisation in respect of social rent tenancies on future relets arising from tenancy turnover and its policy is to apply the Rent Standard flexibilities on relets increasing SLH capacity to invest in the Business Strategy aims of Growing, Greening & Transforming.

The Greening strategic theme prioritises the achievement of Energy Performance Certificate (EPC) band 'C' or above for all the Association's homes (except exceptional hard to treat properties). The 2025 Long-Term Financial Plan identifies the resources to achieve this strategic target by March 2027; being 3-years ahead of the UK Government's target for Private Registered Provider (PRP) homes. SLH was successful in its bid for Social Housing Decarbonisation Funding, wave 2.1 and during 2024/25 SLH invested £4.3m in fabric first retrofitting of its existing homes (capital & revenue); in addition to the

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annual programme of reinvestment in existing properties that invested a further £7.8m in Major Repairs (capital & revenue) during the year.

This extraordinary level of reinvestment in SLH homes delivered a 'step-change' improvement in the number of SLH homes achieving an EPC of band 'C' or above, with 86% of SLH homes achieving C or above as at 31 March 2025 (2024: 70% EPC 'C' or above).

Customers are reporting significant improvements in the warmth, energy efficiency and reduced running costs of their homes because of this reinvestment in SLH's existing homes. During 2025/26 to 2026/27 SLH will complete its retrofit energy reinvestment works, supported by the Government's Warm Homes: Social Housing Fund programme (wave 3), to achieve 100% of SLH properties performing at EPC band 'C' or above (except exceptional hard to treat).

The significant improvement in energy efficiency is key to meeting SLH's Greening strategic theme, supporting tenancy sustainment through lower housing costs, enabling customers to maintain their rent payments to SLH and is anticipated to also reduce tenancy turnover, void rent loss, and void repair costs.

SLH supported by the Government's Warm Homes: Social Housing Fund programme will reinvest in 671 of the association's homes and related leasehold properties, achieving:

The 2024/25 reinvestment of £4.3m in energy efficiency retrofitting, was financially planned and is recognised to be driving exceptional results in SLH's VfM metrics as defined by the Regulator of Social Housing (RSH). SLH's VfM metrics in comparison to the sector therefore are exceptional and are explained further below.

A strategic programme of projects commenced in 2024/25 to review the Association's implementation of service charges, recognising that in the year ended 31 March 2025 service charge recovery was 51% compared to sector average performance of 77%.

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Regulator’s Value for Money Metrics

The RSH has published a standard suite of metrics to monitor the financial health of the sector and provide a uniform framework for measuring Value for Money (VfM). The table below reports SLH’s 2024/25 performance against the Regulator’s VfM metrics, including a comparison against national medians for 2023/24 (taken from the Regulator of Social Housing ‘Value for Money Metrics & Reporting - annex to the Global Accounts 2024’ published March 2025).

	SLH actual	RSH National Median	SLH target	SLH actual	SLH 2023/24 Actual v to RSH 2022/23 National Quartiles	SLH approved long term financial plan forecasts		
VFM Metric	2023/24	2023/24	2024/25	2023/24*		2025/26	2026/27	2027/28
Reinvestment	12.1%	7.7%	13.7%	8.5%	Upper median	12.3%	14.5%	9.8%
New Supply Social Housing	2.8%	1.4%	1.1%	0.8%	Lower median	1.2%	0.8%	3%
New Supply Non-Social Housing	0%	0%	0%	0%	Median	0%	0%	0%
Gearing	36.7%	45.6%	40.1%	37.7%	Lower median	39.7%	44.5%	46.4%
EBITDA-MRI Interest Cover[1]	(11.3%)	122%	(48.8%)	6.1%	Lower	(72.2%)	(15.5%)	42.4%
Headline Social Cost Per Unit (CPU)	£6.3k	£5.1k	£7.4k	£7.2k	Lower	£7.6k	£7.2k	£6.7k
Operating Margin Social Housing Lettings	13.8%	20.4%	13.6%	7.9%	Lower	10.8%	14.0%	17.3%
Operating Margin Overall	19.1%	18.5%	15.4%	11.4%	Lower	14.6%	15.5%	17.7%
Return on Capital Employed	3.1%	2.8%	2.5%	2.1%	Lower	2.5%	2.1%	2.6%

* Colour shading indicates SLH 2024/25 performance as favourable / equal (green) or adverse (red) in comparison to the 2023/24 National Median taken from the Regulator’s Value for Money Metrics and Reporting – annex to the Global Accounts 2024.

[1] The RSH has amended the definitions of EBITDA:MRI ratio with effect from 2024/25, requiring providers to recognise capitalised major repairs grant received when calculating the EBITDA: MRI Interest Cover metric. This is to ensure the calculation reflects both the cost of undertaking capitalised major repairs and any grant funding that is associated with meeting those costs.

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Reinvestment metric

SLH's performance for 2024/25 was 8.5%, being greater than the 2023/24 national median average (7.7%) and represents upper median quartile performance in the most recent benchmarks published by the RSH. This VfM metric performance is an outcome of:

- the SLH Business Strategy 'Our Direction 2026' commitment to deliver at least 400 new homes and starts by 2026,
- continuing to reinvest in our existing homes to maintain the SLH standard that is higher than the Government's Decent Homes Standard, and
- SLH's Greening Business Strategy objectives to invest in existing homes to achieve EPC band 'C' or above for all properties (except exceptional hard to treat properties), ahead of the Government's 2030 deadline for all PRPs to achieve.

During 2024/25 SLH completed 26 new social homes through an investment of £5.2m in new property development and acquisitions, including £2.8m invested in respect of new homes that were in the course of construction and in first tranche shared ownership housing stock for sale as at 31 March 2025.

SLH also has a pipeline of identified development opportunities to deliver 169 new homes from 2025/26, through a combination of committed and uncommitted schemes, and through land-led developments supported by the Social and Affordable Homes Programme and in partnership with house-builders through planning gains, to deliver and exceed the 2020/26 Business Strategy objective.

During 2024/25 SLH reinvested £7.4m in capital major repairs and energy efficiency retrofit improvements to its existing homes, maintaining its commitment to its SLH Homes Standard that is a higher standard than the national Decent Homes Standard (DHS), through:

- £3.3m invested in its existing homes through capital component replacement programmes, and
- Investment of a further £4.1m in capital energy efficiency improvements to existing homes in furtherance of SLH's Greening Business Strategy objective.

As at March 2026 86% of SLH's homes achieved or exceeded EPC band C performance, representing a significant increase from 33% at the commencement of the 2020-26 Business Strategy. SLH has been successful in receiving an allocation for the Warm Homes Social Housing Fund (wave 3) that will enable reinvestment in SLH's homes that had not achieved EPC band C by March 2025, ensuring all homes (except exceptional hard to treat properties) achieve EPC band C or above by March 2027.

SLH had budgeted to achieve reinvestment of 13.7% for 2024/25. The achievement of upper median quartile actual performance of 8.5% reflected the challenges of:

- Significant delays in securing Homes England grant funding to progress land-led developments during the year delayed budgeted investment. The Government's commitment to a decade of renewal for social and affordable housing evidenced by the March 2025 Spending Review commitment to £39billion grant funding to the sector provides greater certainty of future access to funding to support SLH's objective of delivering new homes to meet the housing crisis,
- continuing delays in receiving planning permission / land transfer from the local authority following the Local Government review implemented in Cumbria April 2023, and
- delays by house-builder partners in delivering social homes through planning gains.

The forecast reinvestment metric of 12.3%, 14.5% and 9.8% for 2025/26 to 2027/28 reflects:

- £5.6m budgeted investment in energy efficiency during the period as SLH completes its programme to upgrade all homes to EPC band C or above, in accordance with its Warm Homes Social Housing Fund (wave 3) allocation that includes grant funding of £3.7m.
- £41.1m investment in developing and acquisition of new homes during 2025/26 to 2027/28, with associated grant income of £9.1m and shared ownership first tranche sale receipts of £6.2m).
- £17.6m capital major repairs programme to maintain the SLH standard.

New Supply Social Housing

SLH's target for new homes supply in 2023/24 was to deliver 39 new social homes, whereas SLH achieved a total of 26 new social homes, being 13 social and affordable rented homes and 13 shared ownership homes. Delivery of 26 new homes represents a metric performance of 0.8%, that is lower median quartile in comparison to the national median of 1.1% in the RSH 2023/24 benchmarks. The SLH 2024/25 new homes target was not achieved due to delays by a house-builder partner, where the delayed thirteen new homes are expected to be acquired in early 2025/26.

Growing the number of homes in management is an example of how SLH's VfM strategy is embedded in its Greening, Growing & Transforming objectives; as the Association grows the number of homes in management, whilst containing its fixed costs, which delivers Economy by driving down the cost of management per property. The Association has the capacity (see Gearing below) with arranged and secured funding facilities in place to deliver the Business Strategy Growing strategic theme, for the next two financial years, through investing in the development of new homes.

As at 31 March 2025 SLH had delivered 314 new homes across the 2020-26 Business Strategy period to date and was on track to deliver at least 400 new homes / new home starts by March 2026, to be delivered through a combination of developing homes supported by the Social and Affordable Homes Programmes and through acquisitions of affordable housing from private developers. These new homes will be delivered across SLH's geographic operating area to meet housing needs at differing price points and providing tenure choice for customers.

