

South Lakes Housing Registration No 31419R

**Co-operative and Community Benefit Societies
Registration No 31419R**



Annual Report and Financial Statements

For the year ended 31 March 2026

South Lakes Housing Registration No 31419R

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

Board Members

Period 1st April 2025 to date

Ian Munro (Chair – retired 31st March 2026)
 Charlie Norman (Chair – appointed 1st April 2026 – previously a Board Member)
 Steve Bentley (Deputy Chair)
 Nicola Haywood-Cleverly
 Silas Heys
 Steve Hughes
 Tony Muir
 Susanne Long (resigned 18th June 2025)
 Andrew Oldale (resigned 31st March 2026)
 Sarah Swindley (resigned 12th June 2025)
 Claire Stone (appointed 11th September 2025)
 John Walker (appointed 11th September 2025 – previously an independent specialist to a committee)
 Nick Paxman (appointed 1st April 2026)
 Fiona Martin (appointed 11th June 2026)
 Martyn Nicholson (appointed 11th June 2026 – previously an independent specialist to a committee)

Executives

Period 1st April 2025 to date

Chief Executive	Pam Mastrantonio (appointed 4 th August 2025) Cath Purdy (retired 4 th August 2025)
Deputy Chief Executive (formerly Director of Business Improvement)	John Mansergh
Chief Operating Officer (formerly Director of Customer Experience)	Niki Stockton
Chief Finance Officer Director of Finance	Andrew Oldale (appointed 1 st April 2026) Richard Morris (retired 31 st March 2026)
Director of Homes	Richard Hayes (resigned 31 st January 2026)

Company Secretary

John Mansergh

External Auditor

Forvis Mazars
 The Aviary, 4th Floor
 39 Booth Street
 Manchester
 M2 3HZ

Principal Bankers

Santander Bank plc
 2 Triton Square
 Regent's Place

South Lakes Housing Registration No 31419R

London
NW1 3AN

Chair's Statement

Welcome to the 2025/26 Annual Report, marking the end of our previous 3-year business strategy and the start of our new one – *'Your Home, Our Community'*. The new strategy has three core themes – Quality Homes, Quality Services and Quality People, underpinned by priorities of Equity, Diversity and Inclusion (ED&I) and Value for Money (VfM) which run through each theme. The launch of the new business strategy also coincided with some significant changes in our Governance, with the launch of our new Housing & Communities Committee (HCC) and my appointment as Chair.

The HCC was the clear ask of residents as part of the refresh of our Resident Engagement Strategy, ensuring that we have the voice of residents firmly in our Governance structure, influencing decisions and quality of our services to residents. I am absolutely honoured to now be the Chair of SLH and overseeing the vision of the new strategy come to life, but we wouldn't be here without the tireless work of our previous Chair, Ian Munro. For almost nine years he has steered SLH through incredibly challenging times for the sector and our residents. He has overseen the delivery of 350 new homes, an increase in our operating area to over 1,000 square miles and unprecedented investment into homes, making them safer and warmer for residents. Thank you so much Ian.

We are still operating in an incredibly challenging economic context affecting us as a business, our customers and our supply chains. Political uncertainty, conflict, supply restrictions and geopolitical instability is making planning and delivery increasingly challenging through significant fluctuations in costs. We also continue to face acute local challenges. The impact of the expansion of BAE Systems in Barrow continues to have a knock-on impact on availability of contractors and local skills, meaning recruitment and retention challenges for our repairs and maintenance team. The waiting list for people seeking a home has continued to climb and the impact of the cost-of-living crisis on people's disposable income has significantly impacted the leisure and hospitality sector – a significant source of employment in our area.

There also remains further change across the sector. Phase 1 of Awaab's Law, placing clear timescales on affordable housing providers for dealing with health and safety hazards, went live in October 2025 focussed on Damp & Mould. Further categories come into scope in October 2026, along with the requirements around professionalisation and transparency. Meeting these requirements at a time of tightening resources and growing demand on our operations is not easy and I am grateful that our team of dedicated colleagues continue to meet the on-going challenges and deliver for our residents. Keeping people safe will always be our number one priority.

We are all clear at SLH that we are here to serve our residents. Throughout the year we have continued to improve the experience for residents, with customers satisfaction increasing to 81%. Our engagement activities have helped increase our understanding of the needs of residents, allowing us to shape services to fit their lives. Our new grounds maintenance contractors have improved the quality of our communities and have played an active role in giving back to residents. An acceleration of our stock condition surveys to 1,600 homes means that we have built a clear and accurate understanding of resident's homes allowing better informed investment decisions and we have made further improvements to our void turnaround time – helping residents get into their homes sooner as well as delivering 36 much needed new homes for our communities.

This year saw Lune Valley Rural Housing Association merge with SLH. Having provided management services to them for 6 years the Boards of both associations agreed that the best way to continue to deliver for residents was to merge. I would like to welcome our new residents to SLH.

We have maintained our Governance and Financial Viability ratings as compliant G1 and V2 grades following the annual stability check, and anticipate our full regulatory inspection, including the first review of our compliance with the Consumer Standards, in 2026/27. We continue to focus on the needs of our residents and will refresh our approach this year, bringing teams closer to communities and delivering the year 1 priorities of the new Business Strategy. Thank you to all Board and Committee Members, colleagues, and partners for striving to do the right thing for our residents, their homes and our community.

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Charlie Norman

Chair of the SLH Board, 10th September 2026

Strategic Report for the year ended 31 March 2026

The Board presents its report and audited financial statements for the year ended 31 March 2026.

Principal activity

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

Public Benefit Entity

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

Business Strategy

SLH launched a new business strategy in April 2026 titled '*Your Home, Our Community*'. This name was selected by residents and colleagues to reflect what SLH does. Following extensive engagement with the Board, residents, colleagues and other stakeholders three themes emerged focussed on *Quality Homes*, *Quality Services* and *Quality People*. These themes are underpinned by two cross-cutting priorities of Value for Money and Equity, Diversity and Inclusion. The priorities that fall under each were developed with residents and colleagues through a series of engagement sessions.

Alongside this the values that guide everything SLH colleagues do have been refreshed to ensure they reflect how colleagues behave each day. SLH is committed that when you see an SLH colleague you will see that they **do the right thing, show respect and kindness, always, are honest and fair, make it happen** and ensure that **everyone belongs at SLH**. The new strategy will run for three years, from 2026 to 2029, and will create a strong foundation for future growth. The Chief Executive has also refreshed the executive and senior leadership ensuring that the structure is aligned to the new organisation priorities and enabling more effective strategic decision-making and pace of delivery.

The previous business strategy, which was extended to March 2026, has delivered a strong set of results against its priorities of Growing, Greening and Transforming. Notable outcomes from the life of the strategy include:

Growing

- Introduction of Shared Ownership as a tenure type, with 150 new homes and an increase in rented properties to 3,353 from 3,152 in 2019/20 (201 new homes).
- Resident satisfaction, measured by the TSM's, at 81% against a target of 78%.
- A full review of Independence schemes and improved stock condition knowledge, with 96.6% of homes having had a stock condition survey in the last 5 years.

Greening

- Completion of a new build Passivhaus scheme at Lune Walk, Halton
- 81.4% of properties at EPC C or above from 33%.
- Investment of more than £5 million in energy efficiency to provide warmer homes for residents that are cheaper for them to run.

Transforming

- Over £100,000 of efficiency made using digital processes and income generation.
- Employment of at least 4 apprentices annually.
- Maintaining the G1/V2 judgements.

