Financial statements 2021

L&Q


Photo: Courtyard at Greenwich Square.

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Photo: an aerial shot of the first block of 64 new homes at Lock No. 19, adjacent to the Queen Elizabeth Olympic Park.

01

Highlights

Highlights 2020/21

Financials

Turnover
£1,052m (2020 - £915m)

Surplus
£208m (2020 - £414m)

Operating surplus
£307m (2020 - £279m)

EBITDA MRI[1]
£374m (2020 - £303m)

EBITDA MRI Margin
30% (2020 - 26%)

EBITDA MRI / Interest cover
254% (2020 - 193%)

Total assets less current liabilities
£13.1bn (2020 - £13.2bn)

Net Debt
£5.3bn (2020 - £5.4bn)

[1]EBITDA MRI – Earnings before interest, tax, depreciation and amortisation, major repairs expenditure included

Ratings

Credit rating:

Moody's	A3/Stable	(2020 - A3/Stable)
Standard & Poor's	A-/Stable	(2020 - A-/Stable)
Fitch	A+/Negative	(2020 - A+/Stable)

Regulatory:

Governance grade	G1	(2020 - G1)
Viability grade	V1	(2020 - V1)

Operational

Customer satisfaction[2]
71% (2020 - 71%)

CQC rating
100% of our care schemes as outstanding or good
(2020 - 100%)

[2]Customer satisfaction with services provided by landlord is based on maintenance repairs surveys only, as measured within our Value for Money Statement later in this report

Homes

Homes in management
107,404 (2020 - 105,262)

New homes developed
2,699 (2020 - 2,439)

New homes enabled
890 (2020 - 749)

Our people

Staff engagement
71% (2020 - 70%)

Chair's statement

As I write this introduction in summer 2021, and reflect on a year unlike any before, there is a sense of cautious optimism in Britain.

The news remains an unrelenting rollercoaster of vaccines and variants, but fear is turning to hope as society and the economy gradually reopen. Families and communities are reconnecting, businesses are rehiring, and the markets and commodity prices are on an upward trajectory.

Government and the scientists will be mindful of new waves, and economists are keenly watching inflation, but for L&Q it is more important than ever that we approach our social purpose with a laser-like focus.

Our vision is that everyone deserves a quality home that provides them with the opportunity to live a better life. We will need to adapt and work differently in a post-Covid 19 world, but we will be resolute in delivering safe, high quality homes, services and support for our diverse range of residents and customers.

The 250,000 residents who make a home with L&Q are our priority. Residents are at the heart of L&Q, and over the past year we have further strengthened our governance structure to ensure they have a powerful voice throughout the business.

L&Q is an ethical, inclusive and values-based organisation with a long-term vision. Our co-production approach to working with residents will help us to deliver high quality homes, thriving neighbourhoods and empathetic, locally responsive services.

Over the past year, however, there have been occasions where our residents have been let down by poor services and poor quality housing which falls way short of the standard they should expect. This is wholly unacceptable.

In January this year, Fiona Fletcher-Smith was appointed as L&Q's new Group Chief Executive. Fiona and the Executive Group will now lead L&Q as we embark on a new five-year strategy that will refocus efforts on residents and make a positive contribution to individual lives.

The three major priorities for the next five years will be:

- More focus on and investment in the safety of residents and colleagues
- Greater investment in existing homes
- More focus on delivering reliable, repeatable and consistent services.

Alongside these priorities, the strategy outlines how L&Q will continue to support growth through investment in new housing, sustainable communities, infrastructure, jobs and climate action.

Values and culture

L&Q is guided by our values: people, passion, responsibility, impact and inclusion. During the pandemic, colleagues have responded in the true spirit of these values to continue providing quality homes, services and support for residents. This has often been done in personally challenging circumstances, and while working from home.

However, there have been media reports in the past year which highlighted cases where L&Q has failed to live these values. Our new strategy and investment plans will address many of the specific issues, but some reports also raised wider questions about culture, empathy and our ability to understand the individual needs of residents.

Our new Resident Services Board (RSB), chaired by Fayann Simpson, is already challenging us on these issues and will hold us to account if we get it wrong. RSB will also ensure that the action plan which was agreed following an independent review of our case handling and culture is successfully and holistically implemented across the organisation.

Financial performance

Successful delivery of the new strategy will be underpinned by L&Q's ongoing financial strength, which is detailed in these financial statements.

Despite the extraordinary operating environment of the past year, L&Q's flexibility, agility, discipline, strong governance and the support of our lenders and investors has laid a solid financial foundation for the future.

In the year-ended 31 March 2021, L&Q achieved EBITDA of £374m, a 23% year-on-year increase, with net debt at £5.3bn, a £44m year-on-year decrease. We have delivered a material improvement in EBITDA margins, interest coverage and debt metrics that are ahead of previous guidance, and reflect stronger than expected financial performance during the pandemic, particularly in relation to completions, sales and rent arrears. Available liquidity at greater than £1.1bn demonstrates that we have been successful in implementing prudent measures to conserve cash flows. Our strong liquidity position leaves us well placed to address future external uncertainty, that is supported by the strength of our balance sheet and the financial resilience and flexibility that we have demonstrated.

While the pandemic has impacted our repairs and maintenance service, we invested £190m (2020: £231m) in our residents' homes, which includes investment in fire safety works. The safety of our residents and staff is L&Q's number one priority, and we are delivering one of the UK's largest building inspection programmes. Since the Grenfell tragedy we have already spent over £100m on building safety. More than £20m has been spent on the installation of Waking Watches or temporary fire alarm systems where necessary, which has not been recharged to our residents.

Over the next seven years, we will invest £1.9 billion to transform existing homes and neighbourhoods, in what we believe is the largest housing investment programme ever undertaken by the sector. We have committed £339m of this investment to fire safety works, with further substantial investment to maintain Decent Homes standards, major internal and external works, estate improvements, fire safety and energy works to reduce carbon emissions. This investment will be in addition to spending on routine repairs and servicing, works to enable the re-letting of empty homes and overhead costs, and also in addition to investment in Trafford Housing Trust homes.

Despite the on-set of the coronavirus pandemic and temporary closure of construction sites, housing completions at 2,699 (2020: 2,439) are up 11% year-on-year, of which 58% (2020: 49%) are for social housing tenures. This shift in the balance of tenure further demonstrates our commitment to our social purpose, while simultaneously lowering our risk profile.

Our commitment to supporting communities has continued with another £8m invested through the L&Q Foundation. For every £1 invested we have created over £3 of social value – supporting thousands of our vulnerable residents through the pandemic and awarding grants to good causes that promote aspiration, confidence and opportunity.

The last year has also seen L&Q Living providing care and support services to people with a wide range of needs throughout the pandemic. This includes older people, people with learning difficulties and mental health needs, and people affected by homelessness. L&Q Living colleagues have been working in extremely challenging circumstances, as have all of our staff over the past year, and I would like to pay tribute to their efforts.

Aubrey Adams, Group Chair

29 July 2021

About L&Q

L&Q is one of the UK's leading housing associations and developers.

We believe passionately that people's health, security and happiness depend on where they live. That's why we are more than a registered charitable housing association. We want to provide homes and neighbourhoods everyone can be proud of by delivering safe, high quality homes, services and support for all of our residents.

Social purpose is at the core of everything we do. As a not-for-profit organisation, we reinvest all the money we make to help house and support those in greatest need.

Our 250,000 residents are our priority, so are the quality and sustainability of the places we manage and build, and the on-going involvement in these neighbourhoods is as important to us as it is to them. We've been a landlord and developer for 60 years, building homes for sale or rent across the country, so we are in it for the long term, providing support to our residents and their communities if they need us.

We aim to deliver great service and quality to every customer, every time, and we are always looking for ways to improve ourselves. Residents are at the heart of L&Q, and our governance structures ensure they have a powerful voice throughout the business. We are building relationships based on trust, transparency and fairness and we are making sure that we are there when we are needed – locally responsive and working hard to keep the communities we serve safe and vibrant. This is what drives our people and our culture.

The safety of residents and colleagues is paramount. We are part of the government's Early Adopters Group, tasked with understanding Dame Judith Hackitt's post-Grenfell recommendations, and spearheading a vision to create an industry that puts safety first.

Our business is agile and responsive to market conditions. We can make short-term changes to prioritise safety, quality and jobs, while retaining ambitious long-term goals to tackle the national housing crisis and climate agenda.

Building new homes is a crucial part of our social mission, and we remain fully committed to tackling the housing crisis. Our immediate focus is on building beautiful places and safe homes across our committed pipeline. At least half of the new homes we deliver will be for social housing, with the rest available for private rent or sale. We embrace innovation and off-site precision manufacturing to improve quality, enhance environmental standards and tackle fuel poverty.

A vital part of the work we do is supporting our residents to realise their potential. Our L&Q Foundation which celebrates its tenth anniversary this year, funds education and social programmes that improve people's chance in life, and L&Q Living provides care and support services to people with a wide range of needs, including older people, people with learning difficulties and mental health needs.

All of our work is underpinned by our financial strength and stability. We are committed to retaining the confidence of key stakeholders, including lenders and investors by maintaining financial discipline and ensuring strong governance and diverse leadership.

The Group uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of the business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in note 34 of the accounts, and the Value for Money (VFM) Statement. VFM Metrics are as defined by the Regulator of Social Housing (RSH).

Our purpose

To provide homes and neighbourhoods everyone can be proud of

Our vision

Everyone deserves a quality home that provides them with the opportunity to live a better life

Our values

People
We care about the happiness and well being of our customers and employees

Passion
We approach everything with energy, determination and enthusiasm

Inclusion
We draw strength from our differences and work collaboratively

Responsibility
We own problems and deliver effective lasting solutions

Impact
We measure what we do by the difference we make

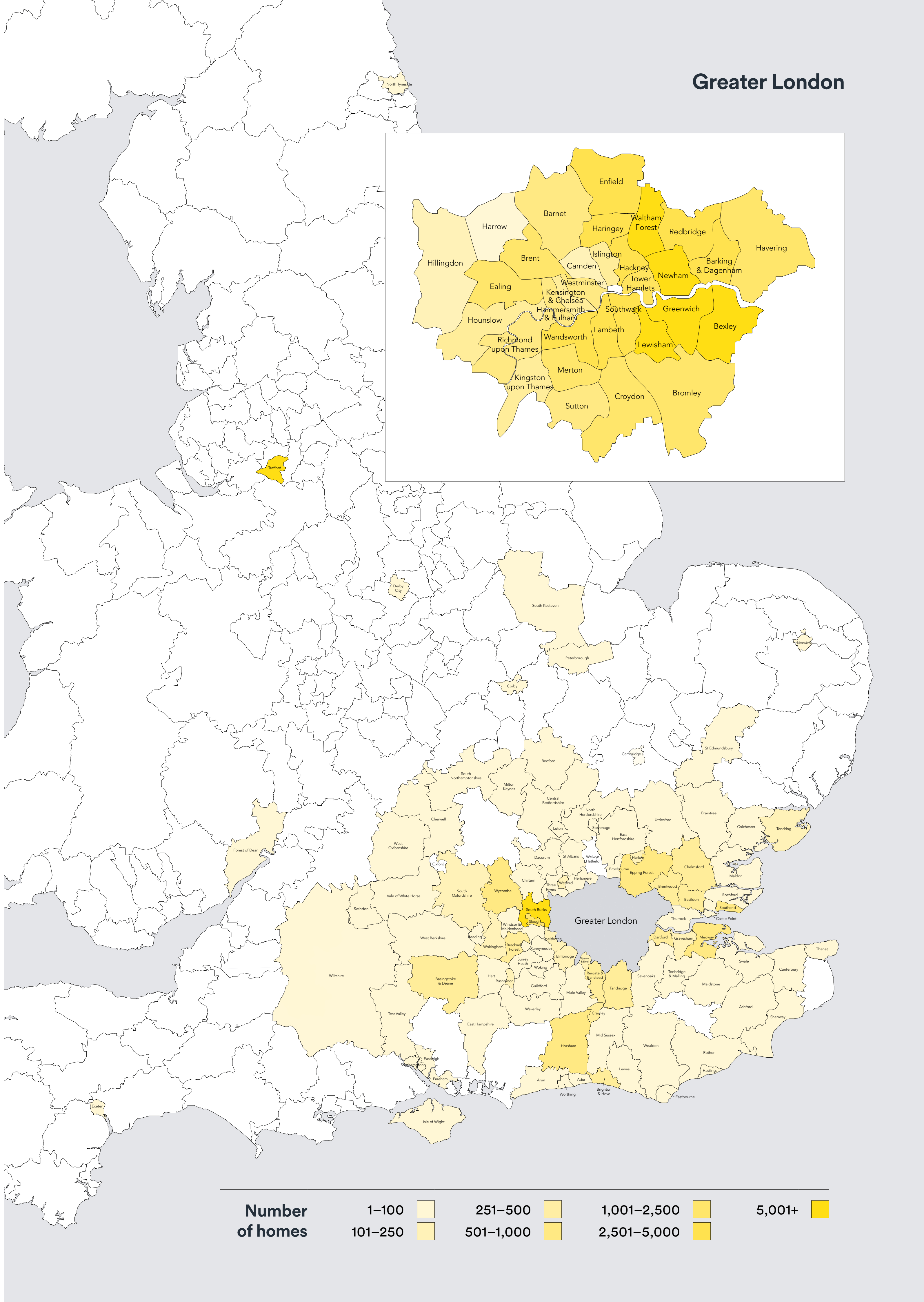
Our homes

The L&Q Group houses more than 250,000 people in more than 107,000 homes, primarily across London and the South East of England, and last financial year further expanded into the North West of England following the acquisition of Trafford Housing Trust.

	2021	2020	2019	2018	2017
Number of homes managed	**107,400**	105,300	95,700	93,100	90,600

We provide homes and services across the UK for a wide range of tenures, available to residents of diverse incomes. Our largest resident group are those living in social rented housing. On average, our residents living in these homes pay less than 50% of market rents, making them genuinely affordable for people on lower incomes. We are committed to preserving social housing, and building more of it.

	2021	2020
Social rent - general needs and affordable rent Primarily for low income tenants eligible through local authority nominations	**65,874**	65,483
Shared Ownership and shared equity Homeowners who own a proportion of their property and pay rent on the remaining	**12,047**	11,678
Intermediate market rent and key worker accommodation For tenants who pay less than 80% of the market rent	**3,248**	3,180
Supported housing, housing for older people and care homes For older persons or those with higher support needs	**8,204**	8,250
Market rent and student accommodation For tenants who pay the market rent for their homes	**3,241**	3,210
Leaseholders Homeowners who are provided services	**12,282**	11,450
Other landlords and other social homes Services provided to homes owned by other landlords and other social homes	**2,390**	1,893
Commercial Combined live and work homes	**118**	118
Total	**107,404**	**105,262**



Our customers

L&Q continues to serve a diverse customer base and we continue to aspire to provide the best service possible. Unfortunately, there have been times in the last year when we let our customers down with poor service and poor standards, which has simply not been good enough. Of course, the coronavirus pandemic has presented additional and unprecedented challenges, but we will not hide behind this as an excuse. We must do better.

Our customer promise remains a central focus of our new five-year strategy and delivery plan, and we are clear in our intention to provide more reliable and repeatable services, and to be able to adapt those services where necessary around people's needs. Our new Resident Services Board (RSB) is already challenging us on these issues and will hold us to account if we get it wrong.

L&Q Customer Promise

Our customer promise, which we developed in partnership with residents in 2019, is all about building trust with our customers and being much clearer about what they can expect from us.

We will keep you safe

We want you to feel safe and secure in your home and community, so we'll:

- Keep your home dry and safe
- Keep shared spaces clean and safe
- Help resolve issues causing concern to you and your community
- Offer support and work with our local partners to help ensure your wellbeing.

That's why we carry out emergency repairs and regularly assess fire safety standards and why we check that our estates are up to standard. It's also why we monitor and manage any anti-social behaviour and train our people to help keep you safe.

We will provide good quality homes and services

We want you to be happy in your home and community, so we'll:

- Maintain your home to a good standard
- Complete everyday repairs as quick as possible at a time that suits you
- Look after shared spaces as if they were our own
- Build high quality, desirable homes
- Work with you and others to create vibrant, sustainable and happy communities.

That's why we are focused on improving and maintaining the quality of your homes and estates and why we aim to get your repairs completed more quickly. It's also why part of our business (L&Q Foundation) will invest money every year to create opportunities to support the aspirations of our residents and communities.

We will listen and act

We want you to trust us to be there on your side, so we'll:

- Always be friendly and helpful
- Be straight with you and clear about timescales
- Aim to resolve your query on the same day when we can
- Be here to help if you need it
- Keep you informed about what's happening
- Be upfront with you about our performance and what we're doing to improve it.

That's why we train our people to keep improving and giving the best customer care and why we have a range of support services you can access if needed. It's also why we regularly report our performance to resident groups and publish a Residents annual report.

We will put things right

We never want to let you down, but if we do we'll:

- Say sorry and sort it out as soon as we can
- Aim to fix things first time
- Check you are happy with the outcome
- Make it simple for you to complain
- Usually resolve complaints in 10 days
- Learn from what we do well and where we need to do better.

That's why we are making improvements in the way we handle your complaints and why we have already invested in more resources to answer your queries quickly. It's also why we're investing to fix repairs better and faster.

We will make it easy for you to deal with us

We want you to have a great experience with us so we'll:

- Do our part to make settling into your home as easy as we can
- Make it easier for you to get in touch and find the information you need
- Make payment transactions easier
- Clearly explain any changes to your rent and service charges
- Make it easier to book a repair appointment.

That's why we are making improvements to our services and why we are transforming our service to meet your needs and expectations. It's also why we are developing new ways and technology for you to have a choice in how you contact us.

Our people

Employee involvement
L&Q aims to attract, recruit, and develop a diverse group of employees who share our values, as well as having the required experience, skills and knowledge. There is a culture of shared leadership and collaborative learning across the Group. We pride ourselves on nurturing internal talent through our talent management programmes such as 'Aspiring Managers' and 'Emerging Leaders' as well as through a variety of developmental opportunities, not limited to learning and development activities. This ensures that employees remain engaged, motivated and are committed to providing excellent service for our customers.

Our Employee Promise, our brand and our work on diversity and inclusion have brought a number of benefits to the Group. It has allowed us to raise the profile of the social housing sector through social media and other avenues and partnerships as an employment proposition for talented people, and it enables us to grow our business.

L&Q is recognised as a "Great place to work" and holds an Investors in People Gold status.

L&Q has a number of initiatives to develop and support our employees. For example:

- We have introduced a more effective induction programme to help assimilate new staff quickly into the L&Q culture focusing on our values and behaviours, and with the express intention of putting our customers at the heart of everything we do
- We continue to develop staff in service delivery, through our Customer Excellence programme
- To sustain high levels of engagement and wellbeing we work through our Employee Engagement champion network situated in each area of the business to support managers and leaders with action planning on the back of employee engagement survey results
- We continue to develop our offer on skills and talent development, in-line with the requirements of the business and ensure we provide a clear management and leadership pathway as well as opportunities such as apprenticeships, graduate training, mentoring and coaching
- We have developed our digital learning offer including, e-learning training programmes, webinars and a digital personal development toolkit to deliver blended learning and development solutions to support our people in developing their skills.

Diversity and Inclusion
L&Q is committed to a holistic approach to Diversity and Inclusion throughout the career life-cycle, from recruitment and selection, through induction, training and development, appraisal and promotion to retirement. Equally important in this regard is our approach to service delivery. It is our policy to promote an environment free from discrimination, harassment and victimisation. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large.

The Group is a Disability Confident employer, offering an interview to disabled candidates who meet the minimum requirements of the role. We have and continue to support staff who may become disabled during their employment.

We are founding members of the Leadership 2025 programme, which seeks to promote BAME talent at the most senior levels within the sector and we support the G15 Accelerate programme with L&Q staff taking up 20% of the total delegation. Furthermore, although we have seen significant improvement in our median corporate gender pay gap over the last few years since we started reporting (5.8% in 2020 from 9.5% in 2017) and in our ethnicity pay gaps (0.9% in 2020 from 2.3% in 2017), we will continually strive to improve these.

Our Assistant Director of Diversity and Inclusion ensures that we meet all of the objectives identified within our Diversity and Inclusion Strategy and action plan. Our three network groups, Inspire, Spectrum and Kaleidoscope, are working in tandem with the business to make sure that we make improvements and raise our profile in these areas of work.

Wellbeing is firmly on our agenda and a working group plus a detailed strategy, action plan and dedicated communications, on this subject, along with the support of a team of Mental Health First Aiders ensures we support the health and wellbeing of our workforce.

L&Q staff networks

Diversity and inclusion is a key part of how we deliver our social mission at L&Q. In recognition of its importance in building successful organisations, inclusion is one of our five core values.

We're proud of our inclusive culture and want to be a place where everyone can bring their whole selves to work, confident that difference is not only accepted but celebrated in our workplace.

We have three staff network groups at L&Q, chaired by members of staff who are provided with an allowance of time away from their day job to perform their duties for their network.

Together, our networks celebrate our diversity, provide support for our people, and help to grow our inclusive culture. Most importantly, the three networks help to bring people together from all across the organisation, connecting them through their shared commitment to supporting diversity and inclusion.

Kaleidoscope
Our cultural diversity network aims to create an environment where everyone is treated fairly and with respect, regardless of what your cultural background is. We want to be a fully inclusive organisation where everyone can feel confident about bringing their whole self to work. Uniting staff to help the organisation reap the benefits of all its people.

Spectrum
Our LGBT+ network aims to foster an inclusive work environment, where LGBT staff are respected and able to perform to their full potential, thereby helping L&Q to achieve its goals. Spectrum provides confidential support, advice and signposting on LGBT issues to all staff.

Inspire
Our gender equality network aims to produce a sustainable improvement in the gender balance across L&Q by challenging perceptions, inspiring confidence and promoting ability. Inspire engages people in discussion about the benefits gender balance brings to organisations, helps staff expand their professional networks, and to gain the confidence and skills needed to progress their careers.

Photo: Podium Garden at Huntley Wharf, Reading

02

Strategic report

Overview of 2020/21

Recognising that we needed to take some time to consider the direction of our organisation, reprioritise and develop a new five year strategy, in 2021 we implemented an interim one year plan which focussed on four strategic priorities to work towards operational excellence:

- **Our service** – delivering efficient and reliable services
- **Our homes** – delivering quality homes and sustainable communities
- **Our people** – delivering the L&Q way through the right talent and the right behaviours
- **Our financial performance** – delivering financial strength and sustainability.

Each business team developed a plan outlining what they planned to deliver this year and how they would achieve the associated key performance indicators each quarter. We also had a 'change the business' plan which centred around seven strategic programmes delivering Group wide priorities. The table below summarises these programmes and what we achieved in the year.

Change the business objective	2020/21 achievements
People and Culture Programme Create agile workplaces and ways of working, introduce a new behavioural framework and introduce 'The Way we do L&Q' training to drive reliable and consistent customer services	91% of eligible colleagues signed up to their new agile contract. The new behavioural framework has been embedded in our performance management process and additional managerial training rolled out to assist leaders to build teams that support better colleague and customer experience.
Maintenance Transformation Programme Define and agree our long-term future maintenance offer, and how to deliver it to improve efficiency	Strategic review completed recommending a move to a mixed market model, L&Q's new repairs service offer launched, and a pilot launched of a new flexible contractor supply chain model.
Building Asset and Information Management Programme (BIM) Pilot tools to shape our BIM and report our core building safety data through one digital platform	Undertook BIM trial tool selection ahead of planned procurement and developed both a working prototype structure for building asset data and our capability to capture core asset data from 2021/22 onward.
Finance Systems Upgrade our existing finance systems to ensure they are supported and stable and procure an implementation partner and new finance system	Critical system upgrades were completed that reduced the risk of system instability, whilst the launch of the procurement of the new finance system was postponed until 2021/22.
Online Services Programme Redesign the L&Q group website enabling customers to increasingly self-serve, improve advertising of our sale and rental homes online and consolidate our products and services	The new L&Q corporate website including the resident account (with web-chat) and the online payments system was launched with c. 9,500 residents signed up. Experienced three times more page views and twice as many clicks of our property advertising with 95% of online leads now being free as opposed to from paid adverts.
Fire Safety Programme Deliver a programme of inspections and remedial works to ensure that our blocks meet the latest building safety guidelines	Inspections completed as well as learnings gained helping to inform future delivery so that the inspection and remediation processes can go hand in hand going forward.
Future Shape Programme Develop our five-year strategy, strategic objectives, using learnings and experiences from the pandemic crisis to improve the way we do things at L&Q	Launched our five-year Corporate Strategy, strengthening and aligning our governance arrangement, balanced scorecard and enterprise risk management to the strategic pillars underpinning it. Identified our top priorities of investing in the safety of our colleagues and residents, greater investment in our existing homes, and delivering reliable, repeatable and consistent services.

New five-year corporate strategy 2021-2026

At the end of March 2021, we launched our new five year corporate strategy with a refreshed vision; that everyone deserves a quality home that provides them with the opportunity to live a better life. This echoes our purpose to provide homes and neighbourhoods everyone can be proud of. We will do this by delivering safe, high quality homes, services and support for every type of resident.

Whilst in recent times, we have focused on growth to support this, the set of challenges we now face are new and different to any we have faced before. As such, our five-year corporate strategy centres on three major priorities, each underpinned by what we are calling 'operational excellence', meaning that we commit to deliver the best total cost solution for our customers through reliable, consistent and repeatable products and services. Our customers will know what to expect of us, and know that we will deliver on this, time and time again. Both as an enabler and an outcome of this, we will be more effective and more efficient. In turn, this will strengthen L&Q's long-term health and sustainability. These priorities are:

- More focus on and investment in the safety of our colleagues and residents
- Greater investment in our existing homes
- More focus on delivering reliable, repeatable and consistent services.

Everyone deserves a quality home that provides them with the opportunity to live a better life.

Outside of these priorities, but still critical to our social purpose, will be the delivery of more homes to help solve the housing crisis. We will also be placing more focus on the environmental sustainability and climate change agenda; through investment in and changes to our ways of working, our homes, and our business operations.

Finally, to assure the delivery of these priorities over the long term, we want to deepen our financial security through maintaining credit ratings where it is within our control to do so, therefore continuing to enable investment opportunities. At the same time, we will seek to reduce our reliance on profits from open market sales, providing us with greater choice and flexibility beyond 2026.

We've set out to deliver our strategy across five strategic pillars:

- **Service** – we will provide reliable and repeatable services, and tailored, intensive support to those customers who need us the most. We will work in partnership to enable the creation of sustainable communities
- **Homes** – We will develop quality, sustainable homes and places where people want to live that enable firm foundations for successful lives, benefitting our customers, our communities and the environment for the long term
- **People** – We will create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity, and create the environment, working practices and opportunities for our people to thrive and reach their potential
- **Governance and Assurance** – We will continue to take our regulatory, statutory and legislative responsibilities extremely seriously and embed compliance and assurance at the heart of our business through good governance arrangements. We will measure, monitor and report our performance, anticipating issues before they occur and take swift action to minimise their impact on our residents, their homes and our colleagues
- **Finance** – We will maximise our social impact through our financial strength. We will optimise financial assets and resources to build and maintain our financial resilience and maximise value creation for the long-term benefit of our customers.

More detail on how we will deliver value for money across these pillars can be found in the "Value for Money" report section later in these Financial Statements.

Group financial performance

Key financial metrics

Summary of financial performance for the year	2021	2020
Turnover	**£1,052m**	£915m
EBITDA MRI[3]	**£374m**	£303m
EBITDA MRI margin overall	**30%**	26%
Operating margin overall	**29%**	31%
Operating margin – social housing lettings	**39%**	33%
Operating margin - sales	**10%**	14%
EBITDA MRI Interest cover %	**254%**	193%

Turnover

Despite a challenging year, turnover increased by £137m to £1,052m (2020: £915m) the highest L&Q has ever achieved. Of this, 57% was generated from our core social housing lettings activities (2020: 62%) with additions of new social housing properties and the first year of rent increases (after the end of the rent reduction regime) leading to an increased turnover of £36m. A further 35% (2020: 30%) of turnover was from market sales activity which contributed an additional £98m to turnover in comparison to the prior year, and 4% (2020: 5%) from market rents. The remaining 4% (2020: 3%) of turnover came from other activities.

Operating margins and surplus

Operating surplus for the year was £307m (2020: £279m) consisting of a £18m increase in operating surplus from all social housing activities to £224m (2020: £207m) while our non-social housing activities contribution also increased to £83m (2020: £72m). Operating margin overall reduced slightly to 29% from 31%, while our operating margin from sales decreased to 10% (2020: 14%). Our core business social lettings operating margin increased to 39% (2020: 33%) which was mainly due to lower expenditure throughout the year as a result of the coronavirus pandemic lockdowns leading to reduced overhead and operating expenditure.

Interest payable for the year decreased by £17m to £102m (2020: £119m) as a result of reduced borrowing in the year through careful debt management enabling a repayment of loans, and a low interest rate environment.

In addition to the above financial measurements we track our EBITDA performance closely as a proxy for cash generation and an indication of profitability. We are pleased to report an increase of £71m in the year to £374m. Our EBITDA MRI interest cover was 254% (2020: 193%) comfortably above our lender covenants and demonstrating a strong cash management approach through a challenging year.

We closed the year with a surplus after tax of £208m which was £29m ahead of like for like performance in the previous year (2020: £414m, which included the £235m gift on acquisition of THT).

All of our surpluses have been reinvested into capital spend in existing homes and the provision of social homes developed.