This pipeline programme of completions forecasts the SLH metric to be upper median quartile in 2025/26 1.2%, lower median quartile of 0.8% in 2026/27, before rising to 3.0% and Upper Quartile in 2027/28 (all in comparison to the RSH 2023/24 benchmarks; noting that the RSH have reported reducing new home starts in 2024/25 and therefore it is likely SLH performance will compare more favourably to up-to-date benchmarks as they become available) .

New Supply Non-Social Housing

SLH's Business Strategy commits SLH to the delivery of new social housing homes to contribute to meeting the needs of neighbourhoods within SLH's geographic operating area, and accordingly SLH has not committed its finite resources to the development of new non-social homes.

Gearing

The Association's balance sheet is strong with significant potential for SLH to invest, as calculated by the Gearing metric of 37.7% that is lower than the RSH national median and represents lower median quartile performance. SLH's gearing has increased by 1.0% in the 2024/25 year because of the capital reinvestment in energy efficiency of £4.1m and Major Repairs of £3.3m in existing homes, and £5.2m investment in new homes as reflected in SLH's upper median quartile reinvestment metric performance. The Gearing performance confirms SLH's capacity to deliver the reinvestment in its existing homes and the delivery of planned new homes. This latent capacity is also reflected in the Association having £20.0m undrawn, secured and available to draw loan facilities as at 31 March 2025. These loan facilities have been arranged and secured to resource the delivery of the Business Strategy to 2026, with the forecast next financing requirement being in 2027/28.

Gearing is forecast to increase to 39.7% by March 2026 due to the investment in new homes in accordance with our Growing strategic theme to deliver at least 400 new homes or starts by 2026, to continue reinvesting in existing homes to maintain the SLH Homes standard and achieve a minimum of EPC band 'C' by March 2027 to deliver our Greening strategic theme.

EBITDA-MRI

Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included of 6.1% is lower quartile performance, and significantly lower than the RSH national median of 122%. Although, SLH's performance of 6.1% is below the comparison benchmark median, it should be recognised that:

- SLH invested £4.1m capital and £0.2m revenue in energy efficiency works to its existing homes as part of its Greening strategic objective that all SLH homes will achieve EPC band 'C', with this being an exceptional level of reinvestment in existing properties (capital grant of £1.8m has been recognised in the calculation from 2024/25 that partially ameliorates the impact of this exceptional reinvestment).
- in parallel to the energy efficiency reinvestment in existing homes SLH delivered a programme of Major Repairs of £3.3m capital and £4.5m revenue in 2024/25 to maintain homes to the SLH standard. Included within revenue Major Repairs, SLH reinvested £1.2m in environmental improvements to the built environment of our neighbourhoods to drive improved Tenant Satisfaction Measure performance in respect of whether communal areas are well maintained and positive contribution to neighbourhoods in particular,
- the benchmarks are for the 2023/24 year, and the UK has experienced continued high inflation and construction supply chain shortages leading to significant increases in the costs of labour / sub-contractors in respect of property maintenance. These factors are expected to reduce the sectors median EBITDA: MRI performance during 2024/25, and
- In June 2025, the RSH published that interest cover, excluding sales, had fallen in the quarter ended March 2024 to 82% for PRPs, citing record levels of spend by the sector in part in response to an increased focus on damp and mould rectification across the sector.

SLH's EBITDA: MRI metric performance has been significantly impacted, as planned, by the investment in energy efficiency expenditure. SLH's performance excluding the energy efficiency reinvestment in existing homes of £4.3m would have been 106.3% for 2024/25 highlighting the impact of this early investment in the energy efficiency of SLHs homes. To meaningfully compare the EBITDA: MRI metric therefore requires an in-depth knowledge of each PRP's position towards the 2030 deadline of achieving a minimum of EPC band 'C' for their respective homes.

SLH's performance in 2023/24 of 6.1% is favourable to minus 48.8% that the Association budgeted, principally due to delayed delivery of capital Major Repairs in 2024/25 of £1.3m that have been reprofiled in the 2025/26 and 2027/28 financial years (no impact on achievement of Decent Homes Standard compliance).

The EBITDA-MRI forecast metric is planned to reduce in the 2025/26 year to minus 72.5% as the Association undertakes:

- the increased reinvestment in its existing homes, delivering the energy efficiency works to achieve EPC band ‘C’ of £3.3m,
- further £1.5m reinvestment in revenue environmental improvements to the built environment of SLH neighbourhoods, including £0.3m revenue improvements to communal areas within apartment / maisonette blocks,
- budget of £1.1m to address and remove causes of damp, mould and condensation and other hazards in SLH Homes seeking to ensure full compliance with the phased introduction of Awaab’s law from October 2025, and
- the traditional major repair programmes of £7.0m during 2025/26.

The forecast EBITDA-MRI below median levels during 2024/25 is comfortably within the financial covenant parameters and Financial Golden Rules of the Association, is planned, and is a direct consequence of the implementation of the business strategy. The SLH Board are committed to the development of an additional Financial Golden Rule, in respect of EBITDA: MRI. Development of this additional Financial Golden Rule will be in parallel to the development of the future Business Strategy commencing from 2026 and will include reviewing and determining the strategic ‘trade-offs’ to set the target EBITDA: MRI level for future Long Term Financial Plans.

Headline Social Housing Cost per property

SLH cost per home of £7.2k (2023/24: £6.3k) for 2024/25 represents upper quartile performance compared to the RSH 2023/24 benchmarks, and £2.1k higher cost per property than the RSH median of £5.1k per home.

The Association’s 2024/25 cost per unit includes £4.3m of energy efficiency reinvestment in furtherance of the Greening Strategic theme and £7.8m major repairs reinvestment in existing homes, maintaining the SLH standard and investment in customer service through customer’s lived experience of their neighbourhoods; equating to £1.2k and £2.2k per property managed respectively in 2024/25.

SLH’s total maintenance, including responsive, planned and major reinvestment during 2024/25 in existing homes is £4.8k per property managed that compares to the RSH published weighted average maintenance cost per property for the 2023/24 year of £3.0k per property. This analysis confirms that SLH’s 2024/25 social housing cost per unit of £7.1k, being £2.1k higher than the median is almost entirely due to its level of reinvestment in existing properties.

SLH’s level of reinvestment is exceptional due:

- to the SLH Business Strategy accelerating the achievement of EPC band C in furtherance of the Greening Strategic theme, with £4.3m reinvestment in 2024/25 (86% of SLH properties achieving band ‘C’ by 31 March 2025),
- Reinvestment of £1.2m in environmental and communal space improvements to the built environment, and
- £1.2m in remedying damp, mould and condensation cases and addressing other hazards in readiness for the introduction of Awaab’s law, representing £0.7k per property.

The cost per property metric is forecast to rise to £7.6k per property in 2025/26, respectively reduce to £7.2k per property from 2026/27 as SLH completes its investment to achieve EPC band ‘C’ for all of its properties and then reduce again in 2027/28 to 6.7k per property on completion of the wave 3 energy efficiency reinvestment programme.

Operating Margin - Social Housing Lettings

...for 2024/25 of 7.9% is significantly lower than the RSH 2023/24 median of 20.4% representing lower quartile performance. As discussed in the analysis of EBITDA:MRI above, it is recognised that the benchmark comparisons are for 2023/24 and therefore achieving meaningful comparison of Operating Margin would require an in-depth knowledge of each PRP's position towards the 2030 deadline of achieving a minimum of EPC band 'C' for their respective homes – where SLH projects to achieve this target in 2027, being 3-years ahead of the Government's 2030 deadline. In addition, SLH's focus on improving the built environment and neighbourhoods of its customers through additional revenue major repairs reinvestment is a further contributing factor in SLH's lower quartile performance.

The significant majority of SLH's homes are social rent tenancies let at formula rents (89% of SLH homes being social rent tenancies as at April 2025), with rents being set in accordance with the Rent Standard that does not permit 'restructuring' of existing tenant's rent levels. As at March 2025 86.3% of SLH's social rent tenancies were let at rents lower than the Formula Rent plus flexibility prescribed by the RSH's Rent Standard, with SLH's rental income being £1.4m per annum lower than the Rent Standard.

This lower rental income is compounded by the SLH's history of being a large-scale voluntary transfer organisation with service charges not being recovered from most of its general needs homes. The combination of lower rental income and service charge recovery reduces social housing turnover, thus adversely impacting operating surpluses and the Operating Margin percentage.

SLH's Operating Margin KPI is forecast to increase each year and be 17.3% in 2027/28 because of the delivery of the:

- Growing strategy, increasing the number of homes in SLH's management whilst improving VfM by not increasing expenditure on fixed costs combined with completion of the energy efficiency programme,
- Reinvestment in existing homes to achieve EPC band C will be achieved during 2026/27,
- The 2020-26 Business Strategy identifies improving service costs recovery as a strategic transformation priority and a programme of projects commenced in 2024/25 to improve recovery through the analysis of service charge costs and application of service income to commencing new tenancies, and
- Investment in procurement capacity and apprenticeships as discussed below in Return on Capital Employed to enhance VfM through strengthened procurement of sub-contracted maintenance and an increase in internal capacity to deliver repairs through the in-house Repairs Team by growing future talent within the in-house Repairs Team.