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Strategic Report for the year ended 31 March 2026

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 £6.7m to £31.8m. The key movements are:
 - Receipt of £6.8m in respect of the settlement of the Cumbrian Local Government Pension Scheme (LGPS).
 - Social housing lettings income increased by £0.9m reflecting income from new homes developed, and the increase in rents implemented April 2025, and
 - 18 first tranche shared ownership property sales were completed in the year realising turnover of £1.8m (2025: 28 first tranche sales and turnover of £2.4m).
- Operating costs have reduced by £1.3m in the year to £20.8m (2025: £22.1m). The principal variances being:
 - £1.2m reduction in revenue major repair costs. Although overall expenditure on major repairs (excluding energy efficiency) increased by £0.6m, a much higher proportion of these were of a capital nature, reducing our I&E charge.
 - £1.0m increase in management costs. This reflects the implementation of our pay review and includes some significant one-off costs in respect of management restructuring, Lune Valley merger costs, investment in procurement, independent stock condition verification and increased insurance costs.
 - £0.5m reduction in cost of sales for shared ownership, reflecting that 10 fewer properties were sold than last year.
 - £0.4m reduction in repairs and maintenance costs (excluding major repairs). This includes a reduction in the cost of bringing empty properties back into use, as the year started with a lower level of empty homes reflecting the investment made in the previous year.
 - £0.2m reduction in development costs that we were unable to capitalise.
- The surplus on disposal of fixed assets of £0.3m relates to the disposal of 16 properties under preserved Right to Buy (RTB) and 3 shared ownership staircasing sales (2025: 8 RTB and 4 shared ownership staircasing sales achieved a £0.3m 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.
- We invested £6.2m in the development and acquisition of new social housing during the year (2025: £5.2m). 36 new homes were acquired or developed during the year, comprising of 19 rented and 17 shared ownership homes (2025: 26 new properties).
- We reinvested £10.2m in our existing properties through capital and revenue major repairs (2025: £12.1m), including energy efficiency improvements during year of £1.6m to existing homes (2025 £4.3m).
- Our net debt (gross loans drawn less cash at bank) at 31 March 2026 was £56.1m (2025: £56.2m) and we had £35.0m of arranged, secured and available to draw loan facilities at 31 March 2025 (2025: £20.0m). At 31 March 2026, 100% of loans drawn were at fixed rates of interest (2025: 100%).
- Reserves have increased by £15.2m (2025: £1.2m increase), to £76.2m from £61.0m.
- We complied with all financial loan covenants for the year ended 31 March 2026 (2025: complied with all financial covenants).
- During the year the Association participated in two defined benefit pension schemes, that are both closed to new employees.
 - The Local Government Pension Scheme (LGPS) – the Association terminated its membership of the LGPS at 30th September 2025. This resulted in a settlement payment of £6.8m from the LGPS to the Association, reflecting SLH's historic overfunding of the scheme. This settlement has been recognised in the Statement of Comprehensive Income as income.
 - The SHPS pension scheme deficit reduced by £0.1m to £0.1m at 31 March 2026 (2025: £0.2m).

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Strategic Report for the year ended 31 March 2026

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 requires 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 made up of 12 tenant perception measures and 10 general management measures.

This year perception data was derived from an external survey carried out by market research specialists TLF. Sampling took place across two phases in the year, 598 residents interviewed. 549 of these were by telephone and 49 by web and respondents were verified to ensure they were reflective of the overall resident profile. The headline measure of overall satisfaction rose by almost 1.1%, with 81% of residents saying they were satisfied with the service provided by SLH. A full breakdown of TSM data can be found on the SLH website:

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

Value for Money (VfM)

The economic environment continues to be challenging with significant areas of uncertainty and cost pressures which fall outside of the control of SLH. This is why there has been a strong focus on VfM across the year and why it remains a cross-cutting theme in *Your Home, Our Community*. The Board monitors 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.

Following the Procurement Act 2023 coming into force in 2025 SLH has refreshed its approach to procurement to ensure this is delivering VfM across services. Across the year this has delivered cashable savings, including:

- £70,000 through the awarding of the roofing programme for 2025.
- £43,000 through the appointment of contractors to support Repairs and Maintenance services.
- £51,000 saved in the appointment of independent asset management consultancy services.

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Strategic Report for the year ended 31 March 2026

Value for Money (VfM) Continued

The Lune Valley Rural Housing Association transfer into South Lakes Housing was a key VFM action within the last strategy. Further improvements have focussed on the exiting of the Local Government Pension Scheme, reducing long-term operating costs and generating a cash windfall, restructuring the Senior Leadership Team, increased insourcing for replacements of kitchens and bathrooms and continued reductions in subcontractor costs for repairs and voids.

The Board continues to monitor progress through an Efficiency KPI as part of its Quarterly Business Performance Report. This measures Efficiencies (cashable savings) and additional income generated in comparison to 2021/22 budget as a baseline.

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 2025/26 performance against the Regulator's VfM metrics, including a comparison against a representative peer group for 2024/25 (taken from the Regulator of Social Housing 'Value for Money

VfM Metric	SLH Actual	Peer * Average	SLH Target	SLH Actual	SLH ~ Actual	SLH Approved Long Term Financial Plan Forecasts		
	2024/25	2024/25	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29
Reinvestment	8.5%	10.2%	12.3%	7.3%	7.3%	13.6%	10.8%	8.0%
New Supply Social Housing	0.8%	1.1%	1.2%	1.0%	1.0%	1.3%	2.3%	1.7%
New Supply Non-Social Housing	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	37.7%	41.8%	39.9%	32.7%	32.7%	40.9%	44.8%	46.3%
EBITDA-MRI Interest Cover	6.1%	108.5%	(75.4%)	302.0%	24.0%	5%	52.3%	68.5%
Headline Social Housing Cost Per Unit (HSHC)	£7.2k	£5.3k	£7.7k	£6.7k	£6.7k	£7.3k	£6.7k	£6.3k
Operating Margin Social Housing Lettings	7.9%	19.6%	12.1%	12.3%	12.3%	14.3%	16.6%	21.8%
Operating Margin Overall	11.4%	15.9%	14.6%	34.4%	16.5%	15.2%	17.6%	19.6%
Return on Capital Employed (ROCE)	2.1%	3.0%	2.5%	6.0%	2.4%	2.2%	2.5%	2.8%

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Strategic Report for the year ended 31 March 2026

Regulator's Value for Money Metrics (Continued)

* Rather than use a national average, we have used a peer group of 14 other not-for-profit registered providers of social housing for comparison purposes. The criteria for these are that they must have between 2,000 and 10,000 homes with the majority of these in the North West. We believe this is a more appropriate measure than using the national average, whilst noting that this would not provide substantially different outcomes for most metrics. Data for these is taken from the RSH Global Accounts 2025.

~ These are the underlying VfM measures, that exclude the one-off impact of the £6.8m pension credit recognised in the year. This is a more appropriate measure to assess our VfM but we have also included the unadjusted calculation for completeness. They are RAG rated against our target for the year.

- **Reinvestment metric:** our performance for 2025/26 was 8.3%, which was below our target of 12.3% for the year. The principal reasons for this are:
 - Slower than anticipated expenditure on our development programme, with net expenditure for the year being £5.4m less than planned. This includes £2.9m lower expenditure at our Yewbarrow development in Grange because of uncertainty over grant funding delaying our start on site. We also saw delays at High Sparrowmire, Kendal (£0.9m) and Nelson St, Lancaster (£0.7m).
 - We planned to invest £3.3m (net of grants) in energy efficiency measures as part of our drive to move all our properties to a minimum EPC C rating in advance of the 2030 deadline. Our actual net expenditure was £1.6m during the year. The lower level of expenditure is primarily due to delays in issuing grant bid outcomes and the deferral of RDSAP10 changes until June 2025. Despite this, 759 properties have had a retrofit assessment with 183 properties receiving energy efficiency works within the year.
 - Other capital investment in our homes was £0.8m below the budgeted spend of £6m, primarily because we took the decision to pause the rendering programme in June 2025 and reassess the approach across the stock. This was prompted by a significant increase in tendered rates by our supplier prompting us to pause to ensure we are achieving value for money in this area.

Our reinvestment in the year is consistent with maintaining our internal standard that is higher than the Government's Decent Homes Standard.

Our planned reinvestment in future years will achieve the following:

- A development programme delivering 198 new homes over the next 3 years. Delivery of this will be subject to achieving sufficient grant funding from Homes England and our investment of £42.1m is net of this.
- EPC C or above energy efficiency in all our homes. Our net investment of £2m in energy efficiency in the next 2 years of £2m is after grant funding of £2.9m, with most of it falling in 2027/28.
- Continued compliance with the Decent Homes Standard across all our homes as well as meeting the additional requirements set out in Awaab's Law.
- **New Supply Social Housing** – our target for new homes supply in 2025/26 was to deliver 40 new social homes, our actual achievement was 36 new social homes, being 19 social and affordable rented homes and 17 shared ownership homes. Delivery of 36 new homes represents a metric performance of just over 1.0%, which is slightly below our peer group average for 2024/25.

This pipeline programme of completions takes our delivery above the 2024/25 peer group average over the 2025/26 average over the next 3 years, with a plan to deliver 45 new homes in 2026/27, 85 in 2027/28 and 68 in 2028/29. This recognises the need for us to use our financial capacity to play our part in helping to address the housing crisis by building new affordable homes.

