Financial statements

2023

Contents

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 35 of the accounts, and the Value for Money (VFM) Statement. VFM Metrics are as defined by the Regulator of Social Housing (RSH), or the sector scorecard.

01 Highlights 2022/23

- About L&Q
- History of L&Q
- Chair's statement

New homes at Barking Riverside

Highlights 2022/23

Financials

Turnover
£1,176m
(2022 - £1,112m)

EBITDA MRI[1]
£313m
(2022 – £327m)

Total assets less current liabilities
£13.2bn
(2022 - £13.6bn)

Surplus
£40m
(2022 - £154m)

EBITDA MRI Margin
22%
(2022 – 24%)

Net Debt
£5.2bn
(2022 - £5.3bn)

Operating Surplus
£162m
(2022 – £271m)

EBITDA MRI / interest cover
169%
(2022 - 222%)

Homes

Homes in management
108,326
(2022 – 107,193)

New homes developed
4,047
(2022 – 4,157)

New homes enabled
1,318 (strategic land plots sold)
(2022 – 1,979)

Ratings

Credit ratings

Moody's	**A3 / Negative**	(2022 - A3/Stable)
S&P	**A- / Negative**	(2022 – A-/Stable)
Fitch	**A+ / Negative**	(2022 – A+/Negative)

Regulatory rating

Governance grade – G1
Viability grade – V2
(2022 – G1,V1)

Our People

Staff engagement
72%
(2022 – 70%)

Operational

Customer satisfaction[2]
76%
(2022 – 82%)

CQC rating
100% of our care schemes as outstanding or good
(2022 – 100%)

[1] EBITDA MRI– Earnings before interest, tax, depreciation and amortisation, major repairs expenditure included
[2] Customer satisfaction – Service Delivery, as measured within our Balanced Scorecard under our Future Shape strategy. See the Value for Money Statement later in this report for more information.

01

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.

We provide homes to around 250,000 people, primarily across London, the South East and North West of England. 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.

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 aspiration is to build 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.

A vital part of the work we do is supporting our residents to realise their potential. The L&Q Foundation which has been in place over 10 years, 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 and people with learning difficulties and mental health needs.

All 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.

History of L&Q

In October 1963, a group of young professionals came together to create a housing association and L&Q was born.

Back then, the organisation was named Quadrant Housing Association to reflect the naval history of the borough of Greenwich, where it was based.

The initial investment saw 32 people each buy shares worth £2. Combining a dream to end homelessness with the entrepreneurial flair of the city professionals has led us to where we are today. That £64 has become a social business with over £14bn of assets, with the latest milestone in our history achieved on the 31 March 2023 following the successful full integration of Trafford Housing Trust Limited into L&Q through a Transfer of Engagements.

01 Chair's statement

Housing associations are no strangers to turbulent times, but the past year has served up a perfect storm of challenges.

Economic and political turmoil has contributed to soaring inflation and interest rates, which has created a cost-of-living crisis for our residents and greatly impacted sector finances. Although L&Q and the wider sector remains financially strong and resilient, we are now having to make tough decisions in the face of increased borrowing costs, rising inflation, and the impact of rents being capped at 7%. Across the sector taking inflation alone, the materials we all use for our repairs and maintenance service have increased by 17%, new build costs by up to 25%, insurance costs by as much as 100% and gas costs are expected to rise by a staggering 573% from 2021/22 to 2023/24.

These financial pressures come at a time when we are making record levels of investment to improve the safety, quality, and sustainability of existing homes, transform services, deliver a realistic year-on-year increase in new affordable homes, and continue providing additional support to change the lives of residents who need it most.

The crucial need for this investment was laid bare with the tragic case of Awaab Ishak in Rochdale, which quite rightly shone a spotlight on damp and mould, and wider disrepair issues across the sector. More than 250,000 have a home with L&Q, and we have a duty to ensure every one of those properties is safe, secure, and comfortable.

Financial pressures mean we have to prioritise where investment is directed, but through new and robust approaches to resident involvement, we are ensuring the investment is directed where residents need it most.

Residents are at the heart of social housing. Through our co-production model, our residents work with our leadership to develop ideas and make decisions. This model is spearheaded by a Resident Services Board who hold our group board and leadership team to account.

Following an In-depth Assessment (IDA) of our governance and viability last year, L&Q was graded as G1/V2 by the Regulator of Social Housing.

Firstly, we were very pleased that the Regulator recognised the strength of our governance structures and processes by re-affirming our top-tier G1 rating. We strive for continual improvement in this area, and further strengthened our governance last year with the appointment of several new board directors, whose varied experience and expertise will be integral in delivering our ambitious corporate objectives over the coming years.

Along with others in the sector, our viability rating was downgraded from V1 to V2, and this judgement was not unexpected. V2 remains a compliant grade and the Regulator recognised that we manage financial viability well, but it reflects L&Q's decision to prioritise residents by diverting funds into homes, services, and communities at a time when the sector is facing unprecedented economic challenges.

The need for us to further prioritise residents was also starkly highlighted recently by the Housing Ombudsman, who carried out an investigation into complaints handled by L&Q between March 2019 and October 2022. The Ombudsman's report highlights several cases where we let down our residents and did not deliver the service they deserve. We recognise that we've got things wrong, and we are truly sorry for this.

Our senior leadership team is personally contacting the residents whose complaints were investigated to apologise for the completely unacceptable service they have received and to make sure we are learning from their experiences. What really matters to us is putting things right for residents and using the report's learnings to correct historic failings, continue building a resident-centred culture, and ensure we deliver a quality service every time.

The Ombudsman has reviewed our five-year improvement and investment plan, and we will be working with both them and our residents to further strengthen, accelerate and embed the positive changes we're making.

Financial Strength

As outlined above, L&Q's financial results reflect our stated objectives to divert a greater level of expenditure towards our residents' existing homes.

Investment of £347m (2022: £262m) in our maintenance programme is a material increase which will improve the quality of our resident's homes. This programme has delivered, and will continue to deliver, major internal and external works inclusive of measures to address damp and mould, fire safety, energy efficiency and wide-ranging estate improvements.

In progressing against our stated priorities, we have faced strong inflationary pressures and uncovered further development defects. Despite the challenges faced our EBITDA at £313m was at a similar level to prior year performance of £327m.

We remain cautious, noting the potential threats of prolonged cost inflation, increased pressure on existing services, market sentiment, government legislation, the identification of further development defects and impairment.

In the medium term we are committed to lowering our risk profile and are targeting lower debt metrics through a reduction in gross capital expenditure. Our focus remains on our existing development pipeline rather than new approvals meaning we expect to continue to reduce the number of sites that we are operating from and homes in the development pipeline.

This commitment has been demonstrated by a material reduction in the projected cost to complete our development pipeline at £3.1bn (2022: £4.1bn) and stabilised net debt at £5.2bn (2022: £5.3bn) which is significantly below our budgeted expectations of £5.7bn. Available liquidity at £1.2bn demonstrates that we have a well-capitalised balance sheet that can absorb risk.

Improving residents' homes

L&Q's Major Works Investment Programme is the industry's largest investment programme – almost £3bn over 15 years – to improve the safety, comfort, and environmental performance of resident's homes. This will see all L&Q homes maintained to the Decent Homes Standard – a technical standard set by the government for social housing. In total, we will install around 48,000 new kitchens and 42,000 new bathrooms through the programme, alongside a range of other improvements.

In March this year, we signed 15-year contracts with ten partners worth up to £300 million per year as we move forward with our sector leading Major Works Investment Programme.

The contracts will see the partners deliver a range of services including estate and environmental improvements, planned mechanical and engineering works and internal decorations for L&Q residents. For leaseholders and shared owners, improvements will be made to communal areas.

These will include specialist fire safety works inside L&Q Living (LQL) supported homes. The contracts will be initially worth around £100 million per year but are expected to increase to around £300 million in some years of the programme and is based on the level of activity and L&Q's asset management priorities. Residents have taken a lead role in the programme. L&Q's Residents Services Board, a formal part of its governance arrangements, have been overseeing the planning and monitoring of the programme, including advising on the selection of contractors.

Through the programme, L&Q will also bring all its homes up to a minimum of Energy Performance Certificate (EPC) C status by 2028 - a move boosted by the recent announcement that the organisation had secured £27 million of funding from the Social Housing Decarbonisation Fund for retrofitting homes. Improved energy efficiency will lead to healthier and warmer homes for our residents, as well as helping to reduce energy costs.

The contracts have been awarded to companies of varying sizes and locations who will support L&Q with its drive to ensure that every resident has a decent home in which to live. Beyond improving homes, the contracts include social value commitments to create a lasting impact in the communities where L&Q operates. These will include creating employment opportunities, including training and apprenticeships, alongside supporting community projects and charitable initiatives. Investments will be made into improving or bringing back into use, community assets like community centres and playgrounds on estates.

Building safety

Building safety is a priority, and we are continuing to deliver one of the largest inspection and remediation programmes in the country, covering some 1,800 buildings containing over 32,300 homes.

We were the first major housing association to commit to rectify safety defects for leaseholders living in buildings we had built, and in early 2023 we completed our 1,000th intrusive building inspection. As a result of our inspections, we have been able to give almost 6,000 households the reassurance that their building does not require any remediation.

We have also now secured 393 EWS1 forms, began remediation works on 61 buildings and replaced, installed, or upgraded fire alarm systems benefiting nearly 3,000 homes. We have set a target to fully remediate all potential fire risks in buildings over 18 metres by 2026.

01

Chair’s statement

Better customer service

This investment in existing homes will lead to a material reduction in residents needing to contact us regarding repairs and maintenance issues.

However, where people do need to contact us, we are investing to ensure a great service is provided every time, with the aim that 90% of issues will be resolved at the first point of contact. We want residents to find us easy to communicate with, and confident that we will listen and act.

We have now introduced a more local “patch-based” approach to housing management, with community-based managers covering around 800 homes each. This means we are now offering a more visible and locally responsive service.

As part of our transformation programme, we are making a major investment in new IT infrastructure to greatly improve the online services we are able to offer residents.

Building more homes

Despite economic headwinds and market uncertainty, we are committed to doing all we can to tackle the housing crisis by building more high-quality homes. Homelessness and overcrowding are two of the greatest issues facing Britain, and they will only be alleviated by increasing supply.

In the last financial year, L&Q completed 4,047 new residential homes, of which 71% (2022: 61%) are for social housing tenures. During the same period, we started building an additional 2,760 homes (2022: 2,103), with many of these starts being later phases of existing developments.

During the final quarter we saw early signs of recovery in sales rates and a pick-up in land sales activity that has contributed to better-than-expected sales margins. Of note, with the end of Help to Buy, we have seen, and continue to expect an uplift in demand for shared ownership as evidenced by higher reservation rates and higher than expected first tranche percentages sold.

We will continue building new homes, but at a lower rate in the short to medium term. Our immediate focus is on building beautiful places and safe homes across our 25,594 home pipeline nationwide. At least half the homes we build will be affordable, with the remainder available for private sale or rent. In addition, L&Q Estates controls strategic land capable of potentially delivering over 76,000 new homes nationwide. This enables L&Q to operate as a Master Developer.

Providing extra help

In a year when the cost-of-living crisis has significantly impacted many of our most vulnerable residents, the charitable L&Q Foundation has played a vital role in supporting those who need it. From awarding grants to support good causes which promote aspiration and opportunity, to providing free financial advice and support with employment and training opportunities, the Foundation helps people to navigate uncertain and challenging times.

A core service we offer is Pound Advice, which works with a network of providers to give tailored support to people on a range of financial advice and debt management issues.

In 2022/23, Pound Advice has helped more than 2,800 residents secure over £10 million. The gains made for residents have ranged from small one-off grants to large payments of benefits and everything in between. Some have even been the difference between tenancies being sustained and residents losing their homes.

Additionally, our in-house tenancy sustainment advisors help vulnerable residents to maximise the benefits they receive, offering budgeting advice, and improving their ability to cope with everyday life.

In 2022/23, we supported 564 residents to manage their tenancies more successfully. After working with our Tenancy Sustainment Officers, nearly two-thirds of residents reported feeling more confident (64%), over half felt they had more control over their life (59%), and over two-thirds were managing better financially (68%).

Alongside financial inclusion support, our employment service helps people increase their incomes by finding paid work. The team has helped over 500 people start work in the last year, and it’s this element of our offer which will become more important in the coming months.

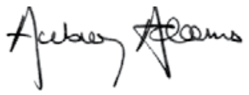
For our most vulnerable residents, L&Q Living provides care and support services to people with a wide range of needs. This includes older people, people with learning difficulties and mental health needs, and people affected by homelessness.

Our people

The success of L&Q depends on its strong governance and its talented, motivated and compassionate staff.

During the year Michael More, Rajiv Jaitly, and Sean Anstee retired from the Group Board having served their terms of office. On behalf of all the Directors I would like to thank them for their valuable input into the governance of L&Q. Over the last two years we have welcomed Nigel Hopkins, Raj Kumar, Dominique Kent, and Maria da Cunha to the Board, whom bring with them a wealth of experience in housing and care.

Finally, I would like to personally express my thanks to the Executive Group and all L&Q colleagues for their hard work in a challenging year.



Aubrey Adams
Group Chair

22 September 2023

£10m+

additional income was secured for over

2,800

residents

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

Laurus Homes at Whalley Manor, Whalley

02 Strategic report

- Overview of 2022/23
- Financial review (5-year summary)
- Social housing lettings
- Other social housing activities
- Development and sales
- Non-social housing lettings
- Other non-social housing activities
- Our customers
- Our homes
- Our people
- Value for money
- Energy and Carbon Emissions
- Sustainability at L&Q

02 Overview of 2022/23

Corporate Strategy

Underpinned by our purpose, vision, and values 2022/23 is the second year in our 'Future Shape' five year corporate strategy, which centres on three major priorities, each underpinned by what we are calling 'operational excellence'. We have committed 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.

The three 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.

Outside of these priorities, but still critical to our social purpose, is 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.

Our strategy will be delivered 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 our achievements within the year against the strategic pillars is set out in the following sections of this report.

Group financial performance

Key financial metrics

Summary of financial performance for the year	2023	2022
Turnover	**£1,176m**	£1,112m
EBITDA MRI[3]	**£313m**	£327m
EBITDA MRI margin overall	**22%**	24%
Operating Surplus	**£162m**	£271m
Operating margin overall	**14%**	24%
EBITDA MRI Interest cover %	**169%**	222%

Turnover

Turnover increased by £64m to £1,176m (2022: £1,112m), continuing the year-on-year growth in turnover and representing the highest level of turnover the L&Q Group has ever achieved. Of this, 56% was generated from our core social housing lettings activities (2022: 55%) with additions of new social housing properties and application of rent increases leading to an increased turnover of £32m for this portfolio in the year. A further 37% (2022: 37%) of turnover was from market sales activity which contributed an additional £433m to turnover in comparison to the prior year (2022: £414m), and 4% (2022: 3%) from market rents. The remaining 3% (2022: 5%) of turnover came from other activities, demonstrating overall closely aligned breakdowns of turnover with previous year performance.

Operating margins and surplus

Operating surplus for the year was £162m (2022: £271m) consisting of £189m from all social housing activities (2022: £173m) while our non-social housing activities contribution generated a deficit of £27m (2022: £98m surplus). Two main contributing factors in the non-social housing deficit being a downward valuation of investment property totalling £85m (2022: £35m increase), and impairment costs relating to development schemes and joint-ventures totalling £109m (2022: £90m). As a consequence of the reduced valuation and increased impairment costs the overall operating margin reduced to 14% (2022: 24%).

Interest payable for the year increased by £45m to £148m (2022: £103m) reflecting an increasing interest rate environment whilst ensuring careful debt management enabling repayment of loans to reduce net debt.

In addition to the above financial measurements we track our EBITDA performance closely as a proxy for cash generation and an indication of profitability. EBITDA reduced by £14m in the year to £313m, with increased asset sales of £152m (2022: £95m) and turnover offsetting our significantly increased investment in maintaining and improving properties that increased by £85m to £347m (2022: £262m). Our EBITDA MRI interest cover was 169% (2022: 222%), with the decrease of 53% compared to the previous year caused by increasing interest rates. This is still comfortably above our lender covenants and demonstrates our financial strength and resilience.

We closed the year with a surplus after tax of £40m which is £114m lower compared to like for like performance in the previous year (2022: £154m), with the primary causes being £120m adverse swing in investment property valuation, and a £40m increase in overall impairment charges in comparison to 2021/22.

Importantly, all our surpluses continue to be reinvested into the business, with capital spend on existing homes and on developing more homes across the regions we operate in.

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

02 Overview of 2022/23

Financial Position
The group continues to maintain a strong financial position with net assets increasing by £28m to £5,615m in the year (2022: £5,587m). Our housing properties portfolio grew by £328m to £11,354m (2022: £11,026m) with additions from a mix of capital maintenance works and continued growth from our own development programme. The growth in the year is offset partly by impairment and stock divestments that also completed in the year, leading to disposals of £178m of housing properties.

Our investment in Private Rented portfolio decreased by £79m in the year to £1,083m (2022: £1,162m), due to an £85m downward valuation on the portfolio (see Note 14 for more detail).

Land, properties for sale and work in progress decreased by £127m to £712m (2022: £839m) primarily due to sales exceeding new investments and increased careful management of working capital, but also partially due to a write down through impairment charged in the year. More detail can be found in Note 15 of these financial statements.

Net debt decreased by £19m to £5,244m (2022: £5,263m). Our long-term loans are disclosed in more detail in the "Capital Structure and Treasury" section of the strategic report.

£5,615m

Net assets increased by **£28m**

£5,587m

Net debt decreased by **£19m**

£5,244m

[4] Net debt as reported here excludes loan fair value adjustments and net issue premium


Views from the communal roof terrace at L&Q at Queen's Quarter

Financial review (5-year summary)

Consolidated income and expenditure (£m)	2023	2022	2021	2020[5]	2019
Turnover	**1,176**	1,112	1,052	915	937
Operating costs and cost of sales	**(1,100)**	(1,008)	(844)	(732)	(739)
Surplus on disposal of assets	**152**	95	59	64	50
Share of profits from joint ventures	**19**	37	37	25	20
Change in valuation of investment properties	**(85)**	35	3	7	37
Operating surplus	**162**	271	307	279	305
Net interest charge and other finance costs	**(147)**	(99)	(102)	(101)	(119)
Taxation	**25**	(18)	3	1	16
Surplus for the year before exceptional items[6]	**40**	154	208	179	202
Exceptional items					
- Gift on acquisition	**-**	-	-	235	-
Surplus for the year after tax	**40**	154	208	414	202

Consolidated Statement of financial position (£m)	2023	2022	2021	2020	2019
Housing properties at cost less depreciation	**11,354**	11,026	10,906	10,555	9,469
Other fixed assets and investments	**1,657**	1,814	1,670	1,703	1,718
Net current assets	**174**	746	484	926	966
Loans due after one year	**(5,125)**	(5,521)	(5,152)	(5,528)	(5,011)
Unamortised grant	**(2,142)**	(2,164)	(2,210)	(2,197)	(2,137)
Other long-term liabilities and provisions	**(303)**	(314)	(285)	(232)	(229)
Net assets	**5,615**	5,587	5,413	5,227	4,776
Revenue reserves	**3,844**	3,790	3,539	3,347	2,892
Revaluation reserve	**1,771**	1,797	1,874	1,880	1,884
Total reserves	**5,615**	5,587	5,413	5,227	4,776

Consolidated statement of cash flows (£m)	2023	2022	2021	2020	2019
Net cash generated from operating activities	**451**	403	421	255	189
Cash flow from investing activities*	**(242)**	(191)	(228)	(443)	(741)
Cash flow from financing activities*	**(279)**	(128)	(218)	174	501
Cash and cash equivalents at start of year	**216**	132	157	171	222
Cash and cash equivalents at end of year	**146**	216	132	157	171

[5] Includes Trafford Housing Trust Group results from 1 October 2019
[6] References made to 'exceptional items' are to highlight the impact of acquisitions in the Group and refinancing activity
* Prior year adjustment for interest paid, full details within the Statement of cash flows.

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.

At 31 March 2023, the Group had total loan facilities of £6,530m (2022: £6,539m) of which £5,390m (2022: £5,479m) were drawn and £1,140m (2022: £1,060m) 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 £316m (2022: £9m), representing 6% of drawn debt facilities.

Cash equivalents held at the year-end totalled £146m (2022: £216m) leaving net debt (excluding any net issue premium, fair value adjustments and mark to market exposure on interest rate hedges) at £5,244m (2022: £5,263m). Available liquidity (defined as available undrawn loan facilities and available cash that are not secured in held funds) was £1,222m (2022: £1,214m).

The weighted average cost of the Group's drawn debt has increased to 4.1% (2022: 3.4%). The weighted average duration of drawn loan facilities was 11 Years (2022: 12 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 2023, 65% of the Group's drawn debt was fixed (2022: 65%). As at 31 March 2023 a 1% increase in interest rates would result in an additional charge of £19m (2022: £19m).

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 to manage working capital and the interest budget. As at 31 March 2023 all cash investments are held with Counterparties who meet the criteria of our Treasury Policy.

As at 31 March 2023, L&Q had the following long term credit ratings:

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

LIBOR Reform

As at 31 March 2023 all variable rate facilities were referencing Sterling Overnight Index Average (SONIA).

02 Social housing lettings

Summary of performance (Social housing lettings)	2023	2022
Revenues (£m)	**645**	613
Operating surplus (£m)	**162**	189
Surplus on disposals (£m)	**152**	95
Operating margin	**25%**	31%
Homes managed	**90,118**	89,538

Social housing lettings activities form the core of our business, contributing £162m (2022: £189m) to the Group's operating surplus with operating margins of 25% (2022: 31%). Despite an increase in turnover in the year of £32m, operating margin was lower than previous years – this was due to increased costs as a consequence of high inflation, but also due to a conscious decision to invest in reducing the backlog of outstanding repairs jobs, and investing in improving standards for customers across our stock. In total, routine and planned maintenance costs increased by £38m to £229m (2022: £191m). Rent losses across our social lettings tenures remained constant at 2.7% (2022: 2.7%).

The Group invested a total of £347m (2022: £262m) in our existing social housing homes of which £117m (2022: £71m) was on capital works, £57m (2022: £45m) on planned maintenance and £173m (2022: £146m) on reactive maintenance. The majority of expenditure with regards to capital works and planned maintenance was budgeted for in line with our strategic objective to invest more in our existing homes in order to improve quality and meet safety requirements. Expenditure on reactive maintenance however was higher than budgeted due to the use of sub-contractors employed to help accelerate the reduction in the backlog of the Group's outstanding repairs. The overspend in this area was further compounded by high inflation throughout the year.

Surplus on disposals increased by £57m to £152m (2022: £95m). This increase was driven by stock transfers that occurred in the year as a result of our strategic approach to stock rationalisation within the Group ensuring that L&Q only manages stock where it has a significant presence and is best placed to deliver a high standard of landlord services.

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 the year supported housing activities made a deficit of £5m (2022: £1m surplus). Supported housing primarily includes sheltered accommodation and a mix of agency and directly managed supported accommodation.

Case study

Investment

Major Works Investment Programme

Through our Major Works Investment Programme, we're investing in the quality, safety and environmental efficiency of the homes we manage.

Further numbers for MWIP 23/24 so far – as of July 31:

Kitchens
Complete: 43
Forecast to complete during 23/24, a further: 2145

Bathrooms
Complete: 34
Forecast to complete during 23/24, a further: 1499

Replacement Roof
Complete: 3
Forecast to complete during 23/24, a further: 235

Last year (22/23), we replaced 633 kitchens, 891 bathrooms and 204 roofs, and signed 15-year contracts with ten partners to ramp up even more. This year, we plan to replace another 2,145 kitchens, 1,499 bathrooms and 235 roofs.

One of our new partners, Morgan Sindall Property Services, recently completed their first kitchen and bathroom replacements for two L&Q residents, Annamaria and Sophia.

After her kitchen was finished, Annamaria said:

"The communication was fantastic from start to finish, if I had any queries or anything, they were always readily available to answer them rectify them.

"Scott was amazing and aimed to please. They brought along some lovely workmen and they were very professional about their job and pleasant and they just got to it, which was really good."

> "Thank you so much as you've seriously put a spark back into my house. Before now I didn't want to cook in my kitchen and now, I'm cooking up a storm."

02

Other social housing activities

L&Q Living

We house 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.

L&Q Living provides dedicated care and support services and houses more than 10,000 people across London, the South-East and North-West of England. This includes a mixture of Direct Housing Management and Agency Managed Services. We deliver these services to people with a range of needs including homelessness, substance misuse, mental health issues, learning disabilities, families who place children at risk, women fleeing domestic violence, younger and older people. LQL has continued to achieve a 'Good' Care Quality Commission (CQC) rating across 100% of their services, with one scheme being rated 'Outstanding'.

We continue to offer a range of free activities to vulnerable people with an aim of reducing loneliness and isolation through a programme called LQL inclusion. During 2022/23 over 4,500 residents took part in 12 organised community activities including X-Factor style music competition, street parties, and winter holiday events.

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. During the Covid-19 pandemic and now the cost-of-living crisis, the Foundation has demonstrated our ability to be flexible to the changing needs of our residents. The Foundation demonstrates L&Q's #Let'sMakeItHappen attitude through achieving outcomes for residents by working collaboratively with other departments, taking ownership, and going the extra mile to make sure the work we do affects positive change in the communities where our residents live.