Operating margin - Overall

...of 11.4% is lower than the RSH median of 18.5% representing lower quartile performance. The principal difference for SLH between the two operating margin metrics is the inclusion of the surplus on shared ownership first tranche sales that is included in the Overall Margin metric and excluded from the Social Housing Lettings Margin metric. In the year ended 31 March 2025 SLH achieved a surplus on first tranche shared ownership sales of £0.6m.

Strategic report

The Return on Capital Employed (RoCE) ratio

…that compares SLH's Operating Surplus to its Total Assets less Current Liabilities, of 2.1% is lower than the RSH 2023/24 median, and represents lower quartile performance.

SLH's performance of 2.1% for 2024/25 compares to its target of 2.5% and performance of 3.1% in the 2023/24 year, reflecting:

- high inflation that SLH is incurring on property maintenance costs. This high inflation is being driven by acute shortages of labour capacity within the local property maintenance supply chain that is driving increased costs of sub-contracted responsive and major repairs. These local labour shortages are acutely exacerbated by a UK Government defence contractor that is significantly expanding their workforce in our geography and in parallel procuring significant construction resources.
- preparation for the introduction of Awaab's law from October 2025, initially in respect of Damp & Mould as SLH seeks to ensure it is proactively identifying cases and positioned its processes and resources to ensure compliance in advance of the introduction of the new law.

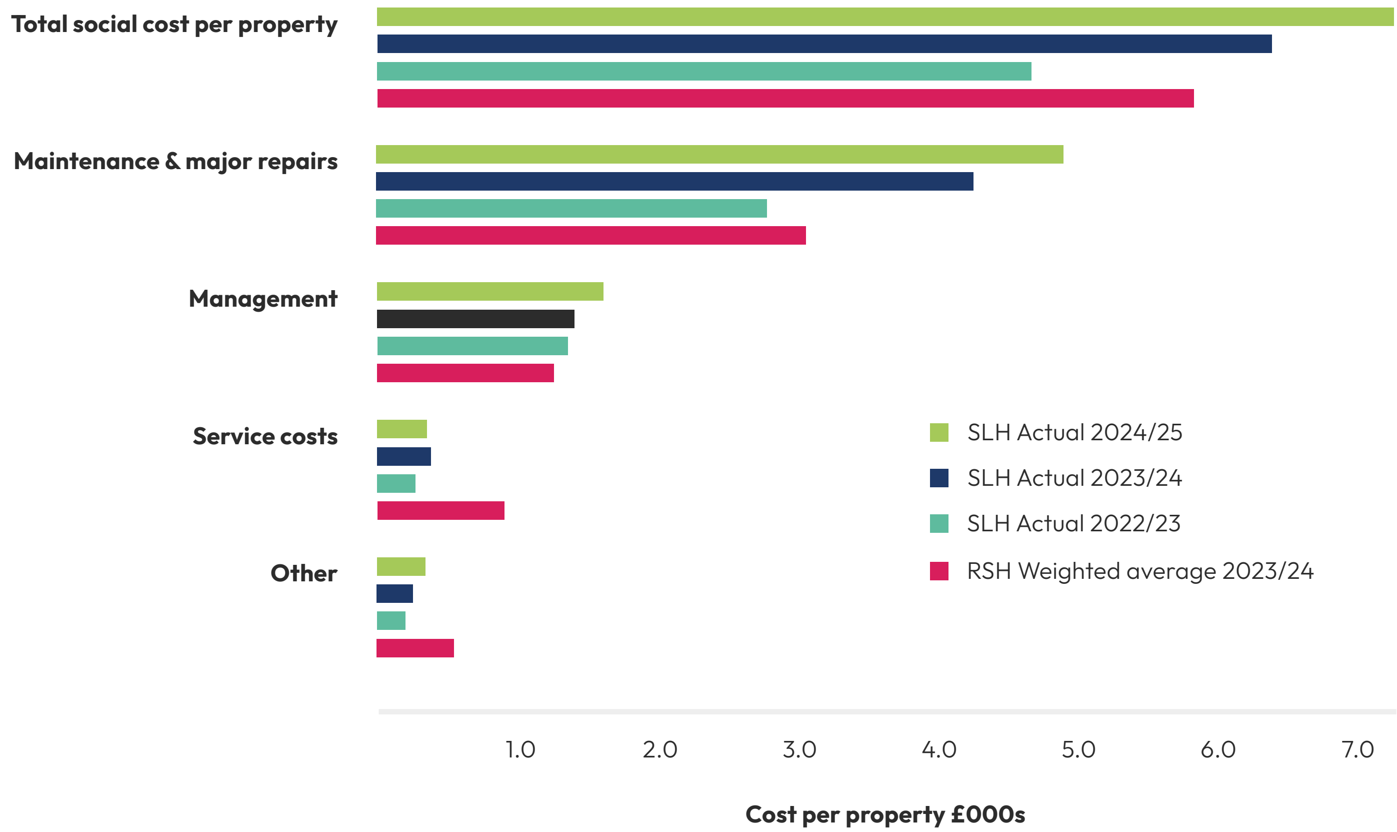
SLH is proactively responding to the acute local supply chain challenges, through:

- its Business Strategy commitment to maintain 6 apprentices within its workforce, growing future talent to meet SLH's needs, principally investing in apprentices for its in-house repairs team to drive up internal capacity and reduce reliance on sub-contractors for repairs delivery. SLH recognises this is a medium and long-term investment that in the short term is increasing costs that adversely impact the EBITDA:MRI and Social Housing Cost per Unit metrics above.
- Investing in its Procurement capacity and capabilities to embrace the Procurement Act 2023 greater flexibilities, particularly in relation to pre-market engagement with local SME businesses to secure their engagement in SLH's procurement pipeline and reduce the need for regional contractors from 50miles+ distance that price into their tenders travelling to our relatively rural/remote homes locations.

Strategic report

Analysis of Headline Social Housing Cost per Property

The Regulator of Social Housing's publication 'Value for Money Metrics, Technical Note Guidance: May 2022' confirmed the component elements of the Headline Social Housing cost per property. SLH has analysed its costs and benchmarked performance in the graph below utilising the RSH's 'Value for Money Metrics and Reporting – annex to the Global Accounts 2024' (published March 2025):



The graph shows:

- SLH's total social housing cost per property has increased from £6.3k per property in 2023/24 to £7.2k in 2024/25, being an increase of £0.9k per property. Principally this increase is in respect of investment in Maintenance and Major Repairs where SLH has increased investment in existing homes, where the cost per property has increased from £4.2k per property to £4.8k.
- SLH's total social housing cost per property is £1.4k per property higher than the weighted average cost per property published for 2023/24 by the RSH.
- The increased cost per property of £1.4k is due to SLH's higher levels of reinvestment in existing homes through Maintenance (responsive & planned) and Major Repairs (including energy efficiency).

Local VFM Metrics

The Board also monitors performance against a range of value for money targets which are linked to the delivery of the Business Strategy 2020-26 themes of Growing, Greening & Transforming (and in line with the requirements of the VfM Standard). The Board reviewed its targets in March 2025. The table summarises performance and the plans to address underperformance, and explanation of variances to last year's statement is included within the accompanying notes.

	Outturn	Outturn	Outturn	Outturn	HouseMark Peer Median [1]	HouseMark Rural Peer Median [1]	Outturn	Targets	
	2020/21	2021/22	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2025/26
Metrics	**Growing**								
% homes not meeting 'Decent homes standard'	0%	0%	0%	0%	0.07%	0%	0%	0%	0%
% rent collection inc previous years arrears	100.33%	100.29%	98.3%	98.05%	99.58%	100.08%	100.2%	99%	99%
% rent arrears	2.45%	2.1%	3.15%	3.8%	3.98%	2.46%	3.57%	3.8%	3.8%
% customer satisfaction overalll	No survey	86%	68.3%	78.6%	78.5%	78.6%	79.9%	79%	80%
New homes added - inc shared ownership	37	77	79	95	N/A	N/A	26 [2]	39	36
	Greening								
Energy efficiency ratings - % of stock at Band C or above	39.6%	48%	50%	70.4%	78.5%	79%	86% [3]	100%	95.5%
	Transforming								
Average relet times (days)	73	55	55	68	39	60	37	45	35
% of customers registered with 'My Account'	30%	31%	35%	48%	28%	N/A	65%	65%	75%
Average employee sickness	10.2	11.96	6.51	7	N/A	8.2	5.2	6	6
Efficiencies made	£24k	£51k	£175k	£263k	N/A	N/A	£475k	N/A	N/A

Strategic report

1. **Benchmarking**
   as per HouseMark peer group stock 2,500 – 7,500 with around 50 organisations within the sample size (traditional housing associations and LSVTs), taken 14th May 2025. Rural peer group based upon HouseMark peer group DEFRA codes (significant rural and 80% rural). Around 18 organisations, taken on the same date.

2. **New homes added**
   26 homes were completed against a target of 39. The shortfall is due to delivery at Old Hall Farm being deferred to 2025/26. Looking ahead, the current forecast for 2025/26 is 36 homes, 27 of which are in contract, with the remaining 9 at Meadow Rigg Phase 2.