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Strategic Report for the year ended 31 March 2026

Regulator's Value for Money Metrics (Continued)

- **New Supply Non-Social Housing** – our Business Strategy commits SLH to the delivery of new social housing homes to contribute to meeting the needs of neighbourhoods within our geographic operating area, and accordingly we do not have any plan to develop market sale homes.
- **Gearing** - our Balance Sheet is strong with significant potential for further investment, as calculated by the Gearing metric of 32.7%, which is below the 2024/25 peer group average. This is below our expected outturn for the year, reflecting the lower than planned level of investment described above. It is also a reduction on the 37.7% reported in 2024/25 due to the receipt of £6.8m of surplus contributions following our settlement of the Cumbrian LGPS liability.

Our Gearing is forecast to increase to 47.6% by March 2029 due to the investment in new homes outlined above.

- **EBITDA-MRI (Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) Interest Cover** – although our reported EBITDA MRI interest cover is 318.9%, this is inflated by the recognition of the repayment of £6.8m of surplus contributions following our settlement of the Cumbrian LGPS liability in our surplus for the year. Excluding this, our underlying EBITDA MRI interest cover of 37.0% is significantly lower than our peer group average of 108.5%, though significantly better than we had planned (-75%). Some key points to note in respect of this are:
 - Our 'Greening' strategy included achieving EPC C compliance in all our homes ahead of the 2030 deadline. This approach recognised that not only are there environmental benefits to energy efficiency but investment in this also helps our residents to minimise their energy bills, representing a direct financial benefit to them. Although we invested £1.6m in this during the year, this was £1.7m less than we planned (see Reinvestment).
 - In parallel to the energy efficiency investment in our homes, we delivered a programme of Major Repairs and Investment of £5.2m capital and £3.3m revenue in 2025/26 which, although less than planned, is still significantly higher than the average investment per home made by the peer group in 2024/25.

Improving our EBITDA MRI interest cover is a key focus of our Board, recognising the importance of this measure in demonstrating our sustainability as a business. We have targeted achieving a minimum of 110% EBITDA MRI interest cover by the 2030/31 financial year at the latest and this has been added to our Golden Rules as part of our new strategy. Our latest Long Term Financial Plan (LTFP) reflects this ambition.

Over the next 3 years we expect to improve EBITDA MRI interest cover to 67.4%. Our EBITDA MRI interest cover remains low in 2026/27 due to completion of our investment in energy efficiency. The improvement from 2027/28 is despite our investment in delivering new homes (see New Supply above) increasing our interest payable. Our new business strategy is underpinned by the delivery of VFM, including looking carefully at our cost base and we will continue to look for opportunities to hit a minimum EBITDA MRI interest cover of >100% ahead of the timescales outlined in our LTFP.

- **Headline Social Housing Cost (HSHC) per home** – our cost per home of £6.7k (2024/25: £7.2k) for 2025/26 is lower than planned, but significantly higher than the peer group average of £5.3k.

Our 2025/26 includes £1.6m of energy efficiency reinvestment in furtherance of the Greening Strategic theme and £8.5m of major repairs reinvestment in existing homes, maintaining the SLH standard and investment in customer service through customer's lived experience of their neighbourhoods. There were also significant one-off costs in the year from management restructuring and external support to ensure the accuracy of our stock condition data.

We recognise that our costs per home are higher than the peer group and work we are undertaking on better understanding our cost base and where we can improve efficiency is being undertaken to address this in line with our new business strategy.

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Strategic Report for the year ended 31 March 2026

Regulator's Value for Money Metrics (Continued)

Operating Margin Social Housing Lettings (OMSHL) – our OMSHL for 2025/26 of 12.3% is below the average of 19.6% for our peer group, although it is in line with the 12.1%, we forecast for the year.

The significant majority of SLH's homes are social rent tenancies let at formula rents (87.8% of SLH homes being social rent tenancies at March 2026), with rents being set in accordance with the Rent Standard that does not permit 'restructuring' of existing tenant's rent levels. As at March 2026 60.2% 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 £0.7m per annum lower than the Rent Standard. Following the government's decision to allow rent convergence, we expect to reduce this shortfall gradually over time.

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. This situation is being resolved at the time of reletting properties with service charges being properly charged following a change in lease.

The combination of lower rental income and service charge recovery reduces social housing turnover, thus adversely impacting operating surpluses and the Operating Margin percentage. However, the actions we are taking on these help improve our forecast margin to 21.9% by FY2028/29.

Notwithstanding the rent and service charge position, we are looking to reduce our costs through improving our efficiency in line with our new business strategy.

- **Operating margin (Overall)** – our overall reported operating margin of 34.4% is inflated by the recognition of the repayment of £6.8m of surplus contributions following our settlement of the Cumbrian LGPS liability in our surplus for the year. Our underlying overall operating margin of 16.5% is slightly better than the average peer group for 2024/25. The principal difference between the overall and SHL only operating margin metrics is the inclusion of the surplus on shared ownership first tranche sales. In the 2025/26 financial year we our margin on these sales was 28.4%, which is why our overall margin improves with the inclusion of these sales.
- **The Return on Capital Employed (RoCE) ratio** – this compares SLH's Operating Surplus to its Total Assets less Current Liabilities. In FY 2025/26 our underlying RoCE was 2.4%, below the 3.0% average reported by our peer group.

The RoCE is impacted by lower margins and therefore improvement of this is in line with the points in respect of margin, income and costs already made.

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. The Board reviewed its approach to VfM in developing the new Business Strategy 2026-29. In March 2026 the Board agreed a series of VfM metrics including; management costs, average number and costs of repairs and empty homes, repair operative productivity, sub-contractor expenditure, procurement savings and the use of agency and consultancy.

We will report on these metrics as well as the ones below (bar two metrics which the Board has removed), with the table below showing the outcomes achieved in delivering VfM within the 2020-26 Business Strategy themes of *Growing, Greening & Transforming*. The table below summarises performance and the plans to address underperformance, and explanation of variances to last year's statement is included within the accompanying notes.

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Local VfM Metrics (Continued)

Metrics	Outturn 2020/ 21	Outturn 2021/ 22	Outturn2 022/ 23		Outturn 2023/ 24	Target 2025/ 26	Outturn 2025/26	HouseM ark Peer Median 2024/25 *Note 1	HouseM ark Rural Peer Median 2024/25 *Note 1	Targets 26/27
Business Strategy Theme: Growing										
% of homes that do not meet the 'Decent Homes Standard'	0%	0%	0%		0%	0%	0.1% *Note 2	0.2%	0.15%	0%
% rent collection (inc arrears paid from previous years)	100.33%	100.29%	98.3%		99.05%	99.0%	99.8%	98.38%	100.64	100%
% rent arrears	2.45%	2.10%	3.15%		3.8%	3.8%	3.6%	2.69%	2.15%	3.2%
% customer satisfaction overall	No survey	86%	68.3%		78.6%	80.0%	81.0%	76.2%	75.9%	95%
New homes added (inc shared ownership)	37	77	79		95	36	36	N/A	N/A	45
Business Strategy Theme: Greening										
Energy efficiency ratings - % of stock at Band C or above	39.6%	48%	50%		70.4%	95	81.4 *Note 3	77.39%	75.89%	92%
Business Strategy Theme: Transforming										
Average relet times (days)	73	55	55		68	35	17	57.47	44.49	25
% of customers registered with 'My Account' (online services)	30%	31%	35%		48%	75%	71% *Note 4	N/A	N/A	Removed
Average employee sickness	10.2	11.96	6.51		7	6	6.4 *Note 5	8.86	7.48	5
Efficiencies made	£24k	£51k	£175k		£263k	£475k	£595k	N/A	N/A	Removed

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Strategic Report for the year ended 31 March 2026

1. **Benchmarking** - as per HouseMark peer group stock 2,500 – 7,500 with around 30 organisations within the sample size (traditional housing associations and LSVTs), taken 21st May 2026. Rural peer group based upon HouseMark peer group DEFRA codes (significant rural and 80% rural). Around 16 organisations, taken on the same date.
2. **Non-decent homes** – 3 properties were identified as requiring remediation works (heating, kitchen layout, roof) and most of these were highlighted in stock condition surveys towards the end of the year.
3. **Energy Efficiency** – 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). 2,634 homes at C or above, 580 below C and 21 without a survey. As part of the warm homes retrofit programme 291 homes that were borderline EPC C e.g. 69-71 SAP rating have dropped to an EPC D. This reflects the investment programme priorities and new surveys which now follow RdSAP10 methodology as required by DESNZ from June 2025. The change in methodology has led to some previously rated properties being reassessed on expiry of the survey (leading to some EPC C properties then falling into the D band). Due to the methodology changes, the KPI for this metric 92% C by end of March 2027 was set by the Board in June 2026 (100% by March 2028).
4. **My Account** – 2,294 registered customers. 1,493 accessed their account since April '25. A decision to temporary stop self-book repairs following a housing management system upgrade meant that the target was not achieved.
5. **Sickness** - 897 days sickness YTD / 36,744 potential days on establishment (2.4% time lost to sickness). Improvements have been made to the sickness management policy and manager training on consistent application.