The Foundation's mission is to create positive, lasting change for our residents that helps them live healthy, independent lives in thriving communities. Our six long-term outcomes remain developed with the help of our residents and other stakeholders ensure we stay 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 £10m to help drive outcomes that would make a difference to our residents and wider communities. Of this, a total of £3m was directly funded to community organisations to support and further their great work. Using the HACT Wellbeing Valuation Approach methodology the work of the Foundation created £21m of social value in the year (2022: £25m) .

L&Q Living Minds Matter FC tournament 2022

Case study

Supporting residents with the cost of living.

The L&Q Foundation offers a range of services to support residents with cost-of-living pressures, including employment support, financial advice, fuel and foodbank vouchers, in-home energy advice and 'warm hubs' in community spaces.

535
people helped get into work across a range of industries

£10.6m
additional income from 2,800 residents using Pound Advice

1,500
fuel vouchers to residents

1,400
food bank vouchers to residents

Last year, our Employment Support Service and in-house advisers helped 535 people get into work across a range of industries, including law, health, and social care, and the public transport sector.

We also provide L&Q residents with financial capability support and debt advice through our Pound Advice service, managed for us through We Are Digital. In 2022/23, over 2,800 residents used Pound Advice, gaining a total of £10.6m of additional income. After accessing Pound Advice, nearly two-thirds (61%) of respondents reported managing their finances better and over half (59%) feel like their debt is less of a burden.

Last year, we issued over 1,500 fuel vouchers to residents, equating to over £62,000. Offering the vouchers digitally for the first-time enabled residents to use the vouchers quickly without having to print them. We also issued around 1,400 foodbank vouchers to residents who needed this emergency support.

In May 2022, we launched an in-home energy advice service pilot, visiting nearly 50 homes assessed as hard to heat with lower EPC ratings. Our team fitted free energy saving devices and gave residents advice and support on saving money on energy bills and accessing support like government subsidies or grants.

Between September 2022 and March 2023, we repurposed several of our community centres into "Warm Hubs", offering a safe and warm space for residents to socialise, relax or access services during the winter. At one of our hubs, we partnered with a local food bank to offer healthy homecooked meals.

02

Development and sales

To help tackle the housing crisis, L&Q's ambition remains to build new homes that people can afford, but we also recognise the need to balance growth against 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 4,047 homes (2022: 4,157) comprising of 71% (2022: 61%) social housing tenures and 29% (2022: 39%) market tenures.

As per Inside Housing the total handovers of 4,157 in 2021/22 was the highest number of handovers achieved by a Housing Association since records began. We commenced on another 2,760 residential homes (2022: 2,103), of which 71% (2022: 69%) were social housing tenures and 29% (2022: 31%) were market tenures. The Group achieved the sale of 2,431 (2022: 1,846) homes and one commercial unit, of which 1,058 (2022: 755) were delivered through joint ventures.

Summary of performance (development and sales)	2023	2022
Homes handed over	4,047	4,157
Homes enabled (strategic land plots sold)	1,318	1,979
Homes started	2,760	2,103
Homes under development	25,594	29,795
Strategic land plots under control	76,610	75,484

We have purchased land that will enable an additional 2,444 homes to be delivered in the future increasing the strategic land plots under control to 76,610. In addition, a further 1,222 residential homes were approved for build during the year bringing our total development pipeline to 25,594, of which 85% is currently on site. 56% of the homes in the development pipeline are for social housing tenures representing a significant investment in new supply and social housing output.

	2023			2022		
Summary of financial performance (development and sales)	Turnover (£m)	Operating Surplus (£m)	Margin	Turnover (£m)	Operating Surplus (£m)	Margin
Shared ownership first tranche sales	146	24	16%	117	(3)	(2%)
Outright sales	156	4	3%	145	(22)	(15%)
Property sales	**302**	**28**	**9%**	**262**	**(25)**	**(10%)**
Land sales	128	23	18%	151	33	22%
Total (excluding Joint Ventures)	**430**	**51**	**12%**	**413**	**8**	**2%**
Joint ventures	244	19	8%	253	37	15%
Total (including Joint Ventures)	**674**	**70**	**10%**	**666**	**45**	**7%**
Net development overheads	-	(137)	-	-	(99)	-
Net development profit	**674**	**(67)**	**(10%)**	**666**	**(54)**	**(8%)**

Laurus Homes at D'Urton Grange, Preston

The Group's sales profit excluding joint ventures increased to £51m (2022: £8m). The improved profitability and margins reflects both improved margins on the properties sold in comparison to the prior year and a reduced level of impairment charge amounting to £25m (2022: £52m). Any impairment within the accounts reflects increased build costs, programme delays, known defects and known offers for land values where schemes are being transferred to joint ventures.

Profit on open market sales and from sale of land and properties totalled £27m (2022: £11m), while shared ownership sales made a profit of £24m (2022: loss £3m) with shared owners purchasing an average of 34% first tranche (2022: 34%).

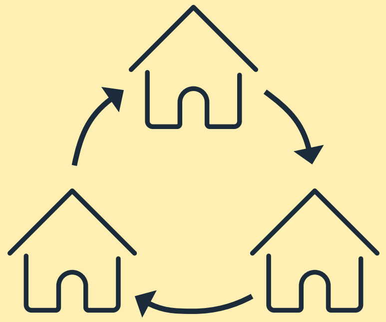
Included within development overheads is £26m (2022: £36m) relating to latent defect costs of which £16m relates to a net increase in provision for defects. These costs are incurred to ensure that we meet our obligation to rectify any schemes that have been delivered, that have subsequently been found to have construction defects. Development overheads includes £90m (2022: £48m) of fixed asset impairment following an impairment review exercise relating to schemes that are currently under construction. Further information with regards to impairment can be found in Note 12 of the financial statements.

In order to focus on the three main priorities set out in the Corporate Plan, L&Q have taken the decision to pause committing to any new development sites for the present time and focus on delivering what is in our current pipeline. Looking ahead we are seeking to deliver around 3,000 homes per year which will be down on the numbers of the last two years, but still amongst the largest development programmes in the social housing sector. A minimum of 50% of housing developed will be affordable tenures, and undertaking a reduced programme will allow us to focus on improving both the quality and cost of homes delivered in the future.

L&Q, Addiscombe Oaks

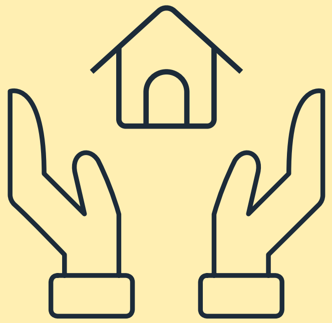
Addiscombe Oaks Case Study

Addiscombe Oaks is L&Q's latest award-winning 137 homes scheme recently completed in Croydon by our in-house construction team.



137

new homes across 3 tenures



65%

affordable housing
(12% more than originally planned)

Recently completed Addiscombe Oaks includes 137 homes. The flats are spread across two buildings of eight and 18 storeys height, taking inspiration from the iconic No.1 Croydon building and boasting views that span across the capital, especially as the majority of the homes are dual or triple aspect, providing fantastic light and views.

The development has also delivered attractive new public realm improvements to one of London's busiest new hotspots, including landscaped planting, street furniture, and a communal private courtyard for residents.

While originally planned to provide 53% affordable housing, the team increased the level of affordable homes in this well-connected town centre area and eventually delivered 65%, raising the bar for all other similar developments.

The scheme has been successfully built and delivered by the L&Q in house build team. Construction works have lasted three years, during which the L&Q team consistently scored the highest industry standards on the Considerate Constructors scheme and recently won the Quality Award at the NHBC Pride in the Job Awards.

02 Development and sales

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 2023 L&Q had 31 (2022: 29) active developing joint ventures and associates, 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 venture's reduced to £19m (2022: £37m) due to lower volumes of completions in the year and a reduction in the release of impairment that amounted to £1m (2022: £15m impairment release) relating to JV's, resulting in margins decreasing to 8% (2022: 15%).

Forging strong relationships with both current 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. Opportunities to explore new Joint ventures and partnership working is something that L&Q see as a key part of future development programmes.

Land sales

Within strategic land we did not secure outline planning consent on any sites in the year (2022: 0 sites secured), we sold land to 6 housebuilders (2022: 7) to enable the delivery of 1,318 new homes (2022: 1,979). 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 33% (2022: 34%), compared to 18% (2022: 22%) 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 76,610 (2022: 75,484) potential strategic land plots under our control as at 31 March 2023. 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.

L&Q, Queens Quarter, East Croydon

02

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)	2023	2022
Revenues (£m)	**71**	59
Operating profit (excluding change in revaluation) (£m)	**20**	24
Revaluation (loss)/gains (£m)	**(85)**	35
Operating margin (excluding change in revaluation)	**28%**	41%
Units managed	**30,177**	29,076

L&Q PRS Co Limited (a Group subsidiary) manages most of the Group's private rented properties and added a further 27 homes in the year to its portfolio (2022: 171 homes), and disposed of 4 units in the year, taking the total to 2,724 homes. L&Q PRS Co Limited made revenues of £47m (2022: £38m) generating an operating margin (excluding change in revaluation) of 58% (2022: 59%). Rental yields for the portfolio improved during the year with a gross rental yield of 4.3% (2022: 3.6%) and net rental yield of 2.5% (2022: 2.1%).

The investment property portfolio has been impacted from a revaluation loss of £85m (2022: £35m gain) reflecting the impact of the current economic environment on long-term valuations. 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 a surplus of £2m aligned to prior year performance (2022: £2m), while our leaseholder services cost £5m (2022: £nil). We continue to incur additional costs relating to fire safety and quality on some schemes whereby we have made a conscious decision to absorb costs 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 £1m turnover in the year (2022: £1m).

Other Non-social housing lettings

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 their homes more energy efficient, our EnergySave Plus programme is helping reduce energy bills which has become even more vital during the current energy crisis that is impacting the whole country. 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 £7m (2022: £5m). 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.

02

Our customers

As a charitable organisation, our role goes beyond providing homes and housing services

We are a long-term partner in the neighbourhoods where we work. This year, our work to transform communities has continued, with another £10m invested through the L&Q Foundation. This investment is helping our residents to lead independent lives, secure employment and transform the fabric of our neighbourhoods - you can find out more information on the work of the L&Q Foundation later in this report.

We have set an ambition to be an open, transparent, accountable landlord and to provide information to all residents on how we are performing against our customer promise and the steps we are taking to improve residents' experience with us.

We believe the best way to improve our service is through residents and staff working together. We are passionate about involving residents to help us improve our services and support neighbourhoods, and offer a wide variety of formal and informal with roles on our Resident Services Board, Neighbourhood Committees and more.

The recent Ombudsman's report highlights several cases where we have let down our residents and did not deliver the service they deserve. What really matters to us is putting things right for residents and using the report's learnings to correct historic failings, continue building a resident-centred culture, and ensure we deliver a quality service every time.

We have introduced a more local "patch-based" approach to housing management, with community-based managers covering around 800 homes each. This is to enable a more visible and locally responsive service. They will be looking to involve resident in their patch, including Resident Associations and Neighbourhood Champions, to collaboratively identify and communicate progress on local issues. As a result, there is expected to be much more resident involvement at a very local level – such as patch meetings and/or borough level information sharing events supporting local partnership working.

We believe that the scale of investment in existing homes will see a material reduction in customers requiring to contact us regarding repairs and maintenance issues, and at present we accept that currently when our customers contact us the level of service provided is not always where we aspire it to be. We are investing to ensure a great service is provided every time, with the aim that 90% of issues will be resolved at the first point of contact. We want residents to find us easy to communicate with, and confident that we will listen and act. This investment includes a new IT infrastructure that will enable us to transform the online services that we can offer to customers.

Resident Involvement

At a strategic level the Resident Services Board (RSB) is a formal committee of the L&Q Group Board formed of 10 members, 9 of whom are residents of L&Q. The overall aim of the committee is to push L&Q to continually consider the resident perspective in everything that is done. It oversees the delivery of services to customers, quality of services provided, and impact of wider resident involvement activity. The RSB is in place to ensure that what we are doing is making a positive difference to residents, and seeks to make sure that L&Q is delivering on its customer promise and making a positive difference to residents.

During the year we have been working with residents and all areas of the business to relaunch our approach to resident involvement to ensure that opportunities are meaningful, impactful and enjoyable, culminating in the publication of "A partnership of Equals" in May 2023 our resident involvement framework that is available on our website.

At L&Q, we are at the start of a journey to change the way we manage our programme of resident involvement at every level of the organisation, putting residents in control of the decisions that affect their homes and neighbourhoods. Through collaborative partnership working where both parties are equals, we want to harness both the insight, skills and local knowledge of residents, and the expertise of colleagues within L&Q, to be better and more dynamic in our decision making.

As part of the new approach, residents have led the way in shaping plans for L&Q's Major Works Investment Programme, worth almost £3bn over 15 years, by advising in the process undertaken to select supply chain contractors and monitor progress on works, and assisting with the selection process that was undertaken.

The customer promise remains a central focus of our five-year strategy "Future Shape", 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.

L&Q Customer Promise

Our customer promise remains a central focus of our five-year strategy "Future Shape", 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.

We will keep you safe

We will listen and act

We will provide good quality homes and services

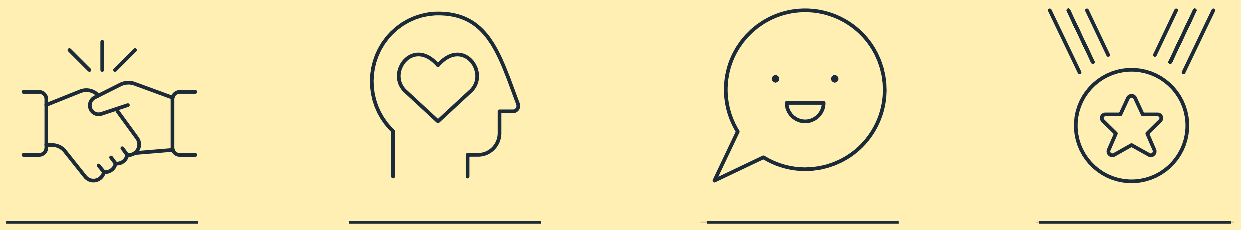
We will put things right

We will make it easy for you to deal with us

You can find our full Customer Promise on our website

Involving our residents

At L&Q, we are on a journey to change the way we manage our programme of resident involvement. Our ambition is to embed resident involvement at every level of the organisation, putting residents in control of the decisions that affect their homes and neighbourhoods.



Stronger relationships | Improved staff wellbeing and motivation | Improved resident experience | Operational excellence

Through collaborative, partnership working where both parties are equals, we want to harness both the insights, skills and knowledge of residents, and the expertise of colleagues to be better and more dynamic in our decision-making.

The RSB co-produced our new approach with us, which re-frames all our involvement activity as volunteering. We want all residents who choose to get involved with us, whether on a strategically focussed committee or an ad-hoc business improvement initiative, to have a role which carries the same prestige and purpose as those in the voluntary sector. This is more than just putting a new label on existing practice; all of our team have been professionally trained in volunteer management and adhere to nationally recognised standards.

The question of impact is not something we're used to considering when it comes to resident involvement. While involvement is a regulatory requirement, we haven't always been clear on what we are trying to get out of it.

In collaboration with involved residents, we've defined four outcomes we're seeking from our practice:

- Stronger relationships
- Improved staff wellbeing and motivation
- Improved resident experience
- Operational excellence

These outcomes have been mapped into a framework, allowing us to focus on the change we want to see and giving us a tool to help us measure and communicate the purpose of what we're doing.

Our peer learning sessions are an example of the new type of resident involvement opportunities we now offer. They bring experienced staff and residents together to share best practice on issues where they have a shared interest and expertise.

We recognise that residents have a lot of skills, we don't hold all the knowledge, and we want to encourage residents and staff to learn from each other.

Case study

Places are limited to allow for an impactful peer-learning experience, and the focus is less on business improvement and scrutiny and more about partnership and transparency.

Established and emerging Residents' Associations joined our Resident Involvement team and TPAS (tenant engagement experts) to understand the aim and benefits of forming a Residents' Association (RA). Discussions included how to engage neighbours and overcome the barriers that prevent membership, the different roles and responsibilities, and the importance of partnership working and setting goals.

Attendees welcomed the opportunity to connect with other residents to share experiences and good practice, with some looking to continue working together in the future. Whilst the majority were already involved with a resident association, there was appetite from others to create one, with many not knowing where to start. That's where the buddy up scheme comes in, linking residents looking for knowledge in a specific area with residents with experience.

"The session was very good. TPAS provided a good source of information along with a wealth of benefits setting up and having a RA."

"It's nice to have L&Q invest energy and time in those passionate about running Ras. The training was welcome."

In May 2023 we published a report outlining the steps we've taken so far to transform our involvement activity and our outcomes framework.

02 Our homes

The L&Q Group houses more than 250,000 people in more than 108,000 homes, primarily across London, the South East, and North West of England. During the year our overall portfolio of homes that we manage increased by a further 1,133.

Number of homes managed	**2023**	2022	2021	2020	2019
	108,300	107,200	107,400	105,300	95,700

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.

	2023	2022
Social rent - general needs and affordable rent Primarily for low income tenants eligible through local authority nominations	**64,801**	65,155
Shared Ownership and shared equity Homeowners who own a proportion of their property and pay rent on the remaining	**13,510**	12,714
Intermediate market rent and key worker accommodation For tenants who pay less than 80% of the market rent	**3,655**	3,418
Supported housing, housing for older people and care homes For older people or those with higher support need	**7,861**	7,955
Market rent and student accommodation For tenants who pay the market rent for their homes	**2,862**	3,372
Leaseholders Homeowners who are provided services	**12,911**	12,238
Other landlords and other social homes Services provided to homes owned by other landlords and other social homes	**2,650**	2,222
Commercial Combined live and work homes	**76**	119
Total	**108,326**	107,193


Laurus Homes at Hollins Green, Preston

02 Our people

Employee involvement

L&Q is focused on attracting, recruiting, and developing a diverse group of colleagues who share and live our values, as well as having the experience, skills and knowledge required.

This is vital in ensuring that L&Q continues to build a resident-centred culture, whereby a quality service is delivered every time. Something that the Ombudsman highlighted as not always being the case at present.

Within L&Q, we have a culture of shared leadership and collaborative learning across the Group. We pride ourselves on nurturing internal talent through our talent management pathway 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.

L&Q is recognised as an Investors in People Silver status organisation and as well as a "Great Place to Work." In addition, we hold special recognition for wellbeing and for being a great place to work for women.

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 colleagues 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 colleagues 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.

Our Employee Promise, our brand and our work on diversity and inclusion have brought 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.

Talent Development

Talent Development is part of the 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 to fulfil their potential and aspirations and in turn, secure the future analysts, surveyors, carpenters, managers, and leaders of L&Q.

Key Achievements in the year include:

- Increased progression rate for our Early Talent Programme, with 59% of Apprentices securing a permanent role in L&Q (up from 58% in the previous year), and 100% of our Graduates (up from 78%)
- Continued to invest in Early Talent with recruited 17 Apprentices and 7 Graduates in a diverse range of roles across Finance, Housing, Construction and Trades
- 68% of alumni from our Aspiring Managers and Emerging Leader Pathway programmes have seen career progression within 2 years of completing the programme
- This year's cohorts of Aspiring Managers and Emerging Leaders were our most diverse yet, with 73% of the cohort made up of women and 59% made up of ethnic minority colleagues
- Our internal Mentoring and Coaching programmes saw a record uptake with a 49% increase in Mentoring relationships and a 95% increase in Coaching relationships
- We launched a new career progression support programme of resources and training which are accessible at the point of need. This includes career planning and application and interview skills support.

Over the coming year, we will continue to develop our Early Talent programme with additional support for our Apprentices and Graduates to further develop their soft-skills and career confidence. We will invest more of our Apprenticeship levy fund for technical skill development, giving our people more opportunities to achieve their aspirations whilst building key skills we need for the future.

CleanStart, Trafford

Diversity and Inclusion

L&Q is committed to making equality, diversity and inclusion part of everything that we do. This includes the colleague life cycle, from recruitment and selection, through onboarding, 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, where everyone is treated with dignity and respect. 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 colleagues who are disabled during their employment.

As a member of the G15 L&Q has committed to the G15 Ethnic Diversity Pledge to:

- Commit to be more ethnically diverse at all levels of the organisation
- Collaborate to invest in and support our ethnic minority talent
- Celebrate ethnic minority colleagues' achievements.

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 five L&Q colleagues on the current cohort. We are also participating in the Boost Programme - an ethnic minority colleague reverse mentoring scheme operating in Greater Manchester.

During the last year the Human Resources directorate became responsible for the equality, diversity and inclusion work. Our new Head of Diversity and Inclusion joined L&Q in January 2023 and is lead manager for the agenda. We have four colleague diversity networks, Inspire, Spectrum, Kaleidoscope and Ability, who work in partnership with the business to ensure that we make improvements and raise our profile in these areas of work. The People Group (one of our five governance groups) ensures that our equality, diversity and inclusion policies are being implemented effectively, and that policies and procedures are updated as and where required. The group looks to ensure that L&Q provide equality of opportunity in both how we provide services to residents and how staff are treated.

02 Our people

Pay Ratios

We have seen improvement in our median corporate gender pay gap since beginning to report, (6.4% in 2023 from 9.5% in 2017, with the lowest year reported at 1.3% in 2019). Our median ethnicity pay gap has remained consistently low since we began reporting in 2018, ranging between 2.8% and -0.6% (the latter meaning that the median pay of ethnic minority colleagues was higher than that of white colleagues, and in our median ethnicity pay gap (1.3% in 2022 from 2.3% in 2017, with the lowest year reported at 0.90% in 2020). We will continue to monitor and strive to improve these.

Last year we began to report on our CEO pay ratio comparing the pay of our CEO to that of all staff employed by L&Q. This is not a legal requirement for L&Q as it currently only applies to listed companies, but we follow the methodology set out by the government. The pay ratio to the median employee has remained at a similar level to last year, with the slight fluctuation due to the transfer of colleagues from Trafford Housing Trust into the L&Q Group on 31 March 2023.

CEO Pay Ratio

L&Q Group	25th percentile	50th percentile	75th percentile
2022/23 Ratio	13.80	10.91	7.54
2021/22 Ratio	13.43	10.62	7.43

Due to the limited number of organisations currently reporting, there is limited benchmarking information published regarding CEO to median pay ratios. L&Q's CEO pay ratio of 10.91:1 compares favourably with that of the ratio of the median FTSE 350 CEO to the median UK worker, which was 55:1 in 2021 (the most recent available analysis at the time of writing).

Case study

Kaleidoscope

We are committed to creating a more diverse and inclusive organisation and ensuring that we harness the talents of all our colleagues fully, for the benefit of our residents. One of the ways we support colleagues is through specific staff networks, which champion the interests of different groups of people within our organisation.

Our staff networks offer a place for colleagues to come together and share experiences, and facilitate greater awareness, understanding and cooperation across a range of issues.

In May of this year, our cultural diversity network Kaleidoscope won the Ethnicity Colleague Network Group Award at the G15 Ethnicity in Housing awards. The event celebrated the achievements of ethnic minority colleagues from across G15 organisations.

The G15 said the following about Kaleidoscope:

"Kaleidoscope has been influential in making real change in their organisation. They invited themselves to an Executive group meeting and made it clear that things needed to change. They routinely examine Diversity & Inclusion reports, pay gap reports, and work surveys and have provided safe spaces for colleague to talk.

The network has also delivered several workshops, focused on confidence building, career progression, and networking."

Elaine Lewis, Resident Diversity and Inclusion Specialist and Chair of Kaleidoscope said:

"I am proud and elated for the team, who have been brilliant, driven and determined. This is a great result, but our work doesn't end here – there is so much more to do, but collectively we can be a leader for change.

> "This was a fantastic celebration of the achievements and contribution of ethnic minority colleagues across the G15. I was so proud that we had so many great L&Q nominees and would like to say a huge thank you to Kaleidoscope, who play such an integral role in the organisation."
>
> Tom Nicholls,
> Executive Group
> Director of HR

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

02

Value for money

Our strategic goals and performance

At L&Q, we define value for money as achieving operational excellence, which is demonstrated through our Future Shape Corporate Strategy. This means we deliver the best total cost solution for our customers through reliable, consistent, and repeatable products and services, that generate more from the resources we have and the investments we make. While minimising costs is important, the quality and long lasting impact of the services delivered is at the fore front of what we do, with us seeking to provide a good experience for residents at all times. This recognises that value can be created in both financial and social terms. In taking this approach, we will strengthen L&Q's long-term financial health and sustainability, and deliver better value for money.

Value for money targets have been woven into everything we do. They were integrated into our Future Shape Corporate Strategy, through the five strategic pillars that our strategy was formulated around: Service, Homes, People, Governance and Assurance and Finance.

Delivery Assurance

Ultimately, responsibility for delivering value for money sits with our Group Board. However, in developing our Future Shape Corporate Strategy, we aligned our Officer-led Governance Groups to each strategic pillar so they can play a critical role in overseeing and assuring delivery. On a quarterly basis, these groups scrutinise Business Performance Reports for every department within the business that detail progress of the initiatives within our Run the Business Team Workplans, how they impact corporate/directorate balanced scorecard KPIs, and how any associated risks are being managed. This, alongside our approach to enterprise risk management and our internal and external audit activity, form the basis of our Internal Controls Framework, used to provide assurance of the successful delivery of our Corporate Strategy, as well as how we achieve value for money.