3. **Energy Efficiency**
   the target was not achieved primarily due to homes requiring more works and significant cost inflation (for which match funding was not available) meaning less homes were completed than were first envisaged. SLH has been successful in gaining funding for Warm Homes Wave 3, which will deliver 100% of properties at Band C or above (except hard to treat).

Future plans and challenges

SLH will consult residents and other stakeholders on a new Business Strategy beyond 2026. A number of supporting strategies will also be developed including Resident Engagement, Communications, Value for Money, People, and Technology.

Strengthening partnership working with Westmorland & Furness and Lancaster City Council will also be a focus of attention for the Board. SLH will also contribute to the devolution agenda, viewing housing delivery intrinsically linked with economic development and planning policy.

The Association remains financially viable and able to deliver against the standards of the Regulator and the expectations of customers. Value for Money will be at the heart of our future plans, alongside a number of transformation projects including, repairs customer experience, warm homes, supporting customers, procurement, and a service charge project.

Strategic report

Governance, Board and Committee structure

The Board confirms that South Lakes Housing has complied with the requirements of the Regulator of Social Housing Regulatory Standards (including the Governance and Financial Viability Standard) and the National Housing Federation Code of Governance 2020. Under the Society's Rules, the Board is comprised of a maximum 12 Board Members. Current Board Membership and changes during the year are shown on page 4 and details of Board remuneration are shown on page 65. Board Members are drawn from a wide range of backgrounds to ensure that the Board is diverse in skills, thought and experience.

The Board reviews governance on an annual basis, including self-assessments against the Regulator of Social Housing's Regulatory Standards (Economic Standards and Consumer Standards) and National Housing Federation's (NHF) 2020 Code of Governance. During the year, the Board appointed three board members and co-opted a further member, replacing three former board members who had retired or resigned. The new board members bring a range of skills and experience including housing management expertise, business transformation and customer service.

The Board appointed a new Chair to its Development Committee whilst refreshing membership of both committees (Development and Audit & Risk). Tenants with suitable skills and lived experience are encouraged to apply to serve on the Board and the Residents Forum provides a sound training ground for customers to consider applying for Board vacancies in the future.

SLH commissioned DTP to undertake an independent, objective review of governance arrangements and Board effectiveness. This included a review of papers and observation at a Board meeting, a discussion with non-executives at the strategy day in February 2025 and attendance at the board member appraisal meetings undertaken in the spring. DTPs overall finding is that governance at SLH is effective and there are robust supporting processes which provide for sound oversight and assurance. DTP have made several recommendations to strengthen compliance further.

The Board has approved a succession plan and Board composition statement to ensure recruitment to Board vacancies is targeted towards increasing diversity and filling skills gaps. In line with the NHF Code of Governance provision regarding extension of Board tenure exceeding 6 years, the Board is considering extending the term of the Chair of the Board to a ninth year, as an exceptional matter, in recognition of the change of Chief Executive and a desire to retain continuity.

The Board consulted stakeholders in 2024/25 to amend the SLH Rules in respect of changing the requirement for annual general meetings, closing the shareholder membership scheme and removing of reserved Board places for residents. The proposals sought to reduce a level of unnecessary governance and improve the way customers have the opportunity to engage with and influence Board decision making, primarily through the Residents Forum and other engagement initiatives. The amended Rules were approved by shareholders in September 2024 and were subsequently accepted by the Financial Conduct Authority.

The Board is supported by the Audit and Risk Committee and Development Committee. The Audit and Risk Committee is chaired by a member of the Board and is supported by an independent member who is not a member of the Board. The Committee met four times during the year undertaking regular reviews of the principal risk register and undertaking deep dives where further assurance on key risks and controls were sought. The Committee oversees financial reporting and provides independent scrutiny, challenge and assurance over the risk and internal control framework on behalf of the Board. Amongst other items, the Committee has reviewed and monitored SLH's strategic risks and mitigation plans, approved the strategic and annual internal audit plan, receive reports from the internal and external auditors, monitored the outcome of individual audits and the implementation of internal audit recommendations, reviewed assurance reports in relation to building safety and other regulatory compliance requirements. The Committee provided an annual assurance report to the Board.

The Development Committee, chaired by a member of the Board and supported by an independent member, provides oversight of the delivery of the Development Strategy and has met three times during the year. The remit of the Committee is to approve individual development schemes in line with the agreed Development Strategy and financial appraisal parameters. During the year the Committee has monitored the performance of schemes throughout the development cycle, including the completion of shared ownership properties, reviewing the performance of existing assets, appraised two garage sites, and developed a pipeline of new schemes across two main local authority areas. The Committee provided an annual report to the Board demonstrating how it has discharged its responsibilities.

The Residents Forum was formed in 2024 to ensure that the customer voice is heard at Board level on the things that matter most to our customers. The Residents Forum has a direct link with the Board and holds the executive and board to account for overall performance, customer satisfaction across a range of services, and compliance with the RSH Consumer Standards and Housing Ombudsman Complaint Handling Code. The external governance review carried out by DTP recommended further actions to embed this approach, which is timely given the work to review the Resident Engagement Strategy.

SLH's subsidiary company, Cumbrian Housing & Property Services, has remained dormant since April 2023.

The Board reviews governance matters on a regular basis and improvement actions are included within the Governance Improvement Plan.

Strategic report

Statement of Board responsibilities

The Board are responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under law 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 of the Association and of the income or expenditure of the Association for that period.

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

- select suitable accounting policies and then apply them consistently.
- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Control systems

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

- **Financial Planning, Stress Testing & Mitigations**
  Providing for, as a minimum, the annual update and approval by the Board of the long-term financial plan, regular monitoring of cashflow projections, detailed stress testing and mitigation actions documented within a Resilience Plan.

- **Treasury Management**
  The strategy is reviewed and updated regularly. The Board also considers the level of headroom and impact upon financial covenants of any investment decisions, to understand the potential impact of these decisions and to ensure resources to deliver the business strategy.

- **Risk Management Strategy**
  Management responsibility has been clearly defined for the identification, evaluation, and control of significant risks. This is documented in SLH's Risk

Strategic report

Management Strategy which is reviewed annually by the Audit & Risk Committee and Board. This provides for the regular reporting of risk to the Committee, with a high-level principal risk register. which summarises the key risks with more detail contained within operational risk registers.

- **Risk Appetite Statement**
  The Risk Appetite Statement sets out the level of risk that the organisation is prepared to accept to deliver its strategic themes, remain consistent with its values and meet its targets in terms of performance and outcomes. The risk appetite statements are used to inform target risk scores on the risk register and whether current controls are sufficient or further risk actions / strategies are required to reduce the risk score to an acceptable / tolerable level.
- **Board Assurance Framework**
  Provides a 'three lines of defence' structure that enables the Board to consider its most strategically important risks, the key controls in place to manage them, assurance sources in place and their overall effectiveness.
- **Golden Rules**
  ...are agreed by the Board and acts as a framework for articulating the Board's financial risk appetite including clear cushions over lenders' covenants. The 'golden rules' are reported within the Quarterly Finance Reports and are reviewed by the Board. The Board set a new golden rule in 2023 around interest cover to reflect revised financial covenants based on EBITDA only (Earnings before Interest Tax, Depreciation & Amortisation). The Board continue to monitor EBITDA-MRI (Major Repairs Included) – adjusted surplus after the deduction of capitalised major repairs as a ratio of interest payable. The Board is considering adopting this as an additional golden rule following further analysis to help guide Board decision making around prioritising investment in future iterations of the LTFP.
- **Insurance**
  The Association has property insurance cover until March 2026 and other insurance lines, including Directors & Officers Liability, flood and fleet cover. Flood excesses are £250k.
- **Governance and Delegation Framework**
  ...documents how SLH is controlled and governed in compliance with the NHF Code of Governance and its approach to decision making, authority and approvals in relation to financial authorities & contracts. The document sets out the structure, authority, role and remit of the Board, its committees, Board Members, Executive Leadership Team, and Company Secretary. There are also terms of reference for the Board, its Committees, the Resident Forum, and the Executive Leadership Team.
- **Procurement & Contract Management Strategy**
  The document details how SLH will support its business strategy and value for money objectives through contract management and procurement. The strategy was approved by the Board and complies with the Procurement Act 2023.
- **Internal Audit**
  The function is provided by BDO, following a tender and subsequent reappointment for a further three-year term in 2024. The internal audit programme is approved annually by the Audit & Risk Committee and takes into consideration SLH's risk profile in the context of the Committee and management's perception of risk, the business strategy, any transformation plans and new ventures and sector wide risks.
- **Policies**
  Covering; business continuity planning, cyber security, anti-money laundering, managing conflicts of interest, data protection, probity, safeguarding, whistleblowing, procurement, health and safety etc.

Strategic report

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

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

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

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

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

These are considered to be the Principal Risks

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

Strategic report

Remuneration and pensions

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

The Association currently participates in the Local Government Pension Scheme (a defined benefit pension scheme) and the Social Housing Pension Scheme (offering a range of defined benefit and defined contribution options). The assets of the scheme are invested and managed independently of the finances of the Association. Contributions are based on pension costs of the Association's units in the fund. As at 31 March 2025, SLH's share of the LGPS scheme deficit was £nil (2024: nil) and SLH's share of the SHPS scheme deficit was £183k (2024: £347k) as shown on the statement of financial position and in note 19.