Future plans and challenges

The Board has agreed on an action plan and set of key performance metrics to oversee the implementation of the new business strategy. The Board continues to regularly assess emerging risks and opportunities on the horizon. Government has outlined a 'decade of certainty' for the social housing sector with welcomed investment and certainty over rents and regulations.

The operating environment for social housing is however always subject to change whether that is because of new policy, economic and political change, and this will have a bearing on the delivery of our strategy. Our values will help us navigate through any further turbulence, alongside our cross-cutting themes of EDI and VFM.

A wide range of new legislation—including Awaab's Law, enhanced consumer regulation, energy efficiency requirements and workforce standards—will require continued investment in compliance, data, systems and skilled people.

At the same time, financial pressures driven by net zero requirements, stock condition expectations and inflation will require careful prioritisation to maintain resilience while balancing investment in existing homes, services and new supply.

There are also opportunities to grow through government investment in affordable housing, strengthen income through rent policy, and improve efficiency through digital innovation and the use of data and AI. But the greatest opportunity on the immediate horizon is the Mayoral Combined Authority for Cumbria which will reshape how housing, economic development and public investment are planned and delivered across the region. SLH will step up to play its part and strengthen its involvement within local partnerships to ensure sufficient influence and access to investment.

Delivering our strategy will depend on strong governance, effective partnerships, and a continued focus on improving customer experience, transparency and resident influence. External scrutiny,

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Strategic Report for the year ended 31 March 2026

including regulatory inspection, will further shape our priorities and reinforce the need for clear strategic choices and robust assurance.

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 3 and details of Board remuneration are shown on page 18. Board Members are drawn from a wide range of backgrounds to ensure that the Board is diverse in skills, thought and experience.

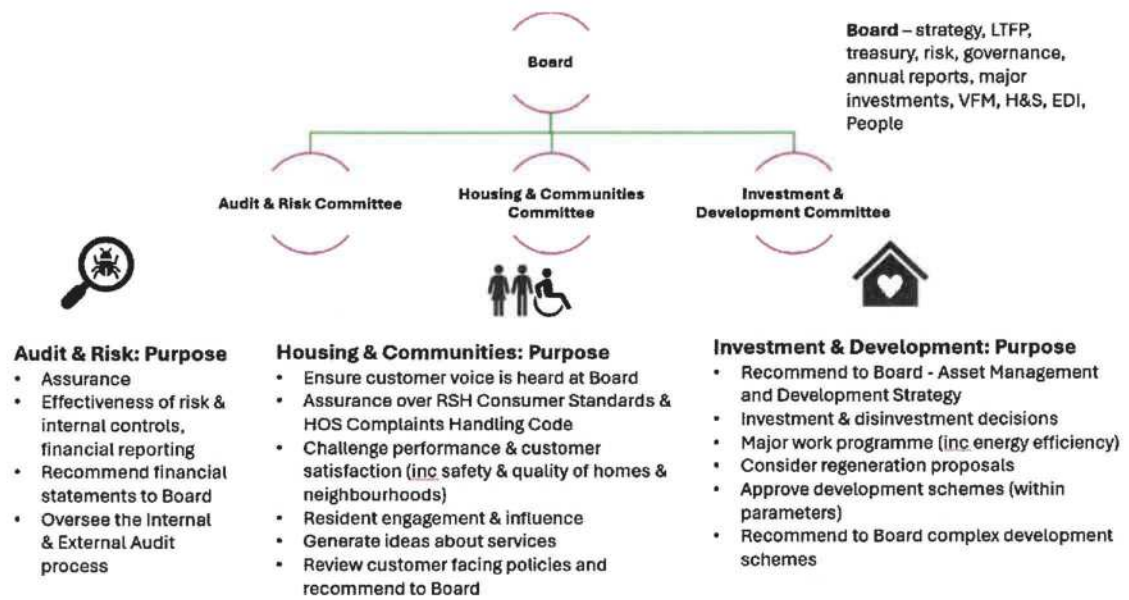
The Board reviews governance on an annual basis, including self-assessments against the Regulator of Social Housing's Regulatory Standards (Economic Standards and Consumer Standards) and

National Housing Federation's (NHF) 2020 Code of Governance. During the year, the Board appointed five board members and an independent specialist to the Audit & Risk Committee. There was also a change in the Chair position following a succession plan and managed handover, with the appointment of a respected social housing sector leader. The new board members bring a range of skills and experience including housing management expertise, asset management, development and business transformation and customer service.

As part of the transfer of engagements from Lune Valley Rural Housing Association (LVRHA), SLH offered the LVRHA Chair a place on the Board. As he had already served two terms (six years) with the predecessor organisation, the Board took advice on compliance with the NHF Code of Governance 2020 and approved a term at SLH starting from April 2026 renewed on an annual basis up to a maximum term to September 2028 (bringing his total overall tenure to the maximum nine years departing from the Code's six years suggested by the NHF). This is permitted under the Code's comply-or-explain approach. The RSH was kept informed throughout the merger process, and offering a Board place was important both to securing the merger and to maintaining oversight of the integration and the service outcomes promised to residents. He also possesses relevant development and asset management skills and experience.

SLH commissioned DTP to undertake an independent, objective review of governance arrangements and Board effectiveness in 2024/25. DTP's overall finding is that governance at SLH is effective and there are robust supporting processes which provide for sound oversight and assurance. DTP made several recommendations to strengthen compliance further and these were all fully implemented by March 2026.

Strategic Report for the year ended 31 March 2026



One of the recommendations focused on reviewing the terms of reference and composition of the Resident Forum. As part of the refresh of the Resident Engagement Strategy, we asked residents what changes they may like to see to ensure their voice is part of the decision-making process. This identified a clear desire to strengthen the links between residents and the Board so following further discussion with the Residents Forum and Board it was decided that the best approach would be to establish a new Housing & Communities Committee. This is made up of Board members and Independent Specialist (Resident) Members.

At the same time, to ensure the Committee structure is fully aligned to the new Business Strategy, the Development Committee has become the Investment & Development Committee, with a broader remit to focus on investment into existing properties as well as the development of new homes. This reflects the desire to have a better oversight of asset related risks and strategic oversight of and integration between asset management, property investments and new development.

The Chair of Audit & Risk stepped down from the Board to take up the position of Interim CFO following the retirement of the Director of Finance and the restructure of the Senior Leadership Team. The Chair of the Investment & Development Committee has taken up this role, with the independent member of the Investment & Development Committee being appointed as a full Board Member and taking over as the Committee Chair.

These changes have strengthened scrutiny, oversight and resident influence for the work of SLH. Capacity will be further strengthened through recruitment, succession planning and training for newly appointed Independent Specialist (Resident) Members.

SLH's subsidiary company, Cumbrian Housing & Property Services, has remained dormant since April 2023 and in February 2026 the Board approved to dissolve the subsidiary as it was deemed to no longer be required for the new business strategy. Companies House formally approved the dissolution on 12th May 2026 following notices placed in official public record 'The Gazette'.

The Board reviews governance matters on a regular basis, and improvement actions are included within the Governance Improvement Plan. Committee Chair's report to the Board throughout the year highlighting the discussion items held at their last meetings and providing opportunities to flag issues or key risks, alongside the minutes. The Committee's also provide an annual report with an overview of key activities and assured received in fulfilment of the responsibilities delegated to it as set out within the terms of reference.

South Lakes Housing Registration No 31419R

Strategic Report for the year ended 31 March 2026

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 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.

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Strategic Report for the year ended 31 March 2026

- *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 introduced a new mandatory golden rule on EBITDA: MRI (Earnings before Interest Tax, Depreciation & Amortisation Major Repairs Included) in 2025/26. This is the adjusted surplus after the deduction of capitalised major repairs as a ratio of interest payable. The Long-Term Financial Plan sets out the explicit trajectory that from 2026/27 this will exceed 0% and SLH will achieve at least 110% by 2030/31.
- *Insurance* – the Association has property insurance cover until March 2027 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, and the Executive Leadership.
- *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. The policy framework will be strengthened further in 2026/27 following an advisory review by internal auditors BDO.
- *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, fraud, (including tenancy fraud), managing conflicts of interest, data protection, probity, safeguarding, whistleblowing, procurement, health and safety etc.

The Audit and Risk Committee oversee 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 have been delegated to the Audit and Risk Committee by the Board, with issues escalated to the Board as required.