Financial Position

The group continues to maintain a strong financial position with net assets increasing by £186m to £5,413m in the year (2020: £5,227m). Our housing properties portfolio grew by £351m to £10,906m (2020: £10,555m) with the additions from a mix of capital maintenance works and continued growth from our own development programme.

Our investment in Private Rented portfolio increased by £43m in the year to £1,069m (2020: £1,026m).

Land, properties for sale and work in progress decreased by £166m to £934m (2020: £1,100m) as we saw a spike in sale completions being achieved towards the latter part of the year despite a difficult trading period for the first quarter due to the coronavirus lockdown.

Net debt[4] decreased by £44m to £5,327m (2020: £5,371m) through careful cash conservation and management during the year enabling a repayment of loans. Our long-term loans are disclosed in more detail in the "Capital Structure and Treasury" section of the strategic report.

[3] EBITDA MRI – Earnings before interest, tax, depreciation and amortisation, major repairs expenditure included
[4] Net debt excludes loan fair value adjustments and net issue premium

L&Q Foundation

Community Legacy Fund launched to support grassroots projects in Waltham Forest

Two community projects in Walthamstow were given a boost with funding from L&Q and building suppliers Travis Perkins Managed Services (TPMS), who have a launched a Community Legacy Fund totalling £81,000.

Sam McCabe, a local parent and Child and Family Practitioner, applied for a grant from the Community Legacy Fund to provide books for children at Mission Grove Primary School in Walthamstow. She said: "The funding is going to help so many children from different backgrounds to have access to fantastic quality books. These books are going to encourage children to read for pleasure, support their learning and reflect the diverse community we live in."

Another organisation from Waltham Forest, BOOST:ED, are using the funding for a three-month programme called Creative Showcase that develops practical enterprise, employability and resilience-building skills for local 16–24-year-old creatives. The programme will culminate in a major exhibition event at CRATE St. James Street, giving participants a launch pad to display their work and partners a platform for positive community engagement.

The fund is open to any community projects that support employment and economic opportunities, or promotes environmental sustainability, community involvement, or social progress and equality in areas in which L&Q operate.

Matthew Corbett, Director of the L&Q Foundation, said: "We're delighted to be supporting these fantastic projects, thanks to the generous support of Travis Perkins. The Community Legacy Fund demonstrates how much social value can be drawn from within our supply chain to benefit our residents and the communities in which they live. We hope this is the first of many such funds set up in partnership with our suppliers."

> "These books are going to encourage children to read for pleasure, support their learning and reflect the diverse community we live in."

Financial review (5 year summary)

Consolidated income and expenditure (£m)	2021	2020[5]	2019	2018	2017[6]
Turnover	**1,052**	915	937	1,026	756
Operating costs and cost of sales	**(844)**	(732)	(739)	(724)	(457)
Surplus on disposal of assets	**59**	64	50	54	53
Share of profits from joint ventures	**37**	25	20	2	13
Change in valuation of investment properties	**3**	7	37	48	36
Operating surplus	**307**	**279**	**305**	**406**	**401**
Net interest charge and other finance costs	**(102)**	(101)	(119)	(66)	(69)
Taxation	**3**	1	16	10	(5)
Surplus for the year before exceptional items[7]	**208**	**179**	**202**	**350**	**327**
Exceptional items					
- Refinancing costs	**-**	-	-	-	(548)
- Gift on acquisition	**-**	235	-	-	441
Surplus for the year after tax	**208**	**414**	**202**	**350**	**220**

Consolidated statement of financial position (£m)	2021	2020	2019	2018	2017
Housing properties at cost less depreciation	**10,906**	10,555	9,469	9,089	8,671
Other fixed assets and investments	**1,670**	1,703	1,718	1,403	1,128
Net current assets	**484**	926	966	863	1,000
Loans due after one year	**(5,152)**	(5,528)	(5,011)	(4,367)	(4,530)
Unamortised grant	**(2,210)**	(2,197)	(2,137)	(2,145)	(1,777)
Other long-term liabilities and provisions	**(285)**	(232)	(229)	(259)	(261)
Net assets	**5,413**	**5,227**	**4,776**	**4,584**	**4,231**
Revenue reserves	**5,413**	5,227	4,776	4,584	4,231
Total reserves	**5,413**	**5,227**	**4,776**	**4,584**	**4,231**

Consolidated statement of cash flows (£m)	2021	2020	2019	2018	2017
Net cash generated from operating activities	**421**	255	189	252	150
Cash flow from investing activities	**(377)**	(602)	(885)	(96)	(1,537)
Cash flow from financing activities	**(69)**	333	645	(149)	1,492
Cash and cash equivalents at start of year	**157**	171	222	215	110
Cash and cash equivalents at end of year	**132**	**157**	**171**	**222**	**215**

[5] Includes Trafford Housing Trust Group results from 1 October 2019
[6] Includes East Thames Group results from 6 December 2016 and Gallagher Estates from 1 February 2017
[7] References made to 'exceptional items' are to highlight the impact of acquisitions in the Group and refinancing activity

Capital Structure and Treasury

The purpose of the treasury plan is to support the delivery of Group strategic objectives and financial plan. It is approved semi-annually by the Executive Group and the Group Board and details how we mitigate and manage treasury related risk defined as liquidity risk, credit risk, interest rate risk, covenant risk and counterparty risk.

The role of treasury is to ensure that the Group has sufficient liquidity to fund its operations for a minimum of 18 months, mitigating the impact of adverse movements in interest rates, ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

The Group is financed by a combination of retained reserves, loan facilities and government grant for social housing.

As at 31 March 2021, the Group had total loan facilities of £6,549m (2020: £6,003m) of which £5,459m (2020: £5,528m) were drawn and £1,090m (2020: £475m) were undrawn. All undrawn facilities are fully secured and committed revolving credit facilities available within 48 hours. The Group's exposure to drawn re-finance risk within one year was £360m (2020: £59m), representing 5% of debt facilities.

Cash equivalents held at the year-end totalled £132m (2020: £157m) leaving net debt (excluding any net issue premium, fair value adjustments and mark to market exposure on interest rate hedges) at £5,327m (2020: £5,371m). Available liquidity (defined as available undrawn loan facilities and available cash that are not secured in held funds) was £1,198m (2020: £606m).

The weighted average cost of the Group's drawn debt has decreased to 3.3% (2020: 3.4%). The weighted average duration of drawn loan facilities was 12.0 years (2020: 12.0 Years).

The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost. At 31 March 2021, 65% of the Group's drawn debt was fixed (2020: 54%).

Loan covenants are primarily based on interest cover, gearing ratios and asset cover. Covenants are monitored regularly in accordance with the governance framework and were met throughout the year and are forecasted to be continually met for all loan facilities across the Group.

The Group operates a conservative counterparty policy and aims to minimise the risk of financial loss, reputational loss or liquidity exposure linked to any counterparty. Short term investments are well diversified and are kept at a minimum by temporarily repaying revolving credit facilities in order to manage working capital and the interest budget. As at 31 March 2021 all cash investments are held with Counterparties who meet the criteria of our Treasury Policy.

LIBOR Reform

On 31 March 2021, the Group has adopted the Sterling Overnight Index Average (SONIA) interest rate benchmark as the reference rate for £1,100m of loan facilities. However, as at 31 March 2021 all of these funds were either undrawn or switching at a later pre-agreed date.

The Group is in active dialogue with remaining lenders to transition the remaining LIBOR linked debt to SONIA by 30 September 2021.

As at 31 March 2021, L&Q had the following long term credit ratings:

Credit rating agency	Credit rating	Rating outlook
Standard & Poor's	A-	Stable
Moody's Investors Service	A3	Stable
Fitch	A+	Negative

Changes in ratings since the reporting date are provided in Note 32, including Fitch updating their outlook to Stable in June 2021.

Development and sales

The housing crisis remains a national issue within the UK, the spectrum of issues encompasses need, affordability, demand and quality. To help tackle the housing crisis, L&Q's aspiration is to deliver 3,000 starts per annum and deliver 30,000 new homes over the next 10 years. However, growth will not be at the expense of our commitments to investing in our existing homes and services. Equally, we only have a mandate to develop if we can deliver the required standards of quality and customer service. We are committed to build trust, not just homes.

During the year, the Group completed and handed over 2,699 homes (2020: 2,439) comprising of 58% (2020: 49%) social housing tenures and 42% (2020: 51%) market tenures. We commenced on another 3,818 residential homes (2020: 3,945), of which 72% (2020: 71%) were social housing tenures and 28% (2020: 29%) were market tenures. The Group achieved the sale of 1,681 (2020: 1,463) homes, of which 777 (2020: 800) were delivered through joint ventures.

Summary of performance (development and sales)	2021	2020
Homes handed over	**2,699**	2,439
Homes enabled (strategic land plots sold)	**890**	749
Homes started	**3,818**	3,945
Homes under development	**32,482**	29,504
Strategic land plots under control	**81,568**	70,614

We have approved a further 1,994 residential homes during the year bringing our total development pipeline to 32,482, of which 64% is currently on site, representing a significant investment in new supply and social housing output.

Summary of financial performance (development and sales)	2021			2020		
	Turnover (£m)	Operating Surplus (£m)	Margin	Turnover (£m)	Operating Surplus (£m)	Margin
Shared ownership first tranche sales	66	11	16%	61	9	15%
Outright sales	211	13	6%	116	16	14%
Property sales	**277**	**24**	**9%**	**177**	**25**	**14%**
Land sales	91	12	13%	93	14	15%
Total (excluding Joint Ventures)	**368**	**36**	**10%**	**270**	**39**	**14%**
Joint ventures	218	37	17%	263	25	10%
Total (including Joint Ventures)	**586**	**73**	**12%**	**533**	**64**	**12%**

The Group's sales profit excluding joint ventures decreased to £36m (2020: £39m). Profit on open market sales from land and properties was £25m (2020: £30m), and shared ownership sales profit was £11m (2020: £9m) with shared owners purchasing an average of 33% first tranche (2020: 34%).

We have a strong focus on achieving high quality build on all new homes teamed with achieving excellence in all our onsite health and safety practices. There will also be changes to our resourcing plans that will see increased productivity within our construction and development teams over the next three years.

A range of measures have been implemented to better manage cost. These include improving cost certainty around tendering, fixing contracts, better supply chain management, upskilling staff, and seeking external expertise where appropriate. We have also continued to explore modern methods of construction including off-site manufacturing, working towards our target of having 65% of our new homes having an element of off-site manufacture within the next 5 years.

Joint ventures

L&Q works with a range of partners including the GLA and major housebuilders to deliver joint venture projects of various scale. At 31 March 2021 L&Q had 28 (2020: 27) active developing joint ventures, delivering 6,778 homes (2020: 6,834 homes). The majority of joint ventures are separate Limited Liability Partnerships (LLPs), set up to deliver a specific site or regeneration project. However, more recently the focus has been on larger scale initiatives where L&Q can maximise the social impact by delivering long term sustainable mixed tenure communities. The Group's sales profit from joint ventures increased to £37m (2020: £25m), with margins increasing to 17% (2020: 10%).

Forging strong relationships with these and future partners, we will continue to work hard to be able to ensure investment in more homes, communities, apprenticeships, jobs and innovative methods of construction for years to come. This is also an attractive way for the Group to secure social housing supply.

Land sales

Within strategic land we secured outline planning consent on over 5 different sites and sold land to four housebuilders to enable the delivery of 890 new homes (2020: 749).

Over the last 12 months, we have continued to secure and promote new sites, securing planning consent and delivering infrastructure such as roads, schools and open space to create new communities.

The underlying land sales margins in the individual L&Q Estates entities were 27% (2020: 29%), compared to 13% (2020: 15%) at Group level due to the land having been fair valued on the acquisition of Gallagher Estates in February 2017. As new sites are acquired, we can expect land sales margins to increase and over time will re-align with the margins delivered by the individual entities engaged in strategic land promotion which are significantly higher.

There were 81,568 (2020: 70,614) potential strategic land plots under our control as at 31 March 2021, of which 16,405 (2020: 17,599) had a resolution to grant or a full planning permission. These land interests are principally held in southern England, and other prime land areas of the south west, central and eastern regions where we continue to see strong demand for serviced land.

Parklands at Barking Riverside

Barking Riverside is a joint venture between L&Q and the Mayor of London – and is one of Europe's largest brownfield developments covering an impressive 443 acres.

Delivering 10,800 new homes, as well as the brand-new Barking Riverside Overground station, the development will also connect residents to commercial, retail and leisure facilities. With 300 homes available in a mix of outright sale, shared ownership and London Living Rent – half of the homes will be provided as affordable housing. Parklands is the first phase of homes delivered directly by L&Q at Barking Riverside in East London. Now with residents starting to move in, life at Parklands is finally starting to kick off.

In April 2021, Darnel Joseph-Albert, his partner Monique and his daughter Alana moved into a four-bedroom townhouse. Moving from Hackney where they were living with family, the townhouse is Darnel and Monique's first home together as a family.

"We had been looking at properties for a while and seeing what we could get with our budget – we viewed some in Thurrock and Beckton as well. Both coming from East London and having lived here all our lives; we knew the areas really well and so we were looking for the right house. We actually viewed a three-bedroom townhouse at Barking Riverside first and really liked it, but when we found out four-bedroom homes were about to be released and saw the plans, we knew this would be even better"

"While we were initially drawn to the house, when we heard more about the wider area it all just slotted into place. The fact the school is a stone's throw away is ideal for when Alana gets older, and there is a playpark opening soon that will be great to go to during the day."

300
new homes

50%
affordable homes

30k
resident capacity

Social housing lettings

Summary of performance (Social housing lettings)	2021	2020
Revenues (£m)	**596**	561
Operating surplus (£m)	**230**	185
Surplus on disposals (£m)	**59**	64
Operating margin	**39%**	33%
Homes managed	**89,504**	88,727

Social housing lettings activities form the core of our business contributing £230m (2020: £185m) to the Group's operating surplus with operating margin of 39% (2020: 33%). The improvement in margin was primarily due to lower in year operating costs including overheads as a result of the coronavirus lockdown. Rent losses across our general needs tenures were at 1% (2020: 1%) and total arrears at the year end were 6.20% against a target of 5.03%, the increase not unexpected considering the impact of the coronavirus pandemic.

The Group invested a total of £180m (2020: £225m) in our existing social housing homes of which £34m was on capital works, £48m on planned maintenance and £98m on reactive maintenance. The reduction in planned maintenance expenditure and capitalisable expenditure on existing properties this year was partly due to switching our focus to essential only and emergency works during the year while we navigated the coronavirus pandemic, but also as a result of taking the year to rethink and reprioritise our focus through the planning phases of our new Corporate Strategy.

Our main social housing sub-tenures are:

- General Needs - regulated under a target rent regime
- Affordable rent - which ranges from 40% to 80% of the market rate under an L&Q policy
- Intermediate market rent - let at up to 80% of the equivalent market rent
- Shared ownership with rent set at a maximum of 2.75% of the unsold equity
- A range of other Government introduced initiatives such as London Affordable Rent (LAR) introduced as part of the London Homes Programme 2016-21 and London Living Rent (LLR).

The Group is also committed to providing a range of supported housing accommodation and high-quality support services for older people, adults with learning disabilities, mental health issues and vulnerable young people.

Supported housing is traditionally a low margin activity, but one of vital importance for the provision of housing and services to those residents. In FY2021 supported housing activities made a surplus of £7m (2020: £1m loss). Supported housing primarily includes sheltered accommodation and a mix of agency and directly managed supported accommodation.

L&Q Foundation

L&Q funds Warwickshire conservation project helping community cope with pandemic

A conservation project at Whitnash Brook Nature Reserve in Leamington Spa helped boost local residents' physical and mental wellbeing through hands-on volunteering and community events during the pandemic.

The Wilder Whitnash project, managed by Warwickshire Wildlife Trust (WWT) and funded by L&Q, gave local people the chance to work together safely outdoors whilst giving back to their local nature reserve. Small-scale, Covid-19 secure community events were also held to give families and young people the opportunity to discover the reserve. These included a guided walk of the reserve, a river rangers session and a family bushcraft day, which allowed them to experience new skills and spend valuable family time together.

Matthew Corbett, Director of the L&Q Foundation, said: "We know that spending time outdoors in nature with others is positive for our overall wellbeing, so we are delighted to be supporting this initiative through our Place Makers Counties Fund."

Faye Irvine, Wildlife Engagement Officer at Warwickshire Wildlife Trust, said: "The taster sessions have proved extremely popular to a diverse range of people from retirees, those furloughed or recently made redundant, to local students keen to learn more about the practical elements of conservation. Sessions allow volunteers to keep active, get involved in hands-on tasks, learn something new and meet like-minded people."

> "We know that spending time outdoors in nature with others is positive for our overall wellbeing, so we are delighted to be supporting this initiative through our Place Makers Counties Fund."

Other social housing activities

L&Q Living

We care for the most vulnerable people living across a range of properties, tenures and communities through our subsidiary L&Q Living "LQL" with support tailored to their needs.

LQL provides housing to 6,203 people across 52 local authorities. This includes a mixture of Direct Housing Management and Agency Managed Services. We deliver these services to people with a range of needs.

LQL has continued to achieve a 'Good' Care Quality Commission rating across 100% of their services, with one scheme being rated 'Outstanding'.

In 2020 we transferred the remaining units of rough sleeper accommodation from One Housing Group back into the management of LQL and launched our rough sleeper 'offer'. This now brings the total units to 356.

In January 2020, a new strategy was launched by the LQL Board, continuing to focus on the following broad areas::

- Growth: Meeting the future housing needs of vulnerable people in the regions that we work
- People: Providing high quality person-centred care and support to our customers and investing in our staff to ensure they have the skills and knowledge to deliver the care and support at the level that we expect
- Rough Sleeping and Homelessness: Working in partnership with government and local authorities to tackle this issue
- General Needs Offer: Creating an offer to our internal colleagues to meet the needs of vulnerable customers across L&Q neighbourhoods
- Investing in our stock: providing homes that are safe and we are proud of
- Dementia: ensuring people with dementia residing in an L&Q Living property live well.

We continue to offer a range of free activities to vulnerable people with an aim of reducing loneliness and isolation. During the pandemic this was converted to online provision, in a new online community.

The L&Q Foundation

L&Q's vision puts our social purpose at the core of what we do and much of this kind of activity is delivered through the L&Q Foundation. Set up in 2011, The Foundation's mission is to create positive, lasting change for our residents that helps them live healthy, independent lives in thriving communities, focusing on two thematic areas, people – our residents – and place – the communities where our residents live. Six new strategic outcomes were set this financial year, following consultations with residents and other stakeholders to make sure they focussed on the key challenges faced by our residents and others living in the communities where our residents live.

People

Our residents are resilient, independent and aspirational

- Outcome 1: Children and young people living in our communities are better equipped with skills, knowledge and attitude to thrive in life
- Outcome 2: Residents' incomes are increased and maximised, supporting them to live independently
- Outcome 3: Residents are more resilient to changes in personal circumstances through increased levels of wellbeing.

Place

Communities where our residents live are connected, cohesive and vibrant

- Outcome 4: We will use our role as an employer, developer and anchor organisation for the communities where our residents live to contribute to our social purpose
- Outcome 5: Improved social sustainability across our existing and new communities
- Outcome 6: Voluntary and community organisations are strong and sustainable.

During the year, we invested a total of £8m to help drive outcomes that would make a difference to our residents and wider communities.

Despite facing far more challenges in the year due to the coronavirus pandemic, the L&Q Foundation's key achievements were:

- 300 people into paid work (2020: 732 people)
- £15m raised for residents as additional income through helping them access support and funding
- 543 of our most vulnerable residents supported to stabilise their tenancies
- £17m social value created despite the ongoing pandemic.

The Foundation's response to the pandemic

Our strategic outcomes are flexible to make sure we can respond to changing needs, which has meant we have been able to rapidly adapt over the last year to address how the pandemic has impacted our residents and the communities they live in.

We worked alongside colleagues making welfare calls to support those most in need and our Tenancy Sustainment team triaged nearly 700 referred residents. Pound Advice saw increased demand and led to a record year of financial gains for our residents, totalling nearly £15m. Our Employment Support team created a suite of online courses to help residents as unemployment rates increased.

Other social housing activities (continued)

Place Makers funding was repurposed to focus on target groups and areas disproportionately impacted by the pandemic. Many of our funded projects moved delivery online, including Learning to Succeed, which reshaped classroom sessions to be accessible digitally. We set up a new food bank at the Lewington Community Centre in partnership with Southwark Council.

We are proud to support our residents and the communities they live in but what we have done highlights how challenging the last year has been. We will continue this work and more over the next year, as things begin to recover.

Talent Development

Talent Development (formerly known as the L&Q Academy) is part of the newly branded Learning and Development Academy within Human Resources. Talent Development provides a variety of programmes for people to achieve their potential and career aspirations within L&Q. Through these programmes, we support people on their career path and in turn, secure the future analysts, surveyors, carpenters, managers and leaders of L&Q.

Programmes include:

- Early Talent programmes for Apprentices and Graduates – providing career opportunities and helping us build the skills we need for the future
- Management and Leadership pathway programmes – helping our colleagues achieve their career aspirations and building a stronger and more diverse talent pool for our future management and leadership positions
- Coaching and Mentoring – supporting our colleagues to navigate their career journey.

Last year, we supported 57 apprentices and 26 graduates. Of those who completed their programme, 47% of the apprentices and 67% of the graduates went on to secure a permanent role within L&Q.

Currently we have a total of 21 apprentices and 11 graduates working within L&Q, many studying towards professional qualifications such as chartered accountancy or chartered surveying.

We will have a further cohort of 10 apprentices and 10 graduates join us in roles across the organisation this year. We also offer apprenticeship qualifications to our colleagues to support their career aspirations and to build the skills we need for the future, with 180 colleagues currently enrolled on upskilling programmes.

The Foundation's mission is to create positive, lasting change for our residents that helps them live healthy, independent lives in thriving communities.

L&Q Foundation

L&Q supports students with their education

A school in Greenwich was given 45 laptops by L&Q to help pupils continue learning at home during the pandemic and beyond. Claire Harrison, Executive Co-Headteacher for the Koinonia Federation, said the donation was vital in supporting pupils at St Mary Magdalene School.

She explained: "The pandemic has really highlighted the impact of digital exclusion on our pupils, so when we approached L&Q with a request for additional laptops, we were delighted at how swiftly they responded. Over the past year we have worked closely with L&Q on a range of projects to support our pupils and their families, even funding the soil for our roof garden."

As well as laptops, the L&Q Foundation's Learning to Succeed programme has been delivering STEM and practical careers advice to pupils over the last 12 months. Online webinars from L&Q have also been promoted via the school to parents, to ensure local families are additionally supported during the lockdown through employability and health and wellbeing sessions.

Neil Davis, Regional Development Director at L&Q, said: "One of our key priorities is to ensure children and young people living near our developments are equipped with the skills, knowledge and attitude to thrive in life. Our strong partnership with St Mary Magdalene School is a blueprint for how we want to support local people and ensure that community needs are at the heart of the regeneration of Greenwich Peninsula."

"One of our key priorities is to ensure children and young people living near our developments are equipped with the skills, knowledge and attitude to thrive in life."

Non-social housing lettings

The Group's non-social housing lettings activities comprise private rented sector (PRS), student accommodation, commercial, leaseholder services and other non-habitable units.

Summary of performance (Non-social housing lettings)	2021	2020
Revenues (£m)	**62**	63
Operating profit (excluding change in revaluation) (£m)	**27**	30
Revaluation gains (£m)	**3**	7
Operating margin (excluding change in revaluation)	**44%**	48%
Units managed	**28,284**	26,276

L&Q PRS Co Limited (a Group subsidiary) manages the majority of the Group's private rented properties and added a further 65 homes in the year to its portfolio (2020: 187 homes) taking the total to more than 2,600 homes. L&Q PRS Co Limited made revenues of £42m (2020: £45m) generating an operating margin of 67% (2020: 71%). Rental yields also compared positively to the target rates, with gross rental yield of 4.1% (2020: 4.6%) and net rental yield of 2.8% (2020: 3.3%).

The investment property portfolio benefited from a more modest revaluation gain of £3m (2020: £7m) which reflects the current external market sentiment in a challenging economic environment, alongside the Group's build–to-rent model where newly handed over homes will generally gain more substantial uplift from their initial build cost than homes already previously revalued or homes purchased. The PRS portfolio continues to achieve its strategic plan to expand the portfolio over the next few years. As a commercial portfolio, our intention is to maximise the income from this portfolio to support our focus on delivering social rented homes.

Our commercial property portfolio generated an operating margin of 67% (2020: 66%), while our leaseholder services incurred a further £4m loss due to incurring additional costs relating to fire safety and quality on some schemes which we have made a conscious decision to absorb rather than seek to recover. Other smaller non-habitable lettings such as garages and parking spaces continue to perform in line with expectations contributing to a further £2m turnover in the year (2020: £1m).

Other non-social housing activities

Other than our open market sales and joint venture activities reported earlier under "Development and sales activities", other non-social housing activities include the expansion of L&Q Energy which helped reduce our environmental impact by installing solar panels, offsetting carbon, fitting charging points for electric vehicles and sourcing energy from green suppliers. We also minimise the waste we generate from our offices and construction sites and monitor the outputs through annual environmental impact reporting.

Through a combination of energy saving advice for residents and practical improvements to make these homes more energy efficient, our EnergySave Plus programme is helping reduce energy bills. It should also help to reduce rent arrears and mould and damp problems while also improving comfort.

L&Q Energy's income generation in the year was £5m (2020: £4m). Our Energy team continues to be recognised for the size and scope of its energy efficiency work, impact on the local community and its expertise.

Photo: one of the modern, shared ownership apartments available at Barking Riverside.

Glebe Farm

Glebe Farm, Wavendon forms part of a major mixed-use development allocation for approximately 2,900 homes and 80 acres of employment land in the Milton Keynes Eastern Expansion Area.

Glebe Meadows covers 156 acres of the total 204 acre development and once completed will deliver 1,140 homes, alongside one primary and one secondary school. Following a large archaeological dig, L&Q Estates built the main link road, drainage systems, attenuation ponds, open spaces and a number of children's parks including a sensory island play area.

Subsequently, serviced land parcels were sold to Taylor Wimpey, Bellway and Bovis Homes and the delivery of housing continues apace.

L&Q started bringing its own built offering to the site in February 2019, with 225 homes at Saxon Reach. Built with modern methods of construction, including off site manufactured timber frames, the homes are built to a consistently high standard and achieve excellent levels of energy efficiency. L&Q is also providing affordable homes in a range of tenures including shared ownership, across the wider Glebe Meadows site.

The primary and secondary school are currently under construction, having been provided with a serviced parcel of land by L&Q Estates to accelerate the delivery of a brand new educational facility.

1,140 new homes

2 new schools

1.7 acres of mixed use land

Value for money

Our strategic goals and performance

Value for money at L&Q is not necessarily about minimising cost, but instead about achieving efficiencies and generating more from the resources we have and the investments we make. Value for money targets are integrated into our annual planning process in order to ensure it is woven into all that we do.

During FY2021 we operated a one-year annual plan with relatively narrow and specific goals which were focussed on formulating a revised service offer and improving service in targeted areas, alongside improving building and asset information to prepare for potential future safety requirements. Deciding to implement a one-year plan enabled the Directors and Group Board to take time to reconsider our priorities and direction as an organisation. While doing this, we focused our value metrics on the areas where we want to see improvement – primarily in relation to customer service and repairs. With improved performance in these areas, we anticipated fewer customer service contacts, leading to efficiency in the service we provide.

The following are the relevant value for money targets from the many targets used to monitor and run the business in FY2021, split between "value metrics" and "cost and efficiency metrics":

Value metric	Target for FY2021	FY2021 results	Commentary
Customer Satisfaction with Service Delivery	80%	81.3%	We measure this based on blending satisfaction scores across the key services rated as being the most important by our residents. We have seen a marginal uplift in some services through embedding standardised processes, internal reorganisations and strengthened monitoring of process improvement. However, of note is that the restrictions through the coronavirus pandemic and resource availability have impacted service delivery.
Customer satisfaction with "listen and act"	90%	61.5%	We measure this based on blending satisfaction scores across key services relating to how well L&Q residents believe we listen to them and act upon what they are saying (a key tenet of our 'customer promise'). This is an important perception measure and will enable us to monitor whether we are achieving our strategy to deliver operationally excellent customer service. Due to the coronavirus pandemic restrictions in place during FY2021, we temporarily paused or scaled down some services and there was a mismatch with customers' expectations. Root causes of dissatisfaction pertained to deferral of repairs categorised as non-essential that customers felt should be treated as emergency repairs, reduced estate services, implementation of a more basic void standard, as well as slow response to outstanding issues due to the scaled down services.
Customer satisfaction with "easy to deal with us"	90%	67.6%	Another key aspect of our 'customer promise', we measure this based on blending satisfaction scores across key services relating to how easy it was for the resident to transact with us. We are focussing on our digital offer to customers in order to improve our performance in this area.
New build handovers	3,363	2,699	While our construction sites were closed for a period during the coronavirus lockdown at the start of the year, we were still able to deliver 80% of our target for the year. This was despite not being able to operate at full capacity due to restrictions that remained in place for social distancing, as well as staff / contractors self-isolating, supply chain issues due to pent-up demand from the closures, stamp duty holiday and stock piling due to Brexit impacting completions. 58% of these handovers were for social housing.