Going concern and liquidity

At the 31 of March 2025 the Association had a restated 20-year financing agreement (maturing 2038) and an agreement split equally between 15-year and 25-year maturities (maturing 2037 - 2047) with M&G Investment Management Ltd, and restated facilities with National Westminster Bank Plc over a range of maturities from 2 years to 22 years (2027 - 2047).

Robust financial forecasting and monitoring systems in place give the Board reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, and for this reason, it continues to adopt the going concern basis in the financial statements. Stringent cashflow monitoring and reporting arrangements ensure SLH has sufficient liquidity at all times and that funders' covenants will continue to be met.

Statement of compliance

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

Disclosure of information to auditors

At the date of making this report each member of the Association's Board as set out on page 4, confirm the following:

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

Auditors
Forvis Mazars LLP have been appointed as auditor of the Group and Association, which has been approved by the Board.

Approval
The Strategic Report of the Board was approved and authorised by the Board and signed on its behalf by:

Ian Munro

Ian Munro
Chair of the SLH Board, 16th September 2025

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

Independent Auditor’s Report

Opinion

We have audited the financial statements of South Lakes Housing Limited (the ‘Association’) and its subsidiary (the “Group”) for the year ended 31 March 2025 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group and Association Statement of Changes in Reserves, the Group and Association Statement of Cash Flows, 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 FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s and Association’s affairs as at 31 March 2025 and of the Group’s and Association’s income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Independent Auditor’s Report

Other information

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor’s report thereon. The Board are responsible for the other information contained within the Strategic Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

In light of the knowledge and understanding of the Group and Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board’s remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Boards’ Responsibilities statement set out on page 25, the Board are 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Group and Association and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Association is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations.
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities.
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and Association which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, the Co-operative Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers 2018, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022

In addition, we evaluated the Board's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion subject to your revenue recognition significant fraud risk), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Board and management on whether they had knowledge of any actual, suspected or alleged fraud.
- Gaining an understanding of the internal controls

established to mitigate risks related to fraud.

- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit report

This report is made solely to the Association's members as a body in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008.

Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Forvis Mazars LLP

Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
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18th September 2025

Group & Association Statement of Comprehensive Income

Group & Association Statement of Comprehensive Income for the year ended 31 March 2025

	Note	2025 £000	2024 £000
Turnover	2	25,114	24,844
Operating costs	2	(22,131)	(20,092)
Gain on disposal of fixed assets	6	292	153
Operating surplus		**3,275**	**4,905**
Interest receivable	7	654	544
Interest payable and financing costs	8	(2,264)	(1,986)
Taxation	12	-	-
Surplus for the year before and after taxation		**1,665**	**3,463**
Actuarial (loss)/gain in respect of pension schemes	19	(410)	(581)
Total comprehensive income for the year		**1,255**	**2,882**

The financial statements on pages 35 to 85 were approved and authorised for issue by the Board on 11th September 2025 and were signed on its behalf by:

Ian Munro

I. Munro
Chair of SLH Board

A Oldale

A. Oldale
Chair of Audit and Risk Committee

J Mansergh

J. Mansergh
Company Secretary

The results relate wholly to continuing activities and the notes on pages 45 to 85 form an integral part of these accounts.

Group and Association Statement of Financial Position

Group & Association Statement of Financial Position

	Note	2025 £000	2024 £000
Fixed assets			
Housing properties	13a & b	147,143	137,378
Other tangible fixed assets	13a & b	421	450
Debtors: Amounts falling due after more than one year	24	-	9,788
Current assets			
Stock	14	844	1,691
Trade and other debtors	15	11,650	15,099
Cash and cash equivalents		8,844	13,750
		21,388	**30,540**
Less: Creditors: Amounts falling due within one year	16	**(14,904)**	**(17,370)**
Net current assets		**6,434**	**13,170**
Total assets less current liabilities		153,998	160,786
Creditors: Amounts falling due after more than one year	17a	(92,753)	(100,647)
Provisions for liabilities			
Other provisions		(15)	-
Pension defined benefit liability	19	(183)	(347)
Total net assets		61,047	59,792

Group & Association Statement of Financial Position continued

Capital and reserves			
Non-equity share capital	20	-	-
Income and expenditure reserve		61,047	59,792
Total reserves		**61,047**	**59,792**

The financial statements on pages 35 to 85 were approved and authorised for issue by the Board on 11th September 2025 and were signed on its behalf by:

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Chair of SLH Board

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J Mansergh

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Company Secretary

The notes on pages 45 to 85 form an integral part of these accounts.

Group & Association Statement of Changes in Equity (Reserves)

Group & Association Statement of Changes in Equity (Reserves)

	Income and Expenditure Reserve £000	Total Reserves £000
Balance at 1 April 2023	**56,910**	**56,910**
Surplus for the year	3,463	3,463
Restated: Actuarial (loss)/gain in respect of pension schemes	(581)	(581)
Balance at 31 March 2024	**59,792**	**59,792**
Surplus for the year	1,665	1,665
Actuarial (loss)/gain in respect of pension schemes	(410)	(410)
Balance as at 31 March 2025	**61,047**	**61,047**

The notes on pages 45 to 85 form an integral part of these accounts.

Group & Association Statement of Cash Flows

Group & Association Statement of Cash Flows

	Note	2025 £000	2024 £000
Net cash generated from operating activities		6,263	5,458
Cash (outflow) from investing activities			
Purchase of tangible fixed assets		(12,499)	(16,551)
Proceeds from sale of tangible fixed assets	6	1,209	1,271
Grants received		1,946	2,117
Interest received	7	360	312
		(2,721)	**(7,393)**
Cash inflow from financing activities			
Interest paid		(2,185)	(1,888)
Grants received		-	10,000
Net change in cash and cash equivalents		**(4,906)**	**719**
Cash and cash equivalents at beginning of the year		13,750	13,031
Cash and cash equivalents at end of the year		8,844	13,750
Cash flow from operating activities			
Surplus for the year		**1665**	**3,463**

Group & Association Statement of Cash Flows continued

	Note	2025 £000	2024 £000
Adjustments for non-cash items			
Depreciation & Amortisation of tangible fixed assets	13a & b	1,950	1,776
Write out of replaced components	3	443	180
Interest and financing costs	8	2,264	1,986
Interest receivable	7	(654)	(544)
Gain on disposal of fixed assets	6	(292)	(153)
Decrease in stock	14	847	185
Decrease/(Increase) in trade and other debtors		1,334	(8,093)
(Decrease)/Increase in trade and other creditors		(692)	7,268
Pension costs less contributions payable	19	(290)	(266)
Government grants utilised in the year	3	(312)	(344)
Net cash generated from operating activities		**6,263**	**5,458**

The notes on pages 45 to 85 form an integral part of these accounts.

Notes to the Financial Statements

Notes to the Financial Statements

Legal Status

The Group comprises of the following:

South Lakes Housing Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing (Number 4686).

The registered office is:
Bridge Mills Business Centre,
Stramongate, Kendal,
Cumbria.
LA9 4BD.

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

1. Principal Accounting Policies

Basis of accounting

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

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £'000, for the year ended 31 March 2025.

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

Parent company disclosure exemptions

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of South Lakes Housing and its subsidiary Cumbrian Housing and Property Services Limited as at 31 March 2025 using the merger method of accounting as required.

Going concern

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

Notes to the Financial Statements

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

Following a trigger for impairment, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The

Notes to the Financial Statements

fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties.

The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the Long-Term Financial Plan for the next 30 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

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

Other Key Sources of estimation and assumptions

a. **Tangible fixed assets.**
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying value of fixed assets at 31 March 2025 was £147.14M.

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

Notes to the Financial Statements

Turnover and revenue recognition

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

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

Management charges and charges for services are included in income over the period for which the service is provided during the accounting period.

Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Service charges

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

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

Loan interest costs

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

Loan finance issue costs

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

Taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and

Notes to the Financial Statements

- Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

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

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The Group financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from HM Revenue and Customs. Recoverable VAT arises from:

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

The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Tangible Fixed Assets and Depreciation: Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period. Freehold land is not depreciated. Donated land / assets or assets acquired at below market value from a government source, i.e. Local Authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. All housing properties are assumed to comprise several components which require periodic replacement and have substantially different Useful Economic Lives (UEL), each component is accounted for separately and depreciated over its individual UEL.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.
Costs are capitalised only to the extent that they are incremental to the process and directly attributable to bringing the asset into its intended use. Any expenditure on an existing property that does not replace a component or result in an enhancement to the economic benefits of that property is charged to the statement of comprehensive income.

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

Notes to the Financial Statements

UELS for identified components are as follows:

Component	Years	Component	Years
Structure	100	Lifts	25
Slate / non-slate roofing	90/70	Kitchens	22
Render	60	Boilers and Heat Pumps	15
Insulation	35	Building alarms	15
Windows, external doors & roofline	35	Solar battery storage	15
Mechanical systems	35	Boundaries	15
Bathrooms	32	Ventilation systems	10
Solar energy systems	30	Disabled adaptations	10
Electrics	30	Heat metering equipment	10

Where components are replaced before they have been fully depreciated the remaining undepreciated amount is charged to the statement of comprehensive income and disclosed as part of the depreciation charge for the period. In doing this the component is derecognised from the financial statements upon replacement.