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Strategic Report for the Year ended 31 March 2026

These are considered to be the Principal Risks:

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

Remuneration and pensions

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

The Association participated 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.

At the 31 March 2026, SLH exited the LGPS scheme and received £6.8m in settlement of their obligations with this scheme. SLH share of the SHPS scheme deficit was £54k (2025: £183k) as shown on the statement of financial position and in note 19.

Going concern and liquidity

At the 31 of March 2026, 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 facilities with National Westminster Bank Plc and Danske Bank over a range of maturities from 5 years to 21 years (2031 - 2047).

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Strategic Report for the Year ended 31 March 2026

Going concern and liquidity (Continued)

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 always has sufficient liquidity and that funders' covenants will continue to be met.

Statement of compliance

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

Disclosure of information to auditors

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

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

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:



Charlie Norman
Chair of the SLH Board

Date: 10th September 2026

South Lakes Housing Registration No 31419R

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

Opinion

We have audited the financial statements of South Lakes Housing (the 'Association') and its subsidiary (the 'Group') for the year ended 31 March 2026 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 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 2026 and of the Group's and Association's surplus or 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 Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board Members' responsibilities statement set out on page 16, the Board Members 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 Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible for assessing the Group 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 directors 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, GDPR, health and safety regulation, anti-money laundering regulation and tax legislation.

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 Group and 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.

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

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

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as Co-operative and Community Benefit Societies 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

In addition, we evaluated the Board Members' 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 impairment, defined benefit pension accounting, property categorization and development costs, revenue recognition (which we pinpointed to the cut-off assertion), 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 Members 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 members of the Association as a body in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association'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.

Signed by:

Forvis Mazars LLP

Date 25-Sep-26

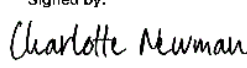
Forvis Mazars LLP
The Aviary, 4th Floor
39 Booth Street
Manchester
M2 3HZ

South Lakes Housing Registration No 31419R

Group & Association Statement of Comprehensive Income for the year ended 31 March 2026

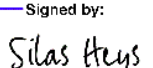
	Note	2026 £'000	2025 £'000
Turnover	2	31,768	25,114
Operating costs	2	(20,833)	(22,131)
Gain on disposal of fixed assets	6	330	292
Operating surplus		11,265	3,275
Interest receivable	7	711	654
Interest payable and financing costs	8	(2,537)	(2,264)
Combinations that are in substance a gift	27	5,958	-
Surplus for the year before taxation		15,397	1,665
Taxation	12	-	-
Surplus for the year after taxation		15,397	1,665
Actuarial (loss) in respect of pension schemes	19	(249)	(410)
Total comprehensive income for the year		15,148	1,255

The financial statements on pages 23 to 61 were approved and authorised for issue by the Board on 10th September 2026 and were signed on its behalf by:

Signed by:

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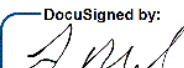
C. Norman

Chair of SLH Board

Signed by:

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S. Heys

Chair of Audit and Risk
Committee

DocuSigned by:

A905BA95BE58450...

J. Mansergh

Company Secretary

The results relate wholly to continuing activities and the notes on pages 27 to 61 form an integral part of these accounts. The Group and Association figures are the same.

South Lakes Housing Registration No 31419R

Group & Association Statement of Financial Position

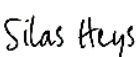
	Note	2026 £'000	2025 £'000
Fixed Assets			
Housing Properties	13a	165,112	147,143
Other Tangible fixed assets	13b	447	421
Current assets			
Stock	14	744	844
Trade and other Debtors	15	3,128	11,650
Cash and cash equivalents		24,936	8,844
		<u>28,808</u>	<u>21,338</u>
Less: Creditors: Amounts falling due within one year	16	<u>(7,760)</u>	<u>(14,904)</u>
Net current assets		<u>21,048</u>	<u>6,434</u>
Total assets less current liabilities		186,607	153,998
Creditors: Amounts falling due after more than one year	17a	(110,341)	(92,753)
Provisions for liabilities			
Other Provisions		(17)	(15)
Pension defined benefit liability	19	(54)	(183)
Total net assets		<u>76,195</u>	<u>61,047</u>
Capital and reserves			
Non-equity share capital	20	-	-
Income and expenditure reserve		76,195	61,047
Total reserves		<u>76,195</u>	<u>61,047</u>

The financial statements on pages 23 to 61 were approved and authorised for issue by the Board on 10th September 2026 and signed on its behalf by:

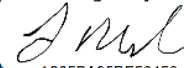
Signed by:

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C. Norman

Chair of SLH Board

Signed by:

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S. Heys

Chair of Audit and Risk
Committee

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J. Mansergh

Company Secretary

The notes on pages 27 to 61 form an integral part of these accounts. The Group and Association figures are the same.

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Group & Association Statement of Changes in Equity (Reserves)

For the Year ended 31 March 2026

	Income and Expenditure Reserve	Total Reserves
	£'000	£'000
Balance at 1 April 2024	59,792	59,792
Surplus for the year	1,665	1,665
Restated: Actuarial (loss)/gain in respect of pension schemes	(410)	(410)
Balance at 31 March 2025	61,047	61,047
Surplus for the year	15,397	15,397
Actuarial (loss) in respect of pension schemes	(249)	(249)
Balance as at 31 March 2026	76,195	76,195

The notes on pages 27 to 61 form an integral part of these accounts. The Group and Association figures are the same.

South Lakes Housing Registration No 31419R

Group Statement of Cash Flows**For the year ended 31 March 2026**

	Note	2026	2025
		£'000	£'000
Net cash generated from operating activities		13,883	6,263
Cash inflow/(outflow) from investing activities			
Purchase of tangible fixed assets		(13,031)	(12,499)
Proceeds from sale of tangible fixed assets	6	1,966	1,209
Acquisition of LVRHA net of cash acquired		996	-
Grants received		1,918	1,946
Interest received	7	482	360
		<u>6,214</u>	<u>(2,721)</u>
Cash inflow/(outflow) from financing activities			
Interest paid		(2,218)	(2,185)
New secured loans		25,000	-
Loan Fees Capitalised		(416)	-
Repayment of borrowings		(12,488)	-
Net change in cash and cash equivalents		<u>16,092</u>	<u>(4,906)</u>
Cash and cash equivalents at beginning of the year		8,844	13,750
Cash and cash equivalents at end of the year		24,936	8,844
Cash flow from operating activities			
Surplus for the year		15,397	1,665
Adjustments for non-cash items			
Depreciation & Amortisation of tangible fixed assets	13a & b	2,329	1,950
Write out of replaced components	3	282	443
Interest and financing costs	8	2,537	2,264
Interest receivable	7	(711)	(654)
Gain on disposal of fixed assets	6	(330)	(292)
Decrease in stock	14	100	847
Business Combinations	27	(5,958)	-
(Increase)/decrease in trade and other debtors		(986)	1,334
Increase/(decrease) in trade and other creditors		1,777	(692)
Pension costs less contributions payable	19	(155)	(290)
Government grants utilised in the year	3	(399)	(312)
Net cash generated from operating activities		<u>13,883</u>	<u>6,263</u>

The notes on pages 27 to 61 form an integral part of these accounts.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

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 (CH&PS), a non-registered subsidiary, incorporated under the Companies Act 2006 (registration number 10519045) that is dormant effective from 31 March 2023. CH&PS was dissolved at Companies House on 12 May 2026.

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 2026.

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 2026 using the merger method of accounting as required.

On 31 March 2026, Lune Valley Rural Housing Association Limited (LVRHA) transferred its engagements to SLH pursuant to section 110 of the Co-operative and Community Benefit Societies Act 2014. The results of LVRHA are included from the date of acquisition using the acquisition method of accounting, the date the Group obtains control.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

Going concern

SLH'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 2026/27 and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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

Stringent cashflow monitoring and reporting arrangements ensure SLH always has sufficient liquidity 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.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

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

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

- 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 several 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 2026 was £165.1M.
- 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.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

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:

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

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

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

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

Value Added Tax

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

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

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

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

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.

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.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

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:

	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 based on 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.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

Stock and properties held for sale

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

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

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

Short-term debtors and creditors

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

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 considering 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 during 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.

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

Recycling of capital grant

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

Holiday pay accrual

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

Agreements to improve existing properties

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

Retirement benefits

The Group operates one (2025: 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:

South Lakes Housing Registration No 31419R

South Lakes Housing Accounting Policies

For the year ended 31 March 2026

1. Principal Accounting Policies (continued)

- 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 based on 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.