Cost and efficiency metric	Target for FY2021	FY2021 results	Commentary
EBITDA MRI Interest Cover %	209%	254%	We monitor performance against this measure closely throughout the year via monthly financial reporting. Better than expected performance can be attributed to lower interest costs that reflect reduced capital expenditure in the year and less borrowing requirements than anticipated, alongside lower operating expenditure.
EBITDA Margin (excluding development sales)	42%	50%	This measures the margin achieved on our core business excluding development sales activities. This margin is a key contributor to our overall blended margin on all Group activities - a key performance measure we track, and a measure of focus from our investors and rating agencies. It includes asset sales and staircasing activities. Better than expected performance can be attributed to improved margins on our core business.
Reduce gross arrears	5.03%	6.20%	Includes arrears on all rental and service charge income streams. We expected this to be a challenge to manage during the coronavirus pandemic. With the recruitment of additional revenue officers, we are starting to recover arrears and agree payment plans which started to result in a downward trend towards the end of FY2021.
Improve void re-let times	Minor 22 days Major 42 days	Minor 170 days Major 212 days	Re-let times for Major and Minor voids were already performing poorly and were further affected by reduced maintenance activity throughout the coronavirus pandemic. More internal resources are being brought in as well as contractor resource to reduce the backlog. We want to reduce our re-let times across all housing tenures while we implement a decent void property standard, however we want to ensure our housing is not inaccessible any longer than it needs to be. This in turn will increase rental income and occupancy rates.

Overall, it was a challenging year, and as a result we were not able to create the value we had set out to achieve. This was in a large part due to lockdown restrictions in place throughout the coronavirus pandemic. L&Q entered a crisis management mode to navigate the pandemic as it developed. This required decisions to retrench some services to customers where they were not deemed an emergency or urgent, and to cease spending where it was not essential in order to conserve cash. This has clearly impacted our ability to deliver on our customer service targets, and consequently means we did not achieve good value for money during the year. We did not achieve our target on being "easy to deal" with from a customer perspective, and often were not able to act to resolve their issues within the parameters of our own service targets. The length of time some of our properties sat void was between five and eight times longer than our target, and having empty homes means we were not able to offer these to those in need. This was an issue that we acknowledged before the pandemic which has been exacerbated. Alongside this, in taking time to reprioritise our strategic focus during the year, our resources were unable to fully focus on delivering the targets we had set ourselves.

Conversely, this drop in service levels has led to a stronger year in financial performance terms. However, it was important for us to conserve this financial strength in order to ensure we were able to successfully navigate continued disruption during unparalleled circumstances.

Whilst acknowledging the unprecedented impact of the pandemic, we must not hide behind this as an excuse for everything. There have unfortunately been times in the last year when we have badly let our customers down with poor service and poor standards that cannot be blamed on the pandemic. It is not good enough and we must do better.

We are now looking to the future and securely focussed on ensuring the homes we manage are safe, and that we deliver much better service and value to our customers. We are not where we want to be, however we have set the path in our new five-year Corporate Strategy and although the journey to

Value for money (continued)

achieve these improvements will be difficult and challenging, it is one we are steadfastly committed to deliver. Our new Resident Services Board (RSB), chaired by Group Board member Fayann Simpson is already challenging us on these issues and will hold us to account if we get it wrong.

Our strategic intent – L&Q Future Shape our five-year Corporate Strategy

In recent times, our focus has been on the growth of new homes to support our vision and purpose, alongside delivering better services and homes for our existing customers. However, we are now facing a set of new challenges different to any faced before.

To respond to this, we have centred our five-year Corporate Strategy, "L&Q Future Shape", around five strategic pillars; Service, Homes, People, Governance and Assurance and Finance. These have been explained in more detail in the Corporate Strategy section of the Financial Statements.

Our whole strategy is underpinned by what we are calling 'operational excellence', meaning that we commit to deliver the best total cost solution for our customers through reliable, consistent and repeatable products and services. Our customers will know what to expect of us, and know that we will deliver on this, time and time again. Both as an enabler and an outcome of this, we will be more effective and more efficient. In turn, this will strengthen L&Q's long-term health and sustainability, and deliver better value for money.

Headlines from each strategic pillar:

- For **Service**, the safety of our residents and colleagues is our biggest focus, and we will be investing more in our existing homes. We will deliver reliable, consistent and repeatable services
- For **Homes**, we will continue to build our approved pipeline of new homes, and will commit to an average of 3,000 new home starts per year
- For **People**, we will continue to invest in creating and sustaining a 'Great Place to Work'; recognising people are our asset and differentiator
- For **Governance and Assurance**, we are committed to reducing our impact on the environment, and will be implementing a new 'Environment, Social and Governance' (ESG) framework
- For **Finance**, we are committed to maintain an 'A' credit rating where this is within our control.

Delivery Assurance

Through setting our five-year Corporate Strategy, our governance groups have been aligned to each strategic pillar. These groups play a critical role in overseeing and assuring delivery of our Corporate Strategy, and informed by the strategy, our 'Run the Business' and Change the Business' initiatives that make up our Annual Plan each year. To provide a further layer of assurance, we have aligned our enterprise risk management, internal controls and audit activity to also support and assure successful delivery of our Corporate Strategy.

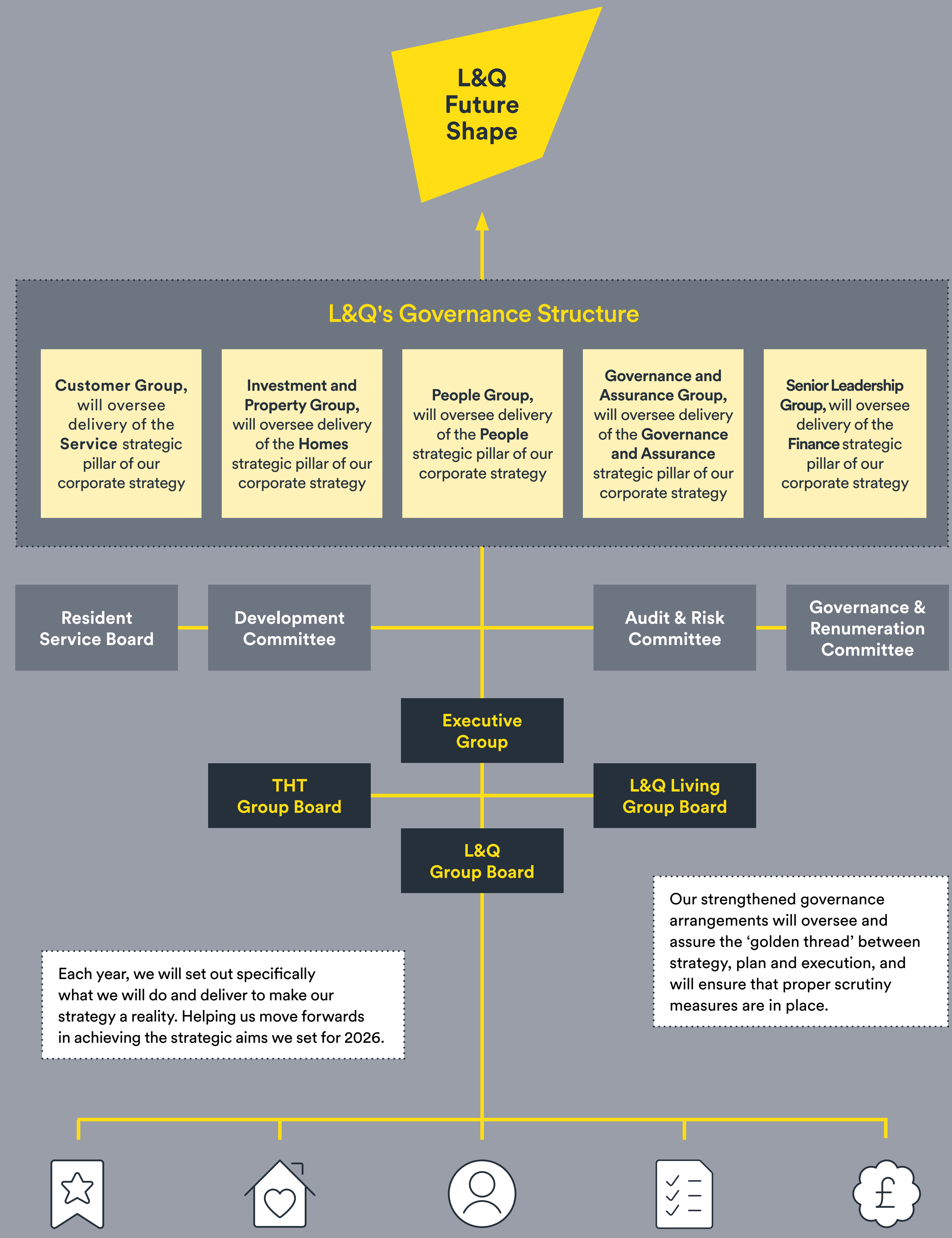
Balanced Scorecard and delivering value for money

Value for money sits as a key deliverable across our Corporate Strategy, woven into the aims and objectives and the measures we have put in place to guide our progress to making our strategy a reality through a balanced scorecard approach each year. In setting the metrics within our balanced scorecard we have not only linked them to each of the five strategic pillars, but also considered several other factors, such as:

- Having a clear line of sight to our strategic objectives, enabling us to monitor delivery of our Corporate Strategy and Annual Plan initiatives
- Considering the focus that the Social Housing White Paper gives to listening to our residents' voice and being a responsible and responsive landlord
- Our ability to measure ourselves, either against our past performance, or external benchmarking
- How achieving them enables our monitoring towards becoming operationally excellent.

We have adopted a pyramid approach to measuring KPIs across the business. This avoids having too many KPIs at the top level that could dilute the necessary strategic focus, whilst allowing departmental and operational metrics to diagnose and highlight the need for early corrective action. These top level KPIs have been set with annual targets shown below, and a five year target, showing the trajectory of improved performance that we are working to achieve, and in doing so, ensure we deliver value for money across all of our strategic initiatives.

The full list of detailed KPIs can be found in our published "L&Q Future Shape" Corporate Strategy available publicly on our website. These detail our key value for money deliverables which we will be measuring.



Our five year corporate strategy (Future Shape) comprises of five pillars that underpin the overarching L&Q strategic vision.

Value for money (continued)

In setting these objectives, we have been bold and set aspirational targets. We do not feel it is acceptable to aim for a lower target, especially when it comes to customer service. As a result of these high targets, we expect to report underperformance in the early years of the strategy while we work to move towards the value and service we are determined to deliver. The journey will not be linear, and we are fully prepared to report a deficit in value in the early stages. That is why our Corporate Strategy spans five years, during which we expect to invest a total of £1.9 billion into our stock to ensure safety, improve impact on our environment, ensure decent home standards and in doing so deliver a customer service that is operationally excellent, enabling reliable, repeatable and consistent services.

We recognise that we need to balance growth against the cost of investing in our existing homes and services. With this in mind, we have set a target of an average of 3,000 new build starts per year over the five year period, which compared to previous strategic targets is lower. But our growth will be informed by the economic and operating environment, and we will only develop if we deliver our commitment to build better quality, sustainable homes.

Value for money is integrated throughout our Corporate Strategy, and in striving to achieve operational excellence we are committed to deliver the best total cost solution through reliable, consistent and repeatable services. The below are some of the key metrics we have set (those most clearly linked to deriving value for money) for the next year alongside our target for the next five years, which we will use to measure our progress and success.

While our service measures are targeted to improve, and we have set a high bar to deliver service that we can be proud of, we also recognise that investing more and delivering greatly improved service and thus value for our residents will result in higher cost per unit measures and lower operating margins, hence the five year targets that have been agreed within the L&Q Future Shape Corporate Plan. We will look to ensure we deliver efficiencies in other areas for example, overheads, as part of our drive to achieve operational excellence.

Strategic pillar	Measure	FY2021/22 target	Five year target
Service	Average days taken to complete repairs	13	9
Service	Customer Satisfaction - Service Delivery	85%	90%
Homes	New home starts	2,510	Minimum 3,000
Finance	Operating Margin overall	26%	>20%
Finance	Headline social housing cost per unit	£4,700	£5,000
Finance	Overheads as % of turnover	9%	7.2%
Finance	Covenant interest cover	233%	>200%

Comparative performance measures

The annual Sector Scorecard aims to benchmark housing associations' performance, demonstrates the sector's accountability to its tenants and stakeholders and includes a range of consistent and reliable measures from financial gearing ratios to customer satisfaction. This platform allows participants to learn from each other and as a sector improve financial and operational performance in a sustainable manner.

All 15 measures are reported below for the L&Q Group and are set out compared to L&Q's prior year performance (2020), L&Q's targeted performance, and benchmarked against the G15[8] median and Housing sector median[9] using the most recent publicly available data. These measures include the seven contained within the Value for Money Standard as set by the Regulator which are identified with a "♦".

Note: As these measures are as defined by the Regulator of Social Housing in order to ensure consistency, they may not agree to our own internal measures or financial covenants.

Sector scorecard		L&Q 2021 actual	L&Q 2021 target	L&Q 2020 actual	G15 median 2020	Sector median 2020
Business health						
1.	♦Operating margin (overall)[10]	**20%**	**27%**	**20%**	20%	23%
2.	♦Operating margin (social housing lettings)	**39%**	**43%**	**33%**	28%	26%
3.	♦EBITDA MRI (as % interest)[11]	**166%**	**182%**	**119%**	105%	170%

Key observations:

The calculation of these measures excludes surplus on disposal of fixed assets and our share of profits from joint ventures, both of which we deem to be a core part of our operating performance that drives efficient asset management and enables us to develop more through partnerships.

Although overall operating margin is behind our target for the year, we are pleased with achieving 20% in a difficult and challenging year with the coronavirus pandemic, and is in line with our G15 peer Group.

Operating margin for social housing lettings at 39% was an improvement on the prior year and ahead of our G15 peers and sector performance in 2020, however this in part may be due to not being able to sustain normal service levels throughout periods of national lockdown and due to savings on overheads, leading to lower operating costs than usual.

EBITDA MRI interest cover as calculated under this prescribed metric has improved by 47% since last year. The metric includes any impairment which we do not budget for. Excluding impairment (a non-cash accounting adjustment) we have achieved a very healthy interest cover of 254%. This measure provides an approximation of net cash generation of the Group, presented as a % of interest to demonstrate the headroom we have to meet interest payment for our outstanding debt. L&Q has a significant development pipeline which is largely funded by debt with a proportionally higher interest costs, than other housing associations in the sector, which are not developing to the same extent.

With continued focus on controlling costs we expect to improve overall operating margins over the coming year, and expect to maintain our healthy operating margin from social housing lettings.

[8] The G15 represents a Group of London's largest Housing Associations.
[9] Source: Value for money metrics reporting 2020 Annex to 2020 Global Accounts.
[10] Excludes gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties from operating profit.
[11] EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current Sector Scorecard - see glossary for full calculation.

Value for money (continued)

Sector scorecard			L&Q 2021 actual	L&Q 2021 target	L&Q 2020 actual	G15 median 2020	Sector median 2020
Development – capacity and supply							
4.	New supply delivered (absolute)						
	-	Social housing homes	**1,556**	2,525	1,188	688	N/A
	-	Non-social housing homes	**1,143**	1,684	1,251	228	N/A
5.	♦New supply delivered %[12]						
	-	Social housing homes	**1.7%**	2.8%	1.3%	1.4%	1.5%
	-	Non-social housing homes	**1.1%**	1.5%	1.2%	0.8%	0.0%
6.	♦Gearing[13]		**49%**	51%	51%	48%	44%

Key observations:

L&Q's supply of new homes represented 20% of the total G15 organisations in FY2020, with only one other organisation delivering more social housing homes. However, our delivery of new homes is behind target for the year primarily due to delays caused by the coronavirus pandemic lockdown, when our construction sites were closed for most of the first quarter of the year, and have had to adapt capacity to enable them to operate safely within government requirements.

Gearing has reduced as a result of a lowering of net debt in the year whilst we have increased our housing properties through new handovers in the year.

Our aim is still to continue to build more homes, with 3,000 starts per annum planned over the next 10 years, totalling 30,000 new homes. However, growth will not be at the expense of our commitments to investing in our existing homes and services. Equally, we only have a mandate to develop if we can deliver the required standards of quality and customer service. We are committed to build trust, not just homes. We will also continue to work with a range of partners to deliver projects of various scale to secure more social housing.

[12] As a % of social housing stock owned and total stock owned at end of year.

[13] Gearing calculated as net debt ÷ carrying value of housing properties x 100 as prescribed in the current Sector Scorecard, where net debt represents total bank and debenture loans less cash and cash equivalents.

Sector scorecard		L&Q 2021 actual	L&Q 2021 target	L&Q 2020 actual	G15 median 2020	Sector median 2020
Outcomes delivered						
7.	Customer satisfaction with services provided by landlord [14]	**71%**	80%	71%	71%	-
8.	♦Reinvestment %[15]	**5%**	5%	10%	7%	7%
9.	Investment in communities[16]	**£8m**	£9m	£7m	£2m	-

Key observations:

During the coronavirus pandemic our service was focussed on emergency only issues which has resulted in no improvement to the previous customer satisfaction score of 71%. This measure is of maintenance repairs surveys only and therefore is a different measure to those discussed at the beginning of this report. The revised repair service offer, standardisation of processes and revised organisation design with clearer accountability should enable us to make a shift next year. We have different measures of customer service that are based on service delivery as well as customer perception, through monitoring these we are keen to focus on improvement. These are detailed in the first part of the Value for Money Report section.

Reinvestment was lower than previous years primarily due to lower additions of new homes to our fixed assets and the delays experienced in being able to complete works to our completed properties leading to lower major works investment.

Our investment in communities of £8m although behind our target is still much higher than many of our G15 peer group and demonstrates our commitment to driving outcomes that support our residents and wider communities. This was needed perhaps more than ever during a year where challenges were greater than ever with the coronavirus pandemic. This area is covered in more detail under the L&Q Foundation section of the Strategic report.

[14] Customer satisfaction with services provided by landlord is based on maintenance repairs surveys only.

[15] Investment in properties as a percentage of the value of total properties held at end of year.

[16] Actual spend in the year.

Value for money (continued)

Sector scorecard	L&Q 2021 actual	L&Q 2021 target	L&Q 2020 actual	G15 median 2020	Sector median 2020
Effective asset management					
10. ♦Return on capital employed[17]	**2.3%**	**3.1%**	**2.1%**	2.7%	3.4%
11. Occupancy	**97%**	**99%**	**98%**	99%	-
12. Ratio of responsive repairs to planned maintenance[18]	**1.1**	**0.9**	**1.0**	0.6	-

Key observations:

Whilst overall return on capital employed (ROCE) gives an indication of how well the Group makes a financial return on the assets it owns, our asset management strategy focuses on improving how the asset base can perform better as well as the qualitative aspect of improving our homes. The Group's ROCE is lower than the G15 following the deemed cost revaluation exercise carried out on the transition to FRS102 which increased the book value of our housing properties. Our performance has improved compared to FY2020 which was impacted by only having half year of THT results included. It was behind our target mainly due to a lower than expected operating surplus impacted by lower sales.

Occupancy dipped in the year to 97% mainly due to restrictions in place throughout the period of coronavirus lockdown, but also due to delays with turning around empty homes with void works.

We have seen a further increase in the ratio of responsive repairs to planned maintenance in the year, which was not unexpected following our strategic decision to focus on customer service in this area alongside the decisions taken to postpone any non-urgent and not essential planned maintenance during national coronavirus lockdowns. We operate our own in-house maintenance function, which is not currently operating as efficiently as it could do, and will remain an area of focus for improvement.

[17] Return on capital employed calculated as operating surplus including gain/(loss) on disposal of fixed assets and share of operating surplus/(deficit) in joint venture or associates ÷ total fixed assets + total current assets less current liabilities at end of year

[18] Routine maintenance as a percentage of planned maintenance + major repairs expenditure + capitalised major repairs and re-improvements expenditure

Sector scorecard	L&Q 2021 actual	L&Q 2021 target	L&Q 2020 actual	G15 median 2020	Sector median 2020
Operating efficiencies					
13. ♦Headline social housing cost per unit	**£4,235**	**£3,944**	£4,384	£5,369	£4,249
• Management cost per unit	**£592**	**£593**	£564	£1,349	£1,068
• Service charge cost per unit	**£840**	**£817**	£755	£895	£662
• Maintenance cost per unit	**£1,631**	**£1,401**	£1,848	£1,258	£2,051
• Major repairs cost per unit	**£391**	**£634**	£688	£1,001	(inc. above)
• Other social housing cost per unit	**£793**	**£498**	£530	£865	£468
14. Rent collected as % of rent due (General needs)	**98%**	**99%**	99%	100%	-
15. Overheads as a % of turnover	**5%**	**5%**	7%	10%	-

Key observations:

The Group's headline operating cost per social housing unit is below prior year, the G15 peer and sector median and will remain a key focus in improving our operating margin target. It is higher than the target primarily due to the handover of new homes being below expectations in the year as discussed earlier under the "development supply" section. On the whole costs were contained within budgets. This measure is one of the key KPIs being monitored to track performance and improvement alongside our Corporate strategy.

Our management cost per unit was on target demonstrating careful management of costs and resource during a challenging year. It was also significantly lower than our peers' performance in the previous year, which may reflect differences in cost allocations.

Our service charge cost per unit continues to prove a challenge to manage and we did not see the improvement in performance we had expected in this area this year, mainly due to services being impacted by lockdown measures. The service charge deficit that remains is partly due to a misalignment in the timing of chargeable works being carried out and the collection of the income related to this, but also due to overspends in some areas of Building Services which are hard to budget for as they often result in reactive maintenance orders for broken down lifts and other services. This will continue to be a priority area to review in detail and we will continue working closely with our partners that deliver the works and improving the way that we estimate and collect service charge income.

Our maintenance cost per unit was higher than target but when considered alongside the reduced expenditure on major repairs, has been delivered within budget. While our service primarily focussed on emergency repairs within reactive maintenance and fire safety within planned maintenance for the majority of the year due to the coronavirus lockdowns, there was a high level of accrued and provision costs accounted for at the end of the financial year which are included in these figures. We are continuing with our plan to improve our maintenance service and delivery; to driving up service levels and reducing cost; a key part of our corporate strategy focus in the next 5 years, including reducing the average days taken to complete repairs and improving our customer experience.

Maintenance cost per unit is expected to improve through a number of changes being made to the service we provide, and a shift in focus to planned rather than reactive maintenance. However, with our commitment to the continued investment in the quality and safety of our homes remaining a priority, this is still likely to remain higher than in past years.

Overheads as a percentage of turnover have decreased to 5% is partially as a result of increased turnover in the year, but also due to significant overhead cost savings in many directorates following a year of working from home throughout the coronavirus lockdown periods. We continue to monitor this metric closely to ensure any growth is efficient and are pleased that we continue to perform at a much lower % compared to our G15 peers. L&Q feel this is a key driver to deliver value for money, ensuring that we utilise resources effectively across the Group.

Greenwich Square

L&Q is the affordable housing provider at Greenwich Square, a vibrant new development in the heart of East Greenwich.

L&Q manages 314 homes across the new neighbourhood, in a range of tenures including shared ownership, affordable rent and general needs.

The development is built around people, offering beautifully designed open spaces, play areas, cafes, shops, a gym, swimming pools and even a Doctor's Surgery. At its heart is the square itself, a delightful, vibrant place to meet up with friends. All the apartments come with a balcony or terrace, with bright and airy rooms and convenient storage space.

The scheme consists of five main areas, which have been completed in phases since 2015, the last in 2020. These range from terraced townhouses and maisonettes with private gardens, to larger buildings based around communal courtyards. The development includes safe play areas for children, and places for people to sit and relax amongst trees, flowers and shrubs.

When Jonathan Kaye lost his job during the first wave of the coronavirus pandemic in 2020, he moved back in with his parents in Essex to work out his next steps. He knew he wanted to go back to London, but having calculated how much he'd spent on rent in the past, started researching shared ownership.

After finding Greenwich Square online, he reserved a one bedroom flat, and in February officially became the owner of a 25 per cent share. With a new job in South London, life is looking good.

"I live in this perfect little village, and the flat is amazing", Jonathan explains. "It has got a little balcony, and it is a nice, safe, area. I can't be kicked out of it, and I can make it my own. The feeling is unbeatable."

314
affordable homes

5,649
sqm leisure facility

5
phases of homes

Energy and carbon emissions

Context and Scope

The L&Q Group's energy consumption and associated carbon emissions are reported below in line with the UK government's streamlined energy and carbon reporting (SECR) regulations. These figures represent the carbon emissions associated with the Group's consumption of natural gas, electricity and transport fuel. Specifically, they include:

- Gas and electricity used in our offices
- Gas and electricity procured for use in our residential portfolio, e.g. for communal heating
- Temporary gas and electricity supplies to void units in our residential portfolio
- Mains gas and electricity used on our construction sites
- Fuel used by our transport fleet
- Fuel used for business purposes by all employees within the L&Q Group.

Note: Details on the methodology applied can be found in the glossary and alternative performance measures section at the end of our Financial Statements.

Energy Use and Carbon Emissions for 2020/21	2020/21	2019/20	Unit	Change
Total energy consumption:	**166.3**	**160.9**	**GWh**	**3%**
Gas	114,749	108,874	MWh	5%
Electricity	42,565	41,678	MWh	2%
Transport fuel	9,008	10,367	MWh	-13%
Emissions from combustion of gas (Scope 1)	21,101	20,017	tCO2e	5%
Emissions from combustion of fuel for transport purposes (Scope 1)	1,977	2,124	tCO2e	-7%
Emissions from purchased electricity (Scope 2, location-based)	9,924	10,653	tCO2e	-7%
Emissions from business travel in employee-owned vehicles where L&Q is responsible for purchasing the fuel (Scope 3)	203	403	tCO2e	-50%
Total carbon emissions	**33,205**	**33,197**	**tCO2e**	0%
Carbon emissions intensity (tCO2e per residential unit owned, managed or under construction)	**0.257**	**0.276**	**tCO2e/unit**	-7%

2020/21 Performance

L&Q's carbon emissions intensity has dropped 7% to 257 kgCO2e per unit in 2020/21 compared with the previous year. However, in absolute terms carbon emissions have remained constant, largely because Trafford Housing Trust's consumption has been included for the full 2020/21 reporting period, whilst it was only included for the latter half of 2019/20 having officially joined the Group in October 2020.

Putting aside the impact of Trafford Housing Trust, the largest contributor to the drop in carbon emissions was a reduction in transport fuel used for L&Q fleet and business travel, attributable to the restrictions enforced by the global pandemic. Whilst electricity and gas consumption from our offices also decreased significantly for this reason, these reductions were mostly offset by increases in electricity and gas usage elsewhere, e.g. increased communal heating requirements due to our residents spending more time in their homes. The continued decarbonisation of the national grid in 2020/21 has also played a part, reducing the carbon emissions per kWh of electricity consumed.

Energy efficiency measures

L&Q has implemented a range of measures throughout 2020/21 to improve energy efficiency and reduce carbon emissions. These measures have focussed on improving the operational efficiency of our homes, strengthening our renewable energy generation capacity and streamlining our workspace needs.

We have continued to invest in improving the energy performance of our homes by installing cavity wall insulation, loft insulation and double-glazing, upgrading boiler systems and trialling innovative energy-saving technologies. In 2020/21 we installed more than 2,100 energy efficient boiler systems and more than 3,400 'HealthyHomes' sensors which are designed to closely monitor environmental conditions within our homes, enabling energy-related issues to be identified and prioritised in our maintenance action plans. During the visits to install these sensors, our energy experts also optimise boiler, heating and radiator settings and advise residents on how best to save energy within their homes.

In 2021/22 we improved the renewable energy generation capacity of our existing solar PV systems through maintenance and repair, whilst developing and mobilising plans to install further capacity. We made over 500 visits to properties to address system issues and we now have 612 operational PV arrays. In total, these systems generated approximately 1.8 GWh of electricity in 2020/21, equivalent to 4% of L&Q Group's total electricity consumption. We've also developed plans to install a further 200 solar arrays and 100 domestic batteries within the Trafford Housing Trust portfolio in 2021/22.

We conducted a carbon study, as part of our Future Workplaces review, to ensure that energy and carbon considerations are factored into decisions about L&Q's future ways of working. This supported the decision to significantly reduce our office space through the adoption of an agile working approach that will come into effect in 2021/22 and lead to considerable long-term reductions in our office-related energy consumption.

Photo: A vibrant new community of high-quality homes at Saxon Reach, on the edge of Milton Keynes

03

Governance

Group Board

The L&Q group is governed by its Group Board (the Board) – Board member biographies are available on our website.

London & Quadrant Housing Trust (LQHT) is the parent of the L&Q Group and is an exempt charity and registered society under the Co-operative and Community Benefit Societies Act 2014. It has overall control of all of its subsidiaries and is responsible for the leadership of the L&Q Group.

Governance review

During 2020 we completed a review of our governance arrangements to ensure these are at the forefront of best practice. Improvements included:

- Reductions in terms of office
- Reductions in board numbers which make us compliant with the existing Code of Governance but also allow a tighter, closer and focussed board going forward
- A new approach to strategic planning
- A new skills matrix with skills linked to our strategic priorities
- A review of Board and Executive expectations and behaviours
- A more robust process around board appraisals
- A new Board Assurance Framework approach
- A new approach to resident involvement in governance with the establishment of the Resident Services Board and recruitment of a number of residents to this forum
- A range of administrative improvements around our governance processes.

