Financial statements

2024

Contents

01 **Highlights 2023/2024** 6

About L&Q 8
History of L&Q 9
Chair's statement 10

02 **Strategic report** 16

Overview of 2023/24 18
Financial review (5-year summary) 22
Social housing lettings 24
Other social housing activities 28
Development and sales 32
Non-social housing lettings 38
Other non-social housing lettings 39
Residents 40
Homes 46
People 48
Value for money 52
Energy and Carbon Emissions 62
Sustainability at L&Q 64

03 **Governance** 66

Group Board 68
Internal control and risk management 76
Audit and Risk Committee 84
Statement of responsibilities of the Board in respect of the Board's report and the financial statements 86

04 **Financial Statements** 88

Independent auditor's report to London & Quadrant Housing Trust 90
Statement of comprehensive income 98
Statement of financial position 100
Statement of changes in equity 102
Consolidated statement of cash flows 104
Notes to the financial statements 106

05 **Other statutory and regulatory information** 194

01 Highlights

2023/2024

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

Highlights 2023/2024

Financials (as at 31 March 2024)

Turnover
£1,122m
(2023: £1,176m)

EBITDA MRI[1]
£343m
(2023: £313m)

Total assets less current liabilities
£13.7bn
(2023: £13.2bn)

Surplus
£117m
(2023: £40m)

EBITDA MRI Margin
28%
(2023: 22%)

Net Debt
£5.4bn
(2023: £5.2bn)

Operating Surplus
£333m
(2023: £162m)

EBITDA MRI / interest cover
142%
(2023: 169%)

Homes (as at 31 March 2024)

Homes in management
109,485
(2023: 108,326)

New homes developed
2,955
(2023: 4,047)

New homes enabled
995 (strategic land plots sold)
(2023: 1,318)

Ratings (as at 31 March 2024)

Credit ratings

Moody's	A3 / Stable	(2023: A3/Negative)
S&P	A- / Negative	(2023: A-/Negative)
Fitch	A+ / Negative	(2023: A+/Negative)

Regulatory rating

Governance grade	G1
Viability grade	V2

(2023: G1,V2)

Our people (as at 31 March 2024)

Staff engagement
67%
(2023: 72%)
per Great Places to Work survey

Operational (as at 31 March 2024)

Customer satisfaction[2]
76%
(2023: 76%)

CQC rating
100% of our care schemes as outstanding or good
(2023: 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 and affordable 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 supported 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 these 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

After a sustained period of uncertainty, the general election result has delivered a Labour government for the first time since 2010. The sizeable majority achieved by Keir Starmer will provide some political stability for the immediate period ahead, and it has been encouraging to hear the party talking about housing as a priority.

L&Q, along with the wider sector, has been engaging with Labour at a national and local level both before and since the election. We have set out our ambitions and the support we need from government in order to succeed, but we have also been frank about the scale of the challenges we face.

The housing sector has faced significant economic and regulatory challenges over the past few years, including the 7% rent cap, which we estimate will mean L&Q sees a reduction of £142m in re-investable rental income over five years.

This reduction in income comes at a time when costs have been soaring. Headline inflation peaked at 11.1% in October 2022, but within the housing sector the costs of many of the materials we use for repairs and maintenance have increased by 17%, with cost increases as high as 25% for construction.

At the same time, interest rates have gone up, increasing how much it costs to retain the loans we have taken out to invest in existing and building new homes. We actively manage interest rate risk with the majority of our debt being fixed. However, mortgage rates have also increased, making it more expensive for prospective customers to buy homes, and reducing demand for the homes we sell.

These challenges have also impacted our supply chains, and added to issues we were already facing around skills and materials shortages.

But, we cannot and will not shy away from these challenges because the first responsibility of any housing association is to provide quality, affordable homes in which people can live comfortable, healthy lives. It is a shocking fact that one in 23 children in London are homeless, and there is a significant need for new social housing to meet the scale of this crisis. In the absence of a long-term government plan for housing that delivers the funding our sector needs, L&Q has had to make difficult strategic choices.

Working in partnership with residents, we have simplified and adapted our business and carried out a major balance sheet review over the past year, whilst delivering robust financial results during a sustained challenging economic period, showing strong year-on-year performance. EBITDA was £343m (2023: £313m) with an EBITDA margin of 28% (2023: 22%). We retained a well-capitalised balance sheet with net assets of £13.7bn (2023: £13.2bn), whilst net debt was broadly stable at £5.4bn (2023: £5.2bn), and available liquidity of over £1bn.

Investment in existing homes and services

We have already communicated how we are delivering against our stated objectives to divert a greater level of expenditure towards resident's existing homes to address our strategic priorities of health and safety, quality of homes and improving services.

Our £3bn 15-year Major Works Investment Programme is already improving the safety, comfort and environmental performance of resident's homes. The programme will ensure all our homes meet the Decent Homes Standard and achieve a minimum Energy Performance Certificate C status as we work towards meeting our environmental goals, including achieving net zero by 2050. We provide a detailed update on this progress in our annual sustainability report, published annually in September on our website.

Crucially, residents have been closely involved with the Major Works programme. The Resident Services Board, a formal part of our governance arrangements, have been tasked by our Group Board to lead in overseeing the planning and monitoring of this programme. This has included the selection and appointment of contractors.

The first year of the programme has already delivered results. Our ten major works partners have carried out works on 1,595 kitchens, 1,543 bathrooms, 1,519 windows and 175 roofs. Behind the numbers are the stories of residents who have benefited from these improvements, and we've had some excellent feedback so far. We are also learning lessons from such a large-scale programme and will take these into the coming years.

As part of the programme, we have also worked with our partners to deliver additional social value in our communities of more than £24m in the first year. This has included creating job opportunities and apprenticeships, revamping community spaces and running classes for residents. So far, the programme has created 27 full-time jobs and delivered 860 weeks of apprenticeships – many of these have been for L&Q residents. This is in addition to the excellent work of the L&Q Foundation, described later in this report.

Underpinning this is a £45m investment into the way we operate and provide services to residents, supported by technology. We have now entered into contracts for new housing and finance management systems which will create operational efficiencies, improve how we manage our data and information, and how we communicate with residents, and in particular vulnerable residents who may need different types of support.

We've launched an 18-month Repairs Change Project, which will improve how we deliver repairs to residents' homes and make sure that we're offering them a consistent, reliable and repeatable experience. We know that complaints remain too high, and so we have launched an organisational-wide complaints handling initiative to ensure that everyone is focused on putting things right for residents. The initiative involves making improvements to training and processes so residents get a faster and better quality response when things go wrong, and are always treated with the respect they deserve.

We will continue to work in partnership with residents, learn from complaints and take on board the results of the 22 new Tenant Satisfaction Measures (TSMs) set by the Regulator for Social Housing.

We have just published our first set of TSMs, which give an overall view of how well we're performing against the things that matter most to residents – from responding to complaints and delivering repairs, to views about the homes and services we provide.