South Lakes Housing Registration No 31419R

Notes to the Financial Statements

For the year ended 31 March 2026

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

31 March 2026	Turnover £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings (note 3)	21,162	(18,561)	2,601
Other social housing activities			
- Sale of first tranche shared ownership	1,759	(1,245)	514
- Development activities not capitalised	-	(167)	(167)
- Other services	1,531	(570)	961
- Pension Settlement	6,822	-	6,822
Activities other than social housing	494	(290)	204
Total	31,768	(20,833)	10,935

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

South Lakes Housing Registration No 31419R

Notes to the Financial Statements

For the Year ended 31 March 2026

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

	General needs housing	Housing for older people	Low-cost home ownership	Total 2026	Total 2025
	£'000	£'000	£'000	£'000	£'000
Income					
Rent net of service charges and voids	17,447	2,146	567	20,160	19,374
Service charge income	66	478	59	603	618
Amortised government grants	361	20	18	399	312
Turnover from social housing lettings	17,874	2,644	644	21,162	20,304
Operating Expenditure					
Management	(5,749)	(861)	(206)	(6,816)	(5,619)
Service charge costs	(531)	(585)	(68)	(1,184)	(1,205)
Routine maintenance	(3,095)	(407)	-	(3,502)	(3,791)
Planned maintenance	(1,098)	(144)	-	(1,242)	(1,087)
Major repairs	(2,863)	(377)	-	(3,240)	(4,463)
Major repairs - Energy efficiency	(14)	(2)	-	(16)	(206)
Bad debts	(85)	(12)	(1)	(98)	(41)
Depreciation of housing properties:					
- annual charge	(1,967)	(141)	(73)	(2,181)	(1,836)
- on disposal of components	(282)	-	-	(282)	(443)
Operating expenditure of social housing lettings	(15,684)	(2,529)	(348)	(18,561)	(18,691)
Operating surplus on social housing lettings	2,190	115	296	2,601	1,613
Void losses	(41)	(10)	-	(51)	(127)

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 £1,961 per property in management (2025 £1,607).

South Lakes Housing Registration No 31419R

Notes to the Financial Statements

For the Year ended 31 March 2026

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

	2025	Additions	Disposals	Transfers	other	2026
	No.	No.	No.	No.	No.	No.
In management and ownership						
General needs - social rent	2,611	15	(16)	84	2	2,696
General needs - affordable rent	212	4		34	2	252
General needs - intermediate rent	14	-	-	-	-	14
General needs - rent to buy	1	-	-	-	-	1
Housing for older people - social rent	392	-	-	-	(2)	390
Low-cost home ownership	136	17	(1)	-	(2)	150
	3,366	36	(17)	118	-	3,503

In Management, but not ownership:

Properties managed for Local Authorities: General needs - social rent	2	-	-	-	-	2
Properties managed for other Registered Providers:						
General needs - social rent	91	-	-	(84)	-	7
General needs - affordable rent	37	7	-	(34)	-	10
Leasehold properties	276	1	-	-	-	277
Total	406	8	-	(118)	-	296

At 31 March 2026 there were 66 properties under development that were either committed purchases from developers under S106 agreements or SLH land-led projects that were under contract (54 properties as at 31 March 2025).

South Lakes Housing Registration No 31419R

Notes to the Financial Statements

For the Year ended 31 March 2026

5. Surplus on ordinary activities (Group & Association)

	2026	2025
	£'000	£'000
The operating surplus is stated after charging:		
Auditor's remuneration (excluding VAT):		
for external audit services	47	36
for non-audit services (accountancy, tax advisory)	9	3
Operating lease rentals:		
Land and buildings	225	216
Office equipment	5	5
Motor vehicles	329	231
Depreciation of housing properties (including write out of components)	2,463	2,279
Impairment of housing properties	-	-
Depreciation of other fixed assets (including write out of assets)	146	114
Gain on disposal of fixed assets	330	292

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

	Right to Buy sales	Shared ownership staircasing	Other social housing property sales	Total	Total
	2026	2026	2026	2026	2025
	£'000	£'000	£'000	£'000	£'000
Proceeds of sales	1,760	176	30	1,966	1,209
Less: cost of sales	(1,527)	(105)	(4)	(1,636)	(917)
Surplus	233	71	26	330	292

7. Interest receivable (Group & Association)

	2026	2025
	£'000	£'000
Bank & building society interest receivable	482	360
Pensions interest receivable	229	294
	711	654

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Notes to the Financial Statements

For the Year ended 31 March 2026

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

	2026	2025
	£'000	£'000
On defined benefit pension schemes	6	10
On loans repayable within 5 years	312	296
On loans wholly or partly repayable in more than 5 years	1,857	1,742
Total interest	<u>2,175</u>	<u>2,048</u>
Arrangement fees amortised or written off	200	74
Other finance costs including non-utilisation & trustee fees	162	142
	<u>2,537</u>	<u>2,264</u>
Interest payable capitalised on housing properties under construction	-	-
Total interest payable and similar charges	<u>2,537</u>	<u>2,264</u>

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:

	2026	2025
	Number	Number
Housing, customer services, insight & engagement	30	31
Property maintenance & asset management	74	68
Property development	6	5
Business support	29	25
Executive	5	5
	<u>144</u>	<u>134</u>

Employee costs	2026	2025
	£'000	£'000
Wages and salaries	6,184	5,374
Social security costs	766	551
Other pension costs	454	391
	<u>7,404</u>	<u>6,316</u>

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Other pension costs include a defined benefit pension cost accounting adjustment of (£223k) for 2025/26 ((£284k) for 2024/25).

The aggregate number of full-time equivalent staff whose remuneration, including pension contributions, exceeded £60,000 in the period:	2026 Number	2025 Number
£60,000 to £69,999	8	8
£70,000 to £79,999	5	5
£80,000 to £89,999	2	-
£90,000 to £99,999	1	-
£100,000 to £109,999	1	1
£110,000 to £119,999	1	2
£120,000 to £129,999	1	1
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£150,000 to £159,999	-	1
£160,000 to £169,999	-	-
£170,000 to £179,999	1	-
£180,000 to £189,999	-	-
£190,000 to £199,999	-	-
£200,000 to £209,999	1	-

10. Key Management personnel remuneration (Group & Association)

	2026 £'000	2025 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	54	48
The aggregate emoluments paid to or receivable by executive directors and former executive directors, including pension contributions	799	620
The emoluments paid to the highest paid director, excluding pension contributions	207	136

Remuneration paid to executive directors and former executive directors, including pension and National Insurance Contributions, in relation to the period of account amounted to £893,000; that represented £254.92 per property managed (2025: £689,879 representing £197.33 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 £207,446 (2025: £135,893); that represented £59.21 per property (2025: £38.87).

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The Chief Executive of South Lakes Housing received remuneration for the year ended 31 March 2026, excluding pension contribution of £148,717 (2025: £135,893).

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

Notes to the Financial Statements

For the Year ended 31 March 2026

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 £182,023 (2025: £nil).

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

	2026	2025
	£	£
Ian Munro	8,000	8,000
Steve Bentley	5,500	5,500
Andrew Oldale	5,500	5,500
Silas Hayes	5,000	4,533
Nicola Haywood-Cleverly	4,000	4,000
Anthony Muir	4,000	4,000
Susanne Long	1,000	4,000
Steven Hughes	4,000	2,000
Charlotte Norman	4,000	2,000
Sarah Swindley	800	2,050
John Burt	-	2,500
Kerry Byrne	-	2,000
Catherine Lindsay	-	2,000
John Walker	3,333	-
Claire Stone	2,222	-
Total	47,355	48,083

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Notes to the Financial Statements

For the Year ended 31 March 2026

11b. Independent Members remuneration (Group & Association)

	2026	2025
	£	£
David Butcher (Independent Specialist Member of Audit & Risk Committee)	2,500	2,500
Martyn Nicholson (Independent Specialist Member of Development Committee)	2,500	2,500
Sarah Swindley	-	1,250
John Walker (became a full Board Member 11 September 2025)	-	1,333
Alison Benson	233	-
Peter Miles	233	-
Godfrey Evans	233	-
Chelsea Turrell	233	-
Karl Tchurnak	233	-
Total	6,165	7,583

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For the Year ended 31 March 2026

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

	2026	2025
	£'000	£'000
Current Taxation:		
UK Corporation Tax charge for the year	-	-
Deferred taxation:		
Net origination and reversal of timing differences	-	-
Tax on surplus on ordinary activities	-	-
The tax assessed		
The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 0% (2025: 0%). The differences are explained as follows:	2026	2025
	£'000	£'000
Total tax reconciliation		
Surplus on ordinary activities before taxation	15,397	1,665
Theoretical tax at UK corporation tax rate of 19% (2025: 19%)	2,925	316
Effects of:		
Surpluses relating to charitable period	(2,925)	(316)
Total taxation charge	-	-