Code of Governance

LQHT has adopted the principles and provisions of the National Housing Federation's Excellence in Governance – Code for Members (2015 edition), an assessment of compliance which is conducted annually. The only identified area of non-compliance relates to the size of the Board with a maximum of 12 members during the year. The Board opted to retain a larger Board whilst this is in the best interests of the Group, however following the Board's approval of the recommendations of a governance review conducted during 2019/20 (the "Governance Review"), plans are being implemented to reduce the number of non-executives over time, at which point compliance with the code will be achieved.

During the year the Board agreed to adopt the principles and provisions of the NHF Code of Governance 2020. LQHT will report on its compliance with the 2020 Code of Governance in its financial statements for the year ended 31 March 2022.

LQHT has also committed to adhere to the NHF Code of Conduct (2012 edition) by its adoption of an L&Q Code of Conduct. Its subsidiaries have adopted either the Group Governance Standing Orders or a tailored version of the Group Governance Standing Orders which acknowledge L&Q's power to intervene in their governance.

A list of L&Q's direct and indirect subsidiaries can be found in note 33.

Leadership and control

The Board consists of a minimum of 5 and a maximum of 12 members (excluding co-optees), which includes the Group Chief Executive and the Group Finance Director.

The key management personnel of the Group consists of the Board and the Executive Group as listed at the end of this document in section 5 – other company information. Changes in leadership are listed in Note 10 of these accounts.

Board and Committee membership

The table below sets out the Board membership and attendance, which is shown as the number of meetings attended out of the total number of meetings possible for the individual board member during the year.

If any board members are unable to attend a meeting, they are encouraged to communicate their opinions and comments on the matters to be considered via the Chair or the relevant committee.

Membership of other committees is drawn from both Board members of L&Q, Trafford Housing Trust and independent members.

Delegation

The focus of the Board is on L&Q's strategy and objectives, business plan and viability. It also has responsibility for overseeing the performance of L&Q and its activities to help L&Q deliver long-term success. The Board's Schedule of Matters Reserved by the Board lists matters that are specifically reserved for decision by our Board. In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates certain responsibilities to Board committees.

Board committee agendas and schedules of items to be discussed at future meetings are prepared in accordance with the terms of reference of each committee and take account of a combination of standing, topical and ad hoc matters.

The five standing Board committees for the 2020/21 financial year were:

- Audit and Risk Committee – responsible for overseeing internal audit, external audit, the effectiveness of internal controls, monitoring and challenging management on its identification and mitigation of risk, and reviewing the financial statements and financial performance
- Governance and Remuneration Committee – responsible for advising the Board on governance, remuneration, and Board and committee succession planning and appointments
- Development Committee – responsible for appraising and reviewing major development and investment schemes
- Customer Experience Committee – focussed on service improvement, customer insight and monitors the delivery of the Regulator of Social Housing's Consumer Standards
- Resident Services Board - responsible for monitoring and challenging operational performance in relation to quality, maintenance and repairs, customer service, satisfaction and complaints, with a focus on compliance with the Social Housing Regulator's Consumer Standards and engaging with Neighbourhood Committees.

In response to a recommendation under the Governance Review, some amendments were made to the structure and defined responsibilities of our suite of Board committees. To better align with our strategy to strengthen the resident voice throughout L&Q the overlap in the current roles of the Customer Experience Committee and a body comprising involved residents called the Resident Services Group was addressed by reconstituting them into one, resident led body which was renamed the 'Resident Services Board' (RSB).

At Board committee meetings, items are discussed and, as appropriate, may be endorsed, approved or recommended to the Board, by the committee. All committees report back to the Board at each board meeting.

Day-to-day management of L&Q and its subsidiaries and delivery of the Board approved strategies are delegated to the Executive Group. The Executive members of the Board also sit on the board of individual subsidiaries where additional oversight is required by the Board.

Group Board (continued)

Board member	Board attendance	Audit & Risk Committee	Governance & Remuneration Committee	Development Committee	Customer Experience Committee	Resident Service Board
Aubrey Adams	14/14		•	•		
David Montague	10/10					
Waqar Ahmed	11/14					
Anne Elizabeth Bassis	13/14		•		•	
Tracey Fletcher–Ray	14/14	•				
Samantha Hyde	3/4			•		
Rajiv Jaitly	14/14	•				
Larissa Joy	7/9		•			
Michael More	14/14	•			•	
Trevor Moross	13/14		•	•		
Simon Rubinsohn	5/5			•		
Fayann Simpson	14/14	•			•	•
Edna Robinson	5/5					
Sean Anstee	9/10	•				
Louise Brooke-Smith	10/10			•		
Fiona Fletcher-Smith	5/5					
Other committee members						
Duncan Beardsley	n/a	•		•		
John Drew	n/a		•			
Paula Higson	n/a				•	
Michael Verrier	n/a				•	
Sanjay Patel	n/a	•				
Gordon Perry (THT)	n/a	•				
Matthew Hemmings (THT)	n/a			•		
Sarah Bundy	n/a			•		

Other statutory and regulatory information

Modern Slavery and human trafficking statement

The Group is committed to understanding modern slavery risks and ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. We take care to ensure that slavery and human trafficking does not exist in any part the Group or supply chain.

L&Q's full statement on modern slavery is available on the L&Q website.

Stakeholders

Stakeholder engagement is mostly carried out on a group wide basis, to ensure that Director's understand the views of stakeholders when making decisions and setting strategy. This includes business relationships with suppliers, customers, communities and employees, amongst others. The values and behaviours upheld when engaging with stakeholders are consistent across the Group, whichever company is communicating with stakeholders.

More details can be found in the publicly available Financial Statements of the relevant subsidiary companies in the Group required to report under s172 of the Companies Act.

Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management across the Group and for reviewing its effectiveness. The Board also take steps to ensure the Group adheres to the regulator's Governance and Financial Viability standard and its associated code of practice that includes adhering to all relevant law. The Audit and Risk Committee is responsible to the Board for monitoring these arrangements and reporting on their effectiveness.

Review of internal controls

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the Group's system of internal control include:

- An established management structure operating across the Group, with clearly defined levels of responsibility and delegated authorities
- A Group-wide risk management system (including health and safety) – the Board has established a process for identifying, evaluating, and managing the significant risks faced by the Group
- Adopting and complying with the principal recommendations of the National Housing Federation's 2015 Code of Governance and accepting this as the Group's code of good practice. From 1 April 2021 the Board has agreed to adopt the updated National Housing Federation's Code of Governance 2020 and a number of measure have already been taken to ensure full compliance over the next year
- Audit and Risk Committee assurance – the Audit and Risk Committee meets regularly with members of the Executive Group and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee also reviews any follow up action to correct identified weaknesses. All Board members receive the minutes of all Audit and Risk Committee meetings. An end of year report is presented to the committee with supporting evidence as to how an effective control environment has been maintained throughout the year
- Internal audit assurance – the Group's internal audit function is managed through an internal audit unit, which has a direct reporting line to the Audit and Risk Committee. The internal audit programme is designed to review key areas of risk; adherence to relevant laws; and is agreed formally by the Audit and Risk Committee. The Director of Internal Audit meets regularly with Executive and Board members including the L&Q Chair; Chair of the Audit and Risk Committee; and the Chief Executive
- External audit assurance – the work of the external auditors provides some further independent assurance of the internal control environment, as described in their audit report. The Group also receives a letter from the external auditors identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Risk Committee and the Board consider this letter
- The preparation and monitoring of budgets and long-term business plans – the Board, Audit and Risk Committee and the Executive Directors review Group and subsidiary performance throughout the year. The reports ensure variances are investigated and acted upon
- Procedures to ensure the employment, retention, training and development of suitably qualified staff to manage activities and risk
- A process for approving all investment decisions – all major investment decisions are subject to appraisal and approval by the Development Committee, the Executive Group, and, where appropriate, the Board
- Treasury activity and strategy are subject to regular Board review and approval
- Whistleblowing – The Group's Whistleblowing policy enables issues to be raised on a confidential basis. Procedures exist to ensure any whistleblowing incidents are independently investigated promptly.

The Board confirms it has an approved anti fraud, bribery and corruption (FBC) policy that has been distributed to all staff. The policy covers the prevention, detection and reporting of FBC. Details of identified cases are maintained in the FBC register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board. The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Board has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of internal control, including risk management, and has received regular reports from this committee throughout the year under review. The Audit and Risk Committee has received the Chief Executive's annual report on the effectiveness of internal control systems, together with the annual report from the Director of internal audit, and reported its findings to the Board.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2021, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

We recognise that the development and maintenance of an effective control framework to provide reasonable assurance in relation to risk and key internal controls is a significant managerial responsibility. We will be strengthening our approach to internal controls in 2021/22 by introducing a new quarterly business assurance reporting framework. On a quarterly basis this will aim to establish, and capture in a centralised place, the;

- RAG status of compliance with prioritised statute and regulatory standards
- Any breaches of existing high-level controls in the previous quarter
- Data and insight from any regulator interventions/actions across the sector
- Relevant data and insight from our enterprise risk management approach
- Relevant data and insight from '2nd line of defence' assurance checks where they exist
- Relevant data and insight from relevant internal audit findings and other external auditors / reviews as and when they occur
- Mitigation or intervention to improve compliance and/or address breach(es)
- Update on any work to strengthen existing controls.

As part of this new reporting framework we will report on an exception basis to the Audit and Risk Committee during the course of the year.

Risk management

Risk Management is fundamental to the achievement of our corporate objectives. We have an enterprise risk management approach based upon the principles of ISO 31000, the recognised international standard for risk management. Risk management is embedded across all operational functions and projects supported by a leading risk software system to provide oversight across the entire business. We have a suite of key risk indicators (KRIs) which provide intelligence on the key areas of risk facing our business and act as early warning indicators. Our key financial ratios are also monitored on a monthly basis with Group Board oversight to ensure we remain within risk appetite and tolerance levels.

Our objective in embedding an ISO 31000 compliant risk management framework is to ensure that we become a more resilient organisation. The incentive to become resilient goes beyond merely avoiding disaster. Leading research commissioned by Airmic (Association of Insurance & Risk Managers in Commerce) and prepared by Cranfield School of Management has shown that organisations that are confident in their risk management have the ability to be more enterprising and entrepreneurial, thereby not only identifying risks but also seizing opportunities. The qualities we will

Internal control and risk management (continued)

embed by being a resilient organisation will enable us to succeed in other respects. We will be more responsive to our customers and the markets we serve, our staff and suppliers will remain motivated and loyal, we will gain trust by being more dependable and achieve better results. As we develop resilience at the heart of strategy and part of the overall vision of the organisation, this will enable us to deal more effectively with both expected risks and the unexpected ones.

There are five main principles of resilience set out in the research which we have adopted:

- Risk radar: the ability to anticipate problems and see things in a different way will help us develop an early warning system and be able to seize new opportunities
- Resources and assets: well diversified resources and assets provide the flexibility to respond to opportunities as well as adverse or changing circumstances
- Relationships and networks: risk information flows freely throughout the organisation up to directors to prevent the "risk blindness" that affects many boards
- Rapid response: capability that prevents an incident escalating into a crisis or disaster because people and processes are in place to quickly restore things to normal
- Review and adapt: learn from experience, including near-misses and make the necessary changes and improvements to strategy, tactics, processes and capabilities.

We must demonstrate all five principles to achieve resilience. These five principles do not just happen – they reflect the fact that we have nurtured a resilient environment through our business enablers of Customers, Operations, Financial Health & Growth and Organisation and Culture as monitored through our balanced scorecard. Whilst business enablers are present in all organisations, they are far more developed in resilient organisations than in others. In developing a resilient culture in order to protect our business, brand and reputation L&Q will be characterised by having the five resilience principles in place in a way that enhances our business enablers.

Key Risks

The Group risk map details the key risks that impact upon our strategic objectives. It is prepared by the Executive Group, reviewed quarterly by the Audit and Risk Committee and approved annually by the Group Board. There are numerous other risks managed at an operational level as part of our enterprise risk management approach which can be escalated to the Group risk map as necessary. Like many organisations a no deal Brexit was of considerable concern to us and this impacts upon numerous risks faced by our business including those detailed here.

The Executive Group and Group Board considered the risks described here as the group's key risks for this financial year linked to our Corporate Strategic pillars: ① Service ② Homes ③ People ④ Governance and Assurance ⑤ Finance

Risk	Comments and risk mitigation
Economic uncertainty leads to reduction in expected income and inability to provide investment in affordable housing ⑤	Economic uncertainty remains a key risk, particularly connected with the ongoing Covid-19 pandemic. We have already seen the initial impact of the pandemic on sales and rental income and have undertaken multivariate stress tests and contingency planning and implemented a range of mitigating actions. Our financial forecasts are prudent and assume that we only achieve 50% of our budgeted sales income but we remain covenant compliant without any further sales at all. The housing market remained relatively buoyant with annual house price growth to December 2020 reaching a 6 year high and with momentum being maintained as evidenced by strong sales performance in March 2021. The reasons cited for this are a combination of pre-lockdown sales progressing, the stamp duty holiday and people reassessing their housing needs after spending months at home in lockdown. Whilst we can exploit this opportunity, many commentators suggest this will be short-lived as employment conditions deteriorate due to the economic impact of the pandemic and as the government support schemes come to an end. Significant uncertainty remains and much will depend upon government measures to contain the pandemic and limit damage to the wider economy. Whilst rent arrears have also stabilised we remain alive to the longer term impact the pandemic could have on employment and our residents' ability to maintain rental payments. This remains under close review. We retain a strong liquidity position and look set to deliver a robust set of financial results. With the budget for 2021/22 approved we can be confident in our ability to deliver our annual plan despite considerable uncertainty. That said, with the housing market dependent upon wider economic performance considerable uncertainty remains. With the need to invest substantially in existing homes in future years (principally fire safety and decent homes), our drive to deliver operational excellence and be more effective and efficient will be critical. We will also need to explore other funding options to create the additional financial capacity to fund our ambitions and continue to tackle the housing crisis.

Internal control and risk management (continued)

Risk	Comments and risk mitigation
Complexities of fire safety management ④	Ongoing developments across the fire safety landscape are well documented. Our intrusive survey programme on all of our 18m+ buildings is ongoing with all of our higher risk buildings now inspected. The survey programme on the remainder of our 18m+ buildings is scheduled to be completed by September 2021, by which time we will have a clear understanding of the extent of investment required to rectify any building deficiencies. We currently remain on track to meet this timeframe. Given that virtually all invasive surveys to date have uncovered significant building defects, this is likely to give rise to the need for significant investment in existing stock. Our current assessment of this investment is circa £450m given that we have 192 buildings over 18m in height. In addition to this challenge there is the reputational risk around 'mortgage prisoners' in leasehold buildings and, whilst we are potentially able to recharge some elements of these costs (and we are actively exploring options), there is also brand and reputational risk associated with this that we are very much taking in to account. Our ability to spread this investment over a longer period is likely to be compromised by a lack of support from the insurance market. Current discussions with the market suggest that insurers would not support a longer term strategy and the market would want to see defects being addressed as soon as practically possible as they would only be prepared to carry this risk for as long as is absolutely necessary (some insurers will not be willing to carry this risk at all). Our existing insurers are supportive and are maintaining full cover on blocks even where we have found deficiencies. That said, this is dependent upon us continuing to meet our disclosure obligations and also committing to rectify defects uncovered at the earliest opportunity. This is, of course, all speculative and we will know more once the intrusive survey programme is completed later in the calendar year.
Non-compliance with Decent Homes Standard ④	Our new corporate strategy has a key focus on ensuring the safety of our residents and improving the quality of our new and existing housing stock. Our maintenance transformation project continues aimed at improving the delivery and efficiency of our maintenance service. A combination of budget underspends and reductions in maintenance budgets over previous years have resulted in a backlog of decent homes related works and significantly increased the risk of non-compliance with the future Decent Homes standard, which is likely to come into effect in 2022/23. We have committed substantial investment in our existing stock to ensure future decency standards and we will also need to ensure that operational risks around programme delivery and supply chain are closely monitored to keep us on track.

Risk	Comments and risk mitigation
Major or series of customer service failures ①	The quality of our existing homes and services is an absolute priority for us and this is front and centre of our new corporate strategy. We are clear that the 250,000 residents we provide homes for must be our priority, as we care about our residents' homes as much as they do. We are committed to delivering operational excellence by providing reliable, repeatable and consistent services. In addition to substantial investment in existing homes, we are investing in systems and processes to give our people the tools to enable delivery of the quality products and services our customers deserve. We have also commenced a project to review our target operating model to ensure that we have the right approach and key capabilities to deliver operational excellence for our customers. Through our resident involvement work we will build collaborative relationships by strengthening our resident network, increasing its visibility across our wider resident base, and creating opportunities for everyone to have their voice heard.
Major or series of Health & Safety or safeguarding incident(s) causing injury or death event(s) ① ② ③ ④ ⑤	Brexit continues to be a concern with a 'no deal Brexit' at the end of this calendar year still very much a possibility. We began the year facing unprecedented levels of political uncertainty but, following the General Election, should now see a more stable political backdrop. We continue to lobby government both directly and through the NHF and G15 to promote our social enterprise model and to ensure that housing remains a key government priority.
Coronavirus Pandemic ① ② ③ ④ ⑤	We maintained a light-touch Pandemic Crisis Response Team (PCRT) whilst the transition to full business as usual progressed as we emerged from past lockdowns. PCRT Silver Commanders continued to meet weekly to provide monitoring and oversight as the Government Roadmap was delivered. Robust procedures and ways of working are in place following the initial lockdown and risks remain well controlled. Due to this continued stability across all key business functions, the success of the vaccination programme and continuing rollout of the Government roadmap, PCRT has now been officially stood down. Our key supply chain partners remain concerned over the continued impact of the pandemic on the supply chain and we are closely monitoring this risk across our Maintenance and Development operations in particular. Developments of a third wave of the virus across Europe could have a particular impact on supply chain risk in these key areas of our operations.
Inability to meet net zero carbon targets ④	We are reducing our impact on the environment through exploring the use of modern methods of construction and delivering other initiatives to reduce our carbon footprint. Through the L&Q Foundation we have developed a new corporate approach to place making to support the creation of sustainable communities. Our new 5 year corporate strategy has a strong emphasis and focus on ESG matters, and a number of commitments to reduce our impact on climate change, and to invest more in environmental sustainability. Significant investment will be required and the exact scale of this is still to be assessed. Given funding commitments required to address other risks referenced this will be a future challenge.

Internal control and risk management (continued)

Risk	Comments and risk mitigation
Ability to attract and retain the best staff within L&Q ③	We have introduced a number of initiatives aimed at attracting and retaining the best talent. These include a new pay and reward strategy with revised pay grades, a new skills framework and personal development strategy and a focus on the behaviours that support our values. We retain the aim to create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity and create the environment, working practices and opportunities for our people to thrive and reach their potential. Through our people, we will deliver an efficient and streamlined organisational design. We will be an agile organisation, with workplaces and ways of working that balance our business, environmental sustainability and people's needs. We aim to sustain our external accreditation with Investors in People recognising L&Q for high standards of workplace practice and engagement of our people.
Cyber crime ① ② ③ ④ ⑤	Cyber crime is a significant and evolving threat to any business including L&Q. We have invested in a dedicated Information Security Team to focus specifically on the security of our systems. They continue to embed an Information Security Standard based upon ISO27001/02 to inform our work around information security. We have implemented Cyber Essentials, a Government backed cyber security certification scheme, and have an established Information Security Panel to manage cross discipline day to day corporate operational information compliance and security. We constantly monitor the threat landscape and learn valuable lessons from high profile cyber breaches in other sectors. Prevention is still critical with a focus on getting the basics right and maturing detection and visibility. We also held a 'Cyber Security Week' during October 2020 to raise awareness of the threat landscape and what we can all do to help protect the business. The threat landscape throughout the pandemic has been significantly heightened and the following quote from the CEO of the National Cyber Security Centre warns against complacency: The UK has made good progress on overall cyber security, but a sense of complacency risks upsetting the apple cart and too many people are still not taking cyber security issues as seriously as they should, according to Lindy Cameron, recently appointed CEO of the UK's National Cyber Security Centre (NCSC). Cyber risk has remained in the top 5 risks of the World Economic Forum Global Risks Report for the past 4 years and continued advances in technology also lead to more sophisticated attacks. Given the development of our own digital capabilities and echoing the above quote, this is a risk that remains firmly on our radar.

Risk	Comments and risk mitigation
Liquidity shortfall ⑤	The ability of L&Q to operate its business depends in part on it being able to raise funds. Any material systematic and/or business specific risk, any increase in the cost, or lack of availability, of finance could impact the Group's ability to progress its business objects, deliver the expected rates of return on investments and the day-to-day financing (or refinancing) requirements of the Group's business over the longer term. Any material increase in the cost of financing or any decrease in the availability of financing on reasonable terms could have a material adverse effect on the Group's business, operations, financial condition and/or prospects. In addition, the Group is subject to the risk that it will be unable to generate sufficient cash flows, or be unable to obtain sufficient funding, to satisfy its obligations to service and/or refinance its indebtedness. Further, any covenants contained in the Group's borrowing arrangements, may limit or prohibit the Group's operational and financial flexibility. Any event of default, cross default, breach of a covenant or the inability to vary or waive any covenants could generally have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. To manage liquidity risk, the Group maintains a policy to retain sufficient liquidity in the form of committed yet undrawn loans plus available cash to cover projected net cash outflow for the then proceeding eighteen months. This is reported to and monitored by Group Board on a monthly basis. L&Q's investment grade credit ratings, its strong relationship with its banking group, covenant headroom, financial flexibility and the value of our unencumbered property pool mitigate L&Q's ability to raise capital at an appropriate cost.

Audit and Risk Committee

Throughout the financial year, the Audit and Risk Committee members met 5 times as part of the work of the committee in discharging its responsibilities.

The committee discussed with the external auditors the adequacy, nature and scope of the annual financial audit plan, including reviewing and agreeing the engagement letter issued by the external auditor at the outset of the Group audit, assuring itself that the external auditor has the fullest co-operation of staff and to oversee the satisfactory completion of the annual external audit process. The committee has also considered all relevant reports by the external auditor and by regulatory authorities and the findings of the external auditor in the course of its work, and the adequacy of management's responses.

The committee has reviewed and monitored the external auditor's independence, judgement and robustness in handling key decisions, objectivity and the effectiveness of the audit process and particularly in respect of safeguards established to mitigate threats to its independence.

Significant financial statement areas considered during the year

In respect of significant issues that the committee considered in relation to the financial statements, and to monitor the integrity of the financial statements, a detailed report was presented to the committee and discussions were held to ensure members' understanding of the issues, and the potential impact on the presentation of the financial statements. These were discussed in sufficient detail with our external auditors to ensure resolution of any issues was in line with auditing standards and accounting requirements. Matters of significant importance and risk to the Group financial statements audit were agreed by the committee.

Land and properties for sale, work in progress in current assets

The committee has considered the risk of impairment of land and properties for sale as well as work in progress in current assets and gains confidence from the supporting work of the Development Committee and Investment Property Group, which oversees all major development and investment schemes including joint ventures undertaken by the Group.

Land available for sale is most susceptible to changes in circumstances that could lead to the net realisable value falling below carrying value at a Group level given these are currently held at fair value on acquisition. The committee is provided regular updates on land sales performance separate from property sales and joint ventures. This ensures that these asset classes are treated and assessed separately in terms of performance and for impairment testing purposes.

For work in progress and current assets, a report was presented to the committee detailing the approach and methodology, sensitivities to the assumptions applied and the outcome of the assessment of impairment detailing specific schemes that were considered to be impaired.

Valuation of defined benefit pension scheme liabilities

The committee is aware of the judgement involved in valuation defined benefit pension scheme liabilities, specifically around setting assumptions such as the discount rate and the large impact that a small change in assumptions could have. During the year the committee received a report on proposed pension assumptions which had been set after the L&Q Group engaged a third-party actuarial specialist. These assumptions were approved by the committee in advance of being applied by the individual pension scheme actuaries.

Viability statement

The Group retained its top-tier rating G1/V1 ratings for governance and financial viability following a thorough 'in depth assessment' by the Regulator in January 2020. This judgement was confirmed in November 2020 as part of the Regulator's stability checks. This judgement is confirmation to residents, investors, partners and other stakeholders that the Group's ambitions remain anchored by sound financial management and a robust approach to risk management, business planning and stress testing. The ratings are also an external validation that our Board has an integral role to the business and that a highly effective governance structure is in place across the organisation.

The Board has assessed the viability of the Group over a five-year period. The Board's assessment is also supported by the longer 30 year financial forecast shared annually with the regulator and the annual review of the adequacy of resources available to the Group to prepare the financial statements on a going concern basis.

The Board approves the Group financial plan twice a year and its output which is submitted annually to the Regulator in the form of a Financial Forecast Return. The Board is, to the best of its knowledge, satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lender covenants, thus confirming the future viability of the Group.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Group has considerable financial resources together with long- term cash generating assets. As a consequence, the Board believe that the Group is well placed to manage its business risks successfully. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the L&Q Group (defined as London & Quadrant Housing Trust and its subsidiaries) to continue as a going concern have been identified by key management personnel after taking into account the relevant facts and circumstances.

Our positive viability statement is supported by documented evidence in the form of a Board approved Treasury Strategy that addresses liquidity risk, refinancing risk, projected covenant performance, credit and regulatory ratings, viability review and access to funding. L&Q's Group insurance policy covers full reinstatement value of £14 billion. Our forecasting and budgeting processes are long established and use proven techniques where critical assumptions are subject to independent challenge and stringent sensitivity analysis. In addition, the Group has put in place a stress test recovery planning process in the event there is a forecast covenant breach.

The Board has considered L&Q's exposure to contingent liabilities and the potential source of cash outflows during the review period relating to legal proceedings, guarantees, margin or other credit support provisions under derivative contracts and product liability.

The Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the Regulator of Social Housing as evidenced through our annual compliance regime. Through the adoption of a new 5 year Corporate Strategy in March 2021 the Group can evidence clear strategic direction with targets set which are challenging and stretching and monitored on an ongoing basis. Governance oversight is clear through our reporting framework and covers risk around financial investment and protection of social housing assets.

Heath Farm

Heath Farm is an exciting new development of up to 600 two, three, four and five-bedroom homes in the growing community of Partington in Trafford, scheduled for completion at the end of 2028.

To deliver the development Trafford Housing Trust (THT) has joined forces with Vistry to form its first joint venture since becoming part of the L&Q Group, and together with Homes England the Heath Farm JV will help to regenerate one of Trafford's most deprived areas. THT will be the registered provider, creating 74 social homes on the ex-brownfield site, with 50 per cent of the homes built in phase one being affordable.

The JV is also establishing an on-site hub at Heath Farm, which is due to open in August and will be led by a local resident.

It will provide a permanent information and drop-in facility for residents, as well as highlighting employment opportunities. The development has already seen one local resident find work at the scheme, with plans to create many more job opportunities on-site.

Heath Farm is a great example of the growth that Trafford Housing Trust has enjoyed since becoming part of L&Q, which will see the business deliver over 600 new homes this year for the first time ever and become involved in some of the largest urban regeneration projects in Manchester.

600
new homes

50%
affordable homes
(Phase 1)

2028
expected completion

Statement of responsibilities of the Board in respect of the Board's report and the financial statements

The Board is responsible for preparing the report of the Board and the Group and Parent association financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs and the income and expenditure of the Group and the Parent association for that period.

In preparing each of the Group and Parent association financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Assess the Group and Parent association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Association or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent association and to prevent and detect fraud and other irregularities.

Financial statements are published on L&Q's website in accordance with UK legislation governing the preparation and dissemination of financial statements. The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

As referred to in the Viability Statement, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements, and for this reason has continued to adopt the going concern basis in preparing the Group's financial statements.

Statement of compliance

The Strategic Report has been prepared in accordance with applicable reporting standards and legislation. The Board can also confirm that the Group has complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

Provision of information to the Auditor

All of the current Board members have taken the steps that they ought to have taken to ensure they are aware of any information needed by the Group's auditor for the purposes of their audit, and to establish that the auditor is aware of that information. The Board members are not aware of any relevant audit information of which the auditor is not aware.

By order of the Board

Aubrey Adams

Aubrey Adams
Group Chair

29 July 2021

Photo: Modern apartments flooded with light overlook a communal courtyard at Regency Heights, West London

04

Financial statements 2020/21

Independent auditor's report

1. Our opinion is unmodified

We have audited the financial statements of London & Quadrant Housing Trust ("the Association") for the year ended 31 March 2021 which comprise the Group and Association Statements of Comprehensive Income, Group and Association Statements of Financial Position, Group and Association Statements of Changes in Equity, the Group Statement of Cashflows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2021 and of the income and expenditure of the group and the association for the year then ended
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014
- Have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were first appointed as auditor by the directors for the year ended 31 March 2013. The period of total uninterrupted engagement is for the 9 financial years ended 31 March 2021.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole		£10.5m (2020: £9.7m) 5% (2020: 5%) of surplus before tax
Coverage		97% (2020: 96%) of group surplus before tax
Key audit matters		**vs 2020**
Recurring risks	Inventory impairment	◀▶
	Valuation of Defined Benefit pensions	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Land and properties for sale and work in progress in current assets **(Group and Association)** Land and properties for sale and work in progress £934m (2020: £1,100m) Refer to page 62 (Audit Committee Report), note 2 and 15 (accounting policy) and note 15 (financial disclosures).	**Inventory impairment** Inventory needs to be held at the lower of cost and net realisable value. In order to assess the NRV of property held in inventory site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of inventory. Site appraisals include a number of estimates that could have a significant effect on the NRV of the property held for sale. Given the increased uncertainty arising from the current economic climate including the impact of Covid 19 and Brexit there is increased estimation uncertainty over future costs and selling price, impacting the risk over impairment of inventory both at a group and subsidiary level. In addition, management have the option, subject to planning, to use land to construct and then operate social housing, construct and operate investment properties, to construct and sell properties on the open market or to sell the land for development by third parties. The different scenarios will drive different accounting classifications in the financial statements and different impairment approaches especially in the case of properties held for social benefit. This gives rise to a risk of error when reviewing schemes for impairment and that an appropriate approach is adopted for schemes in development that is consistent with the planned development.	Our procedures included: Inspection of the group's impairment assessments and cash flow forecasts and performing the following procedures: • **Re-performance:** Checking the mathematical accuracy of certain valuation models • **Enquiry and Board paper review:** Inspecting Board papers and where relevant making enquiries with directors and managers to assess any potential site impairment indicators such as increased planning restrictions, identification of contaminated land and change to forecast site completion dates • **Tests of detail:** For a risk-based sample of sites, challenging the forecast costs and sales valuations in the Group's forecasts using third party data, where available, or data from similar projects • **Sensitivity analysis:** Performing sensitivity analyses over the key assumptions and considering the outcomes with reference to events after the year end. **Our results** We found the carrying value of land and properties for sale and work in progress to be acceptable. (2020: Acceptable).