Notes to the Financial Statements

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

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

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

Shared ownership properties

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

Capitalisation of interest and administration costs

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

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

Leasing and hire purchase

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

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

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

Stock and properties held for sale

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

Shared ownership properties where the first tranche is unsold are valued at the lower of cost and net realisable value and are held within current assets,

Notes to the Financial Statements

under properties held for sale and stock. Cost comprises materials, direct labour, direct development overheads and borrowing costs. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal.

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

Short-term debtors and creditors

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

Non-government grants

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

Provisions for doubtful debts

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

Social Housing and other government grants

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

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

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

Recycling of capital grant

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

Notes to the Financial Statements

Holiday pay accrual

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

Agreements to improve existing properties

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

Retirement benefits

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

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

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

Loans

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

Financial Instruments

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

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

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

- Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

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

Impairment of Financial Assets

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

The following financial instruments are assessed individually for impairment:

a. All equity instruments regardless of significance; and

b. other financial assets that are individually significant.

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

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

a. For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

b. For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

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

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

Notes to the Financial Statements

2. Group & Association turnover, operating expenditure and operating surplus

31 March 2025	Turnover £000	Operating costs £000	Operating surplus £000
Social housing lettings (note 3)	20,304	(18,691)	1,613
Other social housing activities			
Sale of first tranche shared ownership	2,392	(1,773)	619
Development activities not capitalised	-	(332)	(332)
Other services	1,919	(920)	999
Activities other than social housing	499	(415)	84
Total	**25,114**	**(22,131)**	**2,983**

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

Notes to the Financial Statements

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

	General needs housing £'000	Housing for older people £'000	Low cost home ownership £'000	Total 2025 £000	Total 2024 £000
Income					
Rent net of service charges and voids	16,847	2,059	468	19,374	17,541
Service charge income	54	503	61	618	662
Amortised government grants	280	14	18	312	344
Turnover from social housing lettings	**17,181**	**2,576**	**547**	**20,304**	**18,547**
Operating expenditure					
Management	(4,750)	(720)	(149)	(5,619)	(4,925)
Service charge costs	(527)	(628)	(50)	(1,205)	(1,319)
Routine maintenance	(3,331)	(460)	-	(3,791)	(3,331)
Planned maintenance	(955)	(132)	-	(1,087)	(1,181)
Major repairs	(3,921)	(542)	-	(4,463)	(2,861)
Major repairs - Energy efficiency	(181)	(25)	-	(206)	(257)
Bad debts	(43)	(5)	7	(41)	(259)
Depreciation of housing properties:					
annual charge	(1,669)	(117)	(50)	(1,836)	(1,669)
on disposal of components	(436)	(7)	-	(443)	(180)

Notes to the Financial Statements

3. Turnover and operating expenditure from social housing letting (Group & Association) continued

	General needs housing £'000	Housing for older people £'000	Low cost home ownership £'000	Total 2025 £000	Total 2024 £000
Operating expenditure of social housing lettings	**(15,813)**	**(2,636)**	**(242)**	**(18,691)**	**(15,982)**
Operating surplus on social housing lettings	**1,368**	**(60)**	**305**	**1,613**	**2,565**
Void losses	**(102)**	**(25)**	**-**	**(127)**	**(215)**

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

Management costs relative to size of landlord: in accordance with the Regulator of Social Housing publication 'Director's remuneration and management costs note', published April 2024: the management costs relative to size of landlord are £1,607 per property in management (2024 £1,410).

Notes to the Financial Statements

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

In management and ownership	2024 No.	Additions No.	Demolitions No.	Disposals No.	Transfers No.	2025 No.
General needs - social rent	2,621	-	(1)	(8)	(1)	2,611
General needs - affordable rent	200	12	-	-	-	212
General needs - intermediate rent	14	-	-	-	-	14
General needs - rent to buy	1	-	-	-	-	1
Housing for older people - social rent	420	1	(30)	-	1	392
Low cost home ownership	127	13	-	(4)	-	136
Totals	**3,383**	**26**	**(31)**	**(12)**	**-**	**3,366**

In management but not ownership	2024 No.	Additions No.	Demolitions No.	Disposals No.	Transfers No.	2025 No.
Properties managed for Local Authorities: General needs - social rent	2	-	-	-	-	2
Properties managed for private parties: General needs - affordable rent	2	-	-	(2)	-	-
Properties managed for other Registered Providers:						
General needs - social rent	79	12	-	-	-	91
General needs - affordable rent	27	10	-	-	-	37
Leasehold properties	276	-	-	-	-	276
Totals	**386**	**22**	-	**(2)**	**-**	**406**

As at 31 March 2025 there were 54 properties under development that were either committed purchases from developers under S106 agreements or SLH land-led projects that were under contract (17 properties as at 31 March 2024).

Notes to the Financial Statements

5. Surplus on ordinary activities (Group & Association)

	2025 £'000	2024 £'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):		
for external audit services	36	28
for non-audit services (accountancy, tax advisory)	3	2
Operating lease rentals:		
Land and buildings	216	242
Office equipment	5	5
Motor vehicles	231	265
Depreciation of housing properties (including write out of components)	2,279	1,849
Impairment of housing properties	-	-
Depreciation of other fixed assets (including write out of assets)	114	109
Gain on disposal of fixed assets	292	153

Notes to the Financial Statements

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

	Right to Buy sales 2025 £'000	Shared ownership staircasing 2025 £'000	Other social housing property sales 2025 £'000	Total 2025 £'000	Total 2024 £'000
Proceeds of sales	839	336	34	1,209	1,327
Less: cost of sales	(688)	(229)	-	(917)	(1,174)
Surplus	**151**	**107**	**34**	**292**	**153**

7. Interest receivable (Group & Association)

	2025 £'000	2024 £'000
Bank & building society interest receivable	360	312
Pensions interest receivable	294	232
Total	**654**	**544**

Notes to the Financial Statements

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

	2025 £'000	2024 £'000
On defined benefit pension schemes	10	6
On loans repayable within 5 years	296	294
On loans wholly or partly repayable in more than 5 years	1,742	1,424
Total interest	**2,048**	**1,724**
Arrangement fees amortised or written off	74	74
Other finance costs including non-utilisation & trustee fees	142	188
	2,264	**1,986**
Interest payable capitalised on housing properties under construction	-	-
Total interest payable and similar charges	**2,264**	**1,986**

Notes to the Financial Statements

9. Employee information (Group & Association)

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

	2025 Number	2024 Number
Housing, customer services, insight & engagement	31	31
Property maintenance & asset management	68	61
Property development	5	4
Business support	25	23
Executive	5	5
Total	**134**	**124**

Employee costs	2025 £'000	2024 £'000
Wages and salaries	5,374	4,519
Social security costs	551	441
Other pension costs	391	353
Total	**6,316**	**5,313**

Notes to the Financial Statements

9. Employee information (Group & Association) continued

Other pension costs include a defined benefit pension cost accounting adjustment of (£284k) for 2024/25 ((£266k) for 2023/24).

The aggregate number of full-time equivalent staff whose remuneration, including pension contributions, exceeded £60,000 in the period:	2025 Number	2024 Number
£60,000 to £69,999	8	7
£70,000 to £79,999	5	2
£80,000 to £89,999	-	-
£90,000 to £99,999	-	4
£100,000 to £109,999	1	-
£110,000 to £119,999	2	-
£120,000 to £129,999	1	-
£130,000 to £139,999	-	1
£140,000 to £149,999	-	-
£150,000 to £159,999	1	-

Notes to the Financial Statements

10. Key Management personnel remuneration (Group & Association)

	2025 £'000	2024 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	48	39
The aggregate emoluments paid to or receivable by executive directors and former executive directors, including pension contributions	620	527
The emoluments paid to the highest paid director, excluding pension contributions	136	118

Remuneration paid to executive directors and former executive directors, including pension and National Insurance Contributions, in relation to the period of account amounted to £689,879; that represented £197.33 per property managed (2024: £586,561 representing £167.92 per property managed).

Remuneration payable to the highest paid director in relation to the period of account, excluding pension contributions and National Insurance Contributions, amounted to £135,893 (2024: £117,687); that represented £38.87 per property (2024: £33.69).

The Chief Executive of South Lakes Housing received remuneration for the year ended 31 March 2025, excluding pension contribution of £135,893 (2024: £117,687).

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

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

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2024: £nil).