The results tell us there are some key areas where we must get better – such as making our customer services more responsive and understanding, and an overall impression that our repairs service could be better co-ordinated, although average satisfaction after each individual repair received is good. The work described above, and the investment we will continue to make over the coming years, will enable us to drive up standards, improve the quality of residents' homes and services, and ensure that our TSMs improve over the years ahead.

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 2,000 buildings containing over 32,000 homes.

We were the first major housing association to commit to rectify safety defects for leaseholders living in buildings we had built, and have now inspected over 1,467 high and low rise buildings. We have so far identified 218 buildings requiring remediation, and of these 47 buildings have had the remediation completed, while remediation has started at another 60 buildings. This means we have been able to assure 11,000 residents that their home meets the latest building safety guidance.

We've replaced ACM cladding on 27 high-rise blocks, and replaced, installed or upgraded fire alarm systems benefitting 2,957 homes. We've also been able to reassure more than 9,000 residents that their homes don't require an EWS1 certificate – in line with government advice.

We have set a target to have begun remediation of all potential fire risks in buildings over 18 metres by 2026.

Building new homes and boosting capacity

While we focus on investment in existing homes and services, the nation's housing crisis will ultimately only be solved by increasing supply.

In the year, L&Q completed almost 3,000 new residential homes, of which 68% (2023: 71%) are for social housing tenures. Due to higher mortgage rates, sales were subdued and continued to fall as a percentage of overall turnover at 27% (2023: 37%) though demand remained stable for shared ownership.

We remain committed to lowering our risk profile and the projected cost to complete our development pipeline continues to reduce, now standing at £2.5bn (2023: £3.1bn). We are also simplifying our business, lowering risk and improving our ability to offer more focussed customer service by divesting of some homes outside our core strategic areas of London and Manchester via our stock rationalisation programme.

01 Chair's statement

Like other housing providers, we have also been exploring opportunities to generate additional financial capacity to invest in affordable housing. As part of this, we keep our non-core social housing activity under regular review, and in August 2024, we completed on the sale of our strategic land function. We are immensely proud that since acquiring L&Q Estates in 2017, we've enabled the delivery of over 11,300 new homes, of which 1,800 have been built by L&Q. However, with our long-term strategy focused on existing homes and services, this deal will generate additional revenue that can be reinvested into those objectives.

L&Q remains committed to building the affordable homes the country so desperately needs, but this deal signals a longer-term ambition to concentrate future growth in our core areas of Greater London and Greater Manchester, rather than pursue strategic land opportunities across the wider South and Midlands. This will allow us to focus our resources on areas where housing need is the greatest, and where we are in the strongest position to provide responsive, local services that offer the best value for residents.

What this shows is that L&Q has a very clear strategy, but we retain the ability to adapt our business to respond to challenges whilst delivering robust financial results with strong year-on-year performance. As such, we were surprised and disappointed with the decision by S&P in June 2024 to lower L&Q's long-term issuer credit rating from A- to BBB+, citing our "sizeable investment needs in existing stock". Whilst we seek to maintain a single "A" credit rating where it is within our control, our primary aim is to maintain financial viability whilst ensuring residents receive the quality homes and services they deserve. We have a clear plan to achieve this, which we have already made significant progress against.

Providing extra help

Sustained cuts in public spending and the ongoing cost-of-living crisis are driving more of our residents to come to us for support. Through the L&Q Foundation, we are prioritising the essentials – helping residents sustain their tenancies, manage their finances and access employment and training opportunities. This work is estimated to have delivered a further £27m of social value in the year.

From April 2023 to March 2024, we helped 224 residents get into work across a range of industries including law, health, finance, and the public transport sector. This achievement includes supporting individuals often overlooked by traditional recruitment programmes, such as older workers, those with disabilities and single parents. Our Employment Support Leads offer residents one-on-one CV help, preparation for job interviews, and even link up with local and national employers through job brokerage services.

We also offer a range of tenancy sustainment support, including helping residents to maximise the benefits they receive, providing budget advice, and helping them to cope with everyday life. Last year, we supported 421 residents to stabilise their tenancies and avoid legal enforcement action. We also secured £8.2m of additional income for 2,748 residents using L&Q's Pound Advice service.

New Chair

This will be the last set of L&Q's financial results that I introduce, as I retire in the autumn after nine years as Group Chair.

My successor will be former Co-operative Bank Chief Executive Liam Coleman, who has over 30 years' experience in the financial services sector. L&Q is also further strengthening its governance arrangements with the appointment of Anne Turner as an independent member of its Audit and Risk Committee. Liam and Anne have a wealth of varied expertise and decades of experience, and I am delighted to welcome them to L&Q. I have greatly enjoyed my time at L&Q and working with such a fantastic team has been incredibly fulfilling. I know that Liam and Anne will relish the challenges and opportunities ahead, and I wish them every success over the coming years.

I would also like to take this opportunity to thank departing members of L&Q's Board for all of their hard work and commitment.

L&Q has robust governance structures, a highly-skilled Executive Group and a talented and motivated workforce. Underpinned by continued financial strength and a long track-record of success, I know that L&Q will remain at the forefront of the sector and continue delivering safe, high-quality homes, services and support for all residents, whilst laying the foundations for future growth.

Aubrey Adams
Group Chair

12 September 2024

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

02 Strategic report

- Overview of 2023/2024
- Group financial performance
- Financial review (5-year summary)
- Social housing lettings
- Other social housing activities
- Development and sales
- Non-social housing lettings
- Other non-social housing activities
- Residents
- Homes
- People
- Value for money
- Energy and Carbon Emissions
- Sustainability at L&Q

02 Overview of 2023/24

Corporate Strategy

2023/24 marks the end of the third year of delivery of our five-year 'Future Shape' Corporate Strategy.

We have continued to use the outcomes contained within it, alongside our approach to the management of our strategic risks, to guide decision making and prioritise what we focus on.

L&Q's vision that everyone deserves a quality home that provides them with the opportunity to live a better life, has not changed. 'Future Shape' identifies three priorities relating to increasing our focus and investment in the safety of our residents and colleagues, investing more in our existing homes, and ensuring we deliver 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. The first three years of delivery has seen a record number of new homes developed in both the South East and North West, but the challenging macro-economic climate we find ourselves operating in means we have had to take the tough decision to scale back the number of new homes we start to build for the remaining years of the corporate strategy, which alongside steps to sell properties that do not align with our core geographical locations, are crucial to maintain our financial resilience and credit ratings.

The 'Future Shape' Strategy is being 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	2024	2023
Turnover	**£1,122m**	£1,176m
EBITDA MRI[3]	**£343m**	£313m
EBITDA MRI margin overall	**28%**	22%
Operating Surplus	**£333m**	£162m
Operating margin overall	**30%**	14%
EBITDA MRI Interest cover %	**142%**	169%

Turnover

Year on year turnover decreased by £54m to £1,122m (2023: £1,176m). Of this, 63% was generated from our core social housing lettings activities (2023: 56%) with additions of new social housing properties and application of rent increases leading to an increased turnover of £61m for this portfolio in the year. A further 27% (2023: 37%) of turnover was from market sales activity which contributed £298m to total turnover (2023: £433m), and 5% (2023: 4%) from market rents. The remaining 5% (2023: 3%) of turnover came from other activities. The main driver of for the reduction in turnover in the year was a reduction in open market and land sales activities, as a result of a strategic decision to slow down development activities and reduce exposure to more volatile market sales activities.