	The risk	Our response
Valuation of post retirement benefit obligations **(Group and Association)** Scheme liabilities £267 million; (2020: £230 million) Refer to page 62 (Audit Committee Report), note 2 and 9 (accounting policy) and note 9 (financial disclosures).	**Valuation of post retirement benefit obligations** The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group's pension liability could have a significant effect on the financial position of the Group. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements (note 9) disclose the assumptions used by the Group in completing the year end valuation of the pension deficit and the year on year movements. The Group has six pension schemes. Due to the size of the schemes we have only identified this risk for the valuation of liabilities in the LQHT staff benefits plan and the Social Housing Pension Scheme ('SHPS').	Our procedures included: • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied in the valuation of the year end liability, being the discount rate, inflation rate and mortality/life expectancy against externally derived data • **Assessing transparency:** Considered the adequacy and accuracy of the Group's disclosures in respect of the sensitivity of the liabilities to these assumptions. **Our results** We found the post retirement benefit obligations for the L&Q Staff Benefits Plan and the Social Housing Pension Scheme to be acceptable. (2020: Acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £10.5m (2020: £9.7m), determined with reference to a benchmark of Group surplus before tax (of which it represents 5% (2020: 5% of two year normalised surplus before tax). Our benchmark has changed from a two year normalised surplus before tax to surplus before tax for the single financial year owing to fewer fluctuations in the Group surplus.

Materiality for the parent company financial statements as a whole was set at £7.3m (2020: £6.6m), determined with reference to a benchmark of the Association's surplus before tax, of which it represents 5% (2020: 5% of two year normalised surplus before tax).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2020: 65%) of materiality for the financial statements as a whole, which equates to £6.8m (2020: £6.3m) for the group and £4.7m (2020: £4.3m) for the parent Association.

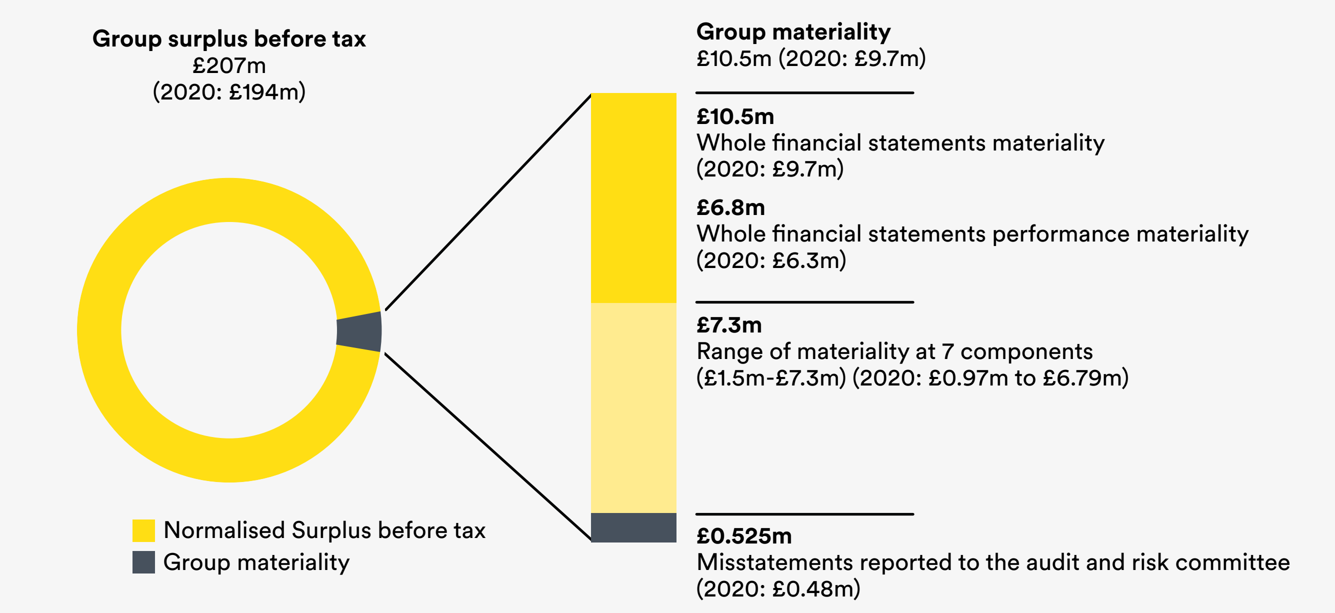
We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior periods.

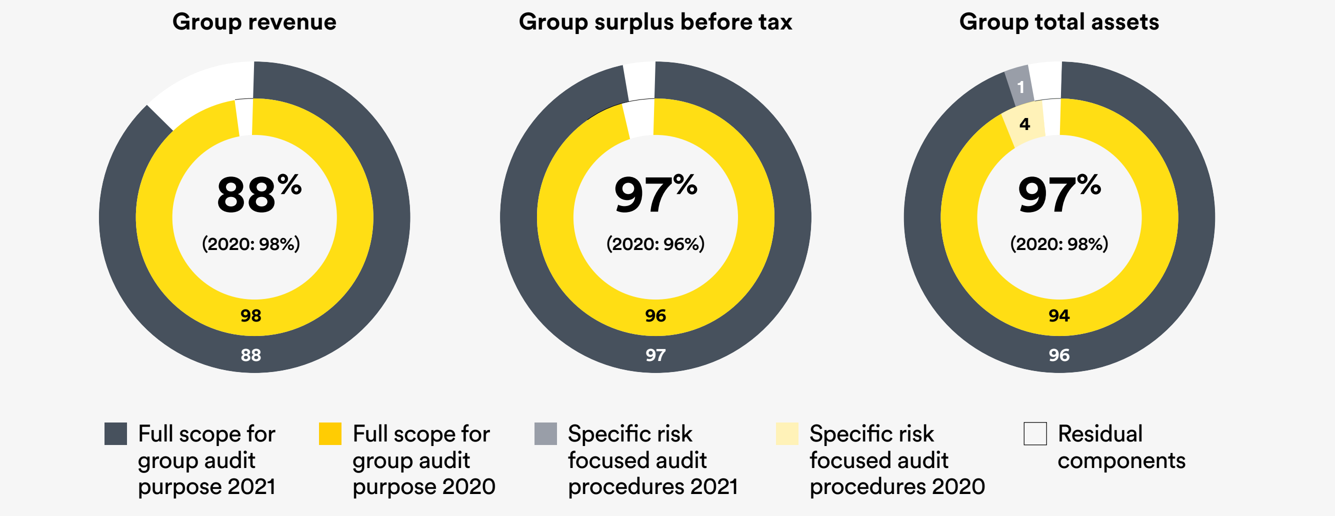
We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £525k (2020: £480k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 34 (2020: 36) reporting components, we subjected six (2020: five) to full scope audits for group purposes and one (2020: two) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

We subjected one (2020: two) components to specified risk-focused audit procedures, one for land and properties for sale and work in progress (2020: one) and zero components for net pension liability (2020: one).

The components within the scope of our work accounted for the percentages illustrated below.





Independent auditor's report (continued)

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £1.5m to £7.3m (2020: £0.97m to £6.79m), having regard to the mix of size and risk profile of the Group across the components.

The Group team visited none (2020: none) component locations, to assess the audit risk and strategy. Video and telephone conference meetings were held with the component auditor for each of the three components (2020: six components). At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The work on three of the seven components (2020: six of the seven components) was performed by component auditors and the rest, including the audit of the parent Association, was performed by the Group team.

4. Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease its operations, and as they have concluded that the group's and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Association's available financial resources and/or metrics relevant to debt covenants over this period were:

- Reductions in property sales prices and volumes and/or increases in construction costs
- The impact of Covid-19 on the economy and trading for the Group and Association.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's and Association's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- We consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- We have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Association's ability to continue as a going concern for the going concern period
- We found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included :

- Enquiring of directors, the audit and risk committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board and audit and risk committee minutes
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards and taking into account possible pressures to meet loan covenant performance measures, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that development and land sales are recorded in the wrong period, market rents are fraudulently uplifted in the year and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts
- Sample testing of property sales relating to the period prior to 31 March 2021 to determine whether income is recognised in the correct accounting period
- Tested a sample of tenancy agreements to confirm the rent increase applied during the financial year was consistent with the tenancy agreement.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Independent auditor’s report (continued)

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: health and safety (including related fire safety and building standards), anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Group’s Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors’ responsibilities
As explained more fully in their statement set out on page 70, the association’s Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities
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 our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

17 August 2021

Statement of comprehensive income for the year ended 31 March 2021

	Note	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Turnover	3a	**1,052**	915	**646**	636
Cost of sales	3a	**(311)**	(216)	**(58)**	(67)
Operating costs	3a	**(533)**	(516)	**(430)**	(436)
Surplus on disposal of fixed assets and investments	6	**59**	64	**57**	65
Share of profits from joint ventures	14a	**37**	25	**-**	-
Change in value of investment property	14c	**3**	7	**-**	-
Operating surplus	5	**307**	279	**215**	198
Gift aid received		**-**	-	**36**	154
Interest receivable and similar income	7	**2**	2	**37**	42
Interest payable and similar charges	8a	**(102)**	(119)	**(107)**	(123)
Other finance income/(costs)	8b	**(2)**	16	**(8)**	(1)
Gift on acquisition of subsidiary	14g	**-**	235	**-**	-
Surplus on ordinary activities before tax		**205**	413	**173**	270
Tax on surplus on ordinary activities	11	**3**	1	**-**	1
Surplus for the year		**208**	414	**173**	271
Other comprehensive income					
Actuarial (loss)/gain on pension schemes	9	**(22)**	37	**(12)**	27
Total comprehensive income for the year		**186**	451	**161**	298

All amounts relate to continuing activities.
The accompanying notes form part of these financial statements.

Photo: Homes at Saxon Reach in Milton Keynes include a space suitable for a study or home office.

Statement of financial position at 31 March 2021

	Note	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Fixed assets					
Housing properties	12	**10,906**	10,555	**10,071**	9,748
Other tangible fixed assets	13a	**60**	64	**48**	51
Intangible assets	13b	**18**	17	**17**	16
Goodwill	14f	**5**	11	**-**	-
Equity investment in subsidiaries	14e	**-**	-	**1,163**	1,164
Investments - jointly controlled entities	14a	**327**	371	**46**	38
Investments - HomeBuy equity loans	14b	**98**	104	**98**	105
Investment properties	14c	**1,069**	1,026	**-**	-
Investments - Real Lettings property fund	14d	**10**	10	**10**	10
		12,493	12,158	**11,453**	11,132
Net pension assets	9	**6**	4	**6**	4
Debtors due after more than one year	16a	**77**	96	**1,002**	1,198
Current assets					
Land and properties for sale and work in progress	15	**934**	1,100	**283**	228
Debtors	16b	**173**	209	**91**	155
Cash and cash equivalents	17	**132**	157	**81**	103
		1,239	1,466	**455**	486
Creditors: amounts falling due within one year	18	**(755)**	(540)	**(567)**	(309)
Net current assets /(liabilities)		**484**	926	**(112)**	177
Total assets less current liabilities		**13,060**	13,184	**12,349**	12,511

	Note	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Creditors: amounts falling due after more than one year	19	**(5,308)**	(5,677)	**(4,910)**	(5,268)
Deferred social housing grant	20	**(2,123)**	(2,105)	**(2,137)**	(2,124)
Grant on HomeBuy equity loans	14b	**(87)**	(92)	**(87)**	(92)
Provisions for liabilities	23	**(87)**	(58)	**(49)**	(30)
Net pension liability	9	**(42)**	(25)	**(23)**	(15)
Net assets		**5,413**	5,227	**5,143**	4,982
Capital and reserves					
Share capital	25	**-**	-		
Revenue reserve		**3,539**	3,347	**3,087**	2,920
Revaluation reserve		**1,874**	1,880	**2,056**	2,062
		5,413	5,227	**5,143**	4,982

The accompanying notes form part of these financial statements.
These financial statements were approved and authorised for issue by the Board and signed on its behalf by:

Aubrey Adams
Group Chair

Michael More
Chair of Audit and Risk Committee

Waqar Ahmed
Group Finance Director

Date of approval: 29 July 2021

Statement of changes in equity for the year ended 31 March 2021

Group	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2019	-	1,884	2,892	4,776
Surplus for the year	-	-	414	414
Reserves transfer	-	(4)	4	-
Actuarial gains	-	-	37	37
Balance at 31 March 2020	-	1,880	3,347	5,227
Surplus for the year	**-**	**-**	**208**	**208**
Reserves transfer	**-**	**(6)**	**6**	**-**
Actuarial losses	**-**	**-**	**(22)**	**(22)**
Balance at 31 March 2021	**-**	**1,874**	**3,539**	**5,413**

LQHT	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2019	-	2,065	2,619	4,684
Surplus for the year	-	-	271	271
Reserves transfer	-	(3)	3	-
Actuarial gains	-	-	27	27
Balance at 31 March 2020	-	2,062	2,920	4,982
Surplus for the year	**-**	**-**	**173**	**173**
Reserves transfer	**-**	**(6)**	**6**	**-**
Actuarial losses	**-**	**-**	**(12)**	**(12)**
Balance at 31 March 2021	**-**	**2,056**	**3,087**	**5,143**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Surplus for the year		**208**	414
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		**147**	112
Deferred government grant		**(26)**	(24)
		121	88
Adjustments for investing or financing activities:			
Change in value of investment property		**(3)**	(7)
Interest receivable and similar income		**(2)**	(2)
Interest payable and similar charges (including capitalised interest)		**102**	119
Other finance costs		**2**	(16)
Gain on sale of fixed assets		**(59)**	(64)
Share of profit from joint ventures		**(37)**	(25)
Gift on acquisition of subsidiary		**-**	(235)
Taxation		**(3)**	(1)
		-	(231)
Adjustment for working capital movement:			
Decrease in trade and other debtors		**53**	24
Decrease/(increase) in stocks		**107**	(2)
(Decrease) in trade and other creditors		**(90)**	(34)
Increase/(decrease) in provisions and employee benefits		**23**	(3)
		93	(15)
Tax paid		**(1)**	(1)
Net cash flow from operating activities		**421**	255

	Note	2021 £m	2020 £m
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**110**	119
Proceeds from sale of investments		**11**	3
Purchase of other fixed assets		**(5)**	(15)
Interest received		**2**	2
Interest paid		**(149)**	(159)
Other finance (costs)/income		**(1)**	16
Investments in jointly controlled entities		**85**	135
Acquisition of investment property		**-**	(42)
Proceeds from the receipt of government grant		**46**	80
Capitalised development expenditure		**(441)**	(685)
Capital expenditure on existing properties		**(35)**	(61)
Acquisition of subsidiaries net of cash acquired		**-**	5
Net cash from investing activities		**(377)**	(602)
Cash flows from financing activities			
Loans received		**1,495**	968
Loans repaid		**(1,564)**	(635)
Net cash (to)/from financing activities		**(69)**	333
Net (decrease) in cash and cash equivalents		**(25)**	(14)
Cash and cash equivalents at 1 April		**157**	171
Cash and cash equivalents at 31 March	17	**132**	157

1. Legal status

London and Quadrant Housing Trust (LQHT) is a charitable housing association. It is registered as a community benefit society under the Cooperative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social landlord. LQHT is the ultimate parent of the Group.

2. Principal accounting policies

Basis of preparation

The financial statements of the Group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

The financial statements are presented in Million Sterling (£m) to the nearest million except where specifically stated otherwise.

We have chosen to adopt the following disclosure exemptions in respect of the individual accounts of the LQHT:

- The requirement to present a statement of cash flows and related notes
- Financial instrument disclosures, including:
  - A. Categories of financial instruments,
  - B. Items of income, expenses, gains or losses relating to financial instruments, and Impairment
  - C. Exposure to and management of financial risks.

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to these financial statements. Accounting policies not specifically attributed to a note are set out below.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the Board.

In line with the segments reported to the CODM, the presentation of these financial statements and accompanied notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing from April 2019 and is considered appropriate. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group.

This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Refer to Note 3b for further disclosed information.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30 year financial plan which is updated quarterly and board approved on a semi-annual basis. The most recent financial plan was approved in May 2021 by the Board. As well as considering the impact of a number of scenarios on the financial plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The board, after reviewing the group and association budgets for 2021/22 and the Group's medium term financial position as detailed in the 30 year financial plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). To reach this conclusion, the Board has considered the following factors:

The property market – budget and financial plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;

Maintenance costs – budget and financial plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;

Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and financial plan scenarios to take account of potential future reductions in rents;

Liquidity – current available cash and unutilised loan facilities of over £1bn which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term borrowing facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term financial plan which shows that it is able to service debt facilities whilst continuing to comply with lenders' covenants.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are set out below.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

- The indicators of impairment of the Group's fixed assets and the assumptions made in:
  - A. Determining the cash-generating unit (CGU) level at which recoverable amount is to be assessed
  - B. Estimating the recoverable amount of the cash-generating unit
  - C. Calculating the carrying amount of the cash-generating unit and
  - D. Comparing the carrying amount to the recoverable amount to determine if an impairment loss has occurred.
- The appropriate point at which a development project is more likely than not to continue, allowing capitalisation of associated development costs and borrowing costs.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

Other estimation uncertainty

- Management is required to determine the finite useful life over which purchase goodwill is to be amortised on a systematic basis. If, in exceptional cases, a reliable estimate of the useful life of goodwill cannot be determined, the life will not exceed 10 years. (Refer to note 14(f)).
- Management reviews the application of suitable assumptions by third-party experts to provide a reasonable valuation of investment property, especially in light of the coronavirus pandemic causing market uncertainty.
- Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing properties and property components are disclosed in note 12 and include:

A. The useful economic life of property structure is set to 100 years; and

B. That properties have no residual values at the end of their useful life.

These are conservative assumptions that have been aligned with general practice followed by registered housing providers.

- The critical selection of financial and actuarial assumptions in relation to defined benefit scheme obligation (DBO) based on best estimates derived from the Group's policies and practices and their applications across all pension schemes operated by the Group where appropriate and confirmed with actuaries where these are beyond management expertise, e.g. Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau (supported by the Actuarial Profession). Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

- Management is required to determine the fair value of asset and liabilities of any entities acquired and reflect these fair values as part of the process of preparing consolidated financial statements. Where the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, management estimates the fair value by using a valuation technique and engages qualified external valuer where such techniques are beyond management expertise. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations and will necessarily include management judgement applied to assumptions provided to the valuer. The determination of fair values is also a key determinant of goodwill calculation and the exceptional gains on business combinations where purchase consideration is nil.

- Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices. Fair value measurements applied to fixed rate and hedged debt carry a significant mark-to-market exposure year on year, the accounting for which can impact on the presentation of the financial statements depending on whether hedge accounting is applicable and whether management opts to apply hedge accounting.

- Management perform estimates for receivables relating to the recoverability of outstanding balances (rental and other trade debtors, see note 16). A review is performed each year end on an individual debtor basis to consider whether each debt is recoverable.

Basis of consolidation
The Group has prepared consolidated financial statements as required by the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" under the purchase method in which the financial statements of LQHT and its subsidiaries are presented as those of a single economic entity. Intercompany transactions and balances between group companies are therefore eliminated in full on consolidation.

The consolidated accounts comprise the financial statements of London & Quadrant Housing Trust, the parent company and its subsidiary undertakings, control of which are achieved where LQHT has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the parent LQHT. A list of all subsidiaries is provided in note 33.

Business combinations that are gifts
Where there is a business combination that is in substance a gift, any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense. There were no new acquisitions in the year, full details of acquisitions in the previous year are included in note 14(g).

Jointly controlled entities
The Group participates in a number of joint ventures that involves the establishment of a corporation, partnership or other entity. As such, these are jointly controlled entities and accounted for using the equity method of accounting under which the equity investment is initially recognised at the transaction price and is subsequently adjusted to reflect the Group's share of the profit or loss.

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

Turnover
Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership properties, from properties developed for open market sales and from land sales at the point of sale completion and includes, in accordance with FRS 102, the amortisation of Social Housing Grant (SHG). By applying the accrual model, deferred grant income is released as an income over the life of the asset structure. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales, sales of properties built for sale and land sales is recognised at the point of legal completion of the sale.

Income from sale of strategic land and infrastructure can be recognised in one of two ways depending on the agreed contract. Sale of strategic land is recognised when the benefits of ownership and related planning consents are passed to the purchaser. Long term infrastructure contracts are included in revenue on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

Where a contract consists of a single price for both the strategic land and the infrastructure contract after completion, total income is recognised on transfer of benefits of ownership and related planning consents of the site, while a provision for future contractual costs to complete the infrastructure works are included as a liability to the accounts. Any deferred consideration is discounted using an appropriate effective interest rate.

Other income is recognised as receivable on the delivery of services provided.

Cost of sales
Cost of sales represents those costs including capitalised interest, direct overheads incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties.

In addition to the land costs originally stocked under construction attributable to each sales transaction, included within cost of sales are expenses relating to fees expended in promoting developments through the planning system which are written off to the statement of comprehensive income until the viability of such a development is reasonably secure, after which such costs are capitalised in accordance with the accounting policy in respect of land and properties held for sale. At the date a sale is recognised all costs, including planning and infrastructure costs attributable to that sale, are taken to cost of sales.

Joint ventures
The Group has entered into various property development and land enabling activities conducted through joint ventures, the majority of which are jointly controlled entities. These are represented in Statement of Comprehensive Income by applying the equity accounting method as set out in note 14a.

For those which are jointly controlled assets the results are proportionally consolidated within the Statement of Comprehensive Income, while L&Q recognises its share of assets and liabilities within the Statement of Financial Position.

Reserves
There are no restricted or designated reserves held.

The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model, which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to disposals in the year of homes held at deemed cost.

3a. Particulars of turnover, cost of sales, operating costs and operating surplus – Group

Group	2021 Turnover	2021 Cost of sales	2021 Operating costs	2021 Other operating items	2021 Operating surplus	2020 Turnover	2020 Cost of sales	2020 Operating costs	2020 Other operating items	2020 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**394**	**-**	**(265)**	**-**	**129**	382	-	(272)	-	110
Supported housing	**49**	**-**	**(42)**	**-**	**7**	41	-	(42)	-	(1)
Intermediate market rent	**26**	**-**	**(15)**	**-**	**11**	27	-	(16)	-	11
Low-cost home ownership	**65**	**-**	**(20)**	**-**	**45**	60	-	(24)	-	36
Affordable rent	**62**	**-**	**(24)**	**-**	**38**	51	-	(22)	-	29
	596	**-**	**(366)**	**-**	**230**	561	-	(376)	-	185
Other social housing activities										
Care and support	**9**	**-**	**(9)**	**-**	**-**	9	-	(9)	-	-
First tranche low-cost home ownership sales	**66**	**(54)**	**(1)**	**-**	**11**	61	(51)	(1)	-	9
Development*	**7**	**-**	**(73)**	**-**	**(66)**	5	-	(48)	-	(43)
Community investment	**-**	**-**	**(8)**	**-**	**(8)**	-	-	(7)	-	(7)
Other	**-**	**-**	**(2)**	**-**	**(2)**	1	-	(2)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**59**	**59**	-	-	-	64	64
	82	**(54)**	**(93)**	**59**	**(6)**	76	(51)	(67)	64	22
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(3)	-	(1)
Market rent**	**42**	**-**	**(14)**	**3**	**31**	45	-	(13)	7	39
Non-social homeowners	**13**	**-**	**(17)**	**-**	**(4)**	11	-	(15)	-	(4)
Commercial	**3**	**-**	**(1)**	**-**	**2**	4	-	(1)	-	3
Garages, sheds, parking spaces	**2**	**-**	**(1)**	**-**	**1**	1	-	(1)	-	-
	62	**-**	**(35)**	**3**	**30**	63	-	(33)	7	37

Group	2021 Turnover	2021 Cost of sales	2021 Operating costs	2021 Other operating items	2021 Operating surplus	2020 Turnover	2020 Cost of sales	2020 Operating costs	2020 Other operating items	2020 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**211**	**(193)**	**(5)**	**-**	**13**	116	(98)	(2)	-	16
Land sales	**91**	**(64)**	**(15)**	**-**	**12**	93	(67)	(12)	-	14
Resales	**1**	**-**	**-**	**-**	**1**	1	-	-	-	1
Other non-social housing activity	**9**	**-**	**(19)**	**-**	**(10)**	5	-	(26)	-	(21)
Share of profits from joint ventures	**-**	**-**	**-**	**37**	**37**	-	-	-	25	25
	312	**(257)**	**(39)**	**37**	**53**	215	(165)	(40)	25	35
	1,052	**(311)**	**(533)**	**99**	**307**	915	(216)	(516)	96	279
Interest receivable					**2**					2
Interest payable					**(102)**					(119)
Other finance (costs)/income					**(2)**					16
Gift on acquisition of subsidiary					**-**					235
Tax on surplus on ordinary activities					**3**					1
Surplus for the year					**208**					414

Notes:
* Development operating costs of £73m (2020: £48m) includes £27m impairment charge (2020: £16m), £4m abortive site costs (2020: £3m), £22m overheads (2020: £20m) and £20m latent defects (2020: £nil).
** Market rent "other operating items" represents the change in valuation of investment property which forms part of operating income.

3a. Particulars of turnover, cost of sales, operating costs and operating surplus – LQHT

LQHT	2021 Turnover £m	2021 Cost of sales £m	2021 Operating costs £m	2021 Other operating items £m	2021 Operating surplus £m	2020 Turnover £m	2020 Cost of sales £m	2020 Operating costs £m	2020 Other operating items £m	2020 Operating surplus £m
Social housing lettings										
General needs	**372**	**-**	**(245)**	**-**	**127**	370	-	(260)	-	110
Supported housing	**34**	**-**	**(29)**	**-**	**5**	33	-	(34)	-	(1)
Intermediate market rent	**26**	**-**	**(15)**	**-**	**11**	27	-	(15)	-	12
Low-cost home ownership	**64**	**-**	**(20)**	**-**	**44**	60	-	(24)	-	36
Affordable rent	**52**	**-**	**(17)**	**-**	**35**	47	-	(19)	-	28
	548	**-**	**(326)**	**-**	**222**	537	-	(352)	-	185
Other social housing activities										
Care and support	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
First tranche low-cost home ownership sales	**64**	**(52)**	**(1)**	**-**	**11**	59	(49)	-	-	10
Development*	**2**	**-**	**(58)**	**-**	**(56)**	1	-	(32)	-	(31)
Community investment	**-**	**-**	**(6)**	**-**	**(6)**	-	-	(7)	-	(7)
Other	**-**	**-**	**(1)**	**-**	**(1)**	-	-	(1)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**57**	**57**	-	-	-	65	65
	66	**(52)**	**(66)**	**57**	**5**	60	(49)	(40)	65	36
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(3)	-	(1)
Market rent	**1**	**-**	**(1)**	**-**	**-**	-	-	-	-	-
Non-social homeowners	**13**	**-**	**(17)**	**-**	**(4)**	11	-	(15)	-	(4)
Commercial	**3**	**-**	**(1)**	**-**	**2**	3	-	(1)	-	2
Garages, sheds, parking spaces	**1**	**-**	**-**	**-**	**1**	1	-	(1)	-	-
	20	**-**	**(21)**	**-**	**(1)**	17	-	(20)	-	(3)

LQHT	2021 Turnover £m	2021 Cost of sales £m	2021 Operating costs £m	2021 Other operating items £m	2021 Operating surplus £m	2020 Turnover £m	2020 Cost of sales £m	2020 Operating costs £m	2020 Other operating items £m	2020 Operating surplus £m
Non-social housing activities										
Open market sales	**6**	**(6)**	**-**	**-**	**-**	17	(18)	-	-	(1)
Land sales**	**-**	**-**	**(2)**	**-**	**(2)**					
Resales	**1**	**-**	**-**	**-**	**1**	1	-	-	-	1
Other non-social housing activity	**5**	**-**	**(15)**	**-**	**(10)**	4	-	(24)	-	(20)
	12	**(6)**	**(17)**	**-**	**(11)**	22	(18)	(24)	-	(20)
	646	**(58)**	**(430)**	**57**	**215**	636	(67)	(436)	65	198
Interest receivable					**37**					42
Interest payable					**(107)**					(123)
Other finance income (costs)					**(8)**					(1)
Gift aid					**36**					154
Tax on surplus on ordinary activities					**-**					1
Surplus for the year					**173**					271

Notes:
* Development operating costs of £58m (2020: £32m) includes £29m impairment charge (2020: £8m), £4m abortive site costs (2020: £3m), £16m overheads (2020: £18m) and £9m latent defects (2020: £nil).
** Land sale operating costs relate to an impairment in an investment in a subsidiary during the year.