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Notes to the Financial Statements

For the Year ended 31 March 2026

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

	Social Housing Properties for Letting Completed	Social Housing Properties for letting under Construction	Shared Ownership Housing Properties Completed	Shared Ownership Housing Properties Under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 April 2025	144,788	1,449	13,653	573	160,463
Additions	-	3,271	-	2,000	5,271
Transfer of Engagement	10,641	16	-	-	10,657
Components capitalised	6,926	-	1	-	6,927
Schemes completed	2,987	(2,987)	1,648	(1,648)	-
Disposals	(692)	-	(106)	-	(798)
Component disposals	(630)	-	-	-	(630)
As at 31 March 2026	164,020	1,749	15,196	925	181,890
Depreciation and impairment					
As at 1 April 2025	(13,197)	-	(123)	-	(13,320)
Charge for the year	(2,108)	-	(73)	-	(2,181)
Transfer of Engagement	(1,541)	-	-	-	(1,541)
Disposals	76	-	-	-	76
Component disposals	188	-	-	-	188
As at 31 March 2026	(16,582)	-	(196)	-	(16,778)
Net book value 31 March 2026	147,438	1,749	15,000	925	165,112
Net book value 31 March 2025	131,591	1,449	13,530	573	147,143

Major Repairs expenditure to works on existing properties:

	2026	2025
	£'000	£'000
Amounts capitalised: energy efficiency for the decarbonisation of properties	1,612	4,080
Amounts capitalised: excluding energy efficiency for the decarbonisation of properties	5,315	3,312
Capitalised Major Repairs	6,927	7,392
Amounts charged to Statement of Comprehensive Income	3,285	4,795
Total Major Repairs	10,212	12,187

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Notes to the Financial Statements

For the Year ended 31 March 2026

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

	Computer Equipment	IT Infrastructure & Applications	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 April 2025	711	541	470	1,722
Additions	45	-	129	174
Disposals	-	-	-	-
As at 31 March 2026	756	541	599	1,896
Depreciation and Impairment				
As at 1 April 2025	(636)	(264)	(401)	(1,301)
Charge for the year	(44)	(76)	(28)	(148)
Disposals	-	-	-	-
As at 31 March 2026	(680)	(340)	(429)	(1,449)
Net book value 31 March 2026	76	201	170	447
Net book value 31 March 2025	75	277	69	421

14. Stock (Group & Association)

	2026 £'000	2025 £'000
First tranche shared ownership properties:		
Completed	218	411
Under construction	373	326
	591	737
Materials in Stock	153	107
	744	844

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Notes to the Financial Statements

For the Year ended 31 March 2026

15. Trade and Other Debtors (Group & Association)

	2026	2025
	£'000	£'000
Rent and service arrears:		
General Needs & sheltered	1,044	974
Less: provision for bad debts	(947)	(914)
Leasehold arrears	159	173
Less: provision for bad debts	(136)	(138)
	120	95
Other debtors	155	441
Prepayments and accrued income	2,530	582
Value Added Tax	174	173
Stock transfer obligation (note 24)	149	10,359
	3,128	11,650

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

	2026	2025
	£'000	£'000
Rent and service charges received in advance:		
General needs & sheltered	489	440
Leasehold	41	24
Trade creditors	2,144	641
Accruals and deferred income	3,072	2,250
Other taxation and social security	365	240
Other creditors	1,073	593
Deferred capital grant (note 17c)	427	357
Stock transfer obligation (note 24)	149	10,359
	7,760	14,904

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For the Year ended 31 March 2026

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

	2026	2025
	£'000	£'000
Loans	78,944	64,263
Asset Replacement	23	-
Recycled Capital Grant Fund	-	34
Deferred capital grant (note 17c)	31,374	28,456
	110,341	92,753

17b. Debt Analysis (Group & Association)

	2026	2025
	£'000	£'000
Loans repayable by instalments		
Within one year	-	-
In two years or more but less than five	1,810	1,250
In five years or more	38,190	38,750
Loans not repayable by instalments		
Within one year	-	-
In two years or more but less than five	-	10,000
In five years or more	40,000	15,000
Less loan arrangement fees	(1,056)	(737)
	78,944	64,263

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 2026 are £35m (2025: £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. In February 2026, an additional £25m was drawn and fixed alongside the early repayment of £10m with maturity May 2027 resulting in total facilities of £65m (2025: £50m). As at 31 March 2026, £45m (2025: £30m) was drawn, with £10m at fixed interest rates of 2.784%, £10m at fixed interest rates of 3.316% and £25m at fixed interest rate of 5.832%. The facilities are secured by a fixed charge over Association assets, on a mixture of Existing Use Value and Market Value (Tenanted) valuation bases.

In March 2026, Danske Bank provided revolving credit facilities of £15m which was approved and secured. At 31 March 2026, £Nil (2025: £Nil) was drawn.

Loan arrangement fees are capitalised and amortised over the remaining life of the loans.

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For the Year ended 31 March 2026

17c. Deferred capital grant (Group & Association)

	2026	2025
	£'000	£'000
Gross as at 1 April	32,118	30,015
Recognised as income 1 April	(3,305)	(2,993)
Net as at 1 April	28,813	27,022
Grant received in the year:		
Social Housing Decarbonisation Fund	731	1,811
Social Housing Grant (incl. local authority)	1,175	385
Released to income in the year	(399)	(312)
Transfer from/(to) RCGF	35	(34)
Transfer of Engagement	1,583	-
Relating to disposals in the year	(137)	(59)
As at 31 March	31,801	28,813
Amount to be released < 1year	427	357
Amount to be released > 1year	31,374	28,456
As at 31 March	31,801	28,813

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

	At 1 April 2025	Cash Flows	Transfer of Engagement	Non-cash Movements	At 31 March 2026
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,844	15,097	995	-	24,936
Housing loans due in one year	-	-	-	-	-
Housing loans due after one year	(64,263)	(12,187)	(2,386)	(108)	(78,944)
	(55,419)	2,910	(1,391)	(108)	(54,008)

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Notes to the Financial Statements

For the Year ended 31 March 2026

19. Pension obligations (Group & Association)

	2026 £'000	2025 £'000
Recognised in the statement of comprehensive income – credit to operating costs		
Local Government Pension Scheme (note 19a)	9	2
Social Housing Pension Scheme (note 19b)	146	288
	155	290
Recognised in the statement of comprehensive income within interest receivable / (financing costs) are comprised as follows:		
Local Government Pension Scheme (note 19a)	229	294
Social Housing Pension Scheme (note 19b)	(6)	(10)
	223	284
Recognised in the statement of comprehensive income – actuarial and assets movement		
Actuarial (loss) in respect of Local Government Pension Scheme (note 19a)	(238)	(296)
Actuarial (loss) in respect of Social Housing Pension Scheme (note 19b)	(11)	(114)
	(249)	(410)
Total credit recognised in the statement of comprehensive income	129	164
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)	(54)	(183)
Total pension defined benefit liability	(54)	(183)

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Notes to the Financial Statements

For the Year ended 31 March 2026

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 2026 were £31k (2025: £65k) of which employer's contributions totalled £24k (2025: £50k) and employees' contributions totalled £7k (2025: £15k). The agreed contribution rates for future years were 20.6% for employers and range from 5.8% to 6.5% for employees, depending on salary.

The Association's participation in the plan ceased on 30 September 2025 and had a gross surplus at the reporting date of £Nil (2025: £7,942,000), as reported by the independent scheme actuaries. In accordance with Financial Reporting Standard 102 (FRS102) an asset can be recognised to the extent that South Lakes Housing is able to recover the surplus through either reduced contributions in the future, or through refunds from the plan. As at the reporting date the Association has no (2025: 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 previously recognised the scheme surplus. In March 2026, the termination credit of £6.8m was received and accordingly recognised as other income in the Statement of Comprehensive Income.

Principal Actuarial Assumptions:

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 30 September 2025 by a qualified independent actuary.