Notes to the Financial Statements

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

	2025 £	2024 £
Ian Munro	8,000	6,500
Steve Bentley	5,500	3,625
Keith Bevan	-	2,000
John Burt	2,500	3,875
Kerry Byrne	2,000	3,250
Nicola Haywood-Cleverly	4,000	3,250
Silas Heys	4,533	3,250
Steven Hughes	2,000	-
Catherine Lindsay	2,000	3,250
Susanne Long	4,000	3,250
Anthony Muir	4,000	3,250
Charlotte Norman	2,000	-
Andrew Oldale	5,500	2,833
Lesley Peters	-	250
Sarah Swindley	2,050	-
Total	**48,083**	**38,583**

Notes to the Financial Statements

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

		2025 £	2024 £
David Butcher	(Co-opted to Audit & Risk Committee)	2,500	1,458
Martyn Nicholson	(Co-opted to Development Committee)	2,500	625
Sarah Swindley	(Co-opted to Board until 19 September 2024)	1,250	1,458
John Walker	(Co-opted to Board until 19 September 2024)	1,333	-
Total		**7,583**	**3,541**

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

	2025 £'000	2024 £'000
Current Taxation: UK Corporation Tax charge for the year	-	-
Deferred taxation: Net origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	-	-

The tax assessed
The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 0% (2024: 0%). The differences are explained as follows

Total tax reconciliation		
Surplus on ordinary activities before taxation	1,665	3,463
Theoretical tax at UK corporation tax rate of 19% (2024: 19%)	316	658
Effects of: Surpluses relating to charitable period	(316)	(658)
Total taxation charge	**-**	**-**

Notes to the Financial Statements

13a. Tangible fixed assets (Group & Association)

Cost	Social Housing Properties for Letting Completed £'000	Social Housing Properties for letting under Construction £'000	Shared Ownership Housing Properties Completed £'000	Shared Ownership Housing Properties Under Construction £'000	Total Housing Properties £'000
As at 1 April 2024	136,363	172	12,139	383	149,057
Additions	-	3,233	-	1,932	5,165
Components capitalised	7,392	-	-	-	7,392
Schemes completed	1,956	(1,956)	1,742	(1,742)	-
Disposals	(318)	-	(228)	-	(546)
Component disposals	(605)	-	-	-	(605)
As at 31 March 2025	**144,788**	**1,449**	**13,653**	**573**	**160,463**
Depreciation and impairment					
As at 1 April 2024	(11,603)	-	(77)	-	(11,680)
Charge for the year	(1,789)	-	(47)	-	(1,836)
Disposals	33	-	1	-	34
Component disposals	162	-	-	-	162
As at 31 March 2025	**(13,197)**	**-**	**(123)**	**-**	**(13,320)**
Net book value 31 March 2025	**131,591**	**1,449**	**13,530**	**573**	**147,143**
Net book value 31 March 2024	124,760	172	12,062	383	137,377

Notes to the Financial Statements

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

Major Repairs expenditure to works on existing properties:	2025 £'000	2024 £'000
Amounts capitalised: energy efficiency for the decarbonisation of properties	4,080	3,739
Amounts capitalised: excluding energy efficiency for the decarbonisation of properties	3,312	3,395
Capitalised Major Repairs	7,392	7,134
Amounts charged to Statement of Comprehensive Income	4,795	3,130
Total Major Repairs	**12,187**	**10,264**

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

Cost	Computer Equipment £'000	IT Infrastructure & Applications £'000	Furniture & Fittings £'000	Total £'000
As at 1 April 2024	656	512	470	1,638
Additions	55	29	-	84
Disposals	-	-	-	-
As at 31 March 2025	**711**	**541**	**470**	**1,722**
Depreciation and Impairment				
As at 1 April 2024	(614)	(191)	(382)	(1,187)
Charge for the year	(22)	(73)	(19)	(114)
Disposals	-	-	-	-
As at 31 March 2025	**(636)**	**(264)**	**(401)**	**(1,301)**
Net book value 31 March 2025	**75**	**277**	**69**	**421**
Net book value 31 March 2024	42	321	88	451

Notes to the Financial Statements

14. Stock (Group & Association)

	2025 £'000	2024 £'000
First tranche shared ownership properties:		
Completed	411	1,400
Under construction	326	196
	737	**1,596**
Materials in Stock	107	95
Total	**844**	**1,691**

15. Trade and Other Debtors (Group & Association)

	2025 £'000	2024 £'000
Rent and service arrears:		
General Needs & sheltered	974	1,177
Less: provision for bad debts	(914)	(868)
Leasehold arrears	173	157
Less: provision for bad debts	(138)	(124)
	95	**342**
Other debtors	441	27
Prepayments and accrued income	582	1,875
Value Added Tax	173	97
Stock transfer obligation (note 24)	10,359	12,758
Total	**11,650**	**15,099**

Notes to the Financial Statements

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

	2025 £'000	2024 £'000
Rent and service charges received in advance:		
General needs & sheltered	440	339
Leasehold	24	20
Trade creditors	641	412
Accruals and deferred income	2,250	2,308
Other taxation and social security	240	179
Other creditors	593	1,002
Deferred capital grant (note 17c)	357	352
Stock transfer obligation (note 24)	10,359	12,758
Total	**14,904**	**17,370**

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

	2025 £'000	2024 £'000
Loans	64,263	64,189
Recycled Capital Grant Fund	34	-
Deferred capital grant (note 17c)	28,456	26,670
Stock transfer obligation (note 24)	-	9,788
Total	**92,753**	**100,647**

Notes to the Financial Statements

17b. Debt Analysis (Group & Association)

	2025 £'000	2024 £'000
Loans repayable by instalments		
Within one year	-	-
In two years or more but less than five	1,250	-
In five years or more	38,750	40,000
Loans not repayable by instalments		
Within one year	-	-
In two years or more but less than five	10,000	10,000
In five years or more	15,000	15,000
Less loan arrangement fees	(737)	(811)
Total	**64,263**	**64,189**

M&G Investments have provided finance of £20m since May 2017 at a fixed interest rate of 3.18%. This facility is fully drawn and secured by a fixed charge over association assets, based on a mixture of Existing Use Value and Market Value (Tenanted) valuation bases. A further £15m was drawn in the prior year being £7.5m maturing 2037 at 3.27% and £7.5m maturing 2047 at 3.32%. The Association's total facilities with M&G Investments facilities as at 31 March 2025 are £35m (2024: £35m).

National Westminster Bank Plc have provided facilities of £20m since May 2017. During 2020/21 this facility was increased to £40m. A further £10m was approved and secured in 2021/22 resulting in total facilities of £50m. As at 31 March 2025, £30m (2024: £30m) was drawn, with £10m at fixed interest rates (£5m at 2.98% and £5m at 2.882%), £10m at fixed interest rates of 2.784% and £10m at fixed interest rates of 3.316%. The facilities are secured by a fixed charge over Association assets, on a mixture of Existing Use Value and Market Value (Tenanted) valuation bases.

Loan arrangement fees are capitalised and amortised over the remaining life of the loans. No material amendment was made to existing facilities as part of the 2021/22 refinancing. Charges to the revenue account for 2024/25 reflect only the regular amortisation of fees over the life of the loans.

Notes to the Financial Statements

17c. Deferred capital grant (Group & Association)

	2025 £'000	2024 £'000
Gross as at 1 April	30,015	27,861
Recognised as income 1 April	(2,993)	(2,649)
Net as at 1 April	27,022	25,212
Grant received in the year:		
Social Housing Decarbonisation Fund	1,811	1,360
Social Housing Grant (incl. local authority)	385	874
Released to income in the year	(312)	(344)
Transfer to RCGF	(34)	-
Relating to disposals in the year	(59)	(80)
As at 31 March	**28,813**	**27,022**
Amount to be released < 1year	357	352
Amount to be released > 1year	28,456	26,670
As at 31 March	**28,813**	**27,022**

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

	At 1 April 2024 £'000	Cash Flows £'000	Non-cash Movements £'000	At 31 March 2025 £'000
Cash and cash equivalents	13,750	(4,906)	-	8,844
Housing loans due in one year	-	-	-	-
Housing loans due after one year	(64,189)	-	(74)	(64,263)
Totals	**(50,439)**	**(4,906)**	**(74)**	**(55,419)**

Notes to the Financial Statements

19. Pension obligations (Group & Association)

	2025 £'000	2024 £'000
Recognised in the statement of comprehensive income – credit / (charge) to operating costs		
Local Government Pension Scheme (note 19a)	2	1
Social Housing Pension Scheme (note 19b)	288	265
	290	**266**
Recognised in the statement of comprehensive income within interest receivable / (financing costs) are comprised as follows:		
Local Government Pension Scheme (note 19a)	294	232
Social Housing Pension Scheme (note 19b)	(10)	(6)
	284	**226**
Recognised in the statement of comprehensive income – actuarial and assets movement		
Actuarial (loss)/gain in respect of Local Government Pension Scheme (note 19a)	(296)	(233)
Actuarial (loss)/gain in respect of Social Housing Pension Scheme (note 19b)	(114)	(348)
	(410)	**(581)**
Total credit/(charge) recognised in the statement of comprehensive income	**164**	**(89)**
The net pension liability, recognised in the statement of financial position is comprised as follows:		
Local Government Pension Scheme (note 19a)	-	-
Social Housing Pension Scheme (note 19b)	(183)	(347)
Total pension defined benefit liability	**(183)**	**(347)**

Notes to the Financial Statements

19a. Local Government Pension Scheme (LGPS)

The Cumbria LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Westmorland and Furness Council. The total contributions made for the year ended 31 March 2025 were £65,031 of which employer's contributions totalled £49,909 and employees' contributions totalled £15,122. The agreed contribution rates for future years are 20.6% for employers and range from 5.8% to 6.5% for employees, depending on salary.