3b. Particulars of income and expenditure from social housing lettings - Group

Group	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2021 Total £m	2020 Total £m
Rent receivable net of identifiable service charges	355	37	21	44	54	511	479
Service charges receivable	25	10	4	12	7	58	51
Net rents receivable	380	47	25	56	61	569	530
Amortised government grant	14	2	1	8	1	26	24
Government grants taken to income	-	-	-	-	-	-	3
Other income	-	-	-	1	-	1	4
Total income from lettings	394	49	26	65	62	596	561
Expenditure on letting activities:							
Management	37	6	3	4	3	53	50
Services	38	13	5	13	6	75	67
Routine maintenance	81	7	2	2	6	98	111
Planned maintenance and major repairs	37	5	2	2	2	48	53
Bad debts	3	-	-	-	1	4	8
Depreciation of housing properties	71	10	3	-	6	90	82
Impairment of housing properties	(2)	-	-	(1)	-	(3)	4
Other costs	-	1	-	-	-	1	1
Total expenditure on lettings	265	42	15	20	24	366	376
Operating surplus on lettings	129	7	11	45	38	230	185
Voids losses	3	3	3	-	1	10	7

3b. Particulars of income and expenditure from social housing lettings - LQHT

LQHT	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2021 Total £m	2020 Total £m
Rent receivable net of identifiable service charges	333	25	21	44	45	468	459
Service charges receivable	24	7	4	12	6	53	47
Net rents receivable	357	32	25	56	51	521	506
Amortised government grant	14	2	1	8	1	26	24
Government grants taken to income	-	-	-	-	-	-	3
Other income	1	-	-	-	-	1	4
Total income from lettings	372	34	26	64	52	548	537
Expenditure on letting activities:							
Management	33	4	3	3	1	44	44
Services	36	10	5	14	6	71	64
Routine maintenance	77	5	2	2	3	89	105
Planned maintenance and major repairs	34	3	2	2	1	42	51
Bad debts	2	-	-	-	1	3	7
Depreciation of housing properties	65	7	3	-	5	80	77
Impairment of housing properties	(2)	-	-	(1)	-	(3)	3
Other costs	-	-	-	-	-	-	1
Total expenditure on lettings	245	29	15	20	17	326	352
Operating surplus on lettings	127	5	11	44	35	222	185
Voids losses	3	2	3	-	1	9	7

4. Group housing stock

Social housing accommodation	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2021 Total	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2020 Total
General needs	58,083	252	233	58,568	58,264	255	219	58,738
Affordable rent	7,229	-	77	7,306	6,735	-	10	6,745
Intermediate rent	2,341	-	1	2,342	2,228	-	-	2,228
Housing for older people	5,081	20	11	5,112	5,088	20	11	5,119
Supported housing	1,070	1,626	39	2,735	1,086	1,723	39	2,848
Care homes	58	299	-	357	50	233	-	283
Total social housing	73,862	2,197	361	76,420	73,451	2,231	279	75,961

In addition to the above, L&Q Group owns or manages the following homes and units:

	2021	2020
Other social housing accommodation		
Key worker accommodation	906	952
Low-cost home ownership	9,565	9,076
Shared equity	2,482	2,602
Other social homes	131	136
Total other social housing	13,084	12,766
Non-social housing accommodation		
Leaseholders	12,282	11,450
Market rent	2,607	2,542
Student accommodation	634	668
Other landlords	2,259	1,757
Commercial	118	118
Total non-social housing	17,900	16,535
Total homes owned or managed	107,404	105,262
Garages, parking spaces and other non-habitable units	10,384	9,741
Total homes and units owned or managed	117,788	115,003
Homes in development pipeline	32,482	29,504
Strategic land plots	81,568	70,614

5. Operating surplus on ordinary activities before tax

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Operating surplus is stated after charging/(crediting):				
Depreciation on social housing properties	90	82	80	77
Depreciation on other non-social housing	-	1	-	1
Depreciation and amortisation on other fixed assets	9	8	6	8
Impairment charge on fixed assets housing properties	38	26	32	19
Impairment release on fixed assets housing properties	(15)	(7)	(7)	(7)
Impairment charge on current assets under development	8	5	1	1
Surplus on sale of fixed assets	(59)	(64)	(57)	(65)
Operating lease rentals - land and buildings	2	2	1	2
Change in valuation of investment property	(3)	(7)	-	-

During the year, the following services were provided by the Group auditor:

	Group 2021 £'000	Group 2020 £'000	LQHT 2021 £'000	LQHT 2020 £'000
Auditor's remuneration (excluding VAT):				
• In their capacity as auditor	575	575	395	311
• In respect of other services	210	155	210	155

An additional fee in respect of 2018/19 in relation to Group Audit Reporting of £15,000 was charged in FY2021, alongside additional fees in respect of 2019/20 of £29,000.

An additional fee in respect of 2018/2019 of £200,000 was also charged in FY2020.

6. Surplus on disposal of fixed assets and other investments

Disposals
Surplus on disposal of fixed assets and investments is recognised on legal sale completion.

Group	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2021 Total £m	2020 Total £m
Sales proceeds	103	12	11	-	126	138
Cost of sales	(43)	(12)	(6)	-	(61)	(68)
Grant recovered	(4)	-	-	-	(4)	(4)
Grant abated	1	-	-	-	1	-
Depreciation on sales	1	-	-	-	1	1
Incidental sale expense and write downs	(4)	-	-	-	(4)	(3)
Total	54	-	5	-	59	64

LQHT	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2021 Total £m	2020 Total £m
Sales proceeds	100	-	11	-	111	131
Cost of sale	(42)	-	(6)	-	(48)	(60)
Grant recovered	(4)	-	-	-	(4)	(4)
Grant abated	1	-	-	-	1	-
Depreciation on sales	1	-	-	-	1	1
Incidental sale expense and write downs	(4)	-	-	-	(4)	(3)
Total	52	-	5	-	57	65

7. Interest receivable and similar income

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Bank interest receivable	-	1	-	1
Other interest receivable	2	1	31	41
Dividends receivable	-	-	6	-
	2	2	37	42

8a. Interest payable and similar charges

Interest payable
Interest expense on liabilities at amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

Interest capitalised
Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme.

This treatment applies irrespective of the original purpose for which the loan was raised. For the year ending 31 March 2021, interest has been capitalised at an average rate of 3.3% (2020: 3.4%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

Interest is not capitalised on strategic land developments.

Release of loan fair values
Where loans have been fair valued on acquisition of another entity, the difference on fair value at the time of acquisition is released to the statement of comprehensive income in line with the repayment profile of the specific loans. Where the loan is fully repaid, the full amount of fair value remaining is released.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Interest expense on liabilities at amortised cost	150	161	138	145
Less: interest capitalised in housing properties	(48)	(42)	(31)	(22)
	102	119	107	123

8b. Other finance income and costs

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Movements in financial instruments relating to deferred land payments	(6)	4	(8)	(2)
Release of loan fair values on repayment and refinancing	6	15	1	4
Other charges	(2)	(3)	(1)	(3)
	(2)	16	(8)	(1)

9. Employee information

	Group 2021 No.	Group 2020 No.	LQHT 2021 No.	LQHT 2020 No.
The average full-time equivalent employees based on their individual contracted hours:				
Chief executive department	23	19	11	10
Contact centre and income management	390	354	332	307
Development, Sales, Asset Management and Procurement	625	646	553	572
Finance, Treasury and Insurance	161	165	128	135
Governance, Strategy and Communications	136	93	107	76
Human resources, Learning and Development and Facilities	91	94	79	84
L&Q foundation	62	56	54	55
Care and Support	432	423	8	9
Maintenance and L&Q Energy	877	891	717	735
Neighbourhoods	439	449	411	417
Private Rented and Commercial Lettings	57	58	45	47
Technology and digital	144	147	120	129
	3,437	3,395	2,565	2,576

	Group 2021	Group 2020	LQHT 2021	LQHT 2020
Staff costs (for the above persons)	£m	£m	£m	£m
Wages and salaries	142	135	115	117
Social security costs	15	15	13	13
Other pension costs	19	16	15	14
	176	166	143	144

Holiday pay accrual

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

L&Q Staff Benefits Plan

The Group operates the L&Q Housing Trust Staff Benefits Plan (the LQHT scheme), providing benefits based on final pensionable pay. The LQHT scheme has 12 active members (2020: 13). The assets of the scheme are held separately from those of the Group. This scheme has been closed to new entrants since 2001.

The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method and is not materially different from that arising from the current employer's contribution rate.

The pension contributions payable by the Group to the LQHT scheme during the accounting period were equal to 35.5% (2020: 24.5%) of pensionable salary as recommended by the actuary. Surpluses and deficits are reviewed at each triennial actuarial valuation, and the pensions charge recorded by the Group during the accounting period was equal to the contributions payable.

The Group also participates in four defined benefit pension schemes ("LGPS") which are administered by:

- London Borough of Waltham Forest with one active member (2020: 1);
- Buckinghamshire County Council with no active members (2020: nil);
- London Borough of Bexley with one active member (2020: 1); and
- Tameside Metropolitan Borough Council with 130 active members (2020: 135).

The pension contributions paid during the year for these schemes were:

- London Borough of Waltham Forest scheme 17.3% (2020: 16.7%);
- Buckinghamshire County Council scheme nil (2020: nil);
- London Borough of Bexley scheme nil (2020: 26.5%); and
- Greater Manchester Pension Fund 31.5% (2020: 22.5%).

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme surpluses (to the extent that they are recoverable) or deficits are recognised in full. The results of the schemes as set out below have been based on assumptions prepared by the LQHT actuary using the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The movement in the scheme surpluses/deficits other than cash contributed by the Group are split between operating charges, finance items and actuarial gains or losses in the statement of other comprehensive income.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The Social Housing Pension Scheme

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2019 as a result of additional information, a full FRS 102 valuation was adopted for the first time.

The Group has three employers participating in SHPS LQHT, L&Q Living Limited and Trafford Housing Trust.

9. Employee information (continued)

NHS Pension Scheme

The NHS pension scheme is a statutory multi-employer scheme, with benefits fully guaranteed by the government. Contributions from both members and employers are paid to the exchequer, which meets the cost of the scheme benefits. The exchequer also pays for the costs of increasing benefits each year by the rate of inflation. This cost is not met by contributions from scheme members or employers and consequently the scheme is accounted for as a defined contribution scheme. This scheme relates to employees of L&Q Living Limited only and has been closed to new and existing employees not already in the scheme since 1 April 2008.

Money purchase scheme

The Group also participates in defined contribution schemes where the amount charged to the statement of consolidated income represents the contributions payable to the scheme in respect of the accounting period.

a) L&Q Staff Benefits Plan and LGPS - Group and LQHT

	2021	2020
Financial assumptions	**2.1%**	2.5%
Discount rate	**3.2%**	2.5%
Inflation (RPI)	**2.4.%**	1.8%
Inflation (CPI)	**3.2%**	2.5%
Salary growth		
Mortality assumptions		
• Base table	**S2PA**	S2PA
• Improvement method	**CMI 2020 with 1.25% LTR 7**	CMI 2019 with 1.25% LTR 7
• Projection	**Year of birth**	Year of birth

Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries.

b) Social Housing Pension Scheme Plan - Group and LQHT

	2021	2020
Financial assumptions	**2.1%**	2.5%
Discount rate	**3.2%**	2.8%
Inflation (RPI)	**2.7%**	1.8%
Inflation (CPI)	**3.2%**	2.5%
Salary growth		
Mortality assumptions		
• Base table	**S2PA**	S2PA
• Improvement method	**CMI 2020 with 1.25% LTR**	CMI 2019 with 1.0% LTR
• Projection	**Year of birth**	Year of birth

Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries.

9. Employee information (continued)

Summary of pension scheme balances

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Net pension asset				
LGPS schemes	1	-	1	-
LQHT staff benefits plan	5	4	5	4
Net pension asset	6	4	6	4
Net pension liability				
LGPS schemes	16	10	2	2
LQHT staff benefits plan	-	-	-	-
SHPS	26	15	21	13
Net pension liability	42	25	23	15

Defined benefit schemes - Net pension asset

The two schemes that were in a net pension surplus at 31 March 2021 are the L&Q Staff Benefits Plan and the London Borough of Bexley LGPS.

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Analysis of the amount recognised in comprehensive income	-	-	-	-
Current service cost	-	-	-	-
Past service cost	-	-	-	-
Net interest on the defined liability	-	-	-	-
	-	-	-	-

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	21	(1)	21	(1)
Amount included in net interest on net defined benefit liability	(3)	(3)	(3)	(3)
Remeasurements – return on plan assets excluding interest income	18	(4)	18	(4)
Changes in assumptions underlying the present value of the plan liabilities	(20)	15	(20)	15
Changes due to experience	1	4	1	4
Remeasurements recognised	(1)	15	(1)	15
Movement in (deficit)/surplus during the year				
At beginning of the year /transfer from pension liability	4	(12)	4	(12)
Movement in year:				
Current service cost	-	-	-	-
Employer contributions	3	2	3	2
Past service costs	-	-	-	-
Other finance costs	-	(1)	-	(1)
Remeasurements	(1)	15	(1)	15
Net surplus at end of the year	6	4	6	4
Movement in fair value of plan assets				
At beginning of the year/transfer from pension liability	133	138	133	138
Expected return on assets	-	-	-	-
Interest income	3	3	3	3
Remeasurements on plan assets	18	(5)	18	(5)
Assets distributed on settlements	-	-	-	-
Employer contributions	3	2	3	2
Plan participant contributions	-	-	-	-
Benefits paid	(5)	(5)	(5)	(5)
At end of the year	152	133	152	133

9. Employee information (continued)

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Movement in liabilities during the year				
Past service liability at start of the year / transfer from pension liability	**129**	150	**129**	150
Service cost	**-**	-	**-**	-
Interest cost	**3**	3	**3**	3
Plan participant contributions	**-**	-	**-**	-
Past service costs	**-**	-	**-**	-
Remeasurement:				
- Due to changes in assumptions	**20**	(15)	**20**	(15)
- Due to experience	**(1)**	(4)	**(1)**	(4)
Liabilities extinguished on settlements	**-**	-	**-**	-
Benefits paid	**(5)**	(5)	**(5)**	(5)
Past service liability at end of the year	**146**	129	**146**	129

Defined benefit schemes - Net pension liability

The schemes that were in a net pension deficit at 31 March 2021 are the Waltham Forest LGPS, Buckinghamshire County Council LGPS and the Greater Manchester Pensions Fund.

These were the same schemes in a net pension deficit at 31 March 2020.

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	**(1)**	(2)	**-**	-
Past Service cost	**-**	-	**-**	-
Net interest on the defined liability	**-**	-	**-**	-
Total	**(1)**	(2)	**-**	-

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**10**	(7)	**1**	-
Amount included in net interest on net defined benefit liability	**1**	1	**-**	-
Remeasurements – return on plan assets excluding interest income	**11**	(6)	**1**	-
Changes in assumptions underlying the present value of the plan liabilities	**(19)**	11	**(1)**	(1)
Changes due to experience	**1**	6	**-**	1
Release of fair value on acquisition	**-**	(3)	**-**	-
Remeasurements recognised	**(7)**	8	**-**	-
Movement in (deficit)/surplus during the year				
Net deficit at beginning of the year	**(10)**	(14)	**(2)**	(14)
LGPS arising on acquisition	**-**	(17)	**-**	-
Transfer to pension asset	**-**	12	**-**	12
Movement in year:				
Current service cost	**(1)**	(2)	**-**	-
Employer contributions	**2**	2	**-**	-
Past service costs	**-**	-	**-**	-
Other finance costs	**-**	(1)	**-**	-
Remeasurements	**(7)**	10	**-**	-
Net deficit at end of the year	**(16)**	(10)	**(2)**	(2)

9. Employee information (continued)

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	**66**	159	**9**	159
LGPS arising on acquisition	**-**	71	**-**	-
Transfer to pension asset	**-**	(150)	**-**	(150)
Service cost	**1**	2	**-**	-
Interest cost	**2**	2	**-**	-
Plan participant contributions	**-**	-	**-**	-
Past service costs	**-**	-	**-**	-
Remeasurement:				
- Due to changes in assumptions	**19**	(11)	**1**	(1)
- Due to experience	**(1)**	(6)	**-**	1
Liabilities extinguished on settlements	**-**	-	**-**	-
Benefits paid	**(2)**	(1)	**-**	-
Other costs	**-**	-	**-**	-
Past service liability at end of the year	**85**	66	**10**	9

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Movement in fair value of plan assets				
At beginning of the year	**56**	145	**7**	145
LGPS arising on acquisition	**-**	54	**-**	-
Transfer to pension asset	**-**	(138)	**-**	(138)
Expected return on assets	**-**	-	**-**	-
Net interest income	**1**	1	**-**	-
Administration expenses	**-**	(1)	**-**	-
Remeasurements	**11**	(6)	**1**	-
Assets distributed on settlements	**-**	-	**-**	-
Employer contributions	**2**	2	**-**	-
Plan participant contributions	**-**	-	**-**	-
Benefits paid	**(2)**	(1)	**-**	-
Other	**1**	-	**-**	-
At end of the year	**69**	56	**8**	7

SHPS - Net pension liability

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	**-**	-	**-**	-
Past service cost	**-**	-	**-**	-
Net interest on the defined liability	**-**	(1)	**-**	(1)
Total	**-**	(1)	**-**	(1)
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**12**	2	**10**	2
Amount included in net interest on net defined benefit liability	**(3)**	(2)	**(2)**	(2)
Remeasurements – return on plan assets excluding interest income	**9**	-	**8**	-
Changes in assumptions underlying the present value of the plan liabilities	**(25)**	11	**(20)**	9
Changes due to experience	**1**	3	**1**	3
Remeasurements recognised	**(15)**	14	**(11)**	12
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**(15)**	(30)	**(13)**	(27)
SHPS arising on acquisition	**-**	(2)	**-**	-
Movement in year:	**-**		**-**	
Current service cost	**-**	-	**-**	-
Employer contributions	**4**	4	**3**	3
Past service costs	**-**	-	**-**	-
Other finance costs	**-**	(1)	**-**	(1)
Remeasurements	**(15)**	14	**(11)**	12
Net deficit at end of the year	**(26)**	(15)	**(21)**	(13)

Notes to the financial statements for the year ended 31 March 2021

9. Employee information (continued)

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Movement in fair value of plan assets				
At beginning of the year	**106**	97	**92**	90
SHPS arising on acquisition	**-**	6	**-**	-
Expected return on assets	**-**	-	**-**	-
Net interest income	**3**	2	**2**	2
Administration expenses	**-**	-	**8**	-
Remeasurements	**9**	-	**-**	-
Assets distributed on settlements	**-**	-	**-**	-
Employer contributions	**4**	4	**3**	3
Plan participant contributions	**-**	-	**-**	-
Benefits paid	**(3)**	(3)	**(2)**	(3)
At end of the year	**119**	106	**103**	92

	Group 2021 £m	Group 2020 £m	Trust 2021 £m	Trust 2020 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	**121**	127	**105**	117
SHPS arising on acquisition	**-**	8	**-**	-
Service cost	**-**	-	**-**	-
Interest cost	**3**	3	**2**	3
Plan participant contributions	**-**	-	**-**	-
Past service costs	**-**	-	**-**	-
Remeasurement:	**-**	-	**-**	-
- Due to changes in assumptions	**25**	(11)	**20**	(9)
- Due to experience	**(1)**	(3)	**(1)**	(3)
Liabilities extinguished on settlements	**-**	-	**-**	-
Benefits paid	**(3)**	(3)	**(2)**	(3)
Other costs	**-**	-	**-**	-
Past service liability at end of the year	**145**	121	**124**	105

The fair value of the plan assets for all LGPS and SHPS was as follows:

Group	2021 £m	2021 %	2020 £m	2020 %
Equities	**87**	**26%**	66	22%
Gilts	**13**	**4%**	14	5%
Corporate bonds	**40**	**12%**	38	13%
Property	**9**	**3%**	8	3%
Cash	**10**	**3%**	10	3%
Other assets	**180**	**52%**	160	54%
	339	**100%**	296	100%

Trust	2021 £m	2021 %	2020 £m	2020 %
Equities	**41**	**15%**	30	13%
Gilts	**12**	**5%**	14	6%
Corporate bonds	**32**	**12%**	29	13%
Property	**5**	**2%**	5	2%
Cash	**5**	**2%**	5	2%
Other assets	**168**	**64%**	149	64%
	263	**100%**	232	100%

10. Board members and executive directors

Group Board remuneration for the year was:	2021 £	2020 £
Aubrey Adams (Chair)	**33,355**	33,355
David Montague (former Chief Executive)	**-**	-
Fiona Fletcher-Smith (Chief Executive)	**-**	-
Waqar Ahmed (Group Finance Director)	**-**	-
Anne Elizabeth Bassis	**13,624**	19,301
Tracey Fletcher–Ray	**16,463**	16,463
Samantha Hyde (resigned 09/09/2020)	**6,038**	13,624
Rajiv Jaitly	**13,624**	13,624
Larissa Joy (resigned 05/12/2020)	**9,280**	13,624
Michael More	**19,301**	19,301
Trevor Moross	**20,721**	20,721
Simon Rubinsohn (resigned 30/09/2020)	**9,750**	19,301
Fayann Simpson	**16,462**	13,624
Edna Robinson (resigned 30/09/2020)	**10,360**	9,152
Louise Brooke-Smith (appointed 01/10/2020)	**9,650**	-
Sean Anstee (appointed 01/10/2020)	**10,350**	-
	188,978	192,090

10. Board members and executive directors (continued)

Board expenses of £35 (2020: £1,033) were incurred in the year.

- The Chief Executive and Group Finance Director receive no remuneration in respect of being members of the Board,
- Remuneration is pro-rated from date of appointment to Board or committee,
- Sean Anstee is the Chair of Trafford Housing Trust and was co-opted to the Board after the resignation of Edna Robinson on 1 October 2020.

Directors Emoluments

The directors are defined as the Chief Executive and the Executive Group. The Chief Executive was also the highest paid director.

	Group 2021 £'000	Group 2020 £'000	**LQHT 2021 £'000**	LQHT 2020 £'000
Emoluments payable to the directors (excluding pension contributions, or cash in lieu payment thereof but including benefits in kind)	**1,685**	1,553	**1,685**	1,553
Pension contributions, or cash in lieu payment thereof, in respect of services as directors	**172**	148	**172**	148
	1,857	1,701	**1,857**	1,701
Emoluments payable to the Chief Executive (excluding pension contributions but including benefits in kind)	**369**	352	**369**	352

Director emoluments do not include any bonuses for the year.

Chief Executive – David Montague resigned 11 January 2021
The former Chief Executive received cash in lieu of pension payment of £57,350 (2020: £68,820). The former Chief Executive had no individual pension arrangement (including a personal pension) to which LQHT or any of its subsidiaries makes a contribution.

Chief Executive – Fiona Fletcher-Smith appointed 11 January 2021
The Chief Executive is a member of the L&Q Housing Trust Staff Benefits Plan, this is a defined contribution scheme. She is an ordinary member of the Fund and no enhanced or special terms apply. The Trust does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £68,819 (2020: £121,805). The emoluments of all directors are reviewed and agreed on an annual basis by our Governance & Remuneration Committee. They are based on an individual assessment of pay scales prevailing the market and an assessment of performance against our corporate objectives.

Salary banding for key management personnel, considered as Board members and Executive Directors, earning over £60,000 (including salaries, performance related pay, benefits in kind, compensation for loss of office and pension contributions paid by the employer) is set out below:

	Group 2021 No.	Group 2020 No.	**LQHT 2021 No.**	LQHT 2020 No.
Salary Banding				
£60,001 to £180,000	**-**	-	**-**	-
£180,001 to £190,000	**-**	1	**-**	1
£190,001 to £200,000	**-**	-	**-**	-
£200,001 to £210,000	**2**	1	**2**	1
£210,001 to £220,000	**-**	-	**-**	-
£220,001 to £230,000	**-**	1	**-**	1
£230,001 to £240,000	**1**	1	**1**	1
£240,001 to £260,000	**-**	-	**-**	-
£260,001 to £270,000	**-**	1	**-**	1
£270,001 to £280,000	**1**	-	**1**	-
£280,001 to £290,000	**-**	1	**-**	1
£290,001 to £300,000	**1**	-	**1**	-
£300,001 to £420,000	**-**	-	**-**	-
£420,001 to £430,000	**1**	1	**1**	1
	6	7	**6**	7

11. Tax on surplus on ordinary activities

Current and deferred taxation

The tax expense for the year comprises both current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset.

	Group 2021 £m	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
Current tax				
UK corporation tax	**-**	(1)	**-**	(1)
Total current tax	**-**	(1)	**-**	(1)
Deferred tax				
Net origination and reversal of timing difference	**(3)**	-	**-**	-
Total tax on results on ordinary activities	**(3)**	(1)	**-**	(1)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2020: 19%). The differences are explained as follows:

	Group 2021 £m	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
Surplus on ordinary activities before tax	**205**	413	**173**	270
Surplus multiplied by 19% (2020: 19%) the standard rate of UK corporation tax	**39**	79	**33**	51
Effects of:				
Non-taxable income from investment in joint venture	**3**	4	**-**	-
Origination and reversal of timing differences	**-**	1	**-**	-
Non-taxable charitable activities	**(45)**	(85)	**(33)**	(52)
Total tax charge/(credit) for the year	**(3)**	(1)	**-**	(1)

LQHT has charitable status for tax purposes and is exempt from corporation tax on income and gains falling within Sections 466-493 Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. Where income and gains received by the Trust do not attract the tax exemption these will be liable to corporation tax at the prevailing rate.

The main rate of corporation tax applicable for the year ending 31 March 2021 remained at 19% (2020: 19%). However, it was announced on 3 March 2021 that the main corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. The legislation effecting this increase was substantively enacted on 24 May 2021.

Deferred tax has been provided in the year to reflect the timing difference between the accounting and taxable profits on the revaluation of our investment properties. Although a provision is made it is not expected that the tax charge will materialise in the foreseeable future as the underlying assets are held principally for lettings at market rates. When disposal profits do materialise these profits are gifted to LQHT, effectively creating a tax credit which offsets the current tax. A total deferred tax asset of £6m is included in other debtors and is included in note 16a and 16b. The deferred tax liability as at 31 March 2021 has been calculated based on tax rate that is expected to apply to the reversal of the timing differences.

12. Fixed assets – Housing properties

Housing properties

Housing properties in the course of construction are stated at either historic or deemed cost on conversion to FRS102. Cost includes the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

Under low-cost home ownership arrangements, the Group disposes of a long lease on low-cost home ownership housing units to people who occupy them at a share equal to between 25% and 75% of value. The occupier has the right to purchase further proportions up to 100% at the then current valuation. Low-cost home ownership properties are split between current and fixed assets on initial recognition. The proceeds from the sale of the current asset element ('first tranche') are included in turnover and the related asset expensed through the profit and loss statement as a cost of sale. The remaining element of the property is accounted for as a fixed asset and any subsequent tranche sale treated as a part disposal of a fixed asset, shown in note 6. Social housing grant in respect of low-cost home ownership properties is allocated against the retained element of the low-cost home ownership property and is treated as a deferred grant income, shown in note 20.

The Group operates two flexible intermediate products whereby the tenant can rent the property and then at a future point purchase a portion of the property in the same way that low-cost home ownership schemes operate. The future point of sales is determined by the Group or the tenant depending on the product. Tenants are able to purchase an undefined proportion of their property from day one. These properties have been classified as fixed assets within the housing properties note under the intermediate market rent category unless the tenant has indicated that they wish to purchase a proportion of the property from the outset. This will then be treated as a first tranche sale with the purchased proportion reclassified as a current asset and the associated sales costs taken to cost of sales. For those tenants who rented the property to begin with or wish to purchase further tranches, this will be treated as a part disposal of a fixed asset.

Where land has been acquired with the intention to develop as mixed tenure schemes but the precise mix is yet to be finalised, the land is treated as a fixed asset until certainty of tenure mix is established at which point the portion of land that relates to properties held for sale is transferred to current assets. All other development costs are allocated proportionately based on the floor area of each tenure type intended to be developed at each scheme. Other housing property costs for mixed tenure schemes in management are allocated proportionately based on number of homes of each tenure at the scheme.

Non-component works to existing properties

Non-component works to existing housing properties are capitalised where they relate to stock transferred from local authorities or relate to large-scale regeneration projects and where those properties are below the standards set by Group policies as there is a clear enhancement of the property beyond the standard assessed when the property was first acquired or constructed.

Fixed assets and depreciation

Land (including leasehold land) is not depreciated. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value, on a straight-line basis, over their estimated useful economic lives within the Group.

Housing property components are depreciated from the year following replacement year. The ranges of estimated useful economic lives are assumed as follows:

Major components	
• Housing properties structure	50-100 years depending on type
• Kitchens	18-20 years
• Bathrooms, electrical, heating, windows and doors	20-30 years
• Boilers	15 years
• Roofs	25 to 65 years

Low-cost home owners and leaseholders are responsible for the costs of maintenance and replacement of components except in some specific circumstances where management make a policy decision otherwise e.g. replacement of defective cladding.All social housing grant (SHG) is amortised to income over 100 years for social housing lettings and over 25 years for low cost home ownership. Accumulated grant amortisation and any grant recognised through the performance method in equity is recorded as a contingent liability in the notes to the accounts (note 24).