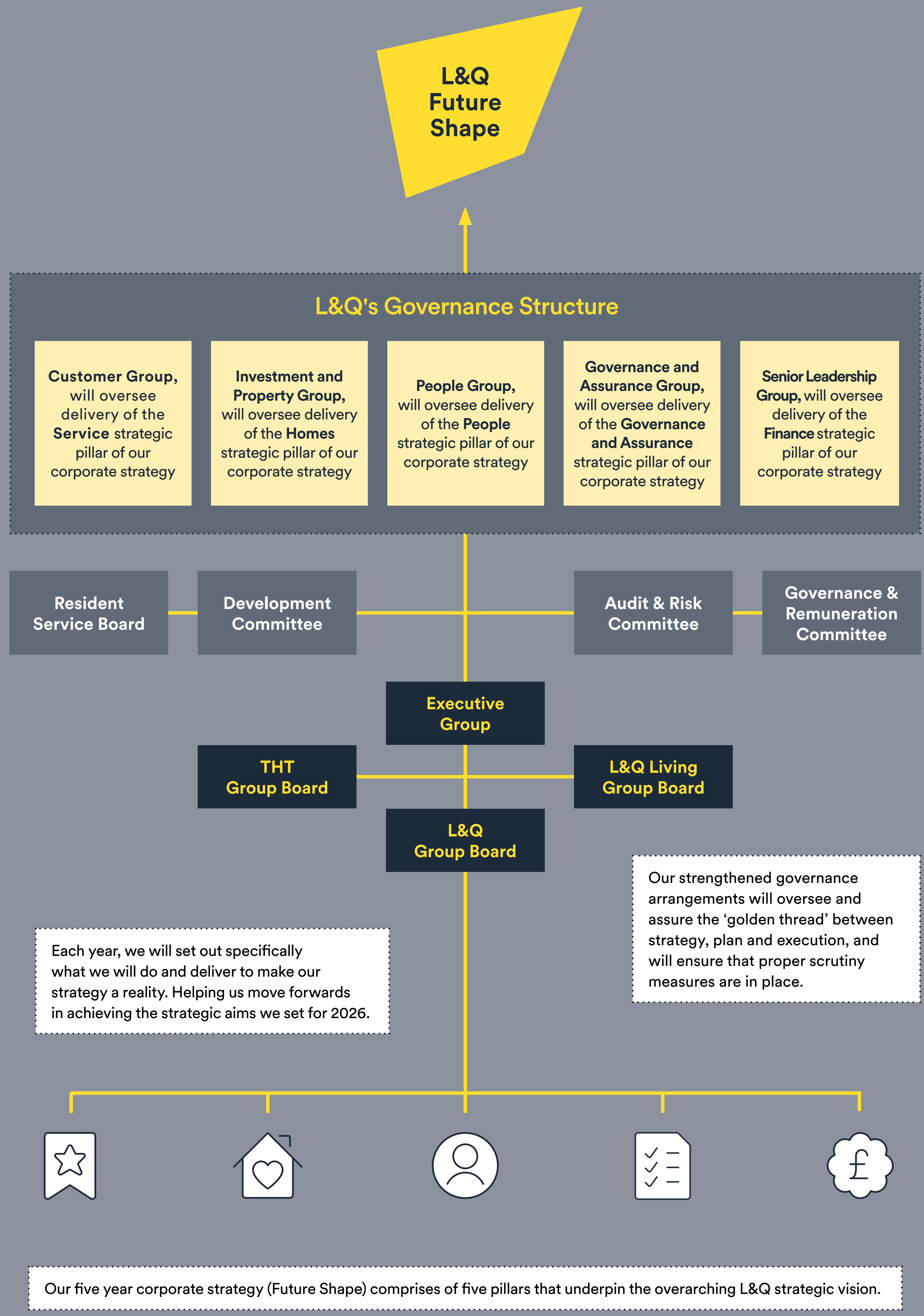
Value for money initiatives and achievements delivered in 2022/2023

Focusing on our main priorities and the desire to deliver reliable, consistent, and repeatable products and services, summarised below are some of the value for money achievements and initiatives delivered in the year;

More focus on and investment in the safety of our colleagues and residents and greater investment in our existing homes.

As already mentioned £347m was invested in our existing stock during the year, an increase of £85m on 2021/22. With this level of investment and our plans for the future ensuring value for money is essential. In the year we were able to :-

- Identify and secure contract life savings of £14m through 9 procurement projects (£12m through 13 procurement projects in 2021/22). These included Domestic Gas Maintenance, EICR Testing, Pound Advice and Technology contracts.
- Mobilised a multidisciplinary team assembled under the governance of the Major Works Investment Group (MWIG) that included customers to procure the largest investment programme ever across the social housing sector, with planned spend of approximately £3bn over a fifteen-year period. Through this approach we successfully appointed key partners under 15-year contracts and using a target cost open book model that focus on delivering value for money, in a fair and transparent way, using cost and not price as the driver. This incentivises contractors to deliver the required quality efficiently and savings to be shared between partners and L&Q.
- Commence a Repairs Change Project focussing on improving turnaround times for reactive repairs, void properties, as well as the quality of service in being able to ensure more jobs are fixed first time rather than rely on multiple visits. The project will also look to implement stronger controls and reduce the risk from sub-contractors who seek to overcharge for the work that they do. Through internal audit it has been highlighted that this is an area where improvements can be made.
- Our Group Procurement function developed and rolled out a new contract management toolkit and designed a new eLearning supplemented by a classroom based module on contract management, to help build knowledge, skills, and capacity within the business in respect to Procurement.
- During the year we started to introduce a QR asset tagging standard to enable us to identify and manage all the components in our homes and communal areas. This will allow us to build up better knowledge of our stock and the components, and help with regards to achieving value for money on future contracts and improving the efficiency of our repairs and maintenance service.



02

Value for money

More focus on delivering reliable, repeatable and consistent services.

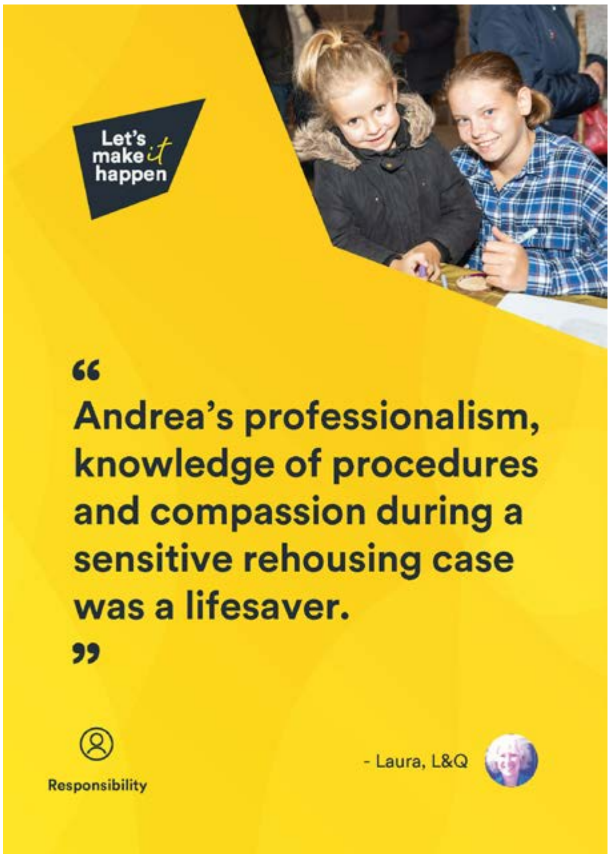
A big part of this is our Transformation Programme underpinned by the implementation of a new Finance and Housing Management system for L&Q. Ultimately our ambition is to reduce the number of standalone systems in L&Q, and introduce a data platform that allows the systems that are used to communicate with each other. During 2022/23 we:-

- Appointed new partners NEC and Unit4 to help deliver new Housing Management and Finance Systems.
- Designed how L&Q will deliver core services in the future, by creating high-level designs to support selection of new Housing Management and Finance systems
- Determined the way we will work in the future, through Service Design, for our Rent Setting, Service Charge and Income Management Teams. This will help us achieve operational excellence in the future and further work in this area will continue in 2023/24.

In addition we:

- Launched #Let's Make It Happen campaign to provide a platform for L&Q colleagues to share and celebrate examples of good practice throughout the organisation, but more importantly highlight areas that are not working well, and suggestions of how things can be improved
- Moved the staff of Trafford Housing Trust on to the L&Q network platform to help facilitate consistent ways of working and communicating across the whole of L&Q
- Transferred the LQL alarm monitoring service inhouse utilising the capacity of the Trafford control centre. This allows us to provide a better level of service to our LQL customers, but financially will also save money.

Ultimately everything that has been achieved in the year, and will continue to be delivered over the next few years is aimed at providing the best service possible for customers of L&Q. Customer satisfaction fell to 76% in the year from 82% in 2021/22 and this highlights that L&Q must continue to do more to improve our offering to customers. We realise that it is not a quick short-term solution to put in place the changes that we are looking to make which will be frustrating for some, but believe that long-term it will deliver the best outcomes for our customers, and ensure that all L&Q customers live in a home that enable them to have the opportunity to live a better life.



Measuring value for money

Value for money sits as a key deliverable across our Future Shape Corporate Strategy, and is therefore woven into our aims, objectives, and the measures we have put in place to guide our progress to making our strategy a reality. These are outlined in our Corporate Balanced Scorecard.

In establishing this, we 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 in the value for money performance measures section below, and a five-year target, showing the trajectory of improved performance that we are working to achieve over the life of the Future Shape Corporate Strategy. In achieving this, ensure we deliver value for money across all of our strategic initiatives.

The full list of detailed KPIs can be found in our published in L&Q Future Shape Corporate Strategy available publicly on our website.

When we published our Future Shape Corporate Strategy, we set targets both for 2022/23 and forecast targets for 2025/26. We committed to continue to review these each year to ensure they remain fit for our future as well as suitably reflecting significant challenges and opportunities we foresee and/or encounter throughout the life of our corporate strategy. Whilst the targets may change in light of these factors, our commitment to unprecedented levels of investment into our stock to ensure safety, improving the impact we have on our environment, ensuring decent home standards and delivering a customer service that is operationally excellent, enabling reliable, repeatable and consistent services, remains unchanged.

Over the next few pages are some key observations of our performance across L&Q's internal and sector specific value for money measures.

Value for money 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.

All 15 measures are reported below for the L&Q Group and are set out compared to L&Q's prior year performance (2021/22), L&Q's targeted performance, and benchmarked against the G15[7] median where possible using the most recent publicly available data.

Also included are some of the key metrics we have set in our Future Shape Corporate Strategy (those most clearly linked to deriving value for money) for the next year alongside our target for the fifth and final year of Corporate Strategy, which we will use to measure our progress and success.

[7] The G15 represents a Group of London's largest Housing Associations.

02

Value for money

Business Health							
Source	**Measure**	**L&Q 2022/23 Actual**	**L&Q 2022/23 Target**	**L&Q 2021/22 Actual**	**G15 2021/22 Median**	**L&Q 2023/24 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	Covenant interest cover	**169%**	205%	222%	no data	176%	>200%
Regulator	EBITDA MRI (as % interest)[8]	**20%**	133%	72%	105%	108%	n/a
L&Q Balanced Scorecard	EBITDA Operating margin (overall)[9]	**14%**	21%	24%	no data	21%	>20%
Regulator	Operating margin (overall)[10]	**6%**	24%	9%	20%	29%	n/a
Regulator	Operating margin (social housing lettings)	**25%**	31%	31%	27%	38%	n/a

Key observation

L&Q's business health continues to demonstrate strong viability, stability and significant headroom against banking covenants. Our internal covenant interest cover measure at 169% ended the year below our budget of 205%, due in the main to the impact of significantly increased interest costs throughout the year. Despite this the year end position was £82m headroom before the risk of a covenant breach, and therefore non-reliance on development sales to meet our covenant. Overall EBITDA generated at £313m was £35m below the budgeted £348m.

The calculation of L&Q's internal covenant (which aligns to our banking covenants) and the regulator's interest cover differs, with the regulator's EBITDA MRI (as % interest) excluding surplus on disposal of fixed assets and 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. This metric therefore highlights more reliance on asset sales than set out in the targets for the year. Increased cost associated with reactive repairs (including sub-contractors), service charges (associated with managing agents), and planned maintenance costs (associated with fire remediation and waking watch), as well as development remediation costs impacted the EBITDA generated from business activities. High inflation is a contributing factor to the additional expenditure, but a lot of the expenditure that was incurred in the year not originally budgeted for is through the choice of L&Q to prioritise investment in improving the standards of existing stock.

Our operating margin ratios have declined this year and did not meet our targets for the year. This was due to the level of impairment on a limited number of challenging development schemes alongside increased costs associated with fire safety and major works investment programme, reactive and void maintenance costs, and increased levels of void rental losses from empty homes. This increased investment in part reflects the continued challenge to clear a backlog of maintenance jobs that have built up since the Covid pandemic, and our stated corporate objective of increasing the quality of our existing homes.

While our corporate objective is to invest in our existing homes which in itself will impact operating margins we realise the need to remain financially resilient to future challenges that will present themselves. The Repairs Change Project will introduce efficiency targets for Reactive maintenance, by seeking to increase our Direct Maintenance team's capacity, tightening controls to reduce the impact of fraud from sub-contractors, and focussing on lower value reactive works jobs, with higher value jobs being carried out as planned and major works. A financial indicator of the project's success will be an improvement in operating margins longer term.

[8] EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current Sector Scorecard - see glossary for full calculation.
[9] Includes gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties from operating profit.
[10] Excludes gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties from operating profit.

Laurus Homes at D'Urton Grange, Preston

02 Value for money

Development (Capacity and Supply)							
Source	Measure	L&Q 2022/23 Actual	L&Q 2022/23 Target	L&Q 2021/22 Actual	G15 2021/22 Median	L&Q 2023/24 Target	L&Q 2025/26 Target
L&Q Balanced Scorecard	New home starts	**2,760**	3,633	2,103	no data	1,059	1,200
L&Q Balanced Scorecard and Sector Scorecard	New supply delivered (absolute)	**4,047**	4,897	4,157	705	3,209	2,189
Sector Scorecard	- Social housing homes	**2,892**	3,572	2,532	572	2,204	n/a
Sector Scorecard	- Non-social housing homes	**1,155**	1,325	1,625	77	1,005	n/a
Sector Scorecard	New supply delivered %[11]	**3.7%**	4.7%	3.9%	1.6%	2.9%	n/a
Regulator	- Social housing homes	**3.2%**	4.3%	2.8%	1.4%	2.4%	n/a
Regulator	- Non-social housing homes	**1.1%**	1.3%	1.5%	0.2%	0.9%	n/a
Regulator	Gearing[12]	**46%**	49%	48%	47%	46%	n/a

Key observations

As highlighted in the development and sales section a decision has been made by the Group to pause new home starts in order to prioritise investment on the three Corporate Objectives that focus on investing in existing stock. This was the reason that the target for new homes started was not achieved, but even so the 2,760 that were started is a significant increase on the previous year.

New supply delivered measures failed to achieve the target set, primarily because we refused to take handover of homes that did not meet our quality standards. We have realised how vital it is that homes are delivered to a high quality, as in recent times we have incurred significant costs in rectifying defects on sub-standard development projects that if avoided would have provided more capacity for additional development.

While we have fallen short of the development targets that we set for the year the volume of development that is being delivered is significantly greater than the most of our peers. The 4,157 homes delivered in 2021/22 was the highest level ever recorded for a housing association and the 4,047 homes delivered in 2022/23 is closely aligned.

Gearing measures the level of debt compared to the carrying value of assets, therefore the degree of dependence on debt finance. Gearing decreased in the year from 48% to 46%, reflecting a growth in assets funded by operating surpluses, whilst maintaining net debt levels. Our Gearing remains in line with the median of the G15.

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

Outcomes delivered							
Source	Measure	L&Q 2022/23 Actual	L&Q 2022/23 Target	L&Q 2021/22 Actual	G15 2021/22 Median	L&Q 2023/24 Target	L&Q 2025/26 Target
L&Q Balanced Scorecard	Customer Satisfaction - Service Delivery	**76%**	80%	82%	no data	80%	90%
Sector Scorecard	Customer satisfaction with services provided by landlord[13]	**78%**	n/a	66%	75%	n/a	n/a
L&Q Balanced Scorecard	Average days taken to complete repairs	**27 days**	20 days	29 days	no data	25 days	9 days
Regulator	Reinvestment %[14]	**6%**	6%	5%	5%	6%	n/a
Sector Scorecard	Investment in communities	**£10m**	£10m	£9m	£0.2m	£8m	n/a

Key observations:

The overall position on customer satisfaction and days to complete repairs for 2022/23 is one that reflects the continued need for change and improvement, which is very much at the heart of our delivery plans. Whilst we continue to face into real challenges operationally and in the macro-environment, the backlog of reactive repairs continued to have a significant operational impact that permeated to other teams across L&Q. Headway was made in the year in reducing the backlog from 47,000 to 31,000 however we recognise the service is in need of radical improvement hence the Repairs Change project being initiated.

Wider impacts of challenges in our repairs delivery include increased customer contact through our customer service centre resulting in longer wait times and increased case workloads in our Housing Management team. This has also resulted in increased levels of complaints, rising from an average 15 complaints per 1,000 homes to 18.7 at the end of the financial year, all contributing to lower levels of customer satisfaction.

We also have initiated a further change project focused on complaints that will introduce a centre of excellence to address the root causes of complaints, as well as improve complaint handling capability across the organisation, something that we know also has a direct impact on our customer satisfaction and perception performance.

Reinvestment remains high at 6% in line with the G15 median, with investment in new housing supply remaining relatively flat at c.£500m per year. Investment in existing homes increased significantly however, from £71m last year to £117m this year, reflecting our continued commitment to increase the level of major works investment in our existing homes.

Our investment in communities of £10m in line with our target is an increase on the previous year and is still one of the highest in our G15 peer group and demonstrates our commitment to driving outcomes that support our residents and wider communities. The social value that is driven from this investment is considered to be excellent value for money. This area is covered in more detail under the L&Q Foundation section of the Strategic report.

[13] Customer satisfaction with services provided by landlord is based on maintenance repairs surveys only
[14] Investment in properties as a percentage of the value of total properties held at end of year.

02 Value for money

Effective asset management							
Source	**Measure**	**L&Q 2022/23 Actual**	**L&Q 2022/23 Target**	**L&Q 2021/22 Actual**	**G15 2021/22 Median**	**L&Q 2023/24 Target**	**L&Q 2025/26 Target**
Regulator	Return on capital employed[15]	**1.9%**	2.9%	1.7%	2.5%	3.8%	n/a
Regulator	Occupancy	**97%**	98%	97%	99%	98%	n/a
Sector Scorecard	Ratio of responsive repairs to planned maintenance[16]	**1.0**	0.9	1.3	0.5	0.7	n/a

Key observations (effective asset management)

Return on Capital Employed (ROCE) compares the operating surplus to total assets, less current liabilities, and indicates the efficient investment of our capital. Our ROCE has increased slightly this year but is still below our peers, and below our own target. This was due to missing our target for operating surplus, caused by additional costs in repairs, impairment costs and development defects.

Occupancy remained at 97% this year, 1 percentage points below our target of 98%, and has yet to recover to pre-pandemic levels. This was primarily due delays with turning around empty homes requiring void works, and delays with lettings in relation to local authority nomination delays and internal resource constraints.

Our ratio of responsive repairs to planned maintenance reduced in the year, as we undertake more major repairs and investment to improve the quality and safety of our stock. Compared to our G15 peer group we are spending significantly higher proportion on responsive repairs than investment in planned and major repairs, and a large factor in this is clearing a long-standing backlog of repairs jobs.

The investment programme that has been procured during 2022/23 should see a further reduction in the ratio during 2023/24 to bring us more closely aligned with our peers.

Key observations (operating efficiencies)

The Group's headline operating cost per social housing unit was 29% higher than the previous year. It was higher than our target and last year, primarily due to an increase in responsive repairs and major works investment in our existing homes, as well as the level of impairment charge in respect of development projects. In considering the increases in costs like impairment we need to consider the macro-economic environment we currently operate in with increasing interest rates and that overall inflation was more than 9% for the entire year, with above inflation cost increases for the likes of building materials, gas, and electricity. Our management cost per unit also exceeded target due to £8m of temporary accommodation costs that were incurred in order to rehouse residents while issues with their homes were rectified. We are expecting this will reduce considerably in 2023/24. An increase in third party management costs is the predominant cause that has led to the increase in service charge costs.

Our maintenance cost per unit was higher than target due to higher than budgeted spend on both responsive repairs and major repairs. As previously mentioned, we are seeking to improve the functioning and efficiency of the repairs service through the Repairs Change project. However, we are also investing unprecedented levels in our existing homes including fire safety rectification works. It should be noted that the headline calculation includes £84m of fixed asset impairment and £26m of latent build defects within 'other social housing cost per unit' as the expense is categorised within Development service operating costs, although this will not be spent on social housing service provision.

[15] 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
[16] Routine maintenance as a percentage of planned maintenance + major repairs expenditure + capitalised major repairs and re-improvements expenditure

Operating efficiencies							
Source	**Measure**	**L&Q 2022/23 Actual**	**L&Q 2022/23 Target**	**L&Q 2021/22 Actual**	**G15 2021/22 Median**	**L&Q 2023/24 Target**	**L&Q 2025/26 Target**
Regulator	Headline social housing cost per unit	**£7,523**	£5,921	£5,858	£5,158	£5,848	£5,000
Sector Scorecard	Management cost per unit	**£821**	£740	£627	£1,422	£787	n/a
Sector Scorecard	Service charge cost per unit	**£1,010**	£1,024	£884	£904	£1,114	n/a
Sector Scorecard	Maintenance and major repairs cost per unit	**£3,850**	£3,579	£2,921	£2,440	£3,356	n/a
Sector Scorecard	Other social housing cost per unit	**£910**	£578	£839	£392	£591	n/a
Sector Scorecard	Rent collected as % of rent due (General needs)	**100%**	100%	101%	n/a	100%	n/a
Sector Scorecard	Overheads as a % of turnover	**9%**	9%	10%	n/a	9%	n/a

Other social housing costs are significantly higher than our peer group due to the level of development costs we incur to deliver the largest mixed tenure development programme in the sector. As we scale back on our development aspirations we would expect to see a reduction in this area moving forwards.

Where costs per unit are targeted at lower levels in 2023/24 that is due to a combination of challenging ourselves to become more efficient but also eliminating the significant "one-off" costs such as temporary accommodation and latent build defect costs that have had such a significant impact in 2022/23.

Rent collection for General needs at 100% represents extremely strong performance in this area when taking in to account the financial pressures residents will be under due to the cost-of-living crisis. Overall, a rent collection of 102% was achieved across the whole Group.

Overheads as a percentage of turnover has reduced to 9% achieving our target for the year. Adjusted turnover increased by 14% in the year, but overheads only increased by 9% on 2021/22 levels helping to reduce the overall level. 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 percent compared to our G15 peers. L&Q consider this is a key driver to deliver value for money, ensuring that we utilise resources effectively across the Group, and invest a greater proportion of resource in to delivering front-line services to our residents.

02

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:

Specifically, they include:

- Gas and electricity used in our offices
- Gas and electricity procured for use in our residential portfolio, eg for communal heating
- Temporary gas and electricity supplies to empty homes units in our residential portfolio
- Mains gas and electricity used on our construction sites
- Fuel used by our transport fleet, and
- 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 (Note 35).

Energy Use and Carbon Emissions	2022/23	2021/22	Unit	% Change
Total energy consumption:	**191.7**	**182.2**	**GWh**	**5%**
Gas	133,478	128,379	MWh	4%
Electricity	48,382	45,006	MWh	8%
Transport fuel	9,909	8,851	MWh	12%
Emissions from combustion of gas (Scope 1)	24,365	23,514	tCO2e	4%
Emissions from purchased electricity (Scope 2, location-based)	9,356	9,556	tCO2e	-2%
Emissions from purchased electricity minus renewable electric purchased	5,548	4,739	tCO2e	17%
Emissions from combustion of fuel for transport purposes (Scope 1)	1,898	1,906	tCO2e	0%
Emissions from business travel in employee-owned vehicles where L&Q is responsible for purchasing the fuel (Scope 3)	509	145	tCO2e	251%
Total carbon emissions (excluding renewable energy)	**36,128**	**35,121**	**tCO2e**	3%
Total renewable electric	3,808	4,817	tCO2e	-21%
Total renewable electric procured	19,690	22,686	MWh	-13%
Total remaining brown electricity	28,691	22,320	MWh	29%
Total net carbon emissions (including renewable energy)	**31,812**	**30,160**	**tCO2e**	5%
Carbon emissions intensity ratio	**0.243**	**0.234**	**tCO2e / unit**	4%

2022/23 Performance

L&Q's total carbon emissions have increased by 5% when compared to last years figure with carbon emissions intensity ratio going from 0.234 to 0.243 tCO2e per unit in 2022/23. This is a step back from our commitment to reduce our overall carbon emissions. The increase is partly due to a temporary pause in buying renewable electricity. Renewable electricity was purchased between October 2021 and September 2022. However, as of October 2022 we had to temporarily cease this commitment, due to unprecedented increases in wholesale energy prices leading to a 10-fold increase in costs for the Renewable Energy Guarantees of Origin (REGO) certificates. L&Q remain committed to purchasing renewably sourced electricity within our 5-year strategy and aim to reinstate renewable electricity purchase from October 2024 as part of our group energy contracts procurement process.

Scope 1 emissions have gone up by 4% this year. This is attributed primarily to the new handovers as our portfolio continues to grow and we manage more heat networks.