Operating margins and surplus

Operating surplus for the year increased significantly to £333m (2023: £162m) consisting of £304m from all social housing activities (2023: £188m) while all non-social housing activities generated a surplus of £29m (2023: £27m deficit). Social housing performance improved through increased revenues from rent and first tranche low-cost homeownership sales. Non-social housing performance was again impacted by a downward valuation of investment property totalling £30m (2023: £85m). Impairment costs relating to development schemes and joint-ventures totalled £18m (2023: £109m), which is materially lower than in the prior year, and consequently the overall operating margin improved to 30% (2023: 14%).

Interest payable for the year increased by £69m to £217m (2023: £148m) reflecting the higher interest rate environment whilst continuing to ensure careful debt management with only a modest increase in net debt in the year.

In addition to the above financial measurements, we track our EBITDA MRI performance closely as a proxy for cash generation and an indication of profitability. EBITDA MRI increased by £30m in the year to £343m, (2023: £313m) driven by increased revenues from social housing activities and tighter control of operating costs overall. Our EBITDA MRI interest cover was 142% (2023: 169%), with the decrease of 27% compared to the previous year mainly caused by increased interest costs, which outweighed the increase in EBITDA MRI. This still provides comfortable headroom against lenders covenants, supporting our financial resilience.

We closed the year with a surplus after tax of £117m which is £77m higher compared to like for like performance in the previous year (2023: £40m), with the primary drivers being significantly lower impairment and change in revaluation of investment property, alongside reduction in operating costs, lower surplus from the disposal of fixed assets and increased revenues from operating activities. Importantly, all surpluses continue to be reinvested into the business, with our priority focus on investment in existing homes through capital expenditure, and building 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 2023/24

Financial Position

The group continues to maintain a strong financial position with net assets increasing by £106m to £5,721m in the year (2023: £5,615m). Our portfolio of housing properties grew by £263m to £11,617m (2023: £11,354) with additions from a mix of capital maintenance works and continued growth from our own development programme. The growth in the year is offset by our strategic decision to undertake a review of housing stock, leading to disposals of £157m (2023: £178m) of housing properties, in addition to net impairment of £21m (see Note 12 of these Financial Statements for more detail).

Our investment in the Private Rented portfolio increased by £102m in the year to £1,185m (2023: £1,083m), due to additions, partially offset by a £30m downward valuation on the portfolio (see Note 14 of these Financial Statements for more detail).

Land, properties for sale and work in progress decreased by £122m to £590m (2023: £712m) primarily due to sales and tranfer to fixed assets exceeding new investments, alongside increased focus on careful management of working capital. There was a net impairment release in the year of £3m (see Note 15 of these Financial Statements for more detail).

Net debt[4] increased by £168m to £5,413m (2023: £5,244m). Our long-term loans are disclosed in more detail in the "Capital Structure and Treasury" section of the strategic report.

£5,721m

Net assets increased by **£106m**

£5,615m
(2023)

£712m
(2023)

Land, properties for sale and work in progress decreased by **£122m**

£590m

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


Barking Riverside

02 Financial review (5-year summary)

Consolidated income and expenditure (£m)	2024	2023	2022	2021	2020[5]
Turnover	1,122	1,176	1,112	1,052	915
Operating costs and cost of sales	(891)	(1,100)	(1,008)	(844)	(732)
Surplus on disposal of assets	117	152	95	59	64
Share of profits from joint ventures	15	19	37	37	25
Change in valuation of investment properties	(30)	(85)	35	3	7
Operating surplus	**333**	162	271	307	279
Net interest charge and other finance costs	(220)	(147)	(99)	(102)	(101)
Taxation	4	25	(18)	3	1
Surplus for the year before exceptional items[6]	**117**	40	154	208	179
Exceptional items					
- Gift on acquisition	-	-	-	-	235
Surplus for the year after tax	**117**	40	154	208	414

Consolidated Statement of financial position (£m)	2024	2023	2022	2021	2020
Housing properties at cost less depreciation	11,617	11,354	11,026	10,906	10,555
Other fixed assets and investments	1,709	1,657	1,814	1,670	1,703
Net current assets	341	174	746	484	926
Loans due after one year	(5,516)	(5,125)	(5,521)	(5,152)	(5,528)
Unamortised grant	(2,094)	(2,142)	(2,164)	(2,210)	(2,197)
Other long-term liabilities and provisions	(336)	(303)	(314)	(285)	(232)
Net assets	**5,721**	5,615	5,587	5,413	5,227
Revenue reserves	3,957	3,844	3,790	3,539	3,347
Revaluation reserve	1,764	1,771	1,797	1,874	1,880
Total reserves	**5,721**	5,615	5,587	5,413	5,227

Consolidated statement of cash flows (£m)	2024	2023	2022	2021	2020
Net cash generated from operating activities	330	451	403	421	255
Cash flow from investing activities	(250)	(242)	(339)	(377)	(602)
Cash flow from financing activities	(51)	(279)	20	(69)	333
Cash and cash equivalents at start of year	146	216	132	157	171
Cash and cash equivalents at end of year	**175**	146	216	132	157

[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

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 2024, the Group had total loan facilities of £6,748m (2023: £6,530m) of which £5,588m (2023: £5,390m) were drawn and £890m (2023: £1,140m) 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 £116m (2023: £316m), representing 2% of drawn debt facilities.

Cash equivalents held at the year-end totalled £175m (2023: £146m) leaving net debt (excluding any net issue premium, fair value adjustments and mark to market exposure on interest rate hedges) at £5,413m (2023: £5,244m). Available liquidity (defined as available undrawn loan facilities and available cash that are not secured in held funds) was £1,045m (2023: £1,222m).

The weighted average cost of the Group's drawn debt has remained at 4.1% (2023: 4.1%). The weighted average duration of drawn loan facilities was 9 years (2023: 11 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 2024, 62% of the Group's drawn debt was fixed (2023: 65%). As at 31 March 2024 a 1% increase in interest rates would result in an additional charge of £21m (2023: £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 2024 all cash investments are held with Counterparties who meet the criteria of our Treasury Policy.

As at 31 March 2024, 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	Stable
Fitch	A+	Negative

*Standard & Poor's published an updated rating of BBB+/Stable in June 2024.
As at 31 March 2024 all variable rate facilities of the Group were referencing Sterling Overnight Index Average (SONIA).

02 Social housing lettings

Summary of performance (Social housing lettings)	2024	2023
Revenues (£m)	**705**	645
Operating surplus (£m)	**224**	162
Surplus on disposals (£m)	**117**	152
Operating margin	**32%**	25%
Homes managed	**90,343**	90,118

Social housing lettings activities form the core of our business, contributing £224m (2023: £162m) to the Group's operating surplus with operating margins of 32% (2023: 25%). Void (empty home) rental losses across our social lettings activities reduced to 1.8% (2023: 2.7%).