The Association's participation in the plan has a gross surplus at the reporting date of £7,942,000, as reported by the independent scheme actuaries (2024 surplus: £5,960,000). In accordance with Financial Reporting Standard 102 (FRS102) an asset can be recognised to the extent that South Lakes Housing is able to recover the surplus through either reduced contributions in the future, or through refunds from the plan. As at the reporting date the Association has only eight employees in the scheme and benefitted from a reduction in employer contributions of 2.9% effective from 1 April 2023. The reduction in contributions will result in an immaterial recovery of the gross surplus and therefore the Association has not recognised the surplus of £7,942,000 in the Statement of Financial Position and not recognised any gains in the Statement of Comprehensive Income in order to report a £nil surplus / (deficit) position as at the reporting date in the SOFP (2024: £nil surplus / (deficit).

Principal Actuarial Assumptions:

The following information is based upon a full actuarial valuation of the fund at 30 September 2023 updated to 31st March 2025 by a qualified independent actuary.

	2025 % per annum	2024 % per annum
Rate of increase in salaries	4.1	4.2
Rate of increase in pensions in payment	2.7	2.8
Discount rate	5.8	4.9
Inflation assumptions (CPI)	2.6	2.7

Notes to the Financial Statements

19a. Local Government Pension Scheme (LGPS) continued

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

	2025 years	2024 years
Retiring today		
Males	21.5	21.5
Females	24.0	23.9
Retiring in 20 years		
Males	22.8	22.8
Females	25.7	25.7

Notes to the Financial Statements

19b. Pension obligations (Group & Association)

Analysis of the amounts charged to operating costs in the Statement of Comprehensive Income	2025 £'000s	2024 £'000s
Employer service cost (net of employee contributions)	(46)	(46)
Employer contributions	50	49
Expenses	(2)	(2)
Total operating credit / (charge)	**2**	**1**
Analysis of pension finance income / (costs)		
Expected return on assets	1,012	938
Interest on pension liabilities	(718)	(706)
Amounts credited / (charged) to financing costs	**294**	**232**
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains / (losses) on pension scheme assets	(534)	582
Actuarial gains / (losses) on scheme liabilities	2,220	302
Surplus not recognised	(1,982)	(1,117)
Actuarial (loss) / gain recognised	**(296)**	**(233)**
Movement in surplus / (deficit) during the year		
Surplus / (Deficit) in scheme at 1 April	5,960	4,843
Movement in year:		
Employer service cost (net of employee contributions)	(46)	(46)
Employer contributions	50	49
Net return / (interest) on assets	294	232
Re-measurements	1,686	884
Administration expenses	(2)	(2)
Surplus in scheme at 31 March	**7,942**	**5,960**

Notes to the Financial Statements

19b. Pension obligations (Group & Association) continued

Asset and liability reconcilliation

Reconciliation of liabilities	**2025 £'000s**	**2024 £'000s**
Liabilities at start of period	14,919	14,900
Service cost	46	46
Interest cost	718	706
Employee contributions	15	15
Re-measurements	(2,220)	(302)
Benefits paid	(536)	(446)
Liabilities at end of period	**12,942**	**14,919**

Reconciliation of assets	**2025 £'000s**	**2024 £'000s**
Assets at start of period	20,879	19,743
Return on plan assets	1,012	938
Re-measurements	(534)	582
Administration expenses	(2)	(2)
Employer contributions	50	49
Employee contributions	15	15
Benefits paid	(536)	(446)
Assets at end of period	**20,884**	**20,879**
Actual return on plan assets	**478**	**1,520**

19b. Pension obligations (Group & Association) continued

Social Housing Pension Scheme

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

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2023. This valuation revealed a deficit of £693m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme. For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2024. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2025 to 28 February 2026 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Principal Actuarial Assumptions:

The following information is based upon a full actuarial valuation of the fund at 31st March 2022 updated to 31st March 2025 by a qualified independent actuary.

	2025 % per annum	2024 % per annum
Rate of increase in salaries	3.8	3.8
Discount rate	6.0	4.9
Inflation assumptions (CPI)	2.8	2.8

Notes to the Financial Statements

19b. Pension obligations (Group & Association) continued

The assumed life expectancy on retirement age 65 are:

Retiring today	2025 years	2024 years
Males	20.5	20.5
Females	23.0	23.0
Retiring in 20 years		
Males	21.7	21.8
Females	24.5	24.4

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

	2025 £'000	2024 £'000
Employer service cost (net of employee contributions)	(43)	(55)
Employer contributions	341	329
Expenses	(10)	(9)
Total operating credit / (charge)	**288**	**265**

Analysis of pension finance costs

	2025 £'000	2024 £'000
Expected return on assets	(79)	(69)
Interest on pension liabilities	89	75
Total operating credit / (charge)	**10**	**6**

Notes to the Financial Statements

19b. Pension obligations (Group & Association) continued

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

	2025 £'000	2024 £'000
Actuarial (losses) / gains on pension scheme assets	(422)	(360)
Actuarial gains / (losses) on scheme liabilities	308	12
Actuarial (loss) / gain recognised	**(114)**	**(348)**

Movement in deficit during the year

	2025 £'000	2024 £'000
(Deficit) in scheme at 1 April	(347)	(258)
Movement in the year:		
Employer service cost (net of employee contributions)	(43)	(55)
Employer contributions	341	329
Net (interest) / return on assets	(10)	(6)
Re-measurements	(114)	(348)
Administration expenses	(10)	(9)
(Deficit) in scheme at 31 March	**(183)**	**(347)**

Notes to the Financial Statements

19b. Pension obligations (Group & Association) continued

Asset and Liability Reconciliation

Reconciliation of liabilities	2025 £'000	2024 £'000
Liabilities at start of period	1,722	1,458
Service cost	43	55
Interest cost	89	75
Employee contributions	154	153
Re-measurements	(308)	(12)
Benefits paid	(33)	(16)
Expenses	10	9
Liabilities at end of period	**1,677**	**1,722**

Reconciliation of assets	2025 £'000	2024 £'000
Assets at start of period	1,375	1,200
Return on plan assets	79	69
Re-measurements	(422)	(360)
Employer contributions	341	329
Employee contributions	154	153
Benefits paid	(33)	(16)
Assets at end of period	**1,494**	**1,375**
Actual return on plan scheme assets	**(343)**	**(291)**

Notes to the Financial Statements

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

	2025 No. of shares	2024 No. of shares
Allotted, Issued and Fully paid	**10**	**20**
As at 1 April	20	24
Shares issued during the year	3	-
Cancelled during the year	(13)	(4)
As at 31 March	**10**	**20**

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

21. Capital commitments (Group & Association)

	2025 £'000	2024 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	10,356	2,430
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for.	34,529	38,314
Total	**44,885**	**40,744**

Capital expenditure from 1st April 2025 includes proposed development costs to build and acquire new properties. The Association expects to finance the above expenditure with a combination of undrawn loan facilities of £20m (2024: £20m) and estimated public authority grants of £15m (2024: £9m) alongside cash reserves of £9m (2024: £14m) and further income generation from operations and property sales.

Also, included within the authorised but not contracted is, Board approved £0.3m (2024: £0.5m) of non-housing capital budget and £9.3m (2024: £7.5m) of capital major repairs and energy efficiency works to achieve EPC band 'C'.

Notes to the Financial Statements

22. Operating leases (Group & Association)

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

	2025 £'000	2024 £'000
Land and buildings		
In one year or less	220	197
In one year or more but less than two years	209	195
In two years or more and less than five years	98	274
In five years or more	668	625
Others		
In one year or less	202	139
In one year or more but less than two years	202	141
In two years or more and less than five years	248	226
In five years or more	-	-
Total	**1,847**	**1,797**

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

Notes to the Financial Statements

23. Related party transactions

Tenant Board Members

The Rules of the Association previously reserved two places on the Board for residents and as at the 31 March 2024 the Board places for residents were both vacant. In May 2024 the Board commissioned a review of the Associations Rules that reserved two Board Member places for tenants, recognising that revitalised and more effective Customer engagement measures had been implemented. The amended Rules were approved by shareholders in September 2024 and then accepted by the Financial Conduct Authority.

The previous tenant Board members held tenancy agreements on normal terms and could not use their position to their advantage. There were no tenant Board Members as at 31 March 2025 (31 March 2024: none). There were no rent & services charged to the tenant board members, during their period of board membership, within the year ended 31 March 2025 (31 March 2024 was £477).

24. Stock transfer obligations

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

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

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

The amount outstanding at the 31st March 2025 was £10,359k of which £10,359k is due in less than one year and £nil is due in more than one year (2024: £22,546k, £12,758k & £9,788k respectively). The gross value of the major repairs programme for the period to the end of the VAT shelter is £28.2m plus energy efficiency works to ensure all properties achieve EPC band ‘C’ or above of £6.5m. The combined value of the programmed works are greater than the balance of the outstanding obligation.

Notes to the Financial Statements

25. Contingent liability

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

Senior managers were consulted on their knowledge of any other events which could result in contingent liabilities requiring disclosure as at 31 March 2025. No further contingent liabilities were identified (2024: none).

26. Group Undertakings

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

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