Although there has been a programme of work to reduce the backlog of empty homes being re-let, reporting accurately on our empty homes' consumption has been a challenge this year. This is due to a large number of our empty homes not being moved to our void energy provider, owing to increased costs resulting from the energy crisis and sector wide pause on supplier switching. These homes remained with their incumbent supplier, making tracking the consumption difficult and meaning they were also not on our renewable tariff offered by our void energy provider. Based on the data we have; empty homes are anticipated to constitute 4% of total emissions.

As anticipated, business travel has continued to increase post pandemic tripling this year. However, this accounts for just 1.6% of the total emissions. This increase is largely due to a higher number of colleagues travelling for work requirements.

The continued decarbonisation of the national grid in 2022/23 has also played a part, reducing the carbon emissions per kWh of electricity consumed where grid mix figures are applied.

Energy efficiency measures

As part of the Major Works Investment Programme L&Q has set aside funds to ensure that our stock reaches EPC Grade C by 2030. During the year we have continued to implement a range of measures throughout 2022/23 to improve energy efficiency and reduce carbon emissions within our housing stock with £32m being invested in the year. These measures have focussed on improving the operational efficiency of our homes, and strengthening our renewable energy generation capacity.

Over 6,700 homes were visited as part of the Healthy Homes project that looked at ground-breaking ways of eradicating mould and damp from our residents' homes. As part of the visit, more than 4,300 'Healthy Homes' humidity and temperature sensors were installed to closely monitor environmental conditions within the homes, enabling L&Q to tackle the risk of damp and mould within customers home and identify energy-related issues.

During the Healthy Homes visit, energy experts optimised boiler, heating and radiator settings and advised residents on how best to save energy within their homes.

02 Sustainability at L&Q

In October 2022, we published our second Sustainability Report which informed stakeholders about the progress that we have made to date, and the targets that we have committed to achieve as an organisation.

We have identified sustainability priorities, in consultation with L&Q colleagues, residents and other stakeholders.

We are committed to making sustainability integral to L&Q's vision, purpose, and the delivery of our corporate strategy.

Our long term objectives are to:

- Be a net zero carbon business by 2050
- Collaborate with others to achieve significant improvement in social impact and social value; and
- Safeguard the environment.

In order to meet the long-term aspirations we have set out 4 sustainability targets to achieve by 2024 with progress to date set out in the table below.

Measure		2019/20 baseline performance	2019/20 performance	2021/22 performance	2022/23 performance	March 2024 Sustainability performance Target
Scope 1 and 2 greenhouse gas emissions as measured in tCO2e	Actual Performance	32,822 tCO2e 0.271tCO2e/unit	33,268 tCO2e 0.257tCO2e/unit	30,160 tCO2e 0.234tCO2e/unit	31,812 tCO2e 0.243tCO2e/unit	Reduce greenhouse gas emissions by 20% in comparison to baseline
	% Reduction to baseline		5%	14%	11%	
Average energy rating for properties where L&Q has operational control measured by SAP ratings provided on EPCS	Actual Performance	Not reported	71.7	71.8	72	Average calculated SAP score of 72
Number of new homes built, acquired and let, with at least 50% provided as 'affordable' housing	Actual Performance	"2,439 total 1,188 affordable (49%)"	"2,699 total 1,556 affordable (58%)"	"4,157 total 2,532 affordable (61%)"	"4,047 total 2,892 affordable (71%)"	8,000 homes built by 31 March 2024
	Cumulative Performance		"2,699 total 1,556 affordable (58%)"	"6,856 total 4,088 affordable (60%)"	"10,903 total 6,980 affordable (64%)"	
Funding invested in local community organisations to generate positive social impact on the communities where our residents live	Actual Performance	£2.5m	£3.4m	£3.4m	£3.3m	£10m invested in communities driven by identified social need and measurable impact by 31 March 2024
	Cumulative Performance		£3.4m	£6.8m	£10.1m	

As one of the UK's largest housing associations, we recognise that our activities have a profound impact on the environment and that we have a responsibility to minimise this impact. We have adopted the Sustainability Standard for Social Housing that was launched in November 2020, and our sustainability priorities are aligned with the United Nation Sustainable Development Goals (SDGs).

Our published Sustainability Finance Framework paved the way for us successfully completed the first sustainability linked bond issuance in the Social Housing Sector in January 2022, placing a £300m landmark issue.

Details on our Streamlined Energy and Carbon Reporting methodology can be found in Note 35 at the rear of the Financial Statements.

Our 2024 sustainability key performance targets:

20%

Reduce greenhouse gas emissions by 20% in comparison to baseline

Currentlly 11%

72

Average calculated SAP score of 72

Currentlly 72

8,000

8,000 homes built by 31 March 2024

Currentlly 10k+

£10m

£10m invested in communities driven by identified social need and measurable impact by 31 March 2024

Currentlly 10.1m

Saxon Reach, Milton Keynes

03 Governance

- Group Board
- Other statutory and regulatory information
- Internal control and risk management
- Audit and Risk Committee
- Statement of responsibilities of the Board in respect of the Board's report and the financial statements

03

Group Board

The L&Q group is governed by its Group Board (the Board) – Board member biographies can be found at the rear of these Financial Statements and 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 L&Q Group.

Governance review

During 2022/23 LQHT underwent an In-Depth Assessment (IDA) by the Regulator of Social Housing. In November 2022 the Regulator confirmed that L&QHT retained its G1 Governance rating. As part of the preparation for the review we also underwent a full externally facilitated mock IDA assessment.

In early 2023 we undertook an externally facilitated governance review which was reported to the Board in May 2023. The scope of the review assessed general effectiveness; resident engagement arrangements; compliance with regulatory and statutory expectations; board and committee assurance mechanisms and the operation of officer governance groups. This concluded that the governance of L&Q is strong, robust, well documented and well executed with L&Q being aware of its strengths and weaknesses with plans in place to address identified weaknesses and strengthen its capabilities. An action plan to address the recommendations made is in place.

Code of Governance

LQHT has adopted the principles and provisions of the NHF Code of Governance 2020. An assessment of compliance with the Code is undertaken annually and there are no areas of non-compliance highlighted, albeit that we continue to strengthen our approaches on an ongoing basis to ensure we are fully compliant.

The NHF Code of Governance applies to LQHT's relationship with the subsidiaries. LQHT's principal subsidiaries have adopted the Group Governance Standing Orders or a tailored version proportional to the nature and size of such subsidiary. By adopting sections of the Group Governance Standing Orders, each of the subsidiaries acknowledges that LQHT has the power to intervene, if necessary, in its governance.

During the year, the Board agreed to adopt the NHF Code of Conduct 2022. LQHT will report on its compliance with the NHF Code of Conduct 2022 in its financial statements for the year end 31 March 2024.

A list of L&Q's direct and indirect subsidiaries can be found in Note 34 of these financial statements.

Leadership and control

The Board consists of between five and twelve Board Members (excluding co-optees). With Sean Anstee retiring from the Board on 31 March 2023 there are currently 9 members which includes the Group Chief Executive and the Group Finance Director.

During the course of the year we have appointed one new member to the Group Board:

- Nigel Hopkins who is Chair of the Audit and Risk Committee

L&Q have signed up to aspirational targets in respect of gender and ethnicity which require us to achieve 30% of our roles being filled by candidates from a BAME background and 50% female by 2023. With Sean Anstee retiring from the Board on 31 March 2023 there are currently 9 members which includes the Group Chief Executive and the Group Finance Director.

The key management personnel of the Group consists of the Board detailed on page 69 and the Executive Group listed on page 75. Changes in leadership are listed in Note 10.

Board and Committee membership

The table on the next page 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.

Board member	Group Board	Audit & Risk Committee	Governance & Remuneration Committee	Development Committee	Resident Services Board
Aubrey Adams	6/6		4/4	5/5	
Waqar Ahmed	6/6				
Fayann Simpson	6/6	6/6	4/4		5/5
Louise Brooke-Smith	5/6			5/5	
Fiona Fletcher-Smith	6/6				
Nigel Hopkins – appointed 08/09/2022	4/4	4/4			
Raj Kumar	5/6				5/5
Maria Da Cunha	5/6		4/4		
Dominique Kent	5/6				
Retired during the year					
Michael More - 31/12/2022	4/4	5/5			
Rajiv Jaitly – 30/09/2022	4/4	2/2			
Sean Anstee - 31/03/2023	5/6				
Other committee members					
Sanjay Patel		6/6			
Steve Hughes		3/4			
Sarah Bundy				4/5	
Kris Peach			4/4		
Kristian Melgaard				5/5	4/5
Michael Verrier					3/5
Faith Smith					5/5
Nadya Enver					4/5
Dave Bedford					3/5
Tim Shand					4/5
Elisse Penney					3/5
Carl Shillito					5/5
James Rolton				4/4	
Raj Kambo		5/5			
Retired during the year					
Gordon Perry		0/2			
Matthew Hemmings				0/1	
Peter Burke				4/4	
Angie Bolton					4/5

03

Group Board

Group Board member biographies

Aubrey Adams OBE
Chair of L&Q Group

Aubrey is the former Chief Executive of Savills plc, a leading global real estate service provider, employing 35,000 people across a network of over 700 offices.

Aubrey's previous external experiences include Senior Independent Director of Associated British Ports plc, Chair of Air Partner plc, Chair of Max Property Group plc and Non-Executive Director of The British Land Company plc.

Aubrey's current external appointments include Chair of the Board of Trustees of Wigmore Hall and Chair of Tritax Big Box REIT plc.

Waqar Ahmed
Executive Group Director, Finance

Waqar has worked for L&Q for more than 25 years and was appointed Group Finance Director in 2008. His priority has been to develop a management culture across L&Q that aims to optimise our social objectives by adopting a commercial approach in all areas of operation. Waqar has supported L&Q in taking on commercial activities, strategic joint ventures and vertical integration in both operational and development functions to generate significant financial strength to maximise our social impact. Furthermore, he is the Executive lead for L&Q's £1.5 billion Private Rented Sector business.

Waqar has further supported the L&Q Foundation in creating long-term sustainable partnerships with other like-minded charities investing in the social fabric of the areas we work in. Waqar also sits on the boards of the National Housing Federation and is a trustee of the national homeless charity, Crisis.

Dr Louise Brooke-Smith OBE
Chair of Development Committee

Louise is a Chartered Surveyor and Chartered Town Planner with experience drawn, over 35 years, from the UK and overseas. She provides strategic development advice for national and international clients from the public and private sectors. Formerly a Partner of Arcadis LLP, a Global Consultancy for the Built Environment, she was UK Head of Development & Strategic Planning, Head of Social Value, and continues to advise as a Strategic Consultant.

Louise was the first female Global President of the Royal Institution of Chartered Surveyors. She championed diversity and inclusion and led initiatives including the RICS Inclusive Employers Quality Mark and the Property Strategy for Sub-Saharan Africa. Her accolades include Outstanding Woman in Construction and National Achiever in Construction. Louise was awarded an OBE in 2019 for 'services to the built environment, diversity and inclusion'.

Louise is an experienced non-executive director holding positions on many boards, including Board Member and Employee Engagement Lead for Genuit Group plc, Board Trustee of The Land Trust and Board Member of the Greater Birmingham and Solihull LEP.

Maria Da Cunha
Board Member

Maria is a former senior executive of British Airways plc where she worked for 18 years until 2018. Maria was BA's Head of Legal and Government and Industry Affairs for four years before becoming its Director of People and Legal in 2011, responsible for human resources, legal, risk and compliance. Maria has extensive experience in corporate governance, risk and compliance, regulated industries, transformation programmes, employee engagement and industrial relations.

Prior to joining BA, Maria held various positions with Lloyds of London, Lovells LLP and the College of Europe. She was formerly a Non-Executive Director of De La Rue plc and a Trustee of Community Integrated Care.

Maria is a Non-Executive Director of International Distribution Services plc and Irwin Mitchell Holdings LLP and a Panel Member of the Competition and Markets Authority.

Fiona Fletcher-Smith
Group Chief Executive

Fiona was appointed as L&Q's Chief Executive in September 2020. With almost 30 years of experience in the housing sector, Fiona has worked in a variety of voluntary and public sector roles including advising homeless people in Dublin, housing management, development and regeneration, strategy and policy development.

Fiona was previously L&Q's Director of Development and Sales, spearheading a £5.1 billion development programme. Whilst in this role, Fiona led our development and strategic land programmes, including landmark projects such as the 10,800-home Barking Riverside development. She also oversaw the group's expansion beyond the South East and delivered change programmes to improve both the efficiency and diversity of our Development and Sales function.

Prior to joining L&Q, Fiona was Executive Director for Development, Enterprise and Environment at the Greater London Authority (GLA). As part of their senior management team, Fiona was responsible for overseeing the delivery and implementation of key strategies such as the London Plan and overseeing the operation of the Mayor's powers in relation to significant planning applications in the capital.

Fiona is the current chair of trustees at the Centre for London, helping the capital's think tank to meet their charitable objectives. In June 2023 Fiona was appointed chair of G15, the group of London's largest housing associations.

03 Group Board

Group Board member biographies (continued)

Nigel Hopkins
Chair of Audit and Risk Committee

Nigel Hopkins is an experienced Non-Executive Director who is currently Chair of MHS Homes, Chair of a Social Finance fund for End-of-Life Care and Chair of Instructus, and was previously Chair of the Audit Committee of Places for People.

He has enjoyed a successful and varied executive career with International Blue Chip and Regulated businesses. He has extensive experience in organisational transformation in both the private and public sectors, most recently in businesses delivering social impact through housing, skills, jobs, senior living, and care.

Dominique Kent
Chair of L&Q Living Board

Dominique holds a number of Non-Executive Director and Advisory roles in the Health and Social Care sector and has built her experience in Executive posts throughout her career.

Dominique was CEO of Pacific Investments for their Senior Living business until November 2022. Prior to this, she was appointed by Sodexo as the COO for the Sodexo UK and Ireland Homecare business portfolio. This was subsequent to the Sodexo takeover in April 2019 when Dominique was appointed Managing Director for The Good Care Group (TGCG). TGCG was a fast-growing provider of live-in care services enabling older people to stay in their own homes and communities. Dominique is particularly proud to have achieved an Outstanding Care Quality Commission (CQC) rating in all five categories. Prior to that, she held positions with Sunrise Senior Living and Sainsbury's. Dominique has also Chaired the Homecare Association, where she was a non-executive director for 9 years. She is Chair of the L&Q Living Board and a member of L&Q's Group Board. In September 2022 she joined the board of Trinity Home Care. She is also an advisor for Thalamos, a business set up to improve outcomes for mental healthcare.

Raj Kumar
Board Member

Raj has over 35 years of practical experience of working in the registered provider sector. This includes being Head of Service for a Local Authority, during which he helped set up an Arm's Length Management Organisation (ALMO).

Since 2006 Raj has headed up One Enterprise Ltd, a housing consultancy working across the UK. He has previously managed several best practice clubs for Housemark. He also heads up an Independent Tenant Advisory (ITA) service, which is supporting residents on a regeneration scheme in Harrow. Raj is the independent chair of the Customer Committee at Nottingham Community HA.

Raj is a member of the Chartered Institute of Housing, a Fellow of the Royal Society of Arts and Manufacturing (RSA) and a qualified mediator.

Fayann Simpson OBE
Chair of Resident Services Board

Fayann has been an L&Q resident for more than 20 years and an involved resident for more than 15 years. Fayann is Chair of the L&Q Resident Services Board, as well as a member of L&Q's Group Board, Audit and Risk Committee, Governance and Remuneration Committee and was recently appointed as Senior Independent Director.

She has many years of experience working for global law firms and investment banks. Fayann is also a member of the Independent Safety Steering Group, chaired by Dame Judith Hackett. Fayann was awarded the OBE in the birthday honours list in 2020 for services to people living in social housing.

03

Other statutory and regulatory information

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 four standing Board committees for the 2022/23 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
- **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.

All of our committees have at least one resident member, and the Resident Services Board comprises nine residents (including the chair) and one independent board member.

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.

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.

Executive Directors

Fiona Fletcher-Smith (Chief Executive)

Waqar Ahmed (Group Finance Director)

Steve Moseley

Tom Nicholls

Gerri Scott – resigned 31 March 2023

Vicky Savage

David Lewis – appointed 1 March 2023

Matt Foreman – appointed 1 March 2023

Secretary and registered office

Henry Potter
29-35 West Ham Lane,
Stratford, E15 4PH

Statutory auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Banker

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Registrations

Registered Society number: 30441R
Regulator of Social Housing number: L4517

03

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 existing system of internal control include:

1. Our Governance Structures/Arrangements

2. Operational Leadership/Portfolio accountabilities

3. Legal and Regulatory compliance

4. Risk Management

5. Control Arrangements

6. Assurance Programme

A quarterly Internal Controls and Assurance Framework (ICAF) and supporting report provides visibility of, and reporting on, risk and compliance across the organisation. It draws together data and insight from the range of our internal control arrangements and presents a data informed view of our internal controls, and our assurance around those. This data includes business performance in terms of delivery of our corporate strategy and KPIs, key risks across Group, sources of '2nd line of defence' assurance, and '3rd line of defence' internal audit. The report is produced and reviewed quarterly by internal Governance Groups and Audit and Risk Committee.

The ICAF report now forms the main source of assurance on our internal controls. Key features of each element are set out below:

1. Governance structures/arrangements in place and effective

- A robust governance structure which supports the whole Group, and is subject to regular review in order to ensure learnings are applied and continuous improvement. Governance structure enables assurance across all of the Groups undertakings
- Our Audit and Risk Committee are part of the governance structure and review specific reporting and internal control matters, ensuring internal control systems are operating effectively
- Our Resident Services Board are responsible for monitoring and challenging operational performance in relation to quality, maintenance and repairs, customer service, satisfaction and complaints and leading on the development of resident involvement opportunities. Its remit is broadly in line with the Social Housing Regulator's Consumer Standards
- A process is in place for approving all investment decisions – all major investment decisions are subject to appraisal and approval through the governance structure, the Executive Group, and, where appropriate, the Board. In addition, Treasury activity and strategy are subject to regular Board review and approval
- We have adopted and have arrangements in place to ensure compliance with the principal recommendations of the National Housing Federation's Code of Governance 2020 and accept this as the Group's code of good practice.

2. Operational Leadership/Portfolio Accountabilities

- An established management structure operating across the Group, with clearly defined levels of responsibility and delegated authorities.

3. Legal and Regulatory Compliance

- In 2022/23 an external review of compliance with relevant law was undertaken
- A framework of policies and arrangements to enable compliance are in place
- Clear accountabilities for compliance will be embedded across 23/24 setting a firm foundation for managing risk and assurance.

4. Risk Management

- A Group-wide risk management system (including health and safety) exists – the Board has established a process for identifying, evaluating, and managing the significant risks faced by the Group. Updates are provided to the Audit and Risk Committee on an on-going basis and formally to the Board annually
- Risk appetite and tolerance thresholds have been defined for all corporate KPIs and used to define and inform action and decision making
- Quarterly risk information is reviewed by the Officer Led Governance Groups and the Audit and Risk Committee, now as part of the ICAF report
- We work to continue to improve our approach to risk and assurance, which will enhance and strengthen our internal controls assurance.

5. Controls Arrangements

- 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, development, and wellbeing of suitably qualified staff to manage activities and risk. A behavioural framework supports delivery in line with L&Q values
- A standard Policy and Standard Operating Procedure Framework with clear accountabilities for each business area
- The Group's Fraud and Whistleblowing policies enable issues to be raised on a confidential basis including though an independent third party. Procedures exist to ensure any whistleblowing incidents are independently investigated promptly
- Adopting and complying with the principal recommendations of the National Housing Federation's Code of Conduct.

6. Assurance Programme

- 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
- 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.

The Board confirms it has an approved anti-fraud, bribery, and corruption (FBC) policy that has been distributed to all colleagues, alongside supporting training that all colleagues are required to complete. The policy covers the prevention, detection and reporting of FBC. Details of identified cases are maintained in a register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board and on a quarterly basis through an Officer Led Fraud and Whistleblowing Response Group. The Group has also appointed a Money Laundering Reporting Officer as part of its compliance arrangements 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 2023, 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.

Internal control and risk management

Risk management

Risk Management is fundamental to the achievement The Group risk map captures the strategic risks we have been managing in financial year 2022/23, ensuring we remain able to deliver on priorities set out in our Future Shape Corporate Strategy. We operate an enterprise approach to risk management, and we assess and capture operational risk data that informs and influences our risk map throughout the course of each financial year. The accountability for overseeing risks and associated controls rests with Executive Group members. As part of our internal controls and assurance framework, the risks, their respective mitigations, and our assurance over these are reviewed by our Audit and Risk Committee on a quarterly basis. Our Group Board review these annually.

Furthermore, in our pursuit of continuous improvement, and in order to create even greater assurance over our risks, we are in the process of introducing some changes to our risk management and assurance arrangements. In alignment with our target operating model, these changes include a resetting of accountability for specific risks and controls, creating deeper linkage between the corporate strategy/KPIs/risk through the setting of risk appetites and tolerances for our corporate key performance indicators, as well as some changes to our ecosystem of assurance across Group. All of this will help ensure even more robust assurance over our controls, and drive further continuous improvement.

In respect of the strategic risk map and our current risk environment, this continues to be influenced by significant global and UK related events which impact on our business operations. The conflict in Ukraine, the legacy of the Covid pandemic, Brexit, the fallout from the instability in the UK Government in 2022, as well as increasing external focus and scrutiny on the housing sector and service delivery failures, all continue to influence our business risk profile. Resultant impacts include high and uncertain inflation rates, rising interest rates and disruptions in supply chains and the labour market, and the need to meet increasing regulatory requirements.

We have experienced an increase in the costs of construction and maintenance services at a time when we are more exposed, making significant investment aimed at bringing our homes to higher quality and energy efficient standards, as well as meeting new building safety requirements. The need to improve our service to our residents has been a central tenet of our corporate strategy since 2020, but across the sector as a whole this area is under increased external scrutiny. There are also increased demands placed on us including new regulatory consumer standards and new requirements to publish tenant satisfaction measures. We are well positioned to mitigate these risks through the plans we already have well underway to improve service, enable compliance and protect reputation. Financial pressures coupled with an increased need for focus on service and existing homes in our portfolio has led us to mitigate risks through a slowing down on our development programme in order to release capacity. But throughout, we remain resolute in our focus to deliver on our Future Shape corporate strategy priorities, and we use risk management as a key enabler to aid strategic decision making in order to help us achieve the best possible outcomes for L&Q and its residents.

Work starts on new Trafford Waters affordable homes

03

Internal control and risk management

Key Risks

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. There have been some small changes in the key risks since last year's financial statements but where there are clear parallels we have included an indication of whether risk has increased or decreased over the period.

Risk and trend direction	Comments and risk mitigation
Financial impacts of macro-economic environment impacts our ability to deliver on strategic objectives. 1 ↓	Economic uncertainty remains a key risk. We undertake multivariate stress tests and contingency planning and have implemented a range of mitigating actions to enable us to deliver our Future Shape corporate strategic priorities, which has led to reduce the capacity available for the development of new homes for the medium term. We retain a strong liquidity position and look set to deliver a robust set of financial results. To manage liquidity risk, the Group maintains a policy to retain sufficient liquidity in the form of committed yet undrawn loans in excess of £1bn plus available cash to cover projected net cash outflow for the then proceeding eighteen months. 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. High inflation, interest rates and high supply and labour costs also could impact L&Qs ability to deliver on strategic objectives if they remain elevated for a considerable period of time.
Inability to attract and retain the best staff within L&Q who are engaged, motivated and high performing. 2 →	We continue to operate in a challenging labour market with high levels of vacancies (L&Q has over 500 vacancies out of nearly 3,900 budgeted positions) and low levels of unemployment across the UK, and increased competition for many key roles. As such, attracting, engaging, and retaining talent remains an important focus area. As well as reviewing and benchmarking our salaries and wider terms and conditions, we also monitor engagement, health and wellbeing (including stress) and offer a range of support and benefits to colleagues – from flexible working arrangements to financial health coaching. We use data and insights from external accreditations such as Investors in People and Great Places to Work to drive actions across the Group to ensure a healthy, motivated, and engaged workforce.
Major or series of Health and Safety Incident(s) causing injury or death event(s) 3 →	Continually advancing our health and safety performance remains a high priority. We continue to embed robust Health and Safety and Fire Safety Management systems, led by our specialist Health & Safety Team. We use health and safety compliance audits to support our performance management information, and compliance improvement plans are monitored to ensure sustained compliance is achieved. We also closely monitor key trends in health and safety incidents, fire, and injury losses, and use the data to drive continuous improvement in our arrangements to keep our residents, our homes, and our colleagues safe. Given the critical nature of this area, it is a core tenet of our governance for Group, and ultimately is overseen at Group Board level.