The Group invested a total of £326m (2023: £347m) in our social housing resident's homes of which £112m (2023: £117m) was on capital works, £41m (2023: £57m) on planned maintenance and £173m (2023: £173m) on reactive maintenance.

The Group continued its strategic approach to stock rationalisation 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, achieving a surplus on disposal of £117m (2023: £152m).

The following tenures are included within social housing lettings:

- General Needs (social rent) - regulated under the formula rent regime
- Affordable rent - which ranges from 40% to 80% of the market rate under an L&Q policy based on local earnings
- 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 surplus of £9m (2023: £5m deficit). Supported housing primarily includes sheltered accommodation and a mix of agency and directly managed supported accommodation.

£326m

was invested in maintaining social housing homes in 2023/24

As part of our Major Works Investment Programme, we're investing around £3bn over 15 years to improve the safety, comfort and environmental performance of residents' homes.

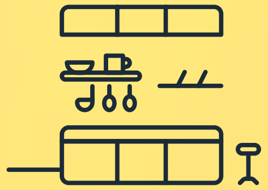
The programme will make sure our homes are homes meet the Decent Homes Standard, a technical standard set by the government for social housing.

We'll be carrying out a wide range of works, including mechanical and engineering works, estate and environmental upgrades, estate and environmental improvements, schedule decorations, fire safety works, and works to specialist L&Q Living Homes.

A key focus of the programme is achieving Energy Performance Certificate (EPC) C status across all homes. This will involve significant upgrades such as installing new boilers, improving insulation, and other energy efficiency measures.

In addition to these energy-focused works, we'll be installing around **48,000** new kitchens and **42,000** new bathrooms through the programme, ensuring residents have modern facilities that meet their needs. These upgrades will not only improve the quality of life for residents but also help reduce rising energy costs by increasing the efficiency of homes.

We're now in the second year of the programme and are pleased to see the positive impact it is having on residents' homes and lives.



48,000

new kitchens
will be installed

42,000

new bathrooms
will be installed

Colette Thomas, Stockwell, had new windows installed

"It's impacted my daily life. Before, in the winter I would basically live in my bedroom because it was the warmest room. My living room was really cold.

"I wouldn't even bother turning the radiator on as it wouldn't do anything.

"Last winter I was able to stay in the living room because it stays warm now. The windows have made such a difference. It's cosy now.

"You've got to feel like you can trust workers in your house, and I could. The amount of communication I received was brilliant. They were onsite all day and that presence made it feel as though they weren't contractors. It felt like they were just part of L&Q."

Ian Ricketts, Camberwell, had new kitchen and bathroom installed

"They lowered it, which is just amazing. It's so much better. It's much easier to wash up and it's far less dangerous to cook.

"I've always cooked before, but I had to use a perching stool, which made it awkward.

"It's much easier now. I made spaghetti bolognaise the other day and was able to chop up all the vegetables and it was so much better.

"The workmen were really good. They were done within a week and they did a great job."

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, or "LQL" with support tailored to their needs.

L&Q Living provides dedicated support living 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 services, with one scheme being rated 'Outstanding'. We continue to offer a range of free activities to vulnerable people with the aim of reducing loneliness and isolation through a programme called 'LQL inclusion'. During the year, over 4,500 residents took part in 12 organised community activities including X-Factor style music competitions, street parties, and winter holiday events.

During 2023 we carried out a care and support review which led to the strategic decision to withdraw from providing care directly to customers. We have started handing over these care contracts to specialist providers, and this work will continue until 31 March 2025. L&Q will continue to be the landlord, except for two care homes which we have sold. Moving forward we will focus on our strengths, providing housing related support to customers living in our homes. We also plan to grow our rough sleeper service and supported living in the North West. Finally, we will grow our telecare service by offering this to social housing residents living in the North West and South of England.

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. Over the last few years, the Foundation has adapted quickly to meet the changing needs of those living in L&Q's homes, providing vital support throughout the pandemic and the continuing cost-of-living crisis, as well as working in new areas including Trafford.

We want to make sure we continue to deliver the best service we can to residents so last year we refocused our offer and identified two new strategic priorities, focussing on people and place:

- To support L&Q residents to increase their income and financial resilience to help sustain tenancies and maximise income; and,
- To increase community activity and investment in our core neighbourhoods so they remain places people are proud to live.

During the year, we invested a total of £8m to help drive outcomes that would make a difference to our residents and wider communities. Of this, a total of over £1m (2023: £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 £27m of social value in the year (2023: £21m). This impact was generated through programmes directed at helping residents into work, supporting their financial confidence and easing the burden of debt, through delivery of physical wellbeing activities, volunteering opportunities, and social clubs for residents to strengthen their connectedness with their community.

In addition to this, another £24m of social value was generated through our supply chain in the year, mainly from major works investment projects. These contractors committed to and delivered initiatives such as apprenticeships and reduced carbon emissions amongst others.

L&Q's combined total social value generated in the year was therefore £51m.

£51m

the total social value that was generated by L&Q

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.

Last year, our Employment Support Service and in-house advisers helped **224** people get into work across a range of industries, including law, health, and finance.

We also provided residents with financial capability support and debt advice through our Pound Advice service, managed for us through We are Digital. In 2022/23, over **2,700** residents used Pound Advice, gaining a total of more than **£8.2m** in additional income. After accessing Pound Advice, over **60%** of respondents reported managing their finances better and over **62%** feel like their debt is less of a burden.

Last year, we issued over **1,500** fuel vouchers to residents, equating to over **£74k**. Offering the vouchers digitally enables residents to use the vouchers quickly without having to print them. We also issued around **1,000** foodbank vouchers for residents who needed this emergency support.

In December we reopened the doors to our warm hubs for residents to socialise, relax, and access services during the winter. At one of our hubs, we partnered with a local food bank to offer healthy homecooked meals.

We know how important services like this are, so last December we teamed up with the Felix Project to deliver a special winter event bringing surplus food to Lewisham residents.

The event was run by volunteers and residents from the local community with L&Q colleagues. To bring the market to life, the Felix Project supplied the food and two of our Major Works programme partners, Wates and Axis, provided hygiene products and gifts for children.

The Felix Project collected food from local restaurants and supermarkets that couldn't otherwise be sold, including fresh fruit and vegetables, dried food, mince pies and frozen turkeys.

224

people helped into work across a range of industries

£8.2m

of additional income from more than 2,700 residents using Pound Advice

1,500

fuel vouchers to residents

1,000

food bank vouchers to residents

> "This place is amazing. It's trying to help the community and it does help. Especially with the cost of living."
>
> Another resident added: "It is great! It goes a long way. Every little really does count."

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 building trust, not just homes.

During the year, the Group completed and handed over 2,955 homes (2023: 4,047) comprising of 68% (2023: 71%) social housing tenures and 32% (2023: 29%) market tenures. We started another 813 homes (2023: 2,760), of which 26% (2023: 71%) were social housing tenures and 74% (2023: 29%) were market tenures. The Group sold 1,736 (2023: 2,431) homes, of which 440 (2023: 1,058) were delivered through joint ventures.