	2026	2025
	% per annum	% per annum
Rate of increase in salaries	4.2	4.1
Rate of increase in pensions in payment	2.8	2.7
Discount rate	6.0	5.8
Inflation assumptions (CPI)	2.7	2.6

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

	2026	2025
	Years	Years
Retiring today		
Males	21.4	21.5
Females	24.0	24.0
Retiring in 20 years		
Males	22.6	22.8
Females	25.5	25.7

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For the Year ended 31 March 2026

19a. Pension obligations (Group & Association) (continued)**Analysis of the amounts charged to operating costs in the Statement of Comprehensive Income**

	2026	2025
	£'000	£'000
Employer service cost (net of employee contributions)	(14)	(46)
Employer contributions	24	50
Expenses	(1)	(2)
Total operating credit	9	2

Analysis of pension finance income / (costs)

	2026	2025
	£'000	£'000
Expected return on assets	600	1,012
Interest on pension liabilities	(371)	(718)
Amounts credited / (charged) to financing costs	229	294

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

	2026	2025
	£'000	£'000
Actuarial gains / (losses) on pension scheme assets	36	(534)
Actuarial (losses)/gains on scheme liabilities	(274)	2,220
Surplus not recognised	-	(1,982)
Actuarial (loss) recognised	(238)	(296)

Movement in surplus during the year

	2026	2025
	£'000	£'000
Surplus / (Deficit) in scheme at 1 April	7,942	5,960
Movement in year:		
Employer service cost (net of employee contributions)	(14)	(46)
Employer contributions	24	50
Employer contributions – termination credit	(6,828)	-
Net return / (interest) on assets	229	294
Re-measurements	728	1,686
Administration expenses	(1)	(2)

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For the Year ended 31 March 2026

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

Settlements	(2,080)	-
Surplus in scheme at 31 March	-	7,942
Asset and Liability Reconciliation		
	2026	2025
	£'000	£'000
Reconciliation of liabilities		
Liabilities at start of period	12,942	14,919
Service cost	14	46
Interest cost	371	718
Employee contributions	7	15
Re-measurements	274	(2,220)
Benefits paid	(423)	(536)
Settlements	(13,185)	-
Liabilities at end of period	-	12,942
	2026	2025
	£'000	£'000
Reconciliation of assets		
Assets at start of period	20,884	20,879
Return on plan assets	600	1,012
Re-measurements	1,002	(534)
Administration expenses	(1)	(2)
Employer contributions	24	50
Employer contributions – termination credit	(6,828)	-
Employee contributions	7	15
Benefits paid	(423)	(536)
Settlements	(15,265)	-
Assets at end of period	-	20,884
Actual return on plan assets	1,602	478

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19b. Pension obligations (Group & Association)**Social Housing Pension Scheme**

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

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 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 2025. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2026 to 28 February 2027 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 30 September 2023 updated to 31st March 2026 by a qualified independent actuary.

	2026	2025
	% per annum	% per annum
Rate of increase in salaries	4.04	3.8
Discount rate	6.37	6.0
Inflation assumptions (CPI)	3.04	2.8

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

The assumed life expectancy on retirement age 65 are:

	2026	2025
	Years	Years
Retiring today		
Males	20.9	20.5
Females	23.2	23.0
Retiring in 20 years		
Males	22.2	21.7
Females	24.6	24.5

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

	2026	2025
	£'000	£'000
Employer service cost (net of employee contributions)	(86)	(43)
Employer contributions	245	341
Expenses	(13)	(10)
Total operating credit	146	288

Analysis of pension finance costs

	2026	2025
	£'000	£'000
Expected return on assets	(98)	(79)
Interest on pension liabilities	104	89
Amounts charged to financing costs	6	10

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

	2026	2025
	£'000	£'000
Actuarial (losses) on pension scheme assets	(174)	(422)
Actuarial gains on scheme liabilities	163	308
Actuarial (loss) recognised	(11)	(114)

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19b. Pension obligations (Group & Association) (continued)**Movement in deficit during the year**

	2026	2025
	£'000	£'000
(Deficit) in scheme at 1 April	(183)	(347)
Movement in the year:		
Employer service cost (net of employee contributions)	(86)	(43)
Employer contributions	245	341
Net (interest) / return on assets	(6)	(10)
Re-measurements	(11)	(114)
Administration expenses	(13)	(10)
(Deficit) in scheme at 31 March	(54)	(183)

Asset and Liability Reconciliation

	2026	2025
	£'000	£'000
Reconciliation of liabilities		
Liabilities at start of period	1,677	1,722
Service cost	86	43
Interest cost	104	89
Employee contributions	69	154
Re-measurements	(163)	(308)
Benefits paid	(44)	(33)
Expenses	13	10
Liabilities at end of period	1,742	1,677

	2026	2025
	£'000	£'000
Reconciliation of assets		
Assets at start of period	1,494	1,375
Interest income	98	79
Re-measurements	(174)	(422)
Employer contributions	245	341
Employee contributions	69	154
Benefits paid	(44)	(33)
Assets at end of period	1,688	1,494

Actual return on plan scheme assets	(76)	(343)
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Notes to the Financial Statements

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

	2026	2025
	No. of shares	No. of shares
Allotted, Issued and Fully paid	10	10
As at 1 April	10	20
Shares issued during the year	3	3
Cancelled during the year	(3)	(13)
As at 31 March	10	10

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)

	2026	2025
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	12,044	10,356
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for.	26,046	34,529
	38,090	44,885

Capital expenditure from 1st April 2026 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 £35m (2025: £20m) and estimated public authority grants of £6m (2025: £15m) alongside cash reserves of £25m (2025: £9m) and further income generation from operations and property sales.

Also, included within the authorised but not contracted is, Board approved £0.3m (2025: £0.5m) of non-housing capital budget and £8.6m (2025: £9.3m) of capital major repairs and energy efficiency works to achieve EPC band 'C'.

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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:

	2026	2025
	£'000	£'000
Land and buildings		
In one year or less	210	220
In one year or more but less than two years	89	209
In two years or more and less than five years	17	98
In five years or more	783	668
Others		
In one year or less	292	202
In one year or more but less than two years	264	202
In two years or more and less than five years	303	248
In five years or more	-	-
	1,958	1,847

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

23. Related party transactions

There were no related party transactions in the year (2025: Nil).

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Notes to the Financial Statements

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24. Stock transfer obligations

Immediately prior to entering into the Stock Transfer Agreement between the Council and the Association, the Council and Association entered 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 2026 was £149k (2025: £10,359k) all of which is due in less than one year. The gross value of the major repairs programme for the period to the end of the VAT shelter is £17,187k which is greater than the balance of the outstanding obligation.

25. Contingent liability

In the year ended 31 March 2022, the Association acquired 11 properties from Great Places Housing Group. The properties were acquired and capitalised based on a £700k net acquisition cost (£1,450k gross valuation less of £750k of grant). The grant (or part thereof) may become repayable 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 2026. No further contingent liabilities were identified (2025: none).

26. Group Undertakings

SLH's subsidiary company, Cumbrian Housing & Property Services, has remained dormant since April 2023 and in February 2026 the Board approved to dissolve the subsidiary as it was deemed to no longer be required for the new business strategy. Companies House formally approved the dissolution on 12 May 2026 following notices placed in official public record 'The Gazette'.

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Notes to the Financial Statements

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27. Business Combinations

On 31 March 2026, South Lakes Housing acquired 100% of Lune Valley Rural Housing Association through a transfer of engagements, with LVRHA being fully absorbed into SLH. The transaction was completed at nil consideration and is therefore considered to be, in substance, a gift.

The assets and liabilities acquired were recognised at fair value at the acquisition date, including housing properties which were revalued on a component basis. The resulting excess of assets over liabilities has been recognised as a gain on bargain purchase within the Statement of Comprehensive Income.

As the acquisition occurred on 31 March 2026, LVRHA did not contribute to the Group's results for the year.

	Total per LVRHA (£'000)	Adjustment to Fair Value (£'000)	Recognised in SLH (£'000)
Fixed Assets			
Housing properties (NBV)*	6,324	2,792	9,116
Current assets			
Rent debtors	93	0	93
Provision for bad debts	(52)	0	(52)
Other debtors	4	0	4
Cash and cash equivalents	996	0	996
Total current assets	1,041	0	1,041
Current Liabilities			
Loans due within 1 year	(66)	0	(66)
Social housing grant < 1 year	(24)	0	(24)
Prepaid rent	(9)	0	(9)
Other creditors	(221)	0	(221)
Total current liabilities	(320)	0	(320)
Net current assets	721	0	721
Total assets less current liabilities	7,045	2,792	9,837
Non-current liabilities			
Loans due > 1 year	(2,320)	0	(2,320)
Social housing grant (> 1 year)	(1,559)	0	(1,559)
Total non-current liabilities	(3,879)	0	(3,879)
Net assets acquired (gain on acquisition)	3,166	2,792	5,958

*Housing properties were measured at fair value at the acquisition date. The fair value was determined using the Existing Use Value for Social Housing (EUV-SH) basis as set out in the independent valuation report prepared by JLL with a valuation date of 31 March 2026.