Risk	Comments and risk mitigation
In relation to the homes we provide, unable to comply with emerging legal and regulatory requirements relating to building and fire safety. 4 ↓	L&Q has some of the greatest exposure to new fire and building safety legislation through the nature of its stock, and this is recognised in all that we are doing to anticipate requirements and enable compliance. The complex and shifting legal and regulatory environment present considerable challenges. We have delivered on all elements where there is certainty; completing the inspections of our 460 buildings over 18m and carrying out inspections of buildings with external wall systems of any height in line with risk assessed prioritisation. At the same time, we continue to develop and deepen our understanding of new and emerging legislative and regulatory regimes and build out appropriate plans to ensure compliance.
Complexities of building safety management 5 →	Our corporate strategy has a key focus on ensuring the safety of our residents and improving the quality of our new and existing housing stock. A combination of budget underspends and reductions in maintenance budgets had resulted in a backlog of decent homes related works and increased the risk of non-compliance with regulatory requirements. We have since committed substantial investment in our existing stock totalling £347m in 2022/23 alone and we are also ensuring that operational risks around programme delivery and supply chain are closely monitored to keep us on track. This last year we launched the delivery of a Major Works Investment Programme which enables us to target properties to ensure they meet Decent Homes standards, improve energy efficiency alongside addressing wider mechanical, engineering, and building safety works. We are also working hard to improve our routine repairs service – and have established a Group wide change project focused on improving turnaround time for repairs, improving our first-time fix performance, and delivering a new empty homes standard to improve the time it takes to move a resident into a new home and improve value for money.
In relation to the customers we serve, unable to meet strategic objectives and targets, and/or comply with legal and regulatory requirements. 6 ↓	A new regulatory regime around consumer standards, impacts of the macro-economic environment, the heightened external scrutiny in response to widely publicised customer service failures in the sector, and the Better Social Housing Review recommendations in response, all mean we are navigating increased risks and challenges associated with delivering for our residents. A significant risk and therefore focus, is resolving delivery challenges associated with our routine maintenance service. Over and above this, to further mitigate risks, we also continue to embed our new more traditional housing management structure with smaller patch sizes and invest in systems and processes to give our people the tools to enable reliable, repeatable, and consistent service delivery. We are also working to significantly improve our complaints experience and performance, and through our resident involvement work, we continue to build more collaborative relationships by strengthening our resident network, increasing resident voice, and ensuring this plays a significant influencing role at L&Q. In respect of our more vulnerable residents in particular, we continue to monitor the effectiveness of our safeguarding and wider resident related policies and procedures, and use insight to ensure continuous improvement.

03

Internal control and risk management

Risk	Comments and risk mitigation
Interruption of business and/or data breach resulting from a major or series of cyber-crime incident(s). 7	There have been some well publicised cyber-attacks in the housing sector, and this demonstrates the impact such an event could have on our ability to deliver services and so we continue to focus on cyber risk as a corporate risk. Whilst there has been no intelligence of a targeted attack, the threat level is significantly heightened, and all businesses are exposed to the risk to varying degrees. We have invested in our Information Security capability for some years now and continue to build on our maturity in this key area, as well as testing the infrastructure that we have in place.
Inability to meet net zero carbon and/or ESG targets 8	Our contribution to climate change mitigation is a core aspect of our corporate strategy, and we place a strong emphasis and focus on ESG matters. Our risk exposure in respect of environmental sustainability reaches across the Group, but is higher in the development and maintenance part of our business operations. The macro-economic environment and our maintenance delivery challenges are currently adding further pressure on our ability to meet targets, but we remain resolute in meeting them, and ensuring we explore and implement a range of options to reduce our impact on the environment, including securing government funding where available.
Supply chain unable to meet delivery objectives 9	We are continuing to experience the impact of the sector wide supply chain issues with disruption and shortages of some materials particularly within our maintenance operations. We manage these risks through proactive procurement activity and planning, a newly strengthened approach to contract management. Our multi-billion major works programme is a strong example of action we have taken to mitigate this risk, in the appointment of 15 year major works contracts, creating greater stability, reliability and cost control.
Unable to meet loan covenants and requirements. 10	Several of our key risks give rise to a significant investment need, and price fluctuations due to both material and labour cost inflation exerts pressure on our key financial ratios going forward, which in turn add pressure on our ability to meet loan requirements. Though inflation is expected to fall it remains high and has led to rises in the Bank of England base rate rises which has in turn increased the cost of our borrowing. We hold regular reviews across Group, and we remain focussed on the delivery of our key financial metrics.

An impact and probability assessment for each of the key risks has been carried out with the table below detailing how each risk has been assessed.

Probability / Impact	Negligible	Marginal	Critical	Catastrophic
V High (91%-100%)				
High (41%-90%)			2	
Low (11%-40%)		10	6,7,8	1,3,5
V Low (0%-10%)			4,9	

03 Audit and Risk Committee

Throughout the financial year, the Audit and Risk Committee members met six 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.

Estimation of the recoverable amount of Fixed Asset Housing Properties under the course of Construction

The committee has considered the recoverable amount from fixed asset properties under construction 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.

For fixed assets under construction, a report was presented to the committee detailing the approach and methodology in making judgements, sensitivities to the assumptions applied and the outcome of the assessment of impairment detailing specific schemes that were considered to be impaired.

Land and properties for sale, work in progress relating to 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 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 relating to 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.

Viability statement

In November 2022 the Group were awarded a G1/V2 rating for governance and financial viability following a thorough 'in depth assessment' by the Regulator. The viability was a downgrade from the previous V1 rating, but is still viewed as a compliant grade by the Regulator. In awarding the rating the Regulator recognised L&Q manage financial viability well, but the decision reflected increased economic pressures currently faced by housing associations. This judgement should still be viewed as 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. Consequently, 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 £15 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 in all material respects 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.

03

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, and
- 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 2022. 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.

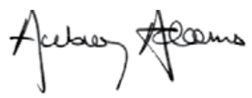
Statement of compliance

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

22 September 2023

04 Financial Statements 2022/23

- Independent auditor's report to London & Quadrant Housing Trust
- Statement of comprehensive income
- Statement of financial position
- Statement of changes in equity
- Consolidated statement of cash flows
- Notes to the financial statements

West Ham Lane, Stratford

Independent auditor's report to London & Quadrant Housing Trust

1. Our opinion is unmodified

We have audited the financial statements of London & Quadrant Housing Trust ("the Association") for the year ended 31 March 2023 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 Consolidated statement of cash flows 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 the Group's and the Association's affairs as at 31 March 2023 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; and
- Have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities 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 on 1 March 2013. The period of total uninterrupted engagement is for the 11 financial years ended 31 March 2023. 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	£11.6m (2022: £10.8m) 1% of total revenue (2022: 5% of surplus before tax)	
Coverage	86% (2022: 80%) of total revenue	
Key audit matters		**vs 2022**
Event driven	**New:** Estimation of the recoverable amount of Fixed Asset Housing Properties under the course of Construction	▲
Recurring risks	Estimation of net realisable value of stock and work in progress	◀▶

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, 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
Fixed Asset – Housing Properties under the course of construction **(Group and Association)** (Fixed Asset – Housing Properties under the course of construction £901 million (net of impairment of £91 million); 2022: £1,069 million –(net of impairment of £60 million)) Refer to page 84 (Audit Committee Report), note 2 and note 12 (accounting policy) and note 12 (financial disclosures).	**Estimation of the recoverable amount of Fixed Asset Housing Properties under the course of Construction** The Group and Association holds social housing under the course of development at historic cost under Section 17 of FRS102 and Chapter 8 of the Social Housing SORP. In line with Section 27 of FRS102 and Chapter 14 of the Social Housing SORP the Group has undertaken an annual review to identify any indication of impairment. The Group has assessed that an indicator of impairment exists due to an increase in market interest rates and the material affect of these increases on the discount rate in calculating the value in use for schemes in the course of construction. This indicator of impairment existed for all schemes within the Group and Association's Fixed Asset –Housing Properties under the course of construction. The Group's principle valuation of the recoverable amount is the higher of the value in use, calculated as the discounted cashflow, or value in use in respect of assets held for their service potential, calculated as the depreciated replacement cost. Auditor judgement is required to assess whether the Group's overall estimate, taking into account the discount rate, rental inflation and build cost assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that the calculation of the recoverable amount of Fixed Asset – Housing Properties under the course of construction has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.	**Our procedures included:** We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Benchmarking assumptions:** We challenged the key inputs used in the calculation of the discount rates used by the Group, including comparisons with external data sources and comparator data used by the Group. **Benchmarking assumptions:** We compared the rental inflation assumption applied by the Group to externally derived forecasts. **Our sector experience:** We assessed, based on our knowledge of the Group's schemes under the course of construction and our knowledge of development schemes within the sector, the method use to calculate the depreciated replacement cost. Comparing the developer margin assumption and market valuation of properties to externally derived data and valuation experience. **Sensitivity analysis:** We performed sensitivity analysis over the build cost assumptions and considering the level of works costs already procured and contracted. **Reperform:** We recalculated the Group's calculations to determine whether impairment losses have been allocated and recorded correctly. **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation. **Our results** We found the carrying amount of the Group's and the Association's Fixed Asset – Housing Properties under the course of construction to be [acceptable]. (2022: acceptable).

04

Independent auditor's report

	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 £519 million (net of impairment of £34 million); 2022: £839m (net of impairment of £56 million) Refer to page 84 (Audit Committee Report), note 2 and note 15 (accounting policy) and note 15 (financial disclosures)	**Estimation of net realisable value of stock and work in progress** Stock and work in progress needs to be held at the lower of cost and net realisable value. In order to assess the net realisable value of property held in stock and work in progress, site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of property held in stock and work in progress. Site appraisals include a number of judgements that could have a significant effect on the net realisable value of the property. The effect of these matters is that, as part of our risk assessment, we determined that the recoverability of stock and work in progress has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our procedures included:** Inspection of the Group's impairment assessment and cashflow forecasts and performing the following procedures: **Reperformance:** We checked the mathematical accuracy of valuation models for schemes with a greater risk of a material impairment. **Enquiry and Board paper review:** We inspected Board papers and where relevant making enquiries with directors and managers to assess any potential site impairment indicators.. **Benchmarking assumptions:** We assessed the rationale for forecasted sales prices and consideration of sales conditions within the geographical area with reference to market data. **Sensitivity analysis:** We performed sensitivity analysis over the key assumptions and considering the outcomes. **Our valuation expertise:** For high risk schemes, within work in progress, with greater exposure to cost price uncertainty we engaged internal quantity surveyor specialists to assist us in our assessment of the forecasts works costs to complete the schemes in development. **Our valuation expertise:** We engaged our internal valuation specialists to assist us in our assessment of the net realisable value of sites identified to land bank during the financial year. **Our results** We found the carrying amount of the Group's and the Association's land and properties for sale and work in progress to be [acceptable] (2022: acceptable)

We continue to perform procedures over Valuation of post retirement benefit obligation. However, following decreases in the valuation of post retirement benefit obligations due to economic conditions, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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 £11.6m (2022: £10.8m), determined with reference to a benchmark of total revenue, of which it represents 1% (2022: 5% of surplus before tax).

Materiality for the Association financial statements as a whole was set at £8.2m (2022: £7.5m), determined with reference to a benchmark of total revenue, of which it represents 1% (2022: 5% of surplus before tax).

The benchmark in the previous period was surplus before tax. We selected total revenue as the benchmark in the current period because we now consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group surplus before tax because of the recognition of impairments and provisions.

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 for the Group was set at 75%

(2022: 75%) of materiality for the financial statements as a whole, which equates to £8.7m (2022: £8.4m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

Performance materiality for the Association was set at 65% (2022: 75%) of materiality for the financial statements as a whole, which equates to £5.33m (2022: £5.5m). We applied this percentage in our determination of performance materiality based additional risk associated with the transfer of engagement in year.

We agreed to report to the audit and risk committee any corrected or uncorrected identified misstatements exceeding £580k (2022: £565k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 28 (2022: 34) reporting components, we subjected five (2022: six) to full scope audits for group purposes and one (2022: one) to specified risk-focused audit procedures over investment properties. The latter was 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. The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 10% (2022: 20%) of total Group revenue, 16% (2022: 8%) of Group surplus before tax and 3% (2022: 4%) of total Group assets is represented by 23 (2022: 28) of reporting components, none of which individually represented more than 8% (2022: 12%) of any of total Group revenue, Group surplus before tax or total Group assets. For these 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 £1.7m to £8.7m (2022: £1.5m to £7.5m), having regard to the mix of size and risk profile of the Group across the components.

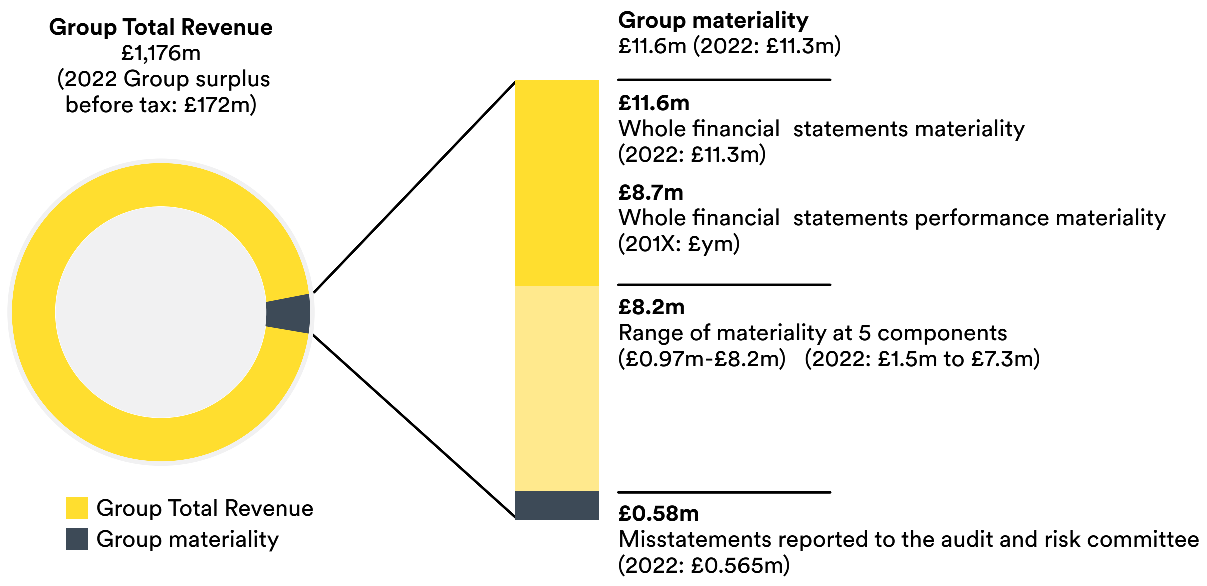
The work on 1 of the 5 components (2022: 2 of the 6 components) was performed by component auditors and the rest, including the audit of the Association, was performed by the Group team.

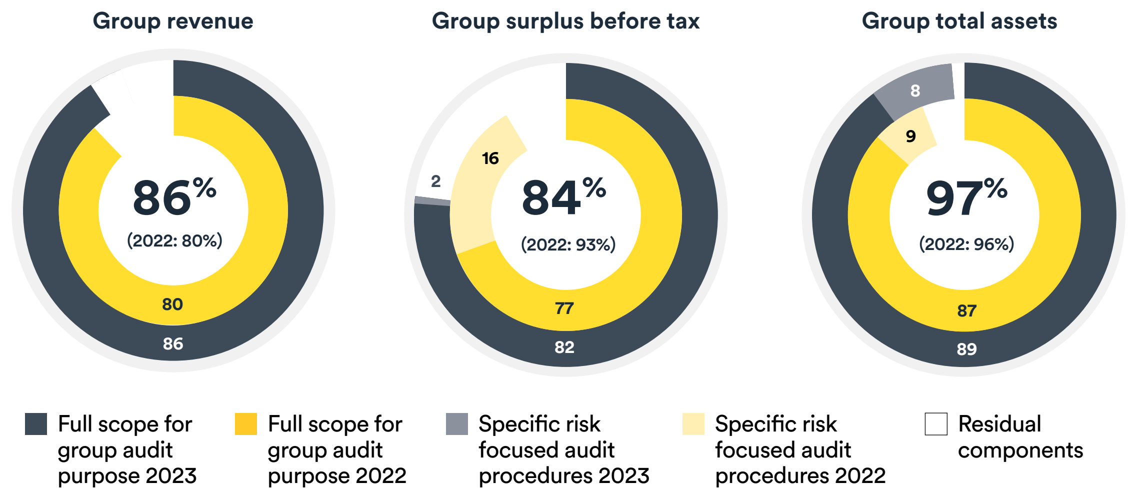
The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Video and telephone conference meetings were held with the component auditors. 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.

04

Independent auditor's report





4. Going concern

The Board has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the Association or to cease their operations, and as it has concluded that the Group and the Association's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their 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 is property sale prices and increased construction costs.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the group's sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

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 directors' 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 directors' 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; andconcern for the going concern period; and
- 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, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-complex nature of material revenue streams and the limited opportunity for management to manipulate revenue transactions.

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.

04

Independent auditor's report

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 unusual journal pairings posted to cash, borrowings, non-social housing income, provisions and capitalised costs accounts.

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.

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 fraud 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 Board is responsible for the other information presented in the Strategic report and Governance statements 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 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 86, the 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

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, for our audit work, for this report, or for the opinions we have formed.

Jonathan Brown

Jonathan Brown (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

26 September 2023

04

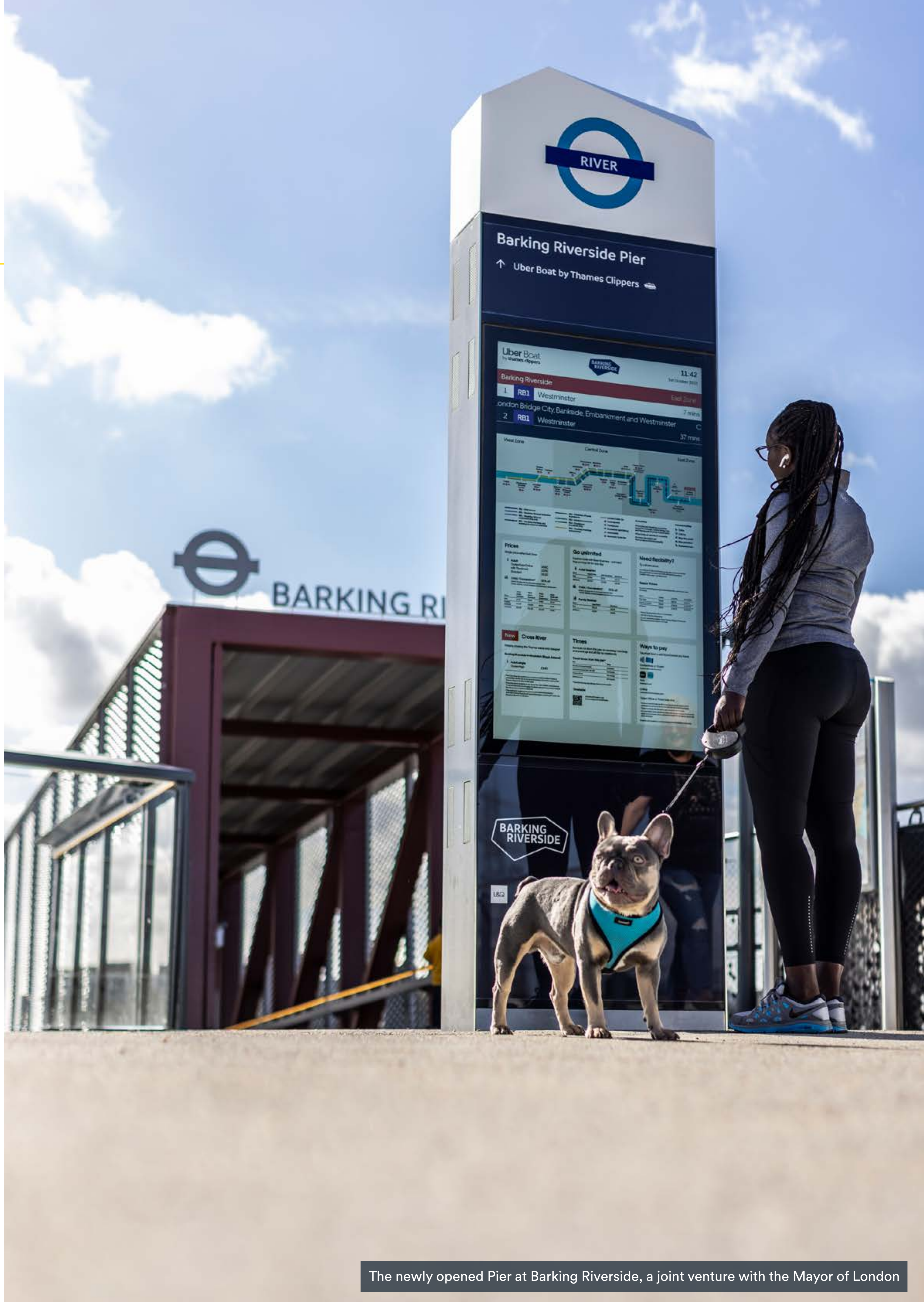
Statement of comprehensive income for the year ended 31 March 2023

	Note	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Turnover	3a	**1,176**	1,112	**854**	780
Cost of sales	3a	**(367)**	(391)	**(160)**	(130)
Operating costs	3a	**(733)**	(617)	**(622)**	(519)
Surplus on disposal of fixed assets and investments	6	**152**	95	**154**	96
Share of profits from joint ventures	14a	**19**	37	**-**	-
Change in value of investment property	14c	**(85)**	35	**(2)**	-
Operating surplus	5	**162**	271	**224**	227
Gift aid received		**-**	-	**34**	32
Interest receivable and similar income	7	**5**	1	**51**	29
Interest payable and similar charges	8a	**(148)**	(103)	**(154)**	(107)
Other finance income/(costs)	8b	**(4)**	3	**(9)**	(4)
(Deficit)/Surplus on ordinary activities before tax		**15**	172	**146**	177
Tax on surplus on ordinary activities	11	**25**	(18)	**-**	-
Surplus for the year		**40**	154	**146**	177
Other comprehensive income					
Actuarial gain/(loss) on pension schemes	9	**(12)**	20	**(12)**	20
Total comprehensive income for the year		**28**	174	**134**	197

The LQHT comparatives for 2022 have been represented because of the Transfer of Engagements of THT and L&Q Community Limited to Trafford Housing Trust Limited on 31 January 2023 and Trafford Housing Trust Limited to London & Quadrant Housing Trust on 31 March 2023. Results now show the total of all three companies combined for the year. Further information relating to the Transfer of Engagements can be found at Note 33.

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.



The newly opened Pier at Barking Riverside, a joint venture with the Mayor of London

Statement of Financial Position as at 31 March 2023

	Note	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Fixed assets					
Housing properties	12	**11,354**	11,026	**10,880**	10,560
Other tangible fixed assets	13a	**62**	67	**53**	57
Intangible assets	13b	**26**	18	**26**	18
Equity investment in subsidiaries	14e	**-**	-	**866**	863
Investments - jointly controlled entities	14a	**326**	379	**68**	93
Investments - HomeBuy equity loans	14b	**86**	91	**86**	91
Investment properties	14c	**1,083**	1,162	**3**	8
Investments - Real Lettings property fund	14d	**10**	10	**10**	10
		12,947	12,753	**11,992**	11,700
Net pension assets	9	**5**	14	**5**	14
Debtors due after more than one year	16a	**59**	73	**806**	925
Current assets					
Land and properties for sale and work in progress	15	**712**	839	**301**	311
Debtors	16b	**166**	155	**154**	184
Cash and cash equivalents	17	**146**	216	**69**	93
		1,024	1,210	**524**	588
Creditors: amounts falling due within one year	18	**(850)**	(464)	**(652)**	(278)
Net current assets /(liabilities)		**174**	746	**(128)**	310
Total assets less current liabilities		**13,185**	13,586	**12,675**	12,949

	Note	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
Creditors: amounts falling due after more than one year	19	**(5,308)**	(5,700)	**(4,926)**	(5,309)
Deferred social housing grant	20	**(2,065)**	(2,083)	**(2,109)**	(2,127)
Grant on HomeBuy equity loans	14b	**(77)**	(81)	**(77)**	(81)
Provisions for liabilities	23	**(98)**	(110)	**(35)**	(36)
Net pension liability	9	**(22)**	(25)	**(21)**	(23)
Net assets		**5,615**	5,587	**5,507**	5,373
Capital and reserves					
Share capital	25	**-**	-	**-**	-
Revenue reserve		**3,844**	3,790	**3,553**	3,393
Revaluation reserve		**1,771**	1,797	**1,954**	1,980
		5,615	5,587	**5,507**	5,373

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

Nigel Hopkins
Chair of Audit and Risk Committee

Waqar Ahmed
Group Finance Director

Henry Potter
Company Secretary

Date of approval: 22 September 2023

Statement of changes in equity
Year ended 31 March 2023

Group	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2021	-	1,874	3,539	5,413
Surplus for the year	-	-	154	154
Reserves transfer	-	(77)	77	-
Actuarial gains	-	-	20	20
Balance at 31 March 2022	-	1,797	3,790	5,587
Surplus for the year	**-**	**-**	**40**	**40**
Reserves transfer	**-**	**(26)**	**26**	**-**
Actuarial losses	**-**	**-**	**(12)**	**(12)**
Balance at 31 March 2023	**-**	**1,771**	**3,844**	**5,615**

LQHT	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2021 Restated	-	2,057	3,119	5,176
Surplus for the year	-	-	177	177
Reserves transfer	-	(77)	77	-
Actuarial losses	-	-	20	20
Balance at 31 March 2022 Restated	-	1,980	3,393	5,373
Surplus for the year	**-**	**-**	**146**	**146**
Reserves transfer	**-**	**(26)**	**26**	**-**
Actuarial gains	**-**	**-**	**(12)**	**(12)**
Balance at 31 March 2023	**-**	**1,954**	**3,553**	**5,507**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Surplus for the year		**40**	154
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		**209**	217
Deferred government grant		**(26)**	(26)
		183	191
Adjustments for investing or financing activities:			
Change in value of investment property		**85**	(35)
Interest receivable and similar income		**(5)**	(1)
Interest payable and similar charges (including capitalised interest)		**148**	103
Other finance costs		**4**	(3)
Gain on sale of fixed assets		**(152)**	(95)
Share of profit from joint ventures		**(19)**	(37)
Taxation		**(25)**	18
		36	(50)
Adjustment for working capital movement:			
(Increase)/decrease in trade and other debtors		**3**	(3)
Decrease in stock		**153**	36
Increase/(decrease) in trade and other creditors		**54**	66
Increase in provisions and employee benefits		**(18)**	7
		192	106
Tax recovered/(paid)		**-**	2
Net cash flow from operating activities		**451**	403

	Note	2023 £m	2022 £m
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**380**	290
Proceeds from sale of investments		**1**	8
Purchase of other fixed assets		**(14)**	(15)
Interest received		**5**	1
Other finance (costs)/income		**(7)**	14
Investments in jointly controlled entities		**76**	2
Acquisition of investment property		**(11)**	(2)
Proceeds from the receipt of government grant		**1**	18
Capitalised development expenditure		**(556)**	(436)
Capital expenditure on existing properties		**(117)**	(71)
Acquisition of subsidiaries net of cash acquired		**-**	-
Net cash from investing activities		**(242)**	(191)
Cash flows from financing activities			
Loans received		**545**	505
Loans repaid		**(634)**	(485)
Interest paid*		**(190)**	(148)
Net cash (to)/from financing activities		**(279)**	(128)
Net increase/(decrease) in cash and cash equivalents		**(70)**	84
Cash and cash equivalents at 1 April		**216**	132
Cash and cash equivalents at 31 March	17	**146**	216

The accompanying notes form part of these financial statements.