Summary of performance (development and sales)	2024	2023
Homes handed over	**2,955**	4,047
Homes enabled (strategic land plots sold)	**995**	1,318
Homes started	**813**	2,760
Homes under development	**21,209**	25,594
Strategic land plots under control	**83,062**	76,610

We have purchased land that will enable an additional 2,038 homes to be delivered in the future increasing the strategic land plots under control to 83,062 as at 31 March 2024 (note: the completion of the sale of L&Q Estates in August 2024 will significantly reduce this total for the Group going forward). The total approved development pipeline decreased to 21,209 (2023: 25,594), of which 83% is currently on site. 59% of the homes in the development pipeline are for social housing tenures representing a significant investment in new supply and social housing output.

	2024			2023		
Summary of financial performance (development and sales)	Turnover (£m)	Operating Surplus (£m)	Margin	Turnover (£m)	Operating Surplus (£m)	Margin
Shared ownership first tranche sales	131	35	27%	146	24	16%
Outright sales	84	(16)	(19%)	156	4	3%
Property sales	**215**	**19**	**9%**	**302**	**28**	**9%**
Land sales	83	36	43%	128	23	18%
Total (excluding Joint Ventures)	**298**	**55**	**18%**	**430**	**51**	**12%**
Joint ventures	128	15	12%	244	19	8%
Total (including Joint Ventures)	**426**	**70**	**16%**	**674**	**70**	**10%**
Net development overheads	-	(62)	-	-	(137)	-
Net development surplus	**426**	**8**	**2%**	**674**	**(67)**	**(10%)**

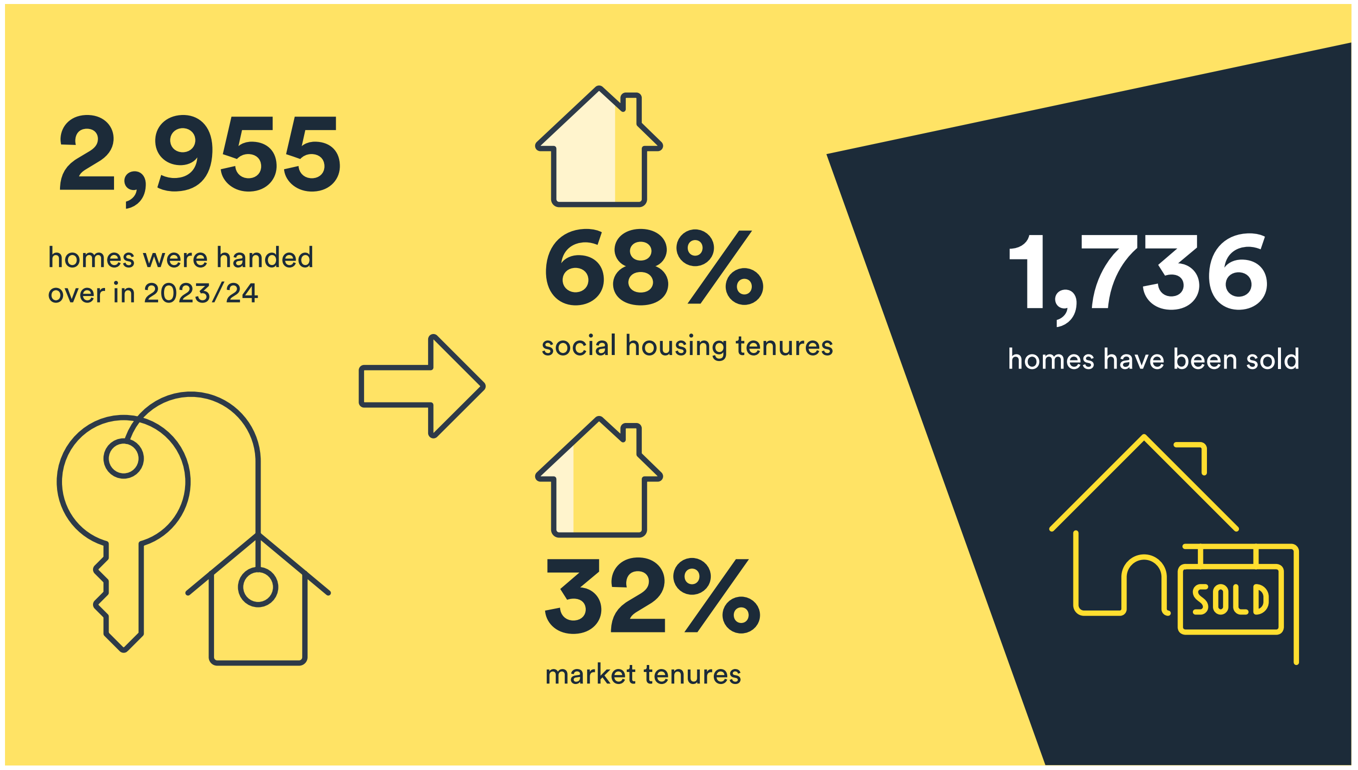
The Group's sales operating surplus excluding joint ventures increased to £55m (2023: £51m). This reflects lower turnover in a challenging market, lower margins on properties sold in comparison to the prior year and increased cost of sales for the completion of two development sites where the main contractor has gone into administration. This is offset by a reduced operating costs and lower level of impairment being a net release of £3m (2023: £25m charge).

Surplus on open market sales and from sale of land and properties totalled £20m (2023: £27m), while shared ownership sales made a surplus of £35m (2023: £24m) with shared owners purchasing an average of 32% first tranche (2023: 34%).

Included within development overheads is £11m (2023: £26m) relating to latent defect costs (consisting of £17m gross defect spend reduced by a net £6m release in provisions 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 £21m (2023: £90m) of fixed asset impairment following an impairment review of schemes that are currently under construction.

Further information with regards to fixed asset impairment can be found in Note 12 of these financial statements.

L&Q continues to support efforts to address the housing crisis and over the life of our Future Shape Corporate Strategy (2021-26), expects to meet the objective to deliver an average of 3,000 homes each year. However, to focus on the three main priorities of investing in the safety of our residents and colleagues, investing more in our existing homes, and delivering reliable, repeatable and consistent services, we have taken the decision to pause commitments to any new development sites for the present time and focus on delivering what is in our current pipeline. 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 affordability of homes delivered in the future.



With a newly-approved revised masterplan, Beam Park is the culmination of significant collaboration between L&Q, Countryside Partnerships (part of Vistry), the Mayor of London, Barking and Dagenham and Havering Councils. This partnership has recently been shortlisted for a Planning Award and has also allowed us to deliver real value for the local community.

This new masterplan allows for the delivery of approximately **4,000** homes, **50%** affordable, across the 72-acre derelict site of the former Ford factory, while at the same time increasing the amount of open, green space being created.

Beam Park is one of only three schemes of over **3,000** homes in London which are offering **50%** affordable housing and it also offers L&Q's lowest starting prices in London.

Beam Park welcomed its first residents in 2020, who are now enjoying their high-quality homes. Beyond this, Beam Park has a major social impact in an area that previously had extremely limited amenities.