Impairment of fixed assets

Social housing properties are held for their service potential and are not held solely for the cash inflows generated. As such, there is no requirement to perform an impairment assessment on initial recognition of those schemes that are developed or acquired and completed in accordance with approved Group policies and planned scheme appraisals.

Housing properties under construction and held for letting are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, a detailed assessment is undertaken to compare the carrying amount of cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of cash generating unit.

The assessment of value in use may involve considerations of the service potential of the assets, or cash generating units concerned, or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. The Group defines a cash generating unit as a scheme (across mixed tenures) within housing properties. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income.

Where any potential indicator as defined in FRS 102.27 'Impairment of Assets' is identified, a review of the affected scheme is undertaken to determine if an impairment is required.

Examples of key indicators or impairment include:

- Change in government policy, regulation or legislation which has a material detrimental impact;
- A change in demand for a property that is considered irreversible;
- Material reduction in the market value of properties intended to be sold or the resident has the right to purchase;
- Obsolescence of a property or part of a property.

Group additions to new housing properties during the year include capitalised interest of £28m (2020: £42m) and capitalised directly attributable internal costs of £27m (2020: £27m). The amount of cumulative interest capitalised in housing properties is not separately identifiable.

Group expenditure on works to existing properties during the year amounted to £190m (2020: £225m) of which £35m (2020: £61m) was capitalised and included as additions to properties held for lettings.

12. Fixed assets – Housing properties (continued)

Housing properties - Group

	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2020	733	412	97	9,064	977	86	11,369
Reclassifications	16	(5)	-	(13)	2	-	-
Reclassifications from/(to) investments	(5)	-	(48)	-	-	-	(53)
Schemes completed in the year	(159)	(103)	(5)	159	103	5	-
Additions	223	211	61	34	1	-	530
Capitalised interest in the year	15	13	-	-	-	-	28
Transfer from/(to) current assets	(2)	3	-	-	1	-	2
Disposals	-	-	-	(16)	(27)	(2)	(45)
At 31 March 2021	**821**	**531**	**105**	**9,228**	**1,057**	**89**	**11,831**
Depreciation							
At 1 April 2020	-	-	-	767	6	4	777
Charge for year	-	-	-	90	-	-	90
Eliminated in respect of disposals	-	-	-	(3)	-	-	(3)
At 31 March 2021	**-**	**-**	**-**	**854**	**6**	**4**	**864**
Impairment							
At 1 April 2020	15	-	8	12	2	-	37
Reclassification	(1)	-	-	1	-	-	-
Schemes completed in the year	-	-	(2)	-	-	2	-
Charge for year	29	-	9	-	-	-	38
Release in the year	(8)	-	(4)	(2)	(1)	-	(15)
Other movements	-	-	-	1	-	-	1
At 31 March 2021	**35**	**-**	**11**	**12**	**1**	**2**	**61**
Net book value:							
At 31 March 2021	**786**	**531**	**94**	**8,362**	**1,050**	**83**	**10,906**
At 31 March 2020	**718**	**412**	**89**	**8,285**	**969**	**82**	**10,555**

For the Group, a total funding value of £9,734m (2020: £8,914m) has been pledged as security on debt.

Housing properties – LQHT

	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2020	**588**	**386**	**27**	**8,475**	**932**	**81**	**10,489**
Reclassifications	16	(5)	-	(14)	3	-	-
Reclassifications from/(to) investments	-	-	-	-	-	-	-
Schemes completed in the year	(154)	(100)	(5)	154	100	5	-
Additions	216	196	6	23	1	-	442
Capitalised interest in the year	15	12	-	-	-	-	27
Transfer to current assets	(3)	2	-	-	-	-	(1)
Disposals	-	-	-	(15)	(27)	(2)	(44)
At 31 March 2021	**678**	**491**	**28**	**8,623**	**1,009**	**84**	**10,913**
Depreciation							
At 1 April 2020	-	-	-	700	5	6	711
Charge for year	-	-	-	80	-	-	80
Eliminated in respect of disposals	-	-	-	(3)	-	-	(3)
At 31 March 2021	**-**	**-**	**-**	**777**	**5**	**6**	**788**
Impairment							
At 1 April 2020	7	1	7	13	2	-	30
Reclassifications	-	(1)	-	-	-	-	(1)
Schemes completed in the year	-	-	(2)	-	-	2	-
Charge for year	29	-	3	-	-	-	32
Release in the year	(1)	-	(3)	(2)	(1)	-	(7)
At 31 March 2021	**35**	**-**	**5**	**11**	**1**	**2**	**54**
Net book value:							
At 31 March 2021	**643**	**491**	**23**	**7,835**	**1,003**	**76**	**10,071**
At 31 March 2020	**581**	**385**	**20**	**7,762**	**925**	**75**	**9,748**

In LQHT, a total funding value of £9,063m (2020: £8,263m) has been pledged as security on debt.

12. Fixed assets – Housing properties (continued)

Impairment
An assessment to identify impairment triggers associated with fixed assets at yearend was performed, resulting in a full impairment review of these assets where a trigger existed.

On housing properties held for lettings a release of impairment of £3m (2020: £3m) was recognised in the year, and one scheme completed in the year required £2m impairment to be transferred from non-social housing under construction to non-social housing lettings.

The Group recognised a further £38m and LQHT £32m of impairment on housing properties under construction (2020: £23m for Group and £16m for LQHT) and released £15m as a result of the required annual review in line with FRS102.

This reflects a combination of the current economic market environment affecting future recoverable values as well as unforeseen cost increases of several development projects.

13a. Other tangible fixed assets

Group	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2020	54	3	9	23	89
Additions	-	-	-	2	2
Disposals	-	-	(3)	(13)	(16)
At 31 March 2021	54	3	6	12	75
Depreciation					
At 1 April 2020	6	1	5	13	25
Charge for year	1	-	1	4	6
Eliminated in respect of disposals	-	-	(3)	(13)	(16)
At 31 March 2021	7	1	3	4	15
Net book value:					
At 31 March 2021	47	2	3	8	60
At 31 March 2020	48	2	4	10	64

LQHT	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2020	54	2	9	21	86
Additions	-	-	-	1	1
Disposals	-	-	(3)	(13)	(16)
At 31 March 2021	54	2	6	9	71
Depreciation					
At 1 April 2020	14	1	6	14	35
Charge for year	-	-	-	3	3
Eliminated in respect of disposals	-	-	(3)	(12)	(15)
At 31 March 2021	14	1	3	5	23
Net book value:					
At 31 March 2021	40	1	3	4	48
At 31 March 2020	40	1	3	7	51

Other fixed assets
Depreciation on other fixed assets is charged on a straight-line basis over the expected useful economic lives of the fixed assets to write down the cost less estimated residual values at the following annual rates set out to the right:

• Freehold premises	25-100 years
• Short leasehold premises	Shorter of 10 years or life of lease
• Furniture and equipment	4-8 years
• Motor vehicles	4 years
• Computer equipment	3 years
• Service equipment	5 years

13b. Intangible assets

Group	Computer software £m	Total £m
Cost		
At 1 April 2020	38	38
Additions	4	4
Disposals	(20)	(20)
At 31 March 2021	22	22
Amortisation		
At 1 April 2020	21	21
Charge for year	3	3
Eliminated in respect of disposals	(20)	(20)
At 31 March 2021	4	4
Net book value:		
At 31 March 2021	18	18
At 31 March 2020	17	17

LQHT	Computer software £m	Total £m
Cost		
At 1 April 2020	37	37
Additions	4	4
Disposals	(20)	(20)
At 31 March 2021	21	21
Amortisation		
At 1 April 2020	21	21
Charge for year	3	3
Eliminated in respect of disposals	(20)	(20)
At 31 March 2021	4	4
Net book value:		
At 31 March 2021	17	17
At 31 March 2020	16	16

Intangible assets

Amortisation on intangible assets is charged on a straight-line basis from the year after the financial purchase is made and spread over the expected useful economic lives of the intangible assets to write down the cost less estimated residual values at the annual rates set out below.

- Software development 3-7 years

14. Investments

a) Investment in jointly controlled entities (joint ventures)

An entity is treated as jointly controlled entity where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control by virtue of voting rights or degree of influence exercisable.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group.

In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

14. Investments (continued)

Group	Barking Riverside Ltd £m	Limited Liability Partnerships £m	Associates £m	Total £m
Cost				
At 1 April 2020	**43**	**272**	**3**	**318**
Additions	8	11	4	**23**
Repayments	-	(86)	-	**(86)**
At 31 March 2021	**51**	**197**	**7**	**255**
Goodwill				
At 1 April 2020	**17**	**1**	-	**18**
Additions	-	-	-	-
Amortisation	(1)		-	**(1)**
At 31 March 2021	**16**	**1**	-	**17**
Impairment				
At 1 April 2020	-	**(4)**	-	**(4)**
Charge for the year	-	-	-	-
Release in the year	-	-	-	-
At 31 March 2021	-	**(4)**	-	**(4)**
Share of reserves				
At 1 April 2020	**(2)**	**41**	-	**39**
Share of profit in the year	-	45	-	**45**
Profit distributed	-	(25)	-	**(25)**
At 31 March 2021	**(2)**	**61**	-	**59**
Net book value:				
At 31 March 2021	**65**	**255**	**7**	**327**
At 31 March 2020	**58**	**310**	**3**	**371**

Included in the share of profit from joint ventures as shown in the group statement of comprehensive income £37m (2020: £25m) are adjustments for intragroup transactions with joint ventures that do not get adjusted for in the investment in jointly controlled entities in the statement of financial position.

Active trading joint ventures, all established in the UK, as at 31 March 2021 were as follows:

Joint venture	Partner	Group interest	Group voting rights	Total investment £m
Jointly controlled entities				
Barking Riverside Limited	Greater London Authority	51%	50%	**65**
BDWZest Developments LLP	BDW Trading Limited	50%	50%	**2**
Alie Street LLP	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	-
Queensland Road	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	-
Fulham Wharf	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	**14**
Nine Elms	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	**5**
Academy Central LLP	George Wimpey East London Ltd	38%	50%	-
Chobham Manor LLP	Taylor Wimpey UK Limited	50%	50%	**26**
Countryside Zest (Beaulieu Park) LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**65**
Countryside L&Q (Oaks Village) LLP	Countryside Four Ltd	50%	50%	-
Acton Gardens LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**10**
Ponton Road LLP	Bellway Homes Limited	50%	50%	**34**
Erith Hills LLP	Anderson Design Limited	50%	50%	**31**
Fairview L&Q PR LLP	Fairview New Homes Limited	50%	50%	**34**
Triathlon Homes LLP	Southern Space Ltd and First Base 4 Stratford LLP	33%	33%	-
Stepney Way 1 LLP	Mount Anvil	50%	50%	**34**
Stepney Way 2 LLP	Mount Anvil	50%	50%	-
Laurus Partnership Homes LLP	Willmott Dixon Construction Limited	100%	50%	-
Health Social Innovators LLP	- Numbers for Good Ltd - UCL Business PLC	50%	50%	-
Heath Farm Lane LLP	Vistry Partnerships	50%	50%	-

14. Investments (continued)

Joint venture	Partner	Group interest	Group voting rights	Total investment £m
Jointly controlled entities (continued)				
GM Homes SIB Partnership LLP	- Eastlands Home Partnership Limited - Homelessness Support LLP	25%	50%	-
JV North Limited	Various	10%	10%	-
Manchester Athena Limited	Various	17%	17%	-
GM JV Fundco LLP	Various	10%	10%	-
Laurus Living Space LLP	Wates Construction Limited	50%	50%	-
Laurus Lovell Whalley LLP	Lovell Partnership Limited	50%	50%	-
Investment in associates				
Harley Winchester Ltd	Various	75%	75%	7
Jointly controlled asset				
Beam Park	Countryside Properties (UK) Ltd	50%	50%	-
Total				**327**

L&Q Group has entered into one new joint venture within the year – Laurus Lovell Whalley LLP.
The group has 50% voting rights in most jointly controlled entities, except for a 33% voting right in Triathlon Homes LLP, 10% in JV North Limited, 17% in Manchester Aretha Limited and 10% in GM LV Fundco LLP. Apart from Barking Riverside, which is a limited company, all of the jointly controlled entities are limited liability partnerships, therefore not limited by share. All jointly controlled entities have a March year end except for Academy Central LLP, Fairview L&Q PR LLP and Laurus Lovell Whalley LLP which have a 31 December year end; Countryside Zest (Beaulieu) LLP, Countryside L&Q (Oaks Village) LLP and Acton Gardens LLP which have a 30 September year end; and Ponton Road LLP which has a 31 July year end.

The Group has a 50% interest through partnership agreements in BDWZest LLP and Zest BDW LLP which in turn each have a 50% interest in BDWZest Development LLP and a 0.5% interest in Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP and Nine Elms LLP. BDWZest Development LLP has a 99% interest in Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP and Nine Elms LLP.

The Group has a one-third interest in Triathlon Homes LLP, which is jointly formed with Southern Space Ltd (part of Southern Housing Group) and First Base 4 Stratford LLP. Triathlon owns or manages 1,379 affordable homes in the former Olympic Athletes Village in Stratford.

b) Investments - HomeBuy equity loans

HomeBuy is a term used to describe a program of low cost home ownership products where a loan is provided by the group to the purchaser of a property at a nil interest rate. The program is funded through a combination of government grant and the Group's own funds. The loan made to the purchaser has no fixed repayment date and there are no monthly repayment requirements.

The group shares in any future capital gain realised on redemption of the loan, which will be when the property is sold or if the purchaser chooses to repay the loan without selling the property. In the circumstances where the purchaser chooses to repay the loan without selling the property, the value of the loan to be repaid is based on the property market value at that date. Any future capital loss realised on redemption of the loan is offset initially against the government grant.

In the accounting of the HomeBuy equity loan investment, the group has opted to adopt paragraphs PBE34.90 to PBE 34.97 of FRS 102. All are non-current loans, as they are not redeemable on demand.

The scheme is now closed to new entrants, and there were no new commitments taken up at the year end.

As at 31 March 2021, HomeBuy equity loans amounted to £98m for the Group and LQHT (2020: £104m) and HomeBuy grant amounted to £87m for the Group and LQHT (2020: £92m).

c) Investment properties

Investment properties (Private Rented Sector, "PRS") are valued in the year of acquisition or transfer, and subsequently on an annual basis by a qualified RICS Chartered Surveyor. This valuation was prepared in accordance with the RICS valuation – Global Standards (incorporating the IVS International Valuation Standards) 2017 together with, where applicable, with the UK National Supplement effective January 2019 (the "Red Book"). The properties are valued on an open market value basis subject to tenancies.

Changes in the value of market rented properties are taken to the income statement in the period they arise. PRS properties under construction are not classified as investment properties and are stated at cost. All commitments in respect of these are included as capital commitments (see note 26).

Investment properties – Market rented	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
At 1 April 2020	1,026	942	-	6
Arising on acquisition	-	6	-	-
Additions	-	17	-	-
Transfer from/(to) fixed assets	53	57	-	(6)
Revaluation	3	7	-	-
Disposal	(12)	(3)	-	-
Other movements	(1)	-	-	-
At 31 March 2021	**1,069**	1,026	-	-

14. Investments (continued)

d) Investments - Real Lettings property fund

The Real Lettings property fund is a residential property fund providing move-on accommodation for homeless individuals and families in London. The investment was made in instalments with the final instalment made in 2015, bringing the total amount invested to £10m. The fund is managed by Resonance Impact Investment Limited (RIIL) and LQHT receive quarterly distributions recognised in other finance income.

e) Equity investment in subsidiaries

All equity investments in subsidiaries are eliminated on consolidation. The amounts presented in LQHT are direct investments in subsidiary undertakings.

As at March 2021, LQHT held:

- £300m in PRS Co Ltd (2020: £300m)
- £311m in Gallagher Estates Ltd (2020: £312m)
- £550m in L&Q New Homes Ltd (2020: £550m)
- £2m in L&Q Energy Ltd (2020: £2m)

f) Goodwill

Goodwill arose on the acquisition of 100% of the shares of Gallagher Estates group of companies on 1 February 2017. The principal activity of these companies is property development, specifically around land parcels and servicing.

The expected useful life of goodwill is 5 years from the date of acquisition.

Photo: Greenwich Square

g) Acquisition in previous year

On 1 October 2019 the L&Q Group entered into a business combination recognising the value of Trafford Housing Trust in the statement of comprehensive income as a gift to L&Q as per FRS 102 (PBE 34.77). All post acquisition results of Trafford Housing Trust and its subsidiaries have been consolidated in the Group statement of comprehensive income.

The acquisition had the following effect on the Group's assets and liabilities.

Trafford Housing Trust net assets at acquisition date	Book values £m	Fair value adjustments £m	Recognised values on acquisition £m
Fixed assets - housing properties	209	208	417
Investment properties	6	-	6
Other fixed assets	10	-	10
Investments	21	-	21
Properties for sale	4	-	4
Debtors	32	-	32
Cash	5	-	5
Creditors due less than one year	(56)	-	(56)
Creditors due more than one year	(153)	(32)	(185)
Deferred grant liability	(18)	15	(3)
Pension Liability	(19)	3	(16)
Net identifiable assets and liabilities	**41**	**194**	**235**

The sum of the net book value of assets and liabilities, effectively Trafford Housing Trust reserves on 1 October 2019 of £41m and the net fair value uplift of £194m resulted in a gift of £235m which was treated as an exceptional gain in the previous financial year.

15. Land and properties for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Costs comprise of materials and direct overheads attributable to the development. Interest incurred is capitalised from the point of first obtaining planning permission, throughout work in progress and up to the point of practical completion of the development scheme. Net realisable value is assessed using publicly available information and internal forecasts on future sales price after allowing for all further costs of completion and disposal.

Strategic land under development and promotion included as open market sales under construction is valued at the lower of cost and estimated selling price less costs to complete and selling expenses. Cost includes the purchase of land together with its acquisition expenses and promotional costs associated with developments once the viability of such a development is reasonably secure. Work in progress is appraised within the context of current market values or the expected sale prices achievable over the development period and is reduced to estimated selling price less costs to complete and selling expenses where changes in circumstances indicate full recovery is unlikely. At the date a sale is recognised all costs, including planning and infrastructure costs attributable to that sale, are taken to cost of sales. No interest or directly attributable overheads are capitalised against these strategic land developments.

Group	Land and properties under construction		Completed properties for sale		
	Low-cost home ownership £m	Open market sales £m	Low-cost home ownership £m	Open market sales £m	Total £m
At 1 April 2020	**256**	**756**	**18**	**70**	**1,100**
Completed in the year	(63)	(164)	56	171	-
Additions	89	38	-	-	**127**
Capitalised interest	6	14	-	-	**20**
Reclassification from fixed assets	(2)	(1)	-	1	**(2)**
Cost of properties sold	-	(55)	(48)	(195)	**(298)**
Impairment of current assets	(1)	(7)	-	-	**(8)**
Release of impairment of current assets	1	-	-	-	**1**
Reclassifications	1	(1)	-	-	**-**
Transfer (to) other debtors	-	(6)	-	-	**(6)**
At 31 March 2021	**287**	**574**	**26**	**47**	**934**

LQHT	Properties under construction		Completed properties for sale		
	Low-cost home ownership £m	Open market sales £m	Low-cost home ownership £m	Open market sales £m	Total £m
At 1 April 2020	**208**	**1**	**19**	**-**	**228**
Completed in the year	(61)	(6)	61	6	-
Additions	97	3	-	-	**100**
Capitalised interest	6	-	-	-	**6**
Reclassification from fixed assets	(2)	3	-	-	**1**
Cost of properties sold	-	-	(46)	(6)	**(52)**
Impairment of current assets	(1)	-	-	-	**(1)**
Release of impairment of current assets	1	-	-	-	**1**
Reclassifications	-	-	-	-	**-**
At 31 March 2021	**248**	**1**	**34**	**-**	**283**

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Significant judgement is required in determining the selling price of certain items of stock, specifically the strategic land stock of £325m (2020: £351m) included in Group land and properties under construction – open market sales. In determining the selling price a number of factors were considered such as planning status, the number of properties that could be built on the sites and increased construction costs.

16a. Debtors due after more than one year

On-lending loans made to subsidiaries by London and Quadrant Housing Trust are classified as a long term debt as formal agreements deem them not to be repayable within one year. These are shown at cost with interest between 1.0% and 5.8% (2020: 1.2% and 5.8%) charged at arm's length.

All deferred land payments with fixed dates of more than one year under the land sale contracts are presented at a discounted rate of 3.5% per annum (2020: 3.5%).

There were no new deferred land payments in the year.

	Group 2021 £m	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
Amounts owed by subsidiaries	**-**	-	**949**	1,137
Forward funding of land purchase	**75**	93	**51**	59
Deferred tax asset	**-**	1	**-**	-
Deferred land payments	**-**	-	**-**	-
Shared equity	**2**	2	**2**	2
	77	96	**1,002**	1,198

Shared equity relates to loans provided on the same basis as the HomeBuy scheme to leasehold residents covering the shortfall in purchase price as a result of decants for demolition at Ocean Estate.

16b. Debtors

	Group 2021 £m	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
Amounts receivable within one year:				
Former tenant arrears	**12**	7	**11**	7
Less: provision for bad and doubtful debts	**(12)**	(7)	**(11)**	(7)
	-	-	**-**	-
Current tenant arrears	**47**	45	**42**	41
Less: provision for bad and doubtful debts	**(13)**	(13)	**(11)**	(12)
	34	32	**31**	29
Social housing grant receivable	**-**	1	**-**	1
Deferred tax asset	**6**	3	**-**	-
Other debtors and prepayments	**133**	173	**30**	97
Amount owing from subsidiaries	**-**	-	**30**	28
	173	209	**91**	155

Other debtors and prepayments include deferred land debtors of £35m (2020: £42m) and development debtors of £11m (2020: £77m).

17. Cash and cash equivalents

	Group 2021 £m	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
Cash and cash equivalents	**132**	157	**81**	103
Bank overdrafts	**-**	-	**-**	-
	132	157	**81**	103

Restrictions on cash and cash equivalents include £21m (2020: £23m) held in debt service reserve, £3m (2020: £3m) as held funds. All cash and cash equivalents mature in three months or less, or are convertible to cash within three months or less. Financial assets pledged as collateral can be replaced subject to negotiations.

18. Creditors: amounts falling due within one year

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Debenture loans (see note 22)	310	9	310	9
Bank loans and overdrafts (see note 22)	50	50	50	50
Trade creditors	59	88	8	24
Other taxation and social security	11	9	1	1
Accruals and deferred income	167	174	59	64
Other creditors	134	186	82	77
Social housing grant (see note 20)	24	24	24	24
Amounts due to subsidiaries	-	-	33	60
	755	540	567	309

All accrued costs to complete on strategic land development are treated as amounts falling due within one year as their nature and timing are uncertain.

Included in Accruals and deferred income is £81m related to Land sales (2020: £83m). Included in other creditors is development related creditors of £90m (2020: £106m).

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

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Debenture loans (see note 22)	3,234	2,994	2,935	2,694
Bank loans and overdrafts (see note 22)	1,865	2,475	1,865	2,475
Total housing loans	5,099	5,469	4,800	5,169
Net issue premium	(39)	(37)	(37)	(34)
Loan fair value adjustments	92	96	-	-
Total loans measured at amortised cost	5,152	5,528	4,763	5,135
Deferred income	3	3	-	-
Other creditors	58	59	53	46
Recycled capital grant fund (see note 21)	95	87	94	87
	5,308	5,677	4,910	5,268

20. Social Housing Grant

Social housing grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred government grant income and released through the profit and loss as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of HomeBuy investments, shown in note 14b.

For items where on transition to FRS 102 an election was taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal, SHG associated with those properties is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Social Housing Grant – Group	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2020	400	107	-	1,750	203	-	2,460
Reclassification	(13)	13	-	-	-	-	-
Schemes completed in the year	(33)	(14)	-	33	14	-	-
Received during the year	19	28	-	3	-	-	50
Recycled on disposal	-	-	-	(2)	(6)	-	(8)
At 31 March 2021	373	134	-	1,784	211	-	2,502
Amortisation							
At 1 April 2020	-	-	-	238	93	-	331
Charge for the year	-	-	-	17	9	-	26
Eliminated on disposal	-	-	-	-	(2)	-	(2)
At 31 March 2021	-	-	-	255	100	-	355
Net book value:							
At 31 March 2021	373	134	-	1,529	111	-	2,147
At 31 March 2020	400	107	-	1,512	110	-	2,129

20. Social Housing Grant (continued)

Ageing analysis - Group

	Group 2021	Group 2020
Social Housing Grant		
Within one year	**24**	24
Greater than one year	**2,123**	2,105
Total	**2,147**	2,129

Social Housing Grant – LQHT	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2020	**399**	**104**	**-**	**1,770**	**207**	**-**	**2,480**
Reclassification	(14)	14	-	(1)	1	-	**-**
Schemes completed in the year	(32)	(14)	-	32	14	-	**-**
Received during the year	18	27	-	-	-	-	**45**
Recycled on disposal	-	-	-	(2)	(6)	-	**(8)**
At 31 March 2021	**371**	**131**	**-**	**1,799**	**216**	**-**	**2,517**
Amortisation							
At 1 April 2020	**-**	**-**	**-**	**238**	**94**	**-**	**332**
Charge for the year	-	-	-	18	8	-	**26**
Eliminated on disposal	-	-	-	-	(2)	-	**(2)**
At 31 March 2021	**-**	**-**	**-**	**256**	**100**	**-**	**356**
Net book value:							
At 31 March 2021	**371**	**131**	**-**	**1,543**	**116**	**-**	**2,161**
At 31 March 2020	**399**	**104**	**-**	**1,532**	**113**	**-**	**2,148**

Ageing analysis - LQHT

	LQHT 2021	LQHT 2020
Social Housing Grant		
Within one year	**24**	24
Greater than one year	**2,137**	2,124
Total	**2,161**	2,148

21. Recycled capital grant fund

The Regulator of Social Housing can direct the Group to recycle SHG or to repay the recoverable capital grant back. Where the grant is recyclable the recoverable capital grant is credited to the recycled capital grant fund (RCGF), which is included as a creditor due either within one year or after more than one year as appropriate.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
At beginning of the year	**87**	84	**87**	84
Net HomeBuy grant abated	**(1)**	-	**(1)**	-
Net SHG recovered	**-**	-	**-**	-
Transferred to fund during year	**15**	18	**14**	18
Utilised during the year against new build	**(6)**	(15)	**(6)**	(15)
At end of the year	**95**	87	**94**	87

There are no amounts 3 years old or older where repayment may be required (2020: £nil).

22. Debt analysis – on loans measured at amortised cost

This note provides information about the contractual terms of the Group's and its subsidiaries' interest-bearing loans and borrowings. All loans and borrowings are measured at amortised cost, including those that have embedded derivative financial instruments attached to them whereby the embedded derivative is deemed to be closely related to the host contract.

With the exception of £300m (2020: nil) unsecured commercial paper due within one year, debenture and bank loans are secured by way of a first fixed charge over housing properties and include an asset cover test based on the ratio on the value of properties secured to the carrying value of the loan. Bank loans include interest cover and gearing covenants each of which is tested annually against relevant disclosures within the statement of comprehensive income and statement of financial position.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Creditors falling due within one year				
Debenture loans	**310**	9	**310**	9
Bank loans	**50**	50	**50**	50
	360	59	**360**	59
Creditors falling due after more than one year				
Debenture loans	**3,234**	2,994	**2,935**	2,694
Bank loans and overdrafts	**1,865**	2,475	**1,865**	2,475
	5,099	5,469	**4,800**	5,169
Total housing loans	**5,459**	5,528	**5,160**	5,228

The following is an analysis of the anticipated contractual cash flows for the Group's drawn loans measured at amortised cost and derivative financial instruments held as at 31 March 2021 excluding deferred finance, capitalised costs and fair value adjustments.

Interest is calculated on an undiscounted basis whereby floating rate loans are determined using the prevailing implied forward rates as at 31 March 2021.

Group Debt analysis – interest-bearing loans and borrowings

As at 31 March 2021	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	**(360)**	**(142)**	**-**	**(502)**
Between one and two years	**(394)**	**(141)**	**-**	**(535)**
Between two and three years	**(276)**	**(138)**	**-**	**(414)**
Between three and five years	**(413)**	**(268)**	**-**	**(681)**
In five years or more	**(4,016)**	**(1,519)**	**-**	**(5,535)**
Gross contractual cash flows	**(5,459)**	**(2,208)**	**-**	**(7,667)**

As at 31 March 2020	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(59)	(145)	-	(204)
Between one and two years	(895)	(143)	-	(1,038)
Between two and three years	(239)	(134)	-	(373)
Between three and five years	(547)	(256)	-	(803)
In five years or more	(3,788)	(1,555)	-	(5,343)
Gross contractual cash flows	(5,528)	(2,233)	-	(7,761)

22. Debt analysis – on loans measured at amortised cost (continued)

LQHT Debt analysis – interest-bearing loans and borrowings

As at 31 March 2021	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(360)	(133)	-	(493)
Between one and two years	(394)	(132)	-	(526)
Between two and three years	(276)	(129)	-	(405)
Between three and five years	(413)	(251)	-	(664)
In five years or more	(3,717)	(1,504)	-	(5,221)
Gross contractual cash flows	(5,160)	(2,149)	-	(7,309)

As at 31 March 2020	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(59)	(137)	-	(196)
Between one and two years	(895)	(135)	-	(1,030)
Between two and three years	(239)	(125)	-	(364)
Between three and five years	(547)	(238)	-	(785)
In five years or more	(3,488)	(1,530)	-	(5,018)
Gross contractual cash flows	(5,228)	(2,165)	-	(7,393)

The weighted average cost of fixed rate loans was 3.7% (2020: 3.9%), and variable rate loans was 1.4% (2020: 1.3%) inclusive of lending margins. 65% of the Group's debt, including the use of financial instruments (see note 29) was fixed (2020: 54%). Interest rates on fixed rate debt range from 0.4% to 11.5% (2020: 2.3% to 11.5%).