* Management identified that interest paid had previously been shown within investing cashflows, however should have been disclosed within finance cashflows. The prior year numbers have been restated to reflect this change, effectively moving £148 million interest paid from investing to financing cashflows in the comparative.

Notes to the financial statements for the year ended 31 March 2023

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 2022.

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 January 2022 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 March 2023 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 2023/24 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. The base financial plan follows the expected Board approved development pipeline output;

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. The base financial plan expects works levels to reduce in future years as a result of clearing the backlog created through the pandemic;

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 included potential future reductions in rents. The base financial plan assumes the standard regulatory rent increase is applied;

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. Scenarios covering increase in interest rates were considered, however 65% of the Group's debt is fixed which limits exposure. Void properties within the base financial plan were assumed to return to pre-pandemic levels.

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.

Notes to the financial statements for the year ended 31 March 2023

2. Principal accounting policies (continued)

- When an impairment trigger is identified, the estimation of the amount of impairment is determined by calculating a recoverable amount based on discounted future cashflow. Management are particularly required to apply judgement where a development or scheme has a specific issue, defect or risk which is still under review at the reporting date. Management have made a judgement that there is no open market to be able to obtain a fair value less cost to sell, therefore as per the requirements of the Housing SORP 2018, the recoverable amount is estimated as the value in use. When calculating the value in use, the estimated future cashflows are derived from the continued use of the asset and its ultimate disposal, discounted at a rate reflecting the current cost of debt to determine the EUV-SH. Management have also calculated a depreciated replacement cost to determine a Value In Use Service Potential (VIU-SP), and applied the higher of EUV-SH or VIU-SP in impairment estimations.

- **The carrying value of stock and work in progress and estimate of costs to complete:** The Group holds stock stated at the lower of cost and net realisable value. Such stock includes land, work in progress and completed units. Due to the nature of development activity and in particular the scale and duration of the Group's developments, in determining forecast costs it is required to allocate site-wide development costs between units being built and/or completed in the current year and those for future years. The Group also forecasts the forecast sales values and costs to complete on such developments, using spot rates at today's values. In making such assessments and cost allocations, there is a degree of inherent estimation uncertainty; in particular due to the need to take account of future sales prices, and direct input costs alongside an appropriate allocation of sitewide costs to reflect the overall level of development risk. The Group has established internal controls designed to effectively assess and centrally review carrying values and net realisable value calculations, and to ensure the appropriateness of estimates made which will evolve over the life of the development in line with the risk profile. These estimates impact the carrying value of stock and work in progress at each reporting date

- **Provisions:** The Group makes assumptions to determine the timing and its best estimate of the quantum of its liabilities for which provisions are held. In particular significant judgement is used by management in estimating post-completion defect obligations in respect of construction of complex mixed-use property developments. The Group continually reviews at each reporting date the identified risks that it is aware of to ensure that the amount of the provision remains appropriate. The Group also continually reviews its utilisation of the provision, releasing it in line with expenditure which was provided for, or adjusting as necessary in line with the remaining obligation at the reporting date. Refer to the accounting policy and disclosures within note 23 for further detail.

- **The valuation of pension liabilities.** 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).

Other estimation uncertainty

- Management reviews the application of suitable assumptions by third-party experts to provide a reasonable valuation of investment property, especially in light of the current economic climate of prolonged high inflation and rising interest rates.

- 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.

- Management reviews the appropriate point at which a development project is more likely than not to continue, allowing capitalisation of associated development costs and borrowing costs.

- Management reviews the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

- 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.

2. Principal accounting policies (continued)

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.

Notes to the financial statements for the year ended 31 March 2023

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 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.

Notes to the financial statements for the year ended 31 March 2023

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

Group	2023 Turnover £m	2023 Cost of sales £m	2023 Operating costs £m	2023 Other operating items £m	2023 Operating surplus £m	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Other operating items £m	2022 Operating surplus £m
Social housing lettings										
General needs	**413**	**-**	**(334)**	**-**	**79**	400	-	(305)	-	95
Supported housing	**52**	**-**	**(57)**	**-**	**(5)**	48	-	(47)	-	1
Intermediate market rent	**26**	**-**	**(21)**	**-**	**5**	25	-	(16)	-	9
Low-cost home ownership	**75**	**-**	**(32)**	**-**	**43**	72	-	(24)	-	48
Affordable rent	**79**	**-**	**(39)**	**-**	**40**	68	-	(32)	-	36
	645	**-**	**(483)**	**-**	**162**	613	-	(424)	-	189
Other social housing activities										
Care and support	**10**	**-**	**(11)**	**-**	**(1)**	10	-	(9)	-	1
First tranche low-cost home ownership sales	**146**	**(122)**	**-**	**-**	**24**	117	(120)	-	-	(3)
Development	**6**	**-**	**(143)**	**-**	**(137)**	7	-	(106)	-	(99)
Community investment	**-**	**-**	**(10)**	**-**	**(10)**	-	-	(9)	-	(9)
Other	**1**	**-**	**(2)**	**-**	**(1)**	1	-	(2)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**152**	**152**	-	-	-	95	95
	163	**(122)**	**(166)**	**152**	**27**	135	(120)	(126)	95	(16)
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(2)	-	-
Market rent	**47**	**-**	**(24)**	**(85)**	**(62)**	38	-	(16)	35	57
Non-social homeowners	**18**	**-**	**(23)**	**-**	**(5)**	15	-	(15)	-	-
Commercial	**3**	**-**	**(1)**	**-**	**2**	3	-	(1)	-	2
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	1	-	(1)	-	-
	71	**-**	**(51)**	**(85)**	**(65)**	59	-	(35)	35	59

Group	2023 Turnover £m	2023 Cost of sales £m	2023 Operating costs £m	2023 Other operating items £m	2023 Operating surplus £m	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Other operating items £m	2022 Operating surplus £m
Non-social housing activities										
Open market sales	**156**	**(150)**	**(2)**	**-**	**4**	145	(167)	-	-	(22)
Land sales	**128**	**(95)**	**(10)**	**-**	**23**	151	(104)	(14)	-	33
Resales	**3**	**-**	**-**	**-**	**3**	1	-	-	-	1
Other non-social housing activity	**10**	**-**	**(21)**	**-**	**(11)**	8	-	(18)	-	(10)
Share of profits from joint ventures	**-**	**-**	**-**	**19**	**19**	-	-	-	37	37
	297	**(245)**	**(33)**	**19**	**38**	305	(271)	(32)	37	39
	1,176	**(367)**	**(733)**	**86**	**162**	1,112	(391)	(617)	167	271
Interest receivable					**5**					1
Interest payable					**(148)**					(103)
Other finance income/(costs)					**(4)**					3
Tax on surplus on ordinary activities					**25**					(18)
Surplus for the year					**40**					154

Notes:
Social housing lettings: There is £5m net impairment release within general needs operating costs in the year (2022: £5m charge), considered to be fixed asset impairment.
Other social housing activities: First tranche low-cost home ownership cost of sales of £122m includes a net impairment release of £4m (2022: £22m) considered to be current asset impairment.
Development operating costs of £143m (2022: £106m) includes £90m net impairment charge considered to be fixed asset impairment (2022: £48m), £7m abortive site costs (2022: £5m), £16m overheads (2022: £18m) and £26m latent defects (2022: £35m), of which £15m (2022: £24m) relates to a net increase in provision (see Note 23 for more detail).
Non-social housing lettings: Market rent "other operating items" represents the change in valuation of investment property which forms part of operating income.
Non-social housing activities: Open market sales cost of sales of £155m includes a net impairment charge of £28m (2022: £30m) considered to be current asset impairment, and Land cost of sales of £95m includes a net impairment charge of £1m (2022: £1m release). Share of profits from joint ventures totalling £19m includes impairment release of £1m (2022: £15m release).

04

Notes to the financial statements for the year ended 31 March 2023

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

	2023					2022 Restated				
LQHT	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**413**	**-**	**(334)**	**-**	**79**	400	-	(305)	-	95
Supported housing	**51**	**-**	**(57)**	**-**	**(6)**	48	-	(47)	-	1
Intermediate market rent	**26**	**-**	**(21)**	**-**	**5**	25	-	(16)	-	9
Low-cost home ownership	**75**	**-**	**(32)**	**-**	**43**	72	-	(24)	-	48
Affordable rent	**79**	**-**	**(39)**	**-**	**40**	69	-	(32)	-	37
	644	**-**	**(483)**	**-**	**161**	614	-	(424)	-	190
Other social housing activities										
Care and support	**-**	**-**	**(1)**	**-**	**(1)**	-	-	(1)	-	(1)
First tranche low-cost home ownership sales	**146**	**(138)**	**-**	**-**	**8**	117	(117)	-	-	-
Development	**5**	**-**	**(76)**	**-**	**(71)**	7	-	(48)	-	(41)
Community investment	**-**	**-**	**(10)**	**-**	**(10)**	-	-	(8)	-	(8)
Other	**-**	**-**	**(2)**	**-**	**(2)**	-	-	(1)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**154**	**154**	-	-	-	96	96
	151	**(138)**	**(89)**	**154**	**78**	124	(117)	(58)	96	45
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(2)	-	-
Market rent	**-**	**-**	**(4)**	**(2)**	**(6)**	-	-	-	-	-
Non-social homeowners	**19**	**-**	**(23)**	**-**	**(4)**	15	-	(15)	-	-
Commercial	**3**	**-**	**(1)**	**-**	**2**	3	-	(1)	-	2
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	1	-	(1)	-	0
	25	**-**	**(31)**	**(2)**	**(8)**	21	-	(19)	-	2

	2023					2022 Restated				
LQHT	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**23**	**(22)**	**-**	**-**	**1**	13	(13)	-	-	-
Land sales	**3**	**-**	**-**	**-**	**3**	1	-	-	-	1
Other non-social housing activity	**8**	**-**	**(19)**	**-**	**(11)**	7	-	(18)	-	(11)
	34	**(22)**	**(19)**	**-**	**(7)**	21	(13)	(18)		(10)
	854	**(160)**	**(622)**	**152**	**224**	780	(130)	(519)	96	227
Interest receivable					**51**					29
Interest payable					**(154)**					(107)
Other finance income (costs)					**(9)**					(4)
Gift aid					**34**					32
Tax on surplus on ordinary activities					**-**					-
Surplus for the year					**146**					177

Notes:
Social housing lettings: There is £5m net impairment release within general needs operating costs in the year (2022: £5m charge), considered to be fixed asset impairment.
Other social housing activities: First tranche low-cost home ownership cost of sales of £138m includes a net impairment charge of £6m (2022: £16m) considered to be current asset impairment.
Development operating costs of £80m (2022: £44m) includes £42m net impairment charge considered to be fixed asset impairment (2022: £21m), £nil abortive site costs (2022: £5m), £18m overheads (2022: £8m) and £16m latent defects (2022: £10m).

Notes to the financial statements for the year ended 31 March 2023

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

Group	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2023 Total £m	2022 Total £m
Rent receivable net of identifiable service charges	363	38	20	54	68	543	521
Service charges receivable	35	12	4	12	10	73	63
Net rents receivable	398	50	24	66	78	616	584
Amortised government grant	14	2	1	8	1	26	26
Other income	1	-	1	1	-	3	3
Total income from lettings	413	52	26	75	79	645	613
Expenditure on letting activities:							
Management	47	9	4	6	8	74	56
Services	43	15	5	18	10	91	79
Routine maintenance	141	12	6	5	9	173	146
Planned maintenance and major repairs	36	11	3	3	4	57	45
Bad debts	4	-	-	-	1	5	2
Depreciation of housing properties	68	10	3	-	7	88	89
Impairment of housing properties	(5)	-	-	-	-	(5)	5
Other costs	-	-	-	-	-	-	2
Total expenditure on lettings	334	57	21	32	39	483	424
Operating surplus on lettings	79	(5)	5	43	40	162	189
Voids losses	6	3	5	-	2	16	16

LQHT	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2023 Total £m	2022 Restated Total £m
Rent receivable net of identifiable service charges	363	38	20	54	68	543	521
Service charges receivable	35	11	4	12	10	72	63
Net rents receivable	398	49	24	66	78	615	584
Amortised government grant	14	2	1	8	1	26	27
Other income	1	-	1	1	-	3	3
Total income from lettings	413	51	26	75	79	644	614
Expenditure on letting activities:							
Management	47	9	4	6	8	74	56
Services	43	15	5	18	10	91	79
Routine maintenance	141	12	6	5	9	173	146
Planned maintenance and major repairs	36	11	3	3	4	57	45
Bad debts	4	-	-	-	1	5	3
Depreciation of housing properties	68	10	3	-	7	88	89
Impairment of housing properties	(5)	-	-	-	-	(5)	5
Other costs	-	-	-	-	-	-	1
Total expenditure on lettings	334	57	21	32	39	483	424
Operating surplus on lettings	79	(6)	5	43	40	161	190
Voids losses	6	3	5	-	2	16	16

Notes to the financial statements for the year ended 31 March 2023

4. Group housing stock

Social housing accommodation	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2023 Total	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2022 Total
General needs	**55,745**	**183**	**186**	**56,114**	56,782	206	211	57,199
Affordable rent	**8,679**	**-**	**8**	**8,687**	7,948	-	8	7,956
Intermediate rent	**2,783**	**-**	**-**	**2,783**	2,517	-	1	2,518
Housing for older people	**4,967**	**20**	**11**	**4,998**	4,988	20	11	5,019
Supported housing	**928**	**1,623**	**7**	**2,558**	973	1,577	41	2,591
Care homes	**45**	**260**	**-**	**305**	45	300	-	345
Total social housing	**73,147**	**2,086**	**212**	**75,445**	73,253	2,103	272	75,628

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

	2023	2022
Other social housing accommodation		
Key worker accommodation	**872**	900
Low-cost home ownership	**11,310**	10,400
Shared equity	**2,200**	2,314
Other social homes	**116**	116
Social leased housing	**178**	-
Total other social housing	**14,676**	13,730
Non-social housing accommodation		
Leaseholders	**12,911**	12,238
Market rent	**2,705**	2,744
Student accommodation	**157**	628
Other landlords	**2,356**	2,106
Commercial	**76**	119
Total non-social housing	**18,205**	17,835
Total homes owned or managed	**108,326**	107,193
Garages, parking spaces and other non-habitable units	**12,036**	11,241
Total homes and units owned or managed	**120,362**	118,434
Homes in development pipeline	**25,594**	29,795
Strategic land plots	**76,610**	75,484

5. Operating surplus on ordinary activities before tax

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Operating surplus is stated after charging/(crediting):				
Depreciation on social housing properties	**89**	89	**88**	89
Depreciation on other non-social housing	**-**	-	**-**	-
Depreciation and amortisation on other fixed assets	**11**	8	**10**	8
Impairment charge on fixed asset housing properties	**90**	64	**42**	36
Impairment release on fixed asset housing properties	**(6)**	(11)	**(6)**	(10)
Net impairment on fixed asset housing properties	**84**	53	**36**	26
Impairment charge on current assets under development	**34**	56	**8**	16
Impairment release on current assets under development	**(8)**	(4)	**(2)**	-
Net impairment on current assets	**26**	52	**6**	16
Impairment release on joint ventures	**(1)**	(15)	**-**	-
Surplus on sale of fixed assets	**(152)**	(95)	**(154)**	(96)
Operating lease rentals - Land and buildings	**1**	2	**1**	3
Change in valuation of investment property	**85**	(35)	**-**	-

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

	Group 2023 £'000	Group 2022 £'000	LQHT 2023 £'000	LQHT 2022 Restated £'000
Auditor's remuneration (excluding VAT):				
• In their capacity as auditor	**789**	575	**528**	431
• In respect of other services	**63**	134	**63**	134

Notes to the financial statements for the year ended 31 March 2023

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	2023 Total £m	2022 Total £m
Sales proceeds	379	1	10	-	390	353
Cost of sales	(205)	(1)	(5)	-	(211)	(243)
Grant recovered	(38)	-	-	-	(38)	(24)
Grant abated	-	-	-	-	-	1
Depreciation on sales	20	-	-	-	20	16
Incidental sale expense and write downs	(9)	-	-	-	(9)	(8)
Total	147	-	5	-	152	95

LQHT	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2023 Total £m	2022 Restated Total £m
Sales proceeds	379	-	10	-	389	344
Cost of sale	(203)	-	(5)	-	(208)	(233)
Grant recovered	(38)	-	-	-	(38)	(24)
Grant abated	-	-	-	-	-	1
Depreciation on sales	20	-	-	-	20	16
Incidental sale expense and write downs	(9)	-	-	-	(9)	(8)
Total	149	-	5	-	154	96

7. Interest receivable and similar income

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Bank interest receivable	2	-	2	-
Other interest receivable	3	1	49	29
	5	1	51	29

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 2023, interest has been capitalised at an average rate of 4.1% (2022: 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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT Restated 2022 £m
Interest expense on liabilities at amortised cost	190	148	181	138
Amortisation of loan set-up costs	3	4	4	5
Less: interest capitalised in housing properties	(45)	(49)	(31)	(36)
	148	103	154	107

8b. Other finance income and costs

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT Restated 2022 £m
Movements in financial instruments relating to deferred land payments	(2)	2	(2)	-
Release of loan fair values on repayment and refinancing	5	5	-	-
Other charges	(7)	(4)	(7)	(4)
	(4)	3	(9)	(4)

Notes to the financial statements for the year ended 31 March 2023

9. Employee information

	Group 2023 No.	Group Restated 2022 No.	LQHT 2023 No.	LQHT 2022 Restated No.
The average full-time equivalent employees based on their individual contracted hours:				
Chief Executive Department	**17**	23	**17**	23
Contact Centre and Income Management	**482**	431	**482**	431
Development, Sales and Asset Management	**621**	628	**585**	596
Finance, Treasury, Insurance and Procurement	**209**	198	**200**	191
Governance, Strategy and Communications	**145**	140	**144**	139
Human Resources, Learning and Development and Facilities	**102**	102	**102**	102
L&Q Foundation	**65**	60	**65**	60
Care and Support	**373**	400	**104**	131
Maintenance and L&Q Energy	**897**	887	**897**	887
Housing Management	**527**	439	**527**	439
Private Rented and Commercial Lettings	**68**	65	**68**	65
Technology and Digital	**173**	156	**173**	156
Transformation	**9**	-	**9**	-
	3,688	3,529	**3,373**	3,220

	Group 2023	Group 2022	LQHT 2023	LQHT 2022 Restated
Staff costs (for the above persons)	**£m**	£m	**£m**	£m
Wages and salaries	**160**	150	**150**	140
Social security costs	**18**	16	**17**	15
Other pension costs	**20**	19	**20**	19
	198	185	**187**	174

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 11 active members (2022: 11). 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% (2022: 35.5%) 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 1 active member (2022: 1);
- Buckinghamshire County Council with 0 active members (2022: nil);
- London Borough of Bexley with 1 active member (2022: 1); and
- Greater Manchester Pension Fund with 104 active members (2022: 116).

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

- London Borough of Waltham Forest scheme 17.3% (2022: 17.3%);
- Buckinghamshire County Council scheme nil (2022: nil);
- London Borough of Bexley scheme nil (2022: nil); and
- Greater Manchester Pension Fund 31.5% (2022: 31.5%).

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.

Notes to the financial statements for the year ended 31 March 2023

9. Employee information (continued)

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 two employers participating in SHPS namely LQHT, and L&Q Living Limited.

Recent changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bonds yields, which are key to the FRS102 assessment of the net pension asset or liability. In particular, AA corporate bond yields, used to set the FRS102 discount rate, have increased significantly, with corresponding falls in asset values. The markets have been exceptionally volatile and therefore both gross DBOs and assets have fallen.

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

	2023	2022
Financial assumptions		
Discount rate	**4.7%**	2.8%
Inflation (RPI)	**3.2%**	3.6%
Inflation (CPI)	**2.4%**	2.8%
Salary growth	**3.2%**	3.6%
Mortality assumptions		
• Base table	**S3PA**	S2PA
• Improvement method	**CMI 2021 with 1.5% LTR 7**	CMI 2021 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

	2023	2022
Financial assumptions		
Discount rate	**4.7%**	2.8%
Inflation (RPI)	**3.2%**	3.6%
Inflation (CPI)	**2.8%**	3.2%
Salary growth	**3.3%**	3.6%
Mortality assumptions		
• Base table	**S3PA**	S2PA
• Improvement method	**CMI 2021 with 1.5% LTR**	CMI 2021 with 1.25% 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.

Notes to the financial statements for the year ended 31 March 2023

9. Employee information (continued)

Summary of pension scheme balances

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Net pension asset				
LGPS schemes	**25**	1	**25**	1
LQHT staff benefits plan	**-**	13	**-**	13
Net pension asset	**25**	14	**25**	14
Asset ceiling adjustment	**(20)**	-	**(20)**	-
Net pension asset recognised	**5**	14	**5**	14
Net pension liability				
LGPS schemes	**-**	5	**-**	5
LQHT staff benefits plan	**2**	-	**2**	-
SHPS	**20**	20	**19**	18
Net pension liability	**22**	25	**21**	23

LGPS Defined benefit schemes - Net Pension Asset

As at 31 March 2023 the only LGPS scheme that was in deficit was the London Borough of Waltham Forest. The other 3 schemes were all in a surplus position. For the 3 schemes in a surplus position the maximum surplus recognised has been calculated by determining the net present value of future service costs as at 31 March 2023, with the asset ceiling adjustment highlighting the difference between the actuarial surplus, and value of asset recognised in the financial statements.