Since 2019, **1,000** new homes have been built and facilities now open or coming soon include a medical centre, nursery, community hub with multi-faith provisions, two primary schools, sports facilities, multi-use games area gym, outdoor spaces and a Sainsbury's Local. Creating a sense of community, a cabin hub is used for community activities during school holidays and public celebrations.

The new application has secured a brand-new 2.5-hectare public park on the western side of Beam Park. In total, the new application will deliver almost **60%** open space on this previously inaccessible brownfield site, and by working to provide valuable habitats for local wildlife will result in a biodiversity net gain of over **350%**.

This is in addition to the newly-opened 2.5-hectare Central Park, which will serve as a place for year-round community events.

4,000

new homes (approximately)

50%

of the news homes will be affordable

60%

open space on a previously inaccessible site

350%

biodiversity gain with new parks and green spaces

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 2024 L&Q had 31 (2023: 31) 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 ventures reduced to £15m (2023: £19m) due to lower volumes of completions in the year. Higher margins on properties sold in comparison to the prior year led to an in increase in joint venture margin to 12% (2023: 8%).

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 secured outline planning consent on two sites in the year (2023: nil), we sold land to three housebuilders (2023: 6) to enable the delivery of 995 new homes (2023: 1,318). 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 38% (2023: 33%), compared to 43% (2023: 18%) at Group level due to the land having been fair valued on the acquisition of Gallagher Estates in February 2017.

There were 83,062 (2023: 76,610) potential strategic land plots under our control as at 31 March 2024. 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.

In August 2024 we completed the sale of L&Q Estates, the Group of companies which formed our strategic land operation. Further detail can be found in Note 32 of these Financial Statements.

CGI of Rockcliffe Square, Plumstead

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)	2024	2023
Revenues (£m)	**91**	71
Operating profit (excluding change in valuation) (£m)	**34**	20
Change in valuation of investment property (£m)	**(30)**	(85)
Operating margin (excluding change in revaluation)	**38%**	28%
Units managed	**31,589**	30,177

L&Q PRS Co Limited (a Group subsidiary) manages most of the Group's private rented properties and added a further 367 homes in the year to its portfolio (2023: 27 homes), and disposed of 2 units in the year, taking the total to 3,089 homes (2023: 2,724). L&Q PRS Co Limited made revenues of £58m (2023: £47m) generating an operating margin (excluding change in revaluation) of 65% (2023: 58%). Rental yields for the portfolio improved during the year with a gross rental yield of 4.7% (2023: 4.3%) and net rental yield of 3.1% (2023: 2.5%).

The investment property portfolio has been impacted from a further downward revaluation of £30m (2023: £85m) reflecting the impact of the current economic environment on long-term valuations. The PRS portfolio continues to achieve its strategic aims, and as a commercial portfolio is intended to maximise income to further support our focus on delivering social rented homes.

Leaseholder services cost £2m (2023: £5m) where we continue to incur additional costs relating to fire safety and quality on some schemes where 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 £2m turnover in the year (2023: £1m).

3,089

total number of homes managed by L&Q PRS Co Ltd

Other non-social housing lettings

Other non-social housing activities include the continued expansion of L&Q Energy which helps reduce our environmental impact by maintaining solar panel and managing charging points for electric vehicles, as well as exploring and driving opportunities for decarbonisation and optimisation of heat networks. We also minimise the waste we generate from our offices, major works programmes and construction sites and monitor the outputs through annual environmental impact reporting.

We've improved the energy efficiency of homes through our Major Works Programme, as well as issuing fuel vouchers to our residents through the L&Q Foundation. Our Healthy Homes programme provides a holistic approach to tackling mould and damp, with visits also including energy saving advice and optimisation of heating settings, and the install of humidity and temperature sensors. These initiatives continue to be vital during the ongoing cost of living crisis, and should also help to reduce rent arrears and mould and damp problems, while also improving residents' comfort and wellbeing.

L&Q Energy's income generation in the year was in line with previous performance at £7m (2023: £7m). 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 Residents

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 support communities has continued, with another £8m invested through the L&Q Foundation. This investment is helping 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 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 colleagues 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 residents down 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 550 homes each. This is to enable a more visible and locally responsive service. They will be looking to involve residents in their patch, including Resident Associations and Neighbourhood Champions, to collaboratively identify and communicate progress on local issues. As a result, there is hoped 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 know there is much more we can do to improve resident involvement, and we are only at the start of this journey.

We believe that the continued scale of investment in existing homes will see a material reduction in customers needing to contact us regarding repairs and maintenance issues. At present we accept that 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 much improved 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 and accountability

We believe the best way to improve our services is by working in partnership with residents. We do this through providing a variety of formal and informal volunteering opportunities for residents to get more involved with us, help shape services, and have their say.

By involving residents, we become accountable, transparent, and collaborative in all that we do.

We work with residents at a strategic level to make sure we're doing what we say we will and to understand if we're making a positive difference.

The Resident Services Board (RSB) is a formal committee with up to ten members. Currently there are eight members (including two Group Board members), seven of whom are L&Q residents. They have a shared passion for improving services in all our communities and have worked tirelessly by being active members of regional committees, resident associations as well as neighbourhood champions. The RSB oversees the delivery of customer services, the quality of services, and the impact of our wider resident involvement activity. They draw on important performance data, day-to-day resident feedback from complaints, and our customer survey feedback. The RSB makes sure we're doing what we say we will in our Customer Promise and that we're making a positive difference to residents.

Their purpose isn't to respond to or address individual residents' issues but to make sure the residents' voices and experiences are heard and taken into consideration in decisions that affect them. The RSB ensures there is an ongoing feedback loop between how we're governed and resident feedback.

Regional resident committees

Residents involved in these geographically based focus groups help review our performance, highlight our challenges and hold us accountable for providing a consistent service with actions to improve where necessary.

Reporting directly to the RSB, each committee helps improve the resident experience in different regions and across the country.

Leaseholder forum

This group of leaseholders and shared owners work with us at a strategic level to improve the experience of all homeowners.

The leaseholder forum focuses on:

- The quality and relevance of information received on a resident's journey
- The quality and accuracy of information received in their service charge
- The overall homeowner experience

They also raise and discuss any problems they have with the RSB as well as actions our team is taking forward before the next forum.

Involvement at a business area level

Over the last year, we have established our Resident Involvement service. This has clear ways of working including a framework to track and measure outcomes, with check-ins at 6-month intervals to evaluate the impact resident involvement has had. We also ensure that we are closing the feedback loop, so residents are aware of outcomes from their involvement.

Residents can get involved in service improvements across the business. We want to make sure every opportunity is meaningful, impactful and enjoyable.

These opportunities include supporting us with staff training, service design, consultation responses, quality assurance, complaints, or recruiting important resident-facing roles.

Our volunteers receive a role profile, an induction and training where necessary.

We have involved residents in several activities including the recruitment process for Customer Relations Managers and Customer Relations Officers for Major Works. This has been a great success and is now part of our mainstream approach for certain resident-facing roles.