	Loans at amortised cost £m	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Weighted average life of loan Years
At 31 March 2021	5,459	1,915	3,544	3.3	12
At 31 March 2020	5,528	2,525	3,003	3.4	12

Analysis of changes in net debt - Group

	As at 31 March 2020	Cashflows	Other non- cash movements	As at 31 March 2021
Cash	157	(25)	-	132
Debt due within one year	(59)	-	(301)	(360)
Debt due after one year	(5,469)	(378)	748	(5,099)
Net debt	(5,371)	(403)	447	(5,327)

23. Provisions for liabilities and charges

The Group recognises provisions and liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the Statement of Financial Position date.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
At beginning of the year	59	55	30	25
Increase in provision	47	17	36	16
Release of provision	(19)	(13)	(17)	(11)
At end of the year	87	59	49	30

An analysis of the movement in each specific provision is set out below.

The provision in respect of works in relation to fire safety and other major works identified as either legally required or for which the Group had a constructive obligation increased £22m in the year as further inspections have taken place identifying additional works required. Upon completion of works previously provided for relating to ACM cladding replacement and other major works in relation to fire safety, £13m was released (this included a release and re-provision exercise to align with current work plans on some schemes).

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Major works obligation				
At beginning of the year	21	17	21	16
Increase in provision	22	13	22	13
Release of provision	(13)	(9)	(13)	(8)
At end of the year	30	21	30	21

A self-insurance amount of £2m following release of £1m in the year:

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Self-insurance reserve provision				
At beginning of the year	3	5	3	5
Increase in provision	-	-	-	-
Release of provision	(1)	(2)	(1)	(2)
At end of the year	2	3	2	3

A new provision category for construction build defects where there is an obligation to correct substandard works at schemes which were built by the Group:

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Construction defects				
At beginning of the year	-	-	-	-
Increase in provision	14	-	3	-
Release of provision	-	-	-	-
At end of the year	14	-	3	-

A new provision category for customer refunds where there is an obligation as a result of past liabilities relating to water rate commissions:

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Customer refunds				
At beginning of the year	-	-	-	-
Increase in provision	8	-	8	-
Release of provision	-	-	-	-
At end of the year	8	-	8	-

Warranties are provided for completed development homes from date of sale completion for a period of two years and charged to the scheme costs:

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Warranties on new build properties				
At beginning of the year	5	4	5	4
Increase in provision	2	2	2	2
Release of provision	(2)	(1)	(2)	(1)
At end of the year	5	5	5	5

A restructuring provision of £1m was released in the year in relation to specific restructuring plans put in place in the previous year:

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Restructuring provision				
At beginning of the year	1	-	1	-
Increase in provision	-	1	-	1
Release of provision	(1)	-	(1)	-
At end of the year	-	1	-	1

23. Provisions for liabilities and charges (continued)

A deferred tax provision is made for changes in valuation of the Group's Private Rented Sector portfolio and in relation to the fair value gain arising on the acquisition of Gallagher Estates

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Deferred tax				
At beginning of the year	29	29	-	-
Increase in provision	1	1	-	-
Release of provision	(2)	(1)	-	-
At end of the year	28	29	-	-

24. Contingent liabilities

A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay social housing grant where properties are disposed of.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
At start of the year	1,782	1,746	1,735	1,715
Arising on acquisition	-	16	-	-
Increase in the year	20	20	20	20
At end of the year	1,802	1,782	1,755	1,735

The movement in contingent liabilities in the year relates to an increase from amortised grant less any grant related to units that were disposed in the year.

25. Share capital

	Group 2021 £	Group 2020 £	LQHT 2021 £	LQHT 2020 £
Shares of £1 each issued and fully paid				
At beginning of the year	10	10	10	10
Issued during year	2	-	2	-
Cancelled or eliminated during the year	(3)	-	(3)	-
At end of the year	9	10	9	10

26. Capital commitments

Capital commitments are disclosed in respect of capital expenditure towards fixed assets which have been contracted and predominantly relate to developments where known contractors have been appointed and which have started on site.

	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Expenditure that has been contracted for but has not been provided for in these financial statements	2,481	2,332	2,374	2,285
Expenditure that has been authorised by the Governing Board but has not yet been contracted for	463	757	452	757
	2,944	3,089	2,826	3,042
The Group expects to finance contracted commitments through:				
Social housing grant	454	362	454	362
Surpluses and borrowings	2,027	1,970	1,919	1,923
	2,481	2,332	2,373	2,285

The future projected cost of the entire development pipeline (including work in progress and developments not yet committed or on site) that extends until the financial year ending 31 March 2040 is estimated at £5.1bn (2020: 5.3bn) of which £4.5bn (85%) is currently committed (2020: £5.6bn).

Our approved development pipeline has the following projections:

	Group 2021	Group 2020
Homes in the development pipeline	32,482	29,504
	£m	£m
Projected pipeline cost	5,050	5,324
Projected source of funding		
Social housing grant	558	498
Surpluses and borrowings	4,492	4,826
	5,050	5,324

27. Commitments under operating leases

Total commitments under operating leases are as set out below:

Land and buildings Operating leases which expire:	**Group 2021 £m**	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
In less than one year	**2**	1	**1**	-
Between one and five years	**2**	4	**-**	1
After five years	**3**	1	**4**	1
Total	**7**	6	**5**	2

Vehicle leases Operating leases which expire:	**Group 2021 £m**	Group 2020 £m	**LQHT 2021 £m**	LQHT 2020 £m
In less than one year	**2**	-	**2**	-
Between one and five years	**4**	1	**4**	-
After five years	**-**	-	**-**	-
Total	**6**	1	**6**	-

28. Related party transactions

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms. The Group has taken advantage of the exemption contained in FRS 102 33.1(A) Related Party Disclosures and has therefore not disclosed transactions or balances between entities which are 100% owned. Per requirements of the Accounting Direction 2019, transactions between registered providers and other non-registered entities in the Group are disclosed below.

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2021:

2021	**Sales income £m**	**Cost of sales £m**	**Operating costs £m**	**Gift aid £m**	**Loan interest payable £m**	**Loan interest receivable £m**	**Loan creditors £m**	**Loan debtors £m**	**Other creditors £m**	**Other debtors £m**
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	206	(190)	-	-	(10)	-	(255)	-	(29)	31
L&Q New Homes Ltd	64	(67)	(4)	(9)	(7)	-	-	-	-	-
L&Q PRS Co Ltd	-	-	(5)	(8)	(8)	-	(413)	-	(1)	-
Quadrant Housing Finance Ltd	-	-	-	-	-	9	-	121	-	1
East Place Ltd	-	-	-	-	-	-	(2)	-	-	-
East Regen Ltd	1	(1)		-	-	-	-	-	-	-
THT and L&Q Developments LLP	-	-	-	-	(2)	-	(29)	-	-	-
Gallagher Estates Ltd	-	-	-	(7)	(2)	-	(39)	-	-	-
Gallagher Estates NR Ltd	-	-	-	(3)	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	-	(7)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(1)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	(1)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries			9	36	(9)	29	(121)	738	(32)	30

28. Related party transactions (continued)

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2020:

2020	Sales income	Cost of sales	Operating costs	Gift aid	Loan interest payable	Loan interest receivable	Loan creditors	Loan debtors	Other creditors	Other debtors
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	349	(343)	-	-	(18)	-	(268)	-	-	51
L&Q New Homes Ltd	123	(121)	(1)	(70)	(10)	-	(177)	-	(27)	-
L&Q PRS Co Ltd	-	-	(2)	(6)	(10)	-	(391)	-	-	7
Quadrant Housing Finance Ltd	-	-	-	-	-	9	-	128	-	1
East Place Ltd	-	-	-	-	-	-	(1)	-	(1)	-
East Regen Ltd	2	(2)		(1)	-	-	-	-	-	-
East Thames Partnership Ltd	-	-	-	(3)	-	-	-	-	-	-
THT and L&Q Developments LLP	-	-	-	-	(1)	-	(23)	-	-	-
Gallagher Estates Ltd	-	-	-	(45)	(1)	-	(87)	-	-	-
Gallagher Estates NR Ltd	-	-	-	(18)	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	-	-	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(11)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	6	(7)	3	154	(9)	39	(128)	924	(59)	28

Quadrant Construction Services Ltd operates on a cost-plus basis in recharging all of its direct costs to LQHT as the parent currently using a 2% mark-up (2020: 2%).

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms.

Rents received from tenant and leaseholder board members during the year are £5,893 (2020: £5,724) of which £nil (2020: £nil) was included in amounts owing at the year end.

The defined benefit pension schemes are considered to be related parties, transactions between the group and the group's pensions plans are disclosed in note 9.

Through the declaration of interest from key management personnel, the following related party transactions are required to be disclosed:

- LQHT paid the Centre for London £24,000 in relation to an amount that was outstanding in 2020. Fiona Fletcher-Smith is a board trustee of Centre for London.
- LQHT incurred membership fees and conference costs totalling £134,150 towards the National Housing Federation (NHF) as well as making a £12,500 donation towards coronavirus crisis support. No amounts were outstanding at year end. Waqar Ahmed and Sean Anstee are board members of National Housing Federation. Sean joined the LQHT board on 1 October 2020.
- LQHT paid interest payments totalling £1,293,920 in the year to THFC (Capital Plc) and has a facility amount of £14,325,546 fully drawn. David Montague was a board member of THFC and CEO of L&Q until his resignation on 11 January 2021.
- LQHT was recharged by Buckinghamshire Healthcare NHS Trust a total of £37,670 for communal energy services with £10,634 outstanding at year end. Rajiv Jaitly is a non-executive director of the Buckinghamshire Healthcare NHS Trust.
- LQHT was invoiced by the Housing Associations' Charitable Trust (HACT) a total of £39,200 for costs relating to the L&Q Foundation, with no amounts outstanding at year end. Samantha Hyde was a board trustee of HACT and LQHT until her resignation on 9 September 2020.
- LQHT recharged Barking Riverside Limited (BRL) £11,500 in relation to audit fees, with no amounts outstanding at the year end. Diane Hart and Victoria Savage are board members of BRL.
- LQHT paid executive search and recruitment fees to Saxton Bampfylde of £24,780 in the year, with no amounts outstanding at year end. Larissa Joy is director of Saxton Bampfylde and was a board member of LQHT until her resignation on 5 December 2020.
- LQHT was invoiced by Registered Institute of Chartered Surveyors (RICS) a total of £5,698 in the year for subscription fees, with no amounts outstanding at year end. Simon Rubinsohn is the RICS Chief Economist and was a LQHT Board member until his resignation on 30 September 2020.
- LQHT paid One Housing Group £87,361 in third party management costs, whilst receiving £221,513 in landlord fees. Diane Hart's husband is an Executive Director of One Housing Group.

29. Financial instruments

Initial measurement

Initially, financial assets and liabilities are measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Measurement subsequent to initial recognition

Subsequently, financial assets and liabilities (including derivatives) are measured at fair value, with the following exceptions:

- Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities which are measured at amortised cost using the effective interest method.
- Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of the IAS 39.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

- Where they exist, quoted market prices in an active market to measure the financial instrument.
- If a market for a financial instrument is not active, the Group will use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models where in each case it is an acceptable valuation technique that incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

29. Financial instruments (continued)

Hedge accounting

There are no current cashflow hedges to report in any of the L&Q Group companies.

Interest on financial instruments is calculated on an undiscounted basis using the prevailing implied forward rates as at the statement of financial position date for the floating rate leg and the fixed rate for the fixed rate leg.

Hedge accounting is applied to financial assets and financial liabilities of the Group where a hedging relationship qualifies for hedge accounting and if, and only if, all of the following conditions are met:

- At the inception of the hedge, or at the point of transition, formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge is in place. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship, and effectiveness can be reliably measured; and
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Under IAS 39 for financial instruments: recognition and measurement, it is necessary to comply with the criteria of 80% to 125% for hedge effectiveness.

Hedging instruments

A hedging instrument is classified as an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedged items

A hedged item is an item that exposes the Group to risk of changes in fair value or future cash flows and is designated as being hedged. A hedged item may include a single or group of recognised assets or liabilities, a firm commitment or a highly probable transaction.

Hedged effectiveness

The Group assesses hedge effectiveness both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the cumulative changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the cumulative changes in the fair value or cash flows of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%.

Accounting treatment - Cash flow hedges

Where the Group hedges its exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss, the hedging relationship is designated of a cash flow hedge.

A cash flow hedge is accounted for as follows:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and accumulated in the cash flow hedge reserve; and
- The ineffective portion of the gain or loss on the hedging instrument (including ineffectiveness within the 80% to 125% window) shall be recognised in profit or loss and disclosed separately in interest payable and similar charges. Ineffectiveness in this context represents over-effectiveness when the cumulative change in the fair value of the hedging instrument is higher than the cumulative change in the hedged item.

If the Group closes out early a cash flow hedge that has a designated hedging relationship, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to revenue reserve using the effective interest method.

Accounting treatment – Financial instruments measured at fair value through profit and loss

Some contracts that themselves are not financial instruments may nonetheless have financial instruments embedded in them. An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative.

The Group will separate an embedded derivative from its host contract when:

- The economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognised in the profit and loss statement.

If an embedded derivative is separated, the host contract is accounted for at amortised cost using the effective rate method and the fair value of the embedded derivative is recognised in profit and loss and disclosed separately in interest payable and similar charges. If the Group is unable to measure the embedded derivative separately, the entire combined contract will be designated at fair value through profit or loss.

Where an embedded derivative is closely related to the host contract, the entire contract shall be accounted for at amortised cost using the effective rate method. All of the Group's embedded derivatives are closely related to the host contract and accounted for at amortised cost.

29. Financial instruments (continued)

Financial instruments	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Financial instruments measured at fair value through profit and loss	**-**	-	**-**	-
Total loans measured at amortised cost	**5,512**	5,588	**5,123**	5,194
At end of the year	**5,512**	5,588	**5,123**	5,194

Risk

The main risk arising from the Group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The Group finances its operations through a mixture of retained surpluses, government grant and loan borrowings. The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost.

Cash flow hedges are entered into to hedge exposure to the variability in cash flows attributable to movements in GBP interest rates using GBP interest rate swap contracts whereby the Group agrees to pay interest at a fixed rate and receive interest at a floating rate. The interest rate swaps are designated as a hedge of the variability in the debt interest payments due to changes in the benchmark interest rate (LIBOR). This method reflects the risk management objective of the hedging relationship that is to swap a series of future variable cash flows to a fixed rate. The periods in which the hedged variable rates of interest payments are expected to occur are set out in the maturity analysis in note 22. The movement through the cash flow reserve for the year ended 31 March 2021 was £nil (2020: £nil.)

The Group's cash flow interest rate risk exposure is managed in accordance with treasury policy. As at 31 March 2021 a 0.5% increase in interest rates would result in an additional charge to the statement of consolidated income of £10m (2020: £13m).

Liquidity risk

The Group has a policy to maintain sufficient liquidity in cash and undrawn lending facilities to cover 18 months of operational activity. At the year end 74% of the Group's borrowings were due to mature in more than five years (2020: 69%). The liquidity risk of each Group entity is managed centrally by the Group treasury function in accordance with the Board approved Treasury Plan.

30. Financial assets and liabilities

Financial assets

The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Fair value through profit and loss

Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method.

Provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms. The amount of such a provision is disclosed as the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable item.

A summary of the financial instruments held by category is provided below:

Group	Financial assets at fair value		Financial assets at amortised cost	
Financial assets	2021 £m	2020 £m	2021 £m	2020 £m
Investment properties and real lettings property fund	**1,079**	1,036	**-**	-
Cash and cash equivalents	**-**	-	**132**	157
Debtors	**-**	-	**250**	305
	1,079	1,036	**382**	462

	Financial liabilities at fair value		Financial liabilities at amortised cost	
Financial liabilities	2021 £m	2020 £m	2021 £m	2020 £m
Trade and other payables	**-**	-	**453**	598
Loans and borrowings	**-**	-	**5,512**	5,588
Derivatives				
• Designated hedges	**-**	-	**-**	-
• Fair value through profit and loss	**-**	-	**-**	-
	-	-	**5,965**	6,186

30. Financial assets and liabilities (continued)

Valuation
All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from prices. All other loans and receivables are shown at amortised cost.

Credit risk
Credit risk applies to all debtor balances, the majority relating to tenant and other arrears which are reported monthly with dedicated teams assigned to manage recovery of those arrears. The Group fully provides for former tenant arrears except where recovery is assessed as likely. Provision against current tenant arrears is made based on experienced loss and the aged profile of the amounts due. More than 70% of the arrears are collected directly from local authorities in the form of housing benefits therefore reducing the Group's exposure to individual tenants' credit risk.

'Arrears' includes rent, service charge and other amounts related to a tenancy sub-account such as major works costs, maintenance recharges and court fees

Arrears provision	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
At beginning of the year	21	15	18	15
Arising on acquisition	-	1	-	-
Movement in provision	4	5	3	3
At end of the year	25	21	21	18

Arrears	Group 2021 £m	Group 2020 £m	LQHT 2021 £m	LQHT 2020 £m
Less than 30 days	6	9	5	8
30 to 60 days	5	5	4	4
60 to 90 days	4	3	4	3
More than 90 days	44	35	40	33
	59	52	53	48

Included in the above are £12m (2020: £7m) of former tenant arrears which are fully provided for through the statement of comprehensive income.

31. Ultimate holding entity

London & Quadrant Housing Trust is the ultimate holding entity of the Group.

32. Post year end events

On 29 April 2021 we announced the successful appointment of Vicki Savage as Group Director, Development and Sales, replacing the vacant post after Fiona Fletcher-Smith became the L&Q Group Chief Executive.

On 4 May 2021 we announced three new Group Board member appointments:

1. Dominique Kent will become chair of L&Q's care and support subsidiary, L&Q Living, from September, following the retirement of John Drew.
2. Maria Da Cunha will join as Chair of L&Q's Governance and Remuneration Committee upon the retirement of Trevor Moross later this year.
3. Raj Kumar will join as a Group Board member and a member of L&Q's Resident Services Board.

On 29 June 2021 Fitch revised their UK sovereign credit rating, which also revised the L&Q Group's rating from A+/Negative to A+/Stable.

On 21 July 2021 S&P affirmed its A-/Stable credit rating of the L&Q Group.

33. Group entities

The entities forming the Group are:

Entity	Status	Activity
London & Quadrant Housing Trust	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Registered social landlord and public benefit entity and the ultimate parent of the Group
L&Q New Homes Limited	Limited company registered in England and Wales	Property development and housing for open market sales
Quadrant Construction Services Limited	Limited company registered in England and Wales	Provision of design and build services and acting as principal contractor to members of Group
Quadrant Housing Finance Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Bond finance provided to Group members
L&Q PRS Co Limited	Limited company registered in England and Wales	Management and ownership of properties available for lettings in the private rental market
L&Q Living Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Provision of care services and supported housing
L&Q Energy Limited	Limited company registered in England and Wales	Energy services company providing heat and power
East Thames Partnership Limited	Limited company registered in England and Wales	Delivery of housing for sale (inactive)
East Regen Limited	Limited company registered in England and Wales	Development, design and construction of housing schemes

The entities forming the Group are:

Entity	Status	Activity
East Place Limited	Limited company in England and Wales	Property management and partner in Triathlon Homes LLP
East Homes Services Limited	Limited company by shares registered in England and Wales	Provides services to Triathlon Homes LLP
L&Q Estates Limited	Limited company by shares registered in England and Wales	Intermediate holding company and property development
Gallagher Estates Limited	Limited company by shares registered in England and Wales	Intermediate holding company and property development
Portobello Developments 2002 Limited	Limited company by shares registered in England and Wales	Property development
Wixams First Limited	Limited company by shares registered in England and Wales	Property development
Wixams NEA Management Company Limited	Limited company by guarantee registered in England and Wales	Incorporated to act as a property management company but currently dormant
Gallagher Estates NR Limited	Limited company by shares registered in England and Wales	Property development
Drayton Stratford Limited	Limited company by shares registered in England and Wales	Property development

33. Group entities (continued)

The entities forming the Group are:

Entity	Status	Activity
West Longstanton Limited	Limited company by shares registered in England and Wales	Small company property development
Gallagher Homes Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Longstanton Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Llanwern Limited	Limited company registered in England and Wales	Property development
Gallagher Projects Limited	Limited company by shares registered in England and Wales	Procurement and delivery of infrastructure and other construction activities
Gallagher Elstow Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Bridgend Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Poole Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Estates Land Limited	Limited company by shares registered in England and Wales	Dormant

The entities forming the Group are:

Entity	Status	Activity
J.J. Gallagher Construction Limited	Limited company by shares registered in England and Wales	Dormant
Redlawn Land Limited	Limited company by shares registered in England and Wales	Property development
Trafford Housing Trust Limited	Limited company by guarantee registered in England and Wales	Registered housing provider
THT and L&Q Community Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Partnership between THT and L&Q Housing Trust. Owns all rented and shared ownership housing assets developed by THT & L&Q Developments LLP
THT Properties Limited	Limited company by shares registered in England and Wales	Dormant
THT Developments Limited	Limited company by shares registered in England and Wales	Property development and housing for open market sales
THT and L&Q Developments LLP	Limited Liability Partnership	Partnership between THTD and L&Q New Homes. Property development and housing for affordable rent, shared ownership and open market sales
Laurus Homes Limited	Limited company by shares registered in England and Wales	Dormant
THT Social Investments Limited	Limited company by shares registered in England and Wales	Investment holding company

34. Glossary including alternative performance measures

This section provides a glossary of unfamiliar or uncommon terms used throughout these financial statements and sets out definitions of non-GAAP measures and reconciliations to the nearest measure in accordance with FRS102.

The alternative performance measures ('APMs') used may not be directly comparable with similarly titled measures used by other companies, including those in the same industry. Management use these measures because they provide useful insight and monitoring of performance, as well as comparability to other registered providers where they report under the same metrics. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with FRS102.

Exceptional items

The Group's strategic report identifies operating surplus before exceptional items. The Board believe that the presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This also facilitates comparison with prior periods to assess trends in financial performance more readily. The Group applies judgement in identifying significant non-recurring items of income and expenditure that are recognised as exceptional to help provide an indication of the Group's underlying performance. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as frequency or predictability of occurrence. Exceptional items for the previous FY2020 are disclosed in Note 14(g) of these consolidated financial statements. There were no exceptional items for the FY2021 to disclose.

Development pipeline

This is the current and future portfolio of approved construction projects.

Homes enabled

Includes homes expected to be built on land sold by L&Q in the period, based on outline or detailed planning permission at the point of land sale. These exclude land sold within the L&Q Group and social homes on land sold to a third party where L&Q is acquiring the social homes.

Occupancy

Applies only to general needs and calculated as occupied units as a percentage of the sum of occupied units and vacant units that are available for letting.

Units managed

Units include homes as well as non-habitable units such as garages, parking spaces and sheds.

Social value

A measure of value for money related to community investment activities. It is calculated using the Housing Association Charitable Trust (HACT) wellbeing valuation, the methodology of which is available on their website.

Sector scorecard

An initiative to benchmark housing associations' performance and check they are providing value for money. The measures used include the standard metrics as set out by the Social Housing Regulator to support the 2019 Value for Money Standard for Registered Providers of Social Housing. These may therefore be on a different basis to similar financial measures and can include relevant comparable information to aid understanding of performance.

Calculations of the key measures included in the sector scorecard are below:

Sector scorecard	L&Q 2021
Operating margin (overall) calculated as operating surplus excluding gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties ÷ turnover	£208m ÷ £1,052m = 20%
Operating margin (social housing lettings "SHL" only) calculated as SHL operating surplus excluding gain/(loss) on disposal of fixed asset, share of joint venture results and revaluation of investment properties ÷ SHL turnover	£230m ÷ £597m = 39%
EBITDA MRI (as % interest) EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs calculated as EBITDA MRI ÷ Gross interest payable x 100	£249m ÷ £150m = 166%
Gearing as prescribed in the current Sector Scorecard calculated as net debt ÷ carrying value of housing properties x 100 where net debt represents total bank and debenture loans less cash and cash equivalents	£5,327m ÷ £10,906m =49%
Return on capital employed calculated as total operating surplus including gain/(loss) on disposal of fixed assets and share of operating surplus/(deficit) in joint venture or associates ÷ total fixed assets + total current assets less current liabilities at end of year	£304m ÷ (£13,060m) = 2.3%
Ratio of responsive repairs to planned maintenance calculated as routine maintenance as a percentage of planned maintenance + major repairs expenditure + capitalised major repairs and re-improvements expenditure	£100m ÷ (£55m+£34m) = 1.1
Headline social housing cost per unit Total social housing cost (per note 3) Total social housing homes (per note 4) Total	£379m ÷ 89,504 = £4,235
Management cost per unit Total management cost (per note 3) Total social housing homes (per note 4) Total	£53m ÷ 89,504 = £592
Service charge cost per unit Total service charge cost (per note 3) Total social housing homes (per note 4) Total	£75m ÷ 89,504 = £840
Maintenance cost per unit Total routine maintenance + planned maintenance cost (per note 3) Total social housing homes (per note 4) Total	(£98m + £48m) ÷ 89,504 = £1,631
Major repairs cost per unit Total capitalised maintenance cost (per note 3) Total social housing homes (per note 4) Total	£35m ÷ 89,504 = £391
Other social housing costs per unit Total other social housing cost (per note 3) Divided by total social housing homes (per note 4) Total	£71m ÷ 89,504 = £793
Rent collected as % of rent due (General needs)	£357m ÷ £363m = 98%
Overheads as a % of adjusted turnover Calculated as overheads ÷ turnover excluding amortised grant, adjusted for cost of sales x 100	£70m ÷ £1,338m = 5%

Photo: One of the spacious, contemporary homes at Glebe Meadows on the outskirts of Milton Keynes.

34. Glossary including alternative performance measures (continued)

Streamlined Energy and Carbon Reporting (SECR) Methodology

In line with the GHG Protocol Corporate Accounting and Reporting Standard, greenhouse gas (GHG) emissions are reported separately as scope 1 (direct emissions), scope 2 (indirect emissions from purchased electricity) and scope 3 (all other indirect emissions) using a carbon dioxide equivalent. A carbon dioxide equivalent is used to enable the global warming potential (GWP) of a variety of GHGs to be combined and reported using a single, standardised unit of measurement.

Our previously reported 2019/20 SECR figures have been restated to account for an improvement in our methodology for estimating missing energy data and the discovery of a minor error in the calculation of business travel in employee-owned vehicles for L&Q Estates. Together, these have resulted in a 0.2% change to previously reported carbon emissions figures. We have also updated the methodology for calculating our carbon emissions intensity metric, to better account for any M&A activity that has a material impact on the composition of our portfolio. This has resulted in a restatement of 2019/20 carbon intensity representing a 3.8% change to the previously reported figure.

In accordance with SECR reporting recommendations, the UK Government's 2019 GHG Conversion Factors have been used to convert energy consumption and fuel usage into carbon emissions figures.

All electricity and gas consumption figures have been extracted directly from supplier invoices, with the exception of energy supplies to void units. A pro-rata extrapolation method has been used to apportion consumption and estimate missing data in cases where, respectively, the invoice periods exceeded or fell short of the financial year reporting period.

For temporary energy supplies to void units, consumption figures were calculated using the total energy spend data for electricity and gas, provided by our voids energy supplier, and applying the corresponding tariff and charge rates. Energy supply to these unlet void units represented approximately 2% of total energy consumption in both 2019/20 and 2020/21.

The quantity of transport fuel used by L&Q's vehicle fleet, covering activities such as direct maintenance, caretaking and development, has been extracted from fuel card and fleet management software.

The amount of transport fuel used by employees for business purposes, i.e. grey fleet, has been estimated using consolidated mileage claims data and the corresponding vehicle specification information provided. Where specific vehicle information was unavailable, the GHG Conversion Factors for average passenger vehicles have been applied.

To reflect L&Q's leading role as both a housing association and residential developer, carbon intensity is calculated as L&Q's total carbon emissions divided by the total number of residential units owned, managed, completed or under construction at 31 March of the financial year in question. In the event of M&A activity completed during the year that leads to material changes in portfolio composition, the metric will be adjusted accordingly to reflect the period of the financial year for which L&Q has operational control.

Photo: Deptford Landings, South London

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Other company information

Other company information

Executive Directors

Fiona Fletcher-Smith (Chief Executive)
- appointed 11 January 2021

Waqar Ahmed (Group Finance Director)

Diane Hart

Steve Moseley

Tom Nicholls

Gerri Scott

Vicky Savage (appointed 29 April 2021)

David Montague CBE (Former Chief Executive)
- resigned 11 January 2021

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Banker

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Registrations

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Regulator of Social Housing number: L4517

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