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Analysis of the amount recognised in comprehensive income				
Current service cost	**(2)**	(2)	**(2)**	(2)
	(2)	2	**(2)**	2

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**(5)**	5	**(5)**	5
Amount included in net interest on net defined benefit liability	**2**	1	**2**	1
Remeasurements – return on plan assets excluding interest income	**(3)**	6	**(3)**	6
Changes in assumptions underlying the present value of the plan liabilities	**37**	6	**37**	6
Changes due to experience	**(4)**	-	**(4)**	-
Remeasurements recognised	**30**	12	**30**	12
Movement in (deficit)/surplus during the year				
At beginning of the year	**(4)**	(16)	**(4)**	(16)
Movement in year:				
Current service cost	**(2)**	(2)	**(2)**	(2)
Employer contributions	**2**	2	**2**	2
Remeasurements	**29**	12	**29**	12
Net surplus/(deficit) at end of the year	**25**	(4)	**25**	(4)
Asset ceiling adjustment	**(20)**	-	**(20)**	-
Net surplus at end of the year	**5**	(4)	**5**	(4)
Movement in fair value of plan assets				
At beginning of the year	**81**	**74**	**81**	**74**
Interest income	**2**	**2**	**2**	**2**
Remeasurements on plan assets	**(3)**	**5**	**(3)**	**5**
Employer contributions	**2**	**2**	**2**	**2**
Benefits paid	**(2)**	**(2)**	**(2)**	**(2)**
At end of the year	**80**	**81**	**80**	**81**

Notes to the financial statements for the year ended 31 March 2023

9. Employee information (continued)

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Movement in liabilities during the year				
Past service liability at start of the year	**86**	90	**86**	90
Service cost	**2**	2	**2**	2
Interest cost	**2**	2	**2**	2
Remeasurement:				
- Due to changes in assumptions	**(37)**	(6)	**(37)**	(6)
- Due to experience	**4**	-	**4**	-
Benefits paid	**(2)**	(2)	**(2)**	(2)
Past service liability at end of the year	**55**	86	**55**	86

L&Q Staff Benefits Plan Defined benefit scheme – Net Pension Liability

The L&Q Staff Benefits Plan reported a deficit of £2m as at 31 March 2023, having been in a surplus of £13m as at 31 March 2022. No amounts relating to the scheme were recognised within comprehensive income (2022: £nil)

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**(43)**	3	**(43)**	3
Amount included in net interest on net defined benefit liability	**(4)**	(3)	**(4)**	(3)
Remeasurements – return on plan assets excluding interest income	**(47)**	-	**(47)**	-
Changes in assumptions underlying the present value of the plan liabilities	**37**	10	**37**	10
Changes due to experience	**(8)**	(5)	**(8)**	(5)
Remeasurements recognised	**(18)**	5	**(18)**	5
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**13**	5	**13**	5
Movement in year:				
Employer contributions	**3**	3	**3**	3
Remeasurements	**(18)**	5	**(18)**	5
Net deficit at end of the year	**(2)**	13	**(2)**	13

Notes to the financial statements for the year ended 31 March 2023

9. Employee information (continued)

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	**136**	143	**136**	143
Interest cost	**4**	3	**4**	3
Remeasurement:				
- Due to changes in assumptions	**(37)**	(10)	**(37)**	(10)
- Due to experience	**8**	5	**8**	5
Benefits paid	**(4)**	(5)	**(4)**	(5)
At end of the year	**107**	136	**107**	136

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
Movement in fair value of plan assets				
At beginning of the year	**148**	148	**148**	148
Net interest income	**4**	3	**4**	3
Remeasurements	**(47)**	(1)	**(47)**	(1)
Employer contributions	**3**	3	**3**	3
Benefits paid	**(4)**	(5)	**(4)**	(5)
At end of the year	**104**	148	**104**	148

SHPS - Net pension liability

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Analysis of the amount recognised in comprehensive income				
Net interest on the defined liability	**-**	(1)	**-**	-
Total	**-**	(1)	**-**	-
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**(42)**	4	**(39)**	4
Amount included in net interest on net defined benefit liability	**(3)**	(3)	**(3)**	(2)
Remeasurements – return on plan assets excluding interest income	**(45)**	1	**(42)**	2
Changes in assumptions underlying the present value of the plan liabilities	**40**	10	**37**	9
Changes due to experience	**1**	(8)	**-**	(7)
Remeasurements recognised	**(4)**	3	**(5)**	4
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**(20)**	(26)	**(18)**	(24)
Movement in year:				
Employer contributions	**4**	4	**4**	4
Other finance costs	**(1)**	(1)	**(1)**	(1)
Remeasurements	**(3)**	3	**(4)**	3
Net deficit at end of the year	**(20)**	(20)	**(19)**	(18)

Notes to the financial statements for the year ended 31 March 2023

9. Employee information (continued)

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Movement in fair value of plan assets				
At beginning of the year	124	119	115	111
Net interest income	3	3	3	2
Remeasurements	(46)	1	(42)	1
Employer contributions	4	4	4	4
Benefits paid	(3)	(3)	(3)	(3)
At end of the year	82	124	77	115

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Movement in liabilities during the year				
Past service liability at beginning of the year	144	145	134	135
Interest cost	4	3	4	3
Remeasurement:				
- Due to changes in assumptions	(40)	(10)	(38)	(9)
- Due to experience	(1)	8	-	7
Benefits paid	(3)	(3)	(3)	(3)
Other costs	(1)	1	-	1
Past service liability at end of the year	103	144	97	134

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

Group	2023 £m	2023 %	2022 £m	2022 %
Equities	56	21	86	24
Gilts	2	1	1	0
Corporate bonds	22	8	44	13
Property	13	5	12	4
Cash	7	3	10	3
Other assets	167	62	199	56
	267	100	352	100

LQHT	2023 £m	2023 %	2022 Restaed £m	2022 Restated %
Equities	56	21	85	24
Gilts	2	1	1	0
Corporate bonds	22	8	44	13
Property	13	5	13	4
Cash	7	3	10	3
Other assets	162	62	193	56
	262	100	346	100

We were notified in 2021 by the Trustee of the SHPS Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Notes to the financial statements for the year ended 31 March 2023

10. Board members and executive directors

Group Board remuneration for the year was:	2023 £	2022 £
Aubrey Adams (Chair)	**34,690**	33,355
Fiona Fletcher-Smith (Chief Executive)	**-**	-
Waqar Ahmed (Group Finance Director)	**-**	-
Fayann Simpson	**21,550**	20,129
Michael More (resigned 31/12/2022)	**15,056**	19,301
Rajiv Jaitly (resigned 30/09/2022)	**7,085**	13,624
Louise Brooke-Smith	**20,074**	19,301
Sean Anstee (resigned 31/03/2023)	**21,528**	20,700
Maria Da Cunha	**20,074**	16,404
Raj Kumar	**14,169**	12,381
Dominique Kent	**20,074**	17,549
Nigel Hopkins (appointed 08/09/2022)	**11,330**	-
Trevor Moross (resigned 31/08/2021)	**-**	8,634
Anne Elizabeth Bassis (resigned 30/09/2021)	**-**	6,812
Tracey Fletcher–Ray (resigned 30/09/2021)	**-**	8,232
	185,630	196,422

Board expenses of £1,586 (2022: £2,108) 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

Directors Emoluments

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

	Group 2023 £'000	Group 2022 £'000	LQHT 2023 £'000	LQHT 2022 £'000
Emoluments payable to the directors (excluding pension contributions, or cash in lieu payment thereof but including benefits in kind)	**1,558**	1,577	**1,558**	1,577
Pension contributions, or cash in lieu payment thereof, in respect of services as directors	**133**	140	**133**	140
	1,691	1,717	**1,691**	1,717
Emoluments payable to the Chief Executive (excluding pension contributions but including benefits in kind)	**342**	329	**342**	329

Director emoluments do not include any bonuses for the year.

Chief Executive – Fiona Fletcher-Smith

The Chief Executive was a member of the L&Q Housing Trust Staff Benefits Plan (a defined contribution scheme) until 30 June 2021. She was an ordinary member of the Fund and no enhanced or special terms applied. The Chief Executive received cash in lieu of pension payment of £18,180 (2022: £12,290). 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 £nil (2022: £nil). 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.

04

Notes to the financial statements for the year ended 31 March 2023

10. Board members and executive directors (continued)

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. The figures reflect the amounts paid during the reporting period while in occupation of a key management personnel role. Full details of key management personnel is set out in the Other Company Information section:

	Group 2023 No.	Group 2022 No.	**LQHT 2023 No.**	LQHT 2022 No.
Salary Banding				
£60,001 to £200,000	**-**	-	**-**	-
£200,001 to £210,000	**-**	2	**-**	2
£210,001 to £220,000	**1**	1	**1**	1
£220,001 to £230,000	**-**	-	**-**	-
£230,001 to £240,000	**1**	2	**1**	2
£240,001 to £260,000	**2**	-	**2**	-
£260,001 to £270,000	**-**	-	**-**	-
£270,001 to £280,000	**-**	1	**-**	1
£280,001 to £290,000	**-**	-	**-**	-
£290,001 to £300,000	**1**	-	**1**	-
£300,001 to £340,000	**-**	-	**-**	-
£340,001 to £350,000	**-**	1	**-**	1
£350,001 to £360,000	**-**	-	**-**	-
£360,001 to £370,000	**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 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Current tax				
UK corporation tax	**-**	-	**-**	-
Total current tax	**-**	-	**-**	-
Deferred tax				
Net origination and reversal of timing difference	**25**	(18)	**-**	-
Total tax on results on ordinary activities	**25**	(18)	**-**	-

04

Notes to the financial statements for the year ended 31 March 2023

11. Tax on surplus on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Surplus on ordinary activities before tax	**15**	172	**146**	177
Surplus multiplied by 19% (2021: 19%) the standard rate of UK corporation tax	**3**	33	**28**	34
Effects of:				
Non-taxable income	**11**	5	**-**	-
Origination and reversal of timing differences	**(6)**	4	**-**	-
Adjustments in respect of prior periods	**-**	5	**-**	-
Other movements	**-**	5	**-**	
Non-taxable charitable activities	**(33)**	(34)	**(28)**	(34)
Total tax charge/(credit) for the year	**(25)**	18	**-**	-

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 2023 remained at 19% (2022: 19%). 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 before the balance sheet date 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 £8m (2022: £nil) is included in other debtors and is included in note 16a and 16b. The deferred tax liability as at 31 March 2023 has been calculated based on tax rate that is expected to apply to the reversal of the timing differences.

L&Q, Addiscombe Oaks

Notes to the financial statements for the year ended 31 March 2023

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. The ranges of estimated useful economic lives are assumed as follows:

Major components

• Housing properties structure	0-100 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.

Section 27.7 of FRS102 states that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. 27.9c requires the entity to assess impairment whereby market interest rates or other market rates of return on investments have increased the period, with those increases likely to materially impact the discount rate used in calculating the value in use of an asset. Interest rates increased during the reporting period and have continued to do so post the reporting period.

In undertaking an impairment assessment, a discount rate of 5.1% has been used as the current cost of borrowing based on the bond information of L&Q's existing debt and the yields. Applying a 0.1% increase on the discount rate would increase impairment calculations by £7m provided in the absence of a change to any other factor affecting the impairment calculation on the Group's developments, such as a change in future development costs.

To determine future income streams rental inflation has been based on independent inflation forecasts and current government rent increase agreements of CPI + 1% for Social Housing and RPI + 0.5% for Low cost home ownership. Over the 100 year discount term this averages out to be 3.1% for Social Housing and 3.6% for Low cost home ownership.

In assessing impairment the higher of the discounted cashflow or Depreciated Replacement Cost (DRC) has been used to determine value in use for fixed assets. Calculation of DRC has been based on a 10% reduction based on the open market value of fixed assets. Applying a 15% reduction would increase impairment by £4m.

Group additions to new housing properties during the year include capitalised interest of £22m (2022: £28m) and capitalised directly attributable internal costs of £26m (2022: £25m). 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 £347m (2022: £262m) of which £117m (2022: £71m) was capitalised and included as additions to properties held for lettings.

Notes to the financial statements for the year ended 31 March 2023

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 2022	618	558	75	9,559	1,173	87	**12,070**
Reclassifications	(15)	11	6	(2)	-	-	**-**
Reclassifications from/(to) investments	-	-	(1)	3	-	-	**2**
Schemes completed in the year	(414)	(217)	(9)	414	217	9	**-**
Additions	326	186	45	114	2	1	**674**
Capitalised interest in the year	8	14	-	-	-	-	**22**
Transfer from/(to) current assets	1	(4)	(9)	-	-	-	**(12)**
Disposals	-	-	-	(165)	(52)	-	**(217)**
At 31 March 2023	**524**	**548**	**107**	**9,923**	**1,340**	**97**	**12,539**
Depreciation							
At 1 April 2022	-	-	-	921	6	4	**931**
Charge for year	-	-	-	88	1	-	**89**
Eliminated in respect of disposals	-	-	-	(34)	-	-	**(34)**
At 31 March 2023	**-**	**-**	**-**	**975**	**7**	**4**	**986**
Impairment							
At 1 April 2022	44	4	46	17	-	2	**113**
Reclassifications from/(to) investments	-	-	-	1	-	-	**1**
Schemes completed in the year	(7)	-	(4)	7	-	4	**-**
Charge for year	52	25	12	1	-	-	**90**
Release in the year	-	-	-	(6)	-	-	**(6)**
Other movements	-	-	-	-	1	-	**1**
At 31 March 2023	89	29	54	20	1	6	**199**
Net book value:							
At 31 March 2023	**435**	**519**	**53**	**8,928**	**1,332**	**87**	**11,354**
At 31 March 2022	**574**	**554**	**29**	**8,621**	**1,167**	**81**	**11,026**

For the Group, a total funding value of £9,685m (2022: £10,070m) 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 2022 Restated	540	564	25	9,245	1,144	83	**11,601**
Reclassifications	(15)	11	6	(2)	-	-	**-**
Reclassifications from/(to) investments	-	-	-	2	-	-	**2**
Schemes completed in the year	(416)	(220)	(9)	416	220	9	**-**
Additions	311	186	1	114	2	1	**615**
Capitalised interest in the year	7	15	-	-	-	-	**22**
Transfer from/(to) current assets	1	(4)	(9)	-	-	-	**(12)**
Disposals	-	-	-	(165)	(52)	-	**(217)**
At 31 March 2023	**428**	**552**	14	**9,610**	1,314	**93**	**12,011**
Depreciation							
At 1 April 2022 Restated	-	-	-	946	7	6	**959**
Charge for year	-	-	-	88	-	-	**88**
Eliminated in respect of disposals	-	-	-	(35)	-	-	**(35)**
At 31 March 2023	**-**	**-**	**-**	**999**	**7**	**6**	**1,012**
Impairment							
At 1 April 2022 Restated	41	4	15	19	1	2	**82**
Reclassifications from/(to) investments	-	-	-	1	-	-	**1**
Schemes completed in the year	(6)	-	(4)	6	-	4	**-**
Charge for year	24	15	2	1	-	-	**42**
Release in the year	-	-	-	(6)	-	-	**(6)**
At 31 March 2023	59	19	13	21	1	6	**119**
Net book value:							
At 31 March 2023	**369**	**533**	**1**	**8,590**	**1,306**	**81**	**10,880**
At 31 March 2022 Restated	**499**	**560**	**10**	**8,280**	**1,136**	**75**	**10,560**

In LQHT, a total funding value of £9,168m (2022: £9,408m) has been pledged as security on debt.

Notes to the financial statements for the year ended 31 March 2023

12. Fixed assets – Housing properties (continued)

Impairment
As a result of the impairment review outlined on page 141, the Group recognised £90m and LQHT £42m of impairment on housing properties under construction (2022: £59m for Group and £31m for LQHT). On housing properties held for lettings, £1m (2022: £5m) impairment charge was recognised and £6m release of impairment was recognised in the year (2022: £nil). The release of impairment was predominantly due to the disposal of assets in the year that had previously been impaired, with £0.6m attributed to 5 units whereby impairment has been released as a result of the rent assumptions reflecting current inflation forecasts highlighted on page 141.

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 2022	59	2	8	14	83
Additions	-	-	1	1	2
Disposals	-	-	-	-	-
At 31 March 2023	59	2	9	15	85
Depreciation					
At 1 April 2022	7	-	3	6	16
Charge for year	1	-	1	5	7
Eliminated in respect of disposals	-	-	-	-	-
At 31 March 2023	8	-	4	11	23
Net book value:					
At 31 March 2023	51	2	5	4	62
At 31 March 2022	52	2	5	8	67

LQHT	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2022 Restated	61	2	7	16	86
Additions	-	-	-	1	1
Disposals	-	-	-	-	-
At 31 March 2023	61	2	7	17	87
Depreciation					
At 1 April 2022 Restated	15	1	4	9	29
Charge for year	1	-	-	4	5
Eliminated in respect of disposals	-	-	-	-	-
At 31 March 2023	16	1	4	13	34
Net book value:					
At 31 March 2023	45	1	3	4	53
At 31 March 2022 Restated	46	1	3	7	57

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

Notes to the financial statements for the year ended 31 March 2023

13b. Intangible fixed assets

Group	Computer software £m	Total £m
Cost		
At 1 April 2022	**24**	**24**
Additions	12	**12**
Disposals	-	**-**
At 31 March 2023	**36**	**36**
Amortisation		
At 1 April 2022	**6**	**6**
Charge for year	4	**4**
Eliminated in respect of disposals	-	**-**
At 31 March 2023	**10**	**10**
Net book value:		
At 31 March 2023	**26**	**26**
At 31 March 2022	18	**18**

LQHT	Computer software £m	Total £m
Cost		
At 1 April 2022 Restated	**24**	**24**
Additions	12	**12**
Disposals	-	**-**
At 31 March 2023	**36**	**36**
Amortisation		
At 1 April 2022 Restated	**6**	**6**
Charge for year	4	**4**
Eliminated in respect of disposals	-	**-**
At 31 March 2023	**10**	**10**
Net book value:		
At 31 March 2023	**26**	**26**
At 31 March 2022 Restated	18	**18**

Intangible assets

Amortisation on intangible assets is charged on a straight-line basis from the year after the financial purchase is made (or for projects implemented over several years the year after the project is implemented) 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

14a) 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.

Notes to the financial statements for the year ended 31 March 2023

14. Investments (continued)

Group	Barking Riverside Ltd £m	Limited Liability Partnerships £m	Associates £m	Total £m
Cost				
At 1 April 2022	97	204	6	307
Additions	22	40	-	62
Repayments	-	(53)	-	(53)
At 31 March 2023	119	191	6	316
Goodwill				
At 1 April 2022	15	-	-	15
Additions	-	-	-	-
Amortisation	(1)	-	-	(1)
At 31 March 2023	14	-	-	14
Impairment				
At 1 April 2022	-	(1)	-	(1)
Charge for the year	-	-	-	-
Release in the year	-	1	-	1
At 31 March 2023	-	-	-	-
Share of reserves				
At 1 April 2022	(5)	62	1	58
Share of profit in the year	(7)	30	-	23
Profit distributed	-	(85)	-	(85)
At 31 March 2023	(12)	7	1	(4)
Net book value:				
At 31 March 2023	121	198	7	326
At 31 March 2022	107	265	7	379

Homes at The Arbour, Beaulieu

04

Notes to the financial statements for the year ended 31 March 2023

14. Investments (continued)

Included in the share of profit from joint ventures as shown in the group statement of comprehensive income £19m (2022: £37m) 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 2023 were as follows:

Joint venture	Partner(s)	Group interest	Group voting rights	Total investment £m
Jointly controlled entities				
Barking Riverside Limited	Greater London Authority	51%	50%	121
BDWZest Developments LLP	BDW Trading Limited	50%	50%	1
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	-
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%	4
Countryside Zest (Beaulieu Park) LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	49
Countryside L&Q (Oaks Village) LLP	Countryside Four Ltd	50%	50%	3
Acton Gardens LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	17
Ponton Road LLP	Bellway Homes Limited	50%	50%	1
Erith Hills LLP	Anderson Design Limited	50%	50%	32
Fairview L&Q PR LLP	Fairview New Homes Limited	50%	50%	4

Joint venture	Partner	Group interest	Group voting rights	Total investment £m
Jointly controlled entities				
Triathlon Homes LLP	Southern Space Ltd and First Base 4 Stratford LLP	33%	33%	-
Stepney Way 1 LLP	Mount Anvil	50%	50%	14
Stepney Way 2 LLP	Mount Anvil	50%	50%	5
Laurus Partnership Homes LLP	Willmott Dixon Construction Limited	100%	50%	9
Health Social Innovators LLP	- Numbers for Good Limited - UCL Business PLC	50%	50%	-
Heath Farm Lane LLP	Vistry Linden Limited	50%	50%	9
GM Homes SIB Partnership LLP	- Eastlands Home Partnership Limited	25%	50%	-
JV North Limited	- Homelessness Support LLP	10%	10%	-
Manchester Athena Limited	Various	17%	17%	-
GM JV Fundco LLP	Various	10%	10%	1
Laurus Living Space LLP	Various	50%	50%	-
Laurus Lovell Whalley LLP	Wates Construction Limited	50%	50%	12
Countryside L&Q (North East Chelmsford) LLP	Lovell Partnerships Limited'	50%	50%	2
L&Q Hill Brentford (Citroen Garage) LLP	Hill Residential Limited	50%	50%	30
Homes for Trafford LLP	Trafford Borough Council	50%	50%	-
Investment in associates				
Harley Winchester Ltd	Harley Property Investors LLP	75%	75%	7
Jointly controlled asset				
Beam Park	Countryside Properties (UK) Ltd	50%	50%	-
Total				**326**

Notes to the financial statements for the year ended 31 March 2023

14. Investments (continued)

L&Q Group entered in to 2 new joint ventures (2022: 1) during 2023, namely L&Q Hill Brentford (Citroen Garage) LLP in partnership with Hill Residential Limited and Homes for Trafford LLP in partnership with Trafford Borough Council. 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.

14b) 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 2023, HomeBuy equity loans amounted to £86m for both the Group and LQHT (2022: £91m) and HomeBuy grant amounted to £77m for the Group and LQHT (2022: £81m).

14c) 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).

As at 31 March 2023, there are 1,295 investment properties with a value of c.£516m where a first fixed charge has been granted against £300m of secured loans. This has an effect on immediate realisability if they were to be sold, unless the secured loans are repaid.

Investment properties – Market rented	**Group 2023 £m**	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
At 1 April 2022	**1,162**	1,069	**8**	8
Additions	**11**	-	**-**	-
Transfer from/(to) fixed assets	**(4)**	69	**(3)**	-
Revaluation	**(85)**	35	**(2)**	-
Disposal	**(1)**	(11)	**-**	-
At 31 March 2023	**1,083**	1,162	**3**	8

14d) 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.

14e) 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 2023, LQHT held £300m in PRS Co Ltd (2022: £300m), £311m in L&Q Estates Ltd (2022: £311m), £250m in L&Q New Homes Ltd (2022: £250m) and £5m in L&Q Energy Ltd (2022: £2m).

Notes to the financial statements for the year ended 31 March 2023

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.

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 £266m (2022: £266m) 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.

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 2022	**247**	**438**	**87**	**67**	**839**
Completed in the year	(178)	(78)	178	78	-
Additions	86	51	-	-	**137**
Capitalised interest	8	14	-	-	**22**
Reclassification from fixed assets	4	9	-	-	**13**
Cost of properties sold	-	(56)	(116)	(101)	**(273)**
Impairment of current assets	-	(34)	-	-	**(34)**
Release of impairment of current assets	1	7	-	-	**8**
At 31 March 2023	**168**	**351**	**149**	**44**	**712**

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 2022 Restated	**222**	**2**	**86**	**1**	**311**
Completed in the year	(178)	(22)	178	22	-
Additions	101	13	-	-	**114**
Capitalised interest	8	-	-	-	**8**
Reclassification from fixed assets	3	9	-	-	**12**
Cost of properties sold	-	-	(116)	(22)	**(138)**
Impairment of current assets	(8)	-	-	-	**(8)**
Release of impairment of current assets	2	-	-	-	**2**
At 31 March 2023	**150**	**2**	**148**	**1**	**301**

Notes to the financial statements for the year ended 31 March 2023

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 4.8% and 8.2% (2022: 1.0% and 5.8%) charged at arm's length.

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Amounts owed by subsidiaries	**-**	-	**750**	866
Forward funding of land purchase	**57**	71	**54**	57
Shared equity	**2**	2	**2**	2
	59	73	**806**	925

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 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Amounts receivable within one year:				
Former tenant arrears	**14**	13	**12**	11
Less: provision for bad and doubtful debts	**(14)**	(13)	**(12)**	(11)
	-	-	**-**	-
Current tenant arrears	**44**	41	**44**	40
Less: provision for bad and doubtful debts	**(12)**	(11)	**(12)**	(11)
	32	30	**32**	29
Deferred tax asset	**8**	-	**-**	-
Other debtors and prepayments	**126**	125	**42**	38
Amount owing from subsidiaries	**-**	-	**80**	117
	166	155	**154**	184

Other debtors and prepayments include deferred land debtors of £56m (2022: £36m) and development debtors of £11m (2022: £11m).

17. Cash and cash equivalents

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Cash and cash equivalents	**146**	216	**69**	93

Restrictions on cash and cash equivalents include £60m (2022: £60m) held in debt service reserve, £3m (2022: £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.

Notes to the financial statements for the year ended 31 March 2023

18. Creditors: amounts falling due within one year

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
Debenture loans (see note 22)	21	9	21	9
Bank loans and overdrafts (see note 22)	295	-	295	-
Trade creditors	84	71	26	17
Other taxation and social security	21	10	4	4
Accruals and deferred income	228	191	133	95
Other creditors	175	157	121	101
Social housing grant (see note 20)	26	26	26	26
Amounts due to subsidiaries	-	-	26	26
	850	464	652	278

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 £79m related to Land sales (2022: £81m). Included in other creditors is development related creditors of £93m (2022: £77m).

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

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Debenture loans (see note 22)	3,504	3,525	3,204	3,225
Bank loans and overdrafts (see note 22)	1,570	1,945	1,570	1,945
Total housing loans	5,074	5,470	4,774	5,170
Net issue premium	(32)	(36)	(31)	(34)
Loan fair value adjustments	83	87	-	-
Total loans measured at amortised cost	5,125	5,521	4,743	5,136
Deferred income	3	3	3	3
Other creditors	65	64	65	58
Recycled capital grant fund (see note 21)	115	112	115	112
	5,308	5,700	4,926	5,309

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 2022	326	132	-	1,801	218	-	2,477
Reclassification	(22)	28	-	(6)	-	-	-
Schemes completed in the year	(53)	(28)	-	53	28	-	-
Received during the year	47	5	-	-	-	-	52
Repaid During the year	(14)	-	-	-	-	-	(14)
Transferred to other RP's	-	-	-	(35)	(2)	-	(37)
Recycled on disposal	-	-	-	(1)	(7)	-	(8)
At 31 March 2023	284	137	-	1,812	237	-	2,470
Amortisation							
At 1 April 2022	-	-	-	264	105	-	369
Charge for the year	-	-	-	18	8	-	26
Eliminated on disposal	-	-	-	(12)	(4)	-	(16)
At 31 March 2023	-	-	-	270	109	-	379
Net book value:							
At 31 March 2023	284	137	-	1,542	128	-	2,091
At 31 March 2022	326	132	-	1,537	113	-	2,108

Notes to the financial statements for the year ended 31 March 2023

20. Social Housing Grant (continued)

Social Housing Grant	Group 2023	Group 2022
Within one year	**26**	25
Greater than one year	**2,065**	2,083
Total	**2,091**	2,108

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 2022 Restated	**326**	**132**	**-**	**1,840**	**227**	**-**	**2,525**
Reclassification	(22)	28	-	(6)	-	-	**-**
Schemes completed in the year	(53)	(28)	-	53	28	-	**-**
Received during the year	47	5	-	-	-	-	**52**
Repaid during the year	(14)	-	-	-	-	-	**(14)**
Transferred to other RP's	-	-	-	(35)	(2)	-	**(37)**
Recycled on disposal	-	-	-	(1)	(7)	-	**(8)**
At 31 March 2023	**284**	**137**	**-**	**1,851**	**246**	**-**	**2,518**
Amortisation							
At 1 April 2022 Restated	**-**	**-**	**-**	**267**	**105**	**-**	**372**
Charge for the year	-	-	-	18	8	-	**26**
Eliminated on disposal	-	-	-	(12)	(3)	-	**(15)**
At 31 March 2023	**-**	**-**	**-**	**273**	**110**	**-**	**383**
Net book value:							
At 31 March 2023	**284**	**137**		**1,578**	**136**	**-**	**2,135**
At 31 March 2022 Restated	**326**	**132**	**-**	**1,573**	**122**	**-**	**2,153**

Social Housing Grant	LQHT 2023	LQHT 2022 Restated
Within one year	**26**	26
Greater than one year	**2,109**	2,127
Total	**2,135**	2,153

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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
At beginning of the year	**112**	95	**112**	94
Net HomeBuy grant abated	**-**	(1)	**-**	(1)
Transferred to fund during year	**16**	42	**16**	43
Utilised during the year against new build	**(13)**	(24)	**(13)**	(24)
At end of the year	**115**	112	**115**	112

There are no amounts 3 years old or older where repayment may be required (2022: £nil).