Working together with residents on building safety

We are providing a wide range of opportunities for residents to get involved in building safety decisions.

Following the Grenfell Tower tragedy, the government reviewed building safety regulations and fire safety measures. In their report, ‘Building a Safer Future’, published in 2018, they recommended a new approach to managing fire and structural safety risks in high-rise apartment blocks.

This review found that residents could have a greater say in the management of their buildings and outlined how they should play a more visible role.

As a result, the Building Safety Act now aims to give residents a stronger voice and opportunities to be involved in making decisions about the management of their building concerning fire and structural risks.

Every high rise building we manage must have its own Building Safety Resident Engagement Strategy. We worked with residents to produce a framework agreeing how we would develop these. The framework is influenced by resident experience and promotes the ways residents can be involved in building safety decisions.

The framework was developed through five meetings with our residents, who gave a wide range of feedback. Residents highlighted the phrasing used in the document, which formats they prefer, and raised accessibility concerns.

Every one of our high-rise blocks will receive its own Resident Engagement Strategy, produced in consultation with residents. We have piloted this approach at three buildings so far in London and Trafford.

One resident who took part said:

“Being involved in this opportunity has allowed me to gain an insight into what the Resident Engagement Strategy is aiming to achieve. Building safety is both the resident’s and the landlord’s responsibility and needs to be a partnership when creating a strategy like this.

"I would encourage other residents to get involved because if you don’t get involved, how are you going to make a change and share your experience?”

“I would encourage other residents to get involved because if you don’t get involved, how are you going to make a change and share your experience?”

Involving residents to improve our repairs service

We're passionate about ensuring our resident's voices are heard and providing opportunities for them to shape and improve our service. So, in December 2023, we asked a group of residents to review our approach to handling and carrying out repairs.

In 2022, we launched our Repairs Change Project to improve the quality and responsiveness of our repairs service. Our aim is to deliver more repairs each day and achieve a first-time fix for residents whenever possible.

We invited a group of residents from our 'involved resident' community to review our repairs process, covering aspects such as the reporting procedure, wait times, communication, repairs quality, and customer service.

Thirteen residents from different regions completed an online survey to share their repair reporting experiences and inform our future service development.

A follow-up session was organised with the same group to update them on how their feedback contributed to service improvements.

During the follow-up session, we shared the results of the survey with residents, presented the project's future direction, and discussed plans for incorporating feedback into our new repair reporting process.

The Repairs Change project was showcased in a film which featured interviews from three residents who took part in the opportunity.

Designing the service is only the start. Once up and running, both the service and the process will be reviewed again by residents, so that we can gather additional feedback and make further improvements.

We believe the best way to improve our services is by residents and staff working in partnership together. That's why we provide a variety of formal and informal volunteering opportunities for residents to get more involved with us and have their say.

Key findings from the project include:

1. **Communication:**
Residents highlighted inconsistent and unclear communication regarding repairs, and how this caused frustration.
2. **Responsivity:**
Residents were left unsatisfied due to delays in reaching the customer call centre and us completing repairs, which sometimes resulted in the problem worsening.
3. **Quality:**
Repair quality varied, from first-time fixes to those needing several attempts – with this inconsistency affecting resident trust.
4. **Customer service:**
Residents reported varied levels of customer service, emphasising the need for reliable and consistent support, especially for residents with vulnerabilities or urgent repair requirements.

If you're a resident and would like to get involved in any of our resident involvement opportunities, please contact us at **rinvolvement@lqgroup.org.uk**.

You can also visit the **Resident Involvement and Accountability webpage** for more opportunities.

02 Homes

The L&Q Group houses more than 250,000 people in more than 109,000 homes, primarily across London, the South East, and North West of England.

Number of homes managed

2024	2023	2022	2021	2020
109,500	108,300	107,200	107,400	105,300

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.

	2024	2023
Social rent - general needs and affordable rent Primarily for low income residents eligible through local authority nominations	**64,602**	64,801
Shared Ownership and shared equity Homeowners who own a proportion of their property and pay rent on the remaining	**13,819**	13,510
Intermediate market rent and key worker accommodation For residents who pay less than 80% of the market rent	**3,820**	3,655
Supported housing, housing for older people and care homes For older people or those with higher support need	**7,830**	7,861
Market rent and student accommodation For residents who pay the market rent for their homes	**3,269**	2,862
Leaseholders Homeowners who are provided services	**13,372**	12,911
Other landlords and other social homes Services provided to homes owned by other landlords and other social homes	**2,765**	2,650
Commercial Combined live and work homes	**8**	76
Total	**109,485**	108,326

250k

people are housed by L&Q in more than 109,000 homes

Beauchamp Park, Warwick

02 People

Employee involvement

L&Q is committed to recruiting, retaining and engaging a diverse workforce who are dedicated to providing a repeatable, reliable and consistent service to residents and who carry out their work in line with our values and behaviours. We strive to ensure that our colleagues have the necessary experience, skills and knowledge required and to enable them to develop within their roles.

At L&Q, we are focused on maintaining a culture of shared leadership and collaborative learning, where we nurture and develop internal talent through our talent management pathway programmes such as 'Emerging Leaders' and 'Aspiring Managers'.

We are proud to be recognised as a "Great Place to Work", with special recognition for wellbeing and for being a great place to work for women, as well as holding a silver Investors in People accreditation.

We continue to develop our culture in alignment with our values and vision for our people as set out within our Corporate Plan. Our key focuses include nurturing a motivated and committed workforce, having a strong and diverse leadership, being an employer of choice, and being an agile and efficient organisation which supports our approach to delivery of services to our residents.

To do all of this, we have undertaken a number of new and ongoing initiatives including:

- A review of our workplaces to ensure that we maintain locations to work where our frontline colleagues can be close to the residents they support, and where our traditionally 'office based' colleagues can meet, collaborate and feel connected.
- We are piloting a new Values Based Recruitment tool to support our existing recruitment and selection tools and processes. This is an evidence-based approach that enables employers to understand a candidate's values, behaviours and attitudes and explore any areas of potential concern in more detail at interview.
- On-boarding and induction programmes which help new colleagues to quickly learn and understand L&Q's culture with the express intention of putting our customers at the heart of everything we do.
- We have undertaken a review of our terms and conditions of employment to ensure that they support us in attracting and retaining talent, as well as being appropriate for a charitable housing association.
- We have supported the full alignment of our North West colleagues and activities into L&Q following the full integration of Trafford Housing Trust at the end of the previous financial year.
- Our Customer Excellence programme focuses on enabling colleagues in our resident-facing teams to deliver high-quality responses, have empathy and confidence when dealing with difficult conversations, and collaborate effectively with other teams.
- Our network of Employee Engagement Champions, from all parts of the organisation, work with us to ensure that we maintain high levels of engagement and wellbeing, including supporting managers and leaders with action planning relating to the results of employee engagement surveys.

We continue to strive to raise the profile of the social housing sector through PR, partnerships and other avenues as an employment proposition for talented and caring people.