Notes to the financial statements for the year ended 31 March 2023

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.

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, statement of financial position and statement of cashflows.

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Creditors falling due within one year				
Debenture loans	**21**	9	**21**	9
Bank loans	**295**	-	**295**	-
	316	9	**316**	9
Creditors falling due after more than one year				
Debenture loans	**3,504**	3,525	**3,204**	3,225
Bank loans and overdrafts	**1,570**	1,945	**1,570**	1,945
	5,074	5,470	**4,774**	5,170
Total housing loans	**5,390**	5,479	**5,090**	5,179

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 2023 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 2023.

Group Debt analysis – interest-bearing loans and borrowings

As at 31 March 2023	**Total loans £m**	**Interest on loans £m**	**Total £m**
Due less than one year	**(316)**	**(220)**	**(536)**
Between one and two years	**(316)**	**(202)**	**(518)**
Between two and three years	**(97)**	**(169)**	**(266)**
Between three and five years	**(1,512)**	**(301)**	**(1,813)**
In five years or more	**(3,149)**	**(1,351)**	**(4,500)**
Gross contractual cash flows	**(5,390)**	**(2,243)**	**(7,633)**

As at 31 March 2022	**Total loans £m**	**Interest on loans £m**	**Total £m**
Due less than one year	(9)	(178)	(187)
Between one and two years	(291)	(189)	(480)
Between two and three years	(311)	(168)	(479)
Between three and five years	(1,294)	(297)	(1,591)
In five years or more	(3,574)	(1,434)	(5,008)
Gross contractual cash flows	(5,479)	(2,266)	(7,745)

04

Notes to the financial statements for the year ended 31 March 2023

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

LQHT Debt analysis – interest-bearing loans and borrowings

As at 31 March 2023	Total loans £m	Interest on loans £m	Total £m
Due less than one year	(316)	(211)	(527)
Between one and two years	(316)	(193)	(509)
Between two and three years	(97)	(160)	(257)
Between three and five years	(1,337)	(289)	(1,626)
In five years or more	(3,024)	(1,347)	(4,371)
Gross contractual cash flows	(5,090)	(2,200)	(7,290)

As at 31 March 2022	Total loans £m	Interest on loans £m	Total £m
Due less than one year	(9)	(170)	(179)
Between one and two years	(291)	(180)	(471)
Between two and three years	(311)	(159)	(470)
Between three and five years	(1,119)	(280)	(1,399)
In five years or more	(3,449)	(1,427)	(4,876)
Gross contractual cash flows	(5,179)	(2,216)	(7,395)

The weighted average cost of fixed rate loans was 3.5% (2022: 3.5%), and variable rate loans was 4.9% (2022: 2.8%) inclusive of lending margins. 65% of the Group's debt, including the use of financial instruments (see note 29) was fixed (2022: 65%). Interest rates on fixed rate debt range from 2.0% to 11.5% (2022: 2.0% 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 2023	5,390	1,865	3,525	4.1	11
At 31 March 2022	5,479	1,945	3,534	3.4	12

Analysis of changes in net debt - Group

	As at 31 March 2022	Cashflows	Other non- cash movements	As at 31 March 2023
Cash	216	(70)	-	146
Debt due within one year	(9)	634	(941)	(316)
Debt due after one year	(5,470)	(545)	941	(5,074)
Net debt	(5,263)	19	-	(5,244)

Notes to the financial statements for the year ended 31 March 2023

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.

The Group has a diverse portfolio of properties which vary in age, tenure and type, including a number of high rise buildings. All properties were built in accordance with building regulations and accepted practices at the time of being built, however the Group is committed to ensuring continued compliance with the latest health and safety standards. Following fire safety assessments across the portfolio, required remediation works have been identified in order to comply with current and updated government regulation. The Group provides for the costs of fire safety works to the extent that it has a legal or constructive obligation.

The Group does not provide for all forecast health and safety or fire safety works which are considered part of the ordinary course of business of a social housing landlord and form part of the ongoing maintenance programme.

Where there is a legal or constructive obligation to remediate known latent build defects in specific buildings, a provision is calculated using a best estimate derived from detailed cost breakdowns. L&Q Group continually reviews the risks of latent defects across all schemes developed and uses the latest cost estimates available to ensure that the amount of the provision remains appropriate.

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
At beginning of the year	**110**	87	**36**	49
Increase in provision	**31**	54	**21**	18
Release of provision	**(43)**	(31)	**(22)**	(31)
At end of the year	**98**	110	**35**	36

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

Major works obligation

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 £5m 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, £20m was released (this included a release and re-provision exercise to align with current work plans on some schemes).

	Group 2023 £m	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 £m
At beginning of the year	**24**	30	**24**	30
Increase in provision	**5**	11	**5**	11
Release of provision	**(20)**	(17)	**(20)**	(17)
At end of the year	**9**	24	**9**	24

Self-insurance reserve provision

A self-insurance amount of £4m that was increased by £2m in the year

At beginning of the year	**2**	2	**2**	2
Increase in provision	**2**	1	**2**	1
Release of provision	**-**	(1)	**-**	(1)
At end of the year	**4**	2	**4**	2

Notes to the financial statements for the year ended 31 March 2023

23. Provisions for liabilities and charges (continued)

Construction defects

Provision for costs to rectify construction build defects where there is an obligation to correct substandard works at schemes which were built by the Group:

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
At beginning of the year	**35**	14	**-**	3
Increase in provision	**21**	24	**12**	-
Release of provision	**(5)**	(3)	**-**	(3)
At end of the year	**51**	35	**12**	-

Customer refunds

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

	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
At beginning of the year	**4**	8	**4**	8
Increase in provision	**-**	-	**-**	-
Release of provision	**-**	(4)	**-**	(4)
At end of the year	**4**	4	**4**	4

Warranties on newbuild properties

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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
At beginning of the year	**5**	5	**5**	5
Increase in provision	**3**	6	**3**	6
Release of provision	**(1)**	(6)	**(2)**	(6)
At end of the year	**7**	5	**6**	5

Deferred tax

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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 £m
At beginning of the year	**40**	28	**-**	-
Increase in provision	**-**	12	**-**	-
Release of provision	**(17)**	-	**-**	-
At end of the year	**23**	40	**-**	-

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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
At start of the year	**1,795**	1,802	**1,748**	1,757
Increase in the year	**25**	29	**25**	27
Eliminated in respect of disposals	**(4)**	(36)	**(4)**	(36)
At end of the year	**1,816**	1,795	**1,769**	1,748

The £25m increase in the year relates to amortised grant as recorded in the statement of comprehensive income. The decrease in contingent liabilities in the year of £4m (2022: £36m) relates to grant on units that were disposed in the year predominantly through stock transfers.

Notes to the financial statements for the year ended 31 March 2023

25. Share capital

	Group 2023 £	Group 2022 £	LQHT 2023 £	LQHT 2022 Restated £
Shares of £1 each issued and fully paid				
At beginning of the year	9	9	9	9
Issued during year	1	3	1	3
Cancelled or eliminated during the year	(3)	(3)	(3)	(3)
At end of the year	7	9	7	9

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 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Expenditure that has been contracted for but has not been provided for in these financial statements	1,167	1,633	1,016	1,605
Expenditure that has been authorised by the Governing Board but has not yet been contracted for	487	591	461	477
	1,654	2,224	1,477	2,082
The Group expects to finance contracted commitments through:				
Social housing grant	364	433	364	433
Surpluses and borrowings	803	1,200	652	1,172
	1,167	1,633	1,016	1,605

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 £3.1bn (2022: £4.1bn) of which £2.5bn (81%) is currently committed (2022: £3.3bn).

26. Capital commitments (continued)

Our approved development pipeline has the following projections:

	Group 2023	Group 2022
Homes in the development pipeline	25,594	29,795
	£m	£m
Projected pipeline cost	3,134	4,056
Projected source of funding		
Social housing grant	492	530
Surpluses and borrowings	2,642	3,526
	3,134	4,056

27. Commitments under operating leases

Total commitments under operating leases are as set out below:

Land and buildings	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Operating leases which expire:				
In less than one year	2	2	2	2
Between one and five years	3	4	3	4
After five years	-	-	-	-
Total	5	6	5	6

Vehicle leases	Group 2023 £m	Group 2022 £m	LQHT 2023 £m	LQHT 2022 Restated £m
Operating leases which expire:				
In less than one year	1	2	1	2
Between one and five years	2	3	2	4
After five years	-	-	-	-
Total	3	5	3	6

Notes to the financial statements for the year ended 31 March 2023

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 2023:

2023	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	194	(203)	-	-	(12)	-	(123)	-	-	24
L&Q New Homes Ltd	9	(7)	(5)	(10)	(6)	-	(122)	-	(9)	-
L&Q PRS Co Ltd	-	-	(4)	-	(23)	-	(506)	-	-	1
Quadrant Housing Finance Ltd	-	-	-	-	-	8	-	108	-	1
East Place Ltd	-	-	-	-	-	-	(2)	-	-	-
THT and L&Q Developments LLP	24	(24)	-	-	(1)	-	-	-	-	-
Gallagher Estates Ltd	-	-	-	(6)	(2)	-	(20)	-	-	-
Gallagher Estates NR Ltd	-	-	-	(5)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(1)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	(12)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	16	(16)	9	34	(8)	44	(108)	773	(26)	9

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 2022: ntra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2023:

2022 Restated	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	233	(245)	-	-	(9)	-	(229)	-	-	23
L&Q New Homes Ltd	26	(23)	(5)	(10)	(3)	-	(137)	-	(9)	-
L&Q PRS Co Ltd	-	-	(3)	(2)	(10)	-	(520)	-	(2)	-
Quadrant Housing Finance Ltd	-	-	-	-	-	8	-	115	-	-
L&Q Energy Ltd	-	-	-	-	-	-	-	-	-	1
East Place Ltd	-	-		-	-	-	(2)	-	-	-
East Regen Ltd	-	-	-	-	-	-	(1)	-	(1)	-
THT and L&Q Developments LLP	11	(11)	-	-	(2)	-	(55)	-	-	-
Gallagher Estates Ltd	-	-	-	(4)	(1)	-	-	-	-	-
Gallagher Estates NR Ltd	-	-	-	-	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	-	(3)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(10)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	(3)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	3	(3)	8	32	(8)	25	(115)	944	(24)	12

Notes to the financial statements for the year ended 31 March 2023

28. Related party transactions (continued)

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 (2022: 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 £6,211 (2022: £5,966) of which £nil (2022: £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 £12,000 in the year in relation to conference sponsorship costs, with no amounts outstanding at year end. Fiona Fletcher-Smith is the Chair of Centre for London.
- LQHT incurred membership fees and conference costs totalling £174,988 towards the National Housing Federation (NHF), with no amounts outstanding at year end. Waqar Ahmed is a board member of National Housing Federation.
- LQHT was recharged by Buckinghamshire Healthcare NHS Trust a total of £35,574 for communal energy services, with no amounts outstanding at year end. Rajiv Jaitly is a non-executive director of the Buckinghamshire Healthcare NHS Trust.
- LQHT recharged Barking Riverside Limited (BRL) £12,000 in relation to audit fees, with no amounts outstanding at year end. Diane Hart was a board member up to 30th June 2022 and Victoria Savage and Steven Moseley are both current board members of BRL.
- LQHT incurred costs of £229,207 for services provided by Southern Housing Group, with no amounts outstanding at year end. David Lewis was a non-executive director of Southern Housing Group up to 16th December 2022.
- LQHT paid £10,000 in relation to conference costs to Sustainability for Housing, of which no amounts were outstanding at year end. Fayann Simpson is a board member of Sustainability for Housing.
- LQHT were charged £6,954 for services provided by Royal Mail, of which no amounts were outstanding at year end. Maria da Cunha is a non-executive director at Royal Mail.
- LQHT paid £519,456 to Royal Borough of Greenwich relating to council tax and other costs specific to individual properties located in the borough. No amounts were outstanding at year end. Fiona Fletcher-Smith's husband is the Executive Director of Housing and Safer Communities at the Royal Borough of Greenwich.
- LQHT paid One Housing Group £126,062 in third party management costs, whilst earning £82,971 in landlord fees with the amount of £82,971 outstanding at year end. Diane Hart's husband is an Executive Director of One Housing Group.
- LQHT incurred costs of £581,945 relating to consultancy services provided by Red Loft Housing Consultancy, of which no amounts were outstanding at year end. Victoria Savage's husband is a Partner at Red Loft Housing Consultancy Ltd.

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.

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.

Notes to the financial statements for the year ended 31 March 2023

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 – 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 2023 £m**	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Financial instruments measured at fair value through profit and loss	-	-	-	-
Total loans measured at amortised cost	**5,441**	5,530	**5,059**	5,145
At end of the year	**5,441**	5,530	**5,059**	5,145

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. The approved target is to retain between 60% and 70% of drawn debt at a fixed rate. As at 31 March 2023 65% of the Group's debt is fixed.

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 (SONIA). 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 2023 was £nil (2022: £nil.)

The Group's cash flow interest rate risk exposure is managed in accordance with treasury policy. As at 31 March 2023 a 1% increase in interest rates would result in an additional charge of £19m (2022: £19m).

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 59% of the Group's borrowings were due to mature in more than five years (2022: 65%). The liquidity risk of each Group entity is managed centrally by the Group treasury function in accordance with the Board approved Treasury Plan.

Notes to the financial statements for the year ended 31 March 2023

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	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Investment properties and real lettings property fund	**1,093**	1,172	**-**	-
Cash and cash equivalents	**-**	-	**146**	216
Debtors	**-**	-	**222**	248
	1,093	1,172	**368**	464

	Financial liabilities at fair value		Financial liabilities at amortised cost	
Financial liabilities	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Trade and other payables	**-**	-	**608**	532
Loans and borrowings	**-**	-	**5,441**	5,530
Derivatives				
• Designated hedges	**-**	-	**-**	-
• Fair value through profit and loss	**-**	-	**-**	-
	-	-	**6,049**	6,062

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 2023 £m**	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
At beginning of the year	**25**	25	**23**	23
Movement in provision	**1**	-	**1**	-
At end of the year	**26**	25	**24**	23

Arrears	**Group 2023 £m**	Group 2022 £m	**LQHT 2023 £m**	LQHT 2022 Restated £m
Less than 30 days	**7**	5	**6**	4
30 to 60 days	**5**	4	**5**	4
60 to 90 days	**4**	4	**4**	3
More than 90 days	**42**	41	**40**	37
	58	54	**55**	48

Included in the above are £14m (2022: £13m) 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

There were no events subsequent to 31 March 2023 that require disclosing.

04

Notes to the financial statements for the year ended 31 March 2023

33. Details of Transfer of Engagement

On 31 March 2023 Trafford Housing Trust Limited (THT) became part of London & Quadrant Housing Trust (LQHT) through a transfer of engagement. This followed on from a transfer of engagement on 31 January 2023 whereby THT and L&Q Community Limited (THLQC) became part of Trafford Housing Trust Limited.

As required per FRS102 PBE34.86, details of the individu al entities for the current and previous year are shown below. As the transfer of engagement of THT was completed on 31 March 2023 there is no period post the transaction to report on separately.

Statement of comprehensive income

Analysis of total comprehensive income by principal component for the year ended 31 March 2023	**LQHT 2023 £m**	THT 2023 £m	**THLQC 2023 £m**	Cons 2023 £m	**Combined Total 2023 £m**
Turnover	**783**	66	**5**	-	**854**
Cost of sales	**(152)**	(5)	**(3)**	-	**(160)**
Operating costs	**(559)**	(62)	**(1)**	-	**(622)**
Surplus on disposal of fixed assets and investments	**148**	6	**-**	-	**154**
Share of profits from joint ventures	**-**	-	**-**	-	**-**
Change in value of investment property	**-**	(2)	**-**	-	**(2)**
Operating surplus	**220**	3	**1**	-	**224**
Gift aid received	**34**	-	**-**	-	**34**
Interest receivable and similar income	**56**	4	**-**	(9)	**51**
Interest payable and similar charges	**(156)**	(7)	**-**	9	**(154)**
Other finance income/(costs)	**(9)**	-	**-**	-	**(9)**
Surplus on ordinary activities before tax	**145**	-	**1**	-	**146**
Tax on surplus on ordinary activities	**-**	-	**-**		**-**
Surplus for the year	**145**	-	**1**	-	**146**
Other comprehensive income	**(20)**	8	**-**	-	**(12)**
Total comprehensive income for the year	**125**	8	**1**	-	**134**

33. Details of Transfer of Engagement (continued)

At 31 March 2023

Analysis of total comprehensive income by principal component for the year ended 31 March 2022	**LQHT 2022 £m**	THT 2022 £m	**THLQC 2022 £m**	Cons 2022 £m	**Combined Total 2022 £m**
Turnover	**712**	59	**9**	-	**780**
Cost of sales	**(120)**	(2)	**(8)**	-	**(130)**
Operating costs	**(463)**	(56)	**-**	-	**(519)**
Surplus on disposal of fixed assets and investments	**92**	4	**-**	-	**96**
Share of profits from joint ventures	**-**	-	**-**	-	**-**
Change in value of investment property	**-**	-	**-**	-	**-**
Operating surplus	**221**	5	**1**	-	**227**
Gift aid received	**32**	-	**-**	-	**32**
Interest receivable and similar income	**28**	4	**-**	(3)	**29**
Interest payable and similar charges	**(107)**	(3)	**-**	3	**(107)**
Other finance income/(costs)	**(4)**	-	**-**	-	**(4)**
Surplus on ordinary activities before tax	**170**	6	**1**	-	**177**
Tax on surplus on ordinary activities	**-**	-	**-**	-	**-**
Surplus for the year	**170**	6	**1**	-	**177**
Other comprehensive income					
Actuarial gain/ (loss) on pension schemes	**7**	13	**-**	-	**20**
Total comprehensive income for the year	**177**	19	**1**	-	**197**

Notes to the financial statements for the year ended 31 March 2023

33. Details of Transfer of Engagement (continued)

Statement of Financial Position At 31 March 2023

Aggregate carrying value of the net assets of each company as at 31 March 2023	LQHT 2023 £m	THT 2023 £m	THLQC 2023 £m	Cons 2023 £m	Presented in Statement of Financial Position 2023 £m
Fixed assets					
Housing properties	10,561	266	53	-	10,880
Other tangible fixed assets	45	8	-	-	53
Intangible assets	26	-	-	-	26
Equity investment in subsidiaries	866	-	-	-	866
Investments - jointly controlled entities	68	-	-	-	68
Investments - HomeBuy equity loans	86	-	-	-	86
Investment properties	-	3	-	-	3
Investments - Real Lettings property fund	10	-	-	-	10
	11,662	277	53	-	11,992
Net pension assets	-	5	-	-	5
Debtors due after more than one year	1,121	-	-	(315)	806
Current assets					
Land and properties for sale and work in progress	285	15	1	-	301
Debtors	77	99	-	(22)	154
Cash and cash equivalents	68	1	-	-	69
	430	115	1	(22)	524
Creditors: amounts falling due within one year	(636)	(15)	(45)	44	(652)
Net current assets/(liabilities)	(206)	100	(44)	22	(128)
Total assets less current liabilities	12,577	382	9	(293)	12,675

33. Details of Transfer of Engagement (continued)

At 31 March 2023

Aggregate carrying value of the net assets of each company as at 31 March 2023	LQHT 2023 £m	THT 2023 £m	THLQC 2023 £m	Cons 2023 £m	Presented in Statement of Financial Position 2023 £m
Creditors: amounts falling due after more than one year	(4,922)	(297)	-	293	(4,926)
Deferred social housing grant	(2,078)	(24)	(7)	-	(2,109)
Grant on HomeBuy equity loans	(77)	-	-	-	(77)
Provisions for liabilities	(35)	-	-	-	(35)
Net pension liability	(20)	(1)	-	-	(21)
Net assets	5,445	60	2	-	5,507
Capital and reserves					
Share capital	-	-	-	-	-
Revenue reserve	3,491	60	2	-	3,553
Revaluation reserve	1,954	-	-	-	1,954
	5,445	60	2	-	5,507

Notes to the financial statements for the year ended 31 March 2023

33. Details of Transfer of Engagement (continued)

Alignment of Accounting Policies
THLQC, THT were registered housing providers as is LQHT, preparing financial statements in accordance with FRS102, the Housing SORP 2018 and the Accounting Direction for Private Registered Providers for Social Housing 2022.

All accounting policies and procedures were aligned in prior financial reporting periods, and there were not considered to be any significant adjustments required.

Details of any intercompany adjustments made to the restated position for LQHT are set out below.

1. Elimination of interest on loan between LQHT and THT

Statement of comprehensive income	Total Adjustment 2023 £m	Total Adjustment 2022 £m
Interest receivable and similar income	(9)	(3)
Interest payable and similar charges	9	3
Total Adjustment to comprehensive income	-	-

2. Elimination of loan balance between LQHT and THT

Statement of financial position	Total Adjustment 2023 £m	Total Adjustment 2022 £m
Debtors due after more than one year	(293)	(271)
Creditors: amounts falling due after more than one year	293	271
Total Adjustment to statement of financial position	-	-

33. Details of Transfer of Engagement (continued)

3. Elimination of loan balance between LQHT and THTLQ, plus elimination of loan balance between THT and THTLQ. THTLQ borrowed an equal amount from both LQHT and THT

Statement of financial position	Total Adjustment 2023 £m	Total Adjustment 2022 £m
Debtors due after more than one year	(22)	(22)
Current Assets: debtors	(22)	(22)
Creditors: amounts falling due after more than one year	44	44
Total Adjustment to statement of financial position	-	-

Notes to the financial statements for the year ended 31 March 2023

34. 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, incorporated November 2018
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

34. Group entities (continued)

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
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
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

Notes to the financial statements for the year ended 31 March 2023

34. Group entities (continued)

The entities forming the Group are:

Entity	Status	Activity
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
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

The entities forming the Group are:

Entity	Status	Activity
THT Developments Limited	Limited company by shares registered in England and Wales	Property development
THT and L&Q Developments LLP	Limited Liability Partnership	Partnership between THTD and L&Q New Homes for property development
Laurus Homes Limited	Limited company by shares registered in England and Wales	Dormant – company dissolved 16th May 2023
THT Social Investments Limited	Limited company by shares registered in England and Wales	Investment holding company.

Notes to the financial statements for the year ended 31 March 2023

35. 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. There were no exceptional items for the FY2023 to disclose (2022: none).

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.

Net debt

The sum of debt due within one year + debt due after one year less cash.

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 2023
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	£76m ÷ £1,176m = 6%
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	£162m ÷ £645m = 25%
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	£38m ÷ £190m = 20%
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	£5,244m ÷ £11,354m = 46%
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	£247m ÷ £13,185m = 1.9%
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	£173m ÷ (£57m + £117m) = 1.0
Headline social housing cost per unit Total social housing cost (per note 3) Total social housing homes (per note 4) Total	£678m ÷ 90,121 = £7,523
Management cost per unit Total management cost (per note 3) Total social housing homes (per note 4) Total	£74m ÷ 90,121 = £821
Service charge cost per unit Total service charge cost (per note 3) Total social housing homes (per note 4) Total	£91m ÷ 90,121 = £1,010
Maintenance cost per unit Total routine maintenance + planned maintenance cost (per note 3) Total social housing homes (per note 4) Total	£173m + £57m + £117m ÷ 90,121 = £3,850
Other social housing costs per unit Total other social housing cost (per note 3) Divided by total social housing homes (per note 4) Total	£82m ÷ 90,121 = £910
Rent collected as % of rent due (General needs)	£365m ÷ £364m = 100%
Overheads as a % of adjusted turnover Calculated as overheads ÷ turnover excluding amortised grant, adjusted for cost of sales x 100	£80m ÷ £876m = 9%

04

Notes to the financial statements for the year ended 31 March 2023

35. 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.

In accordance with SECR reporting recommendations, the UK Government's 2022 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.

Since 2022, L&Q construction sites have recorded electricity consumption monthly on a third-party software. This data was extracted and used to account for the electricity consumption. There has also been an improvement in obtaining the gas consumption on site from the energy provider.

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. However, a large number of our void homes were not moved to our void energy provider. This is due to suppliers suspending switching activity as a result of the uncertain cost of new supplies and prices increase from the energy crisis. These homes remained with their incumbent supplier, making tracking the consumption difficult, resulting in an estimation aligned to the consumption seen for supplies with our void energy provider.

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.

All renewable electricity purchased is backed with a REGO as required in the SECR reporting guidance.

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 as of 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.

CleanStart, Trafford

For more information
L&Q Group
T: 0300 456 9998
www.lqgroup.org.uk

© L&Q Design Studio 2023. **LQ0900**