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:

- We continued to invest on our Early Talent Programme with additional support for our 52 apprentices and graduates to further develop their soft-skills and career confidence.
- While recruitment of new Early Talent roles slowed in response to the financial climate, the upskilling of our people increased with 46 new enrolments on technical apprenticeships, building in-demand skills in areas such as project management, surveying and data.
- 56% of alumni from our Aspiring Managers and Emerging Leader Pathway programmes have seen career progression within two years of completing the programme.
- This year's cohorts of Aspiring Managers and Emerging Leaders continued to be diverse with 71% of the cohort made up of women and 44% made up of ethnic minority colleagues.
- Our internal Mentoring and Coaching programmes supported over 100 colleagues.
- We embedded 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 1,200 of our people have accessed these resources.

Over the coming year, we will invest in our Early Talent programme with at least 20 new apprentice and graduate roles across the business in hard to recruit areas such as construction, technology and finance. We will also be designing an impactful and sustainable work experience programme to promote both housing as a sector and L&Q as an employer of choice.

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 on-boarding, 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 colleagues, residents, and the community at large.

The Group is a Disability Confident (level 2) 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 ethnic minority 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.

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 Governance & People Group are responsible for ensuring our equality, diversity and inclusion policies are being implemented effectively, and that our processes and procedures are updated as and when required. The group looks to ensure that L&Q provide equality of opportunity in both how we provide services to residents and how our colleagues are treated.

02 People

Pay Ratios

As well as publishing our corporate gender pay gap figures, we also voluntarily publish equivalent figures for ethnicity and disability. These are all set out in more detail in a separate report which is published each year, available on our website.

Our current median gender pay gap (9.86%) compares well with the wider UK pay gap but still leaves room for improvement as we strive to achieve a zero pay gap.

In 2022, with the aim to provide greater transparency on pay, we also began to report on our CEO pay ratio. This compares the pay of our CEO to that of all staff employed by L&Q. Although not a legal requirement for L&Q to report as it currently only applies to listed companies, we have followed the same methodology set out by the government, which requires us to calculate the total full-time remuneration of all employees within the financial year, and then rank these in order from lowest to highest. From this list, the remuneration of employees at the 25th, 50th and 75th percentiles can be identified, and is compared to the CEO salary for that year.

CEO Pay Ratio

L&Q Group	25th percentile	50th percentile	75th percentile
2023/24 Ratio	12.84	10.42	7.35
2022/23 Ratio	13.80	10.91	7.54
2021/22 Ratio	13.34	10.62	7.43

Due to the limited number of similar organisations currently reporting, there is limited benchmarking information published. L&Q's CEO pay ratio of 10.42 compares favourably with that of the ratio of the median FTSE 350 CEO to the median UK worker, which was 80:1 in 2023 (the most recent available analysis at the time of writing). L&Q's CEO pay ratio results are significantly below most publicly reported, and deemed to not be excessive. The gap has closed further since we started reporting due to annual pay increases being higher for L&Q staff than for the CEO, thereby further reducing the ratio.

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 2023/24

Over the last couple of years we have experienced unprecedented pressures both financially and operationally. We have repeatedly explained how external factors such as high interest rates, increased costs associated with materials, services and energy, the volatile housing market, alongside increased scrutiny by the Housing Ombudsman and Regulator for Social Housing, have had a profound impact on our ability to deliver.

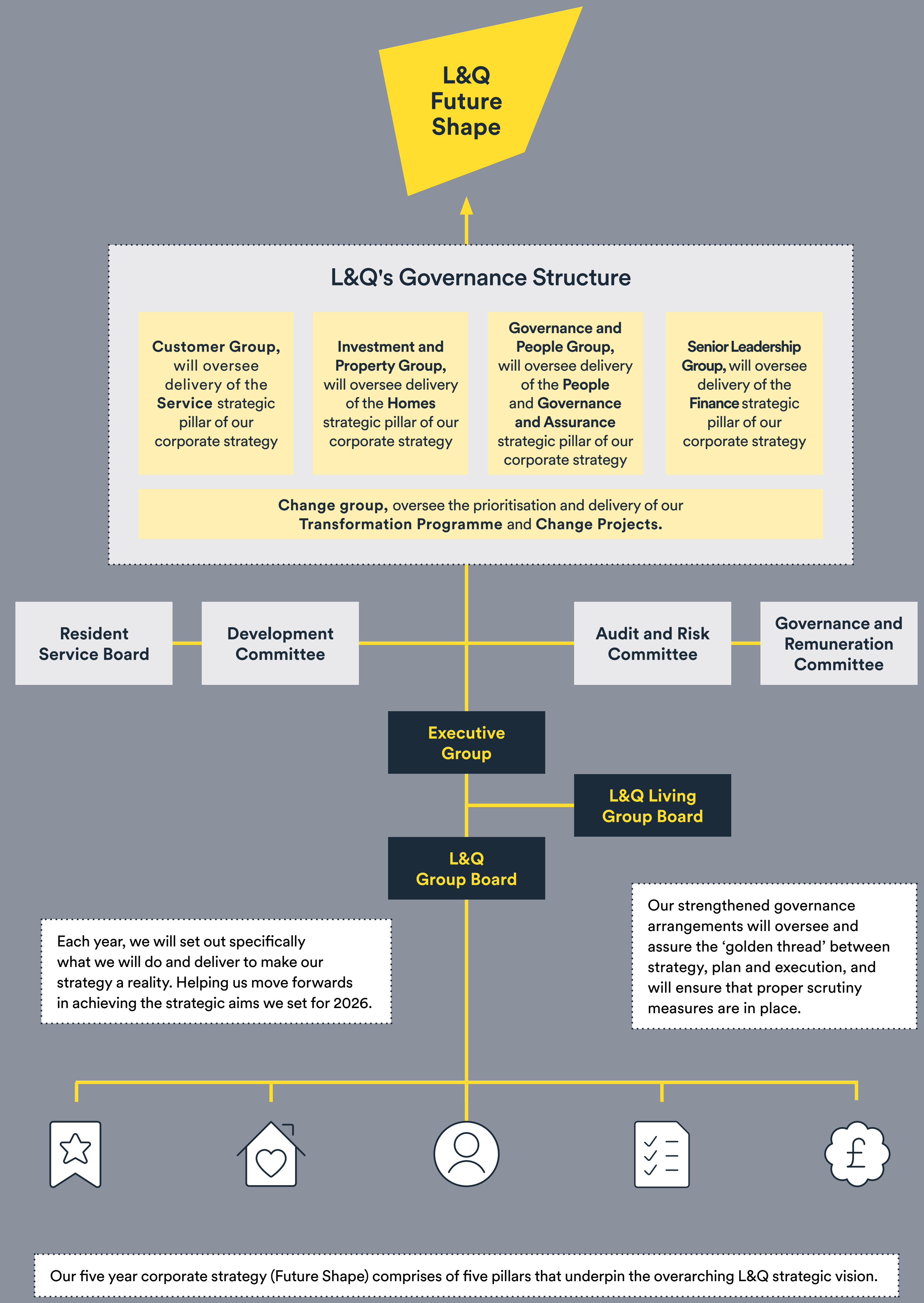
We have continued to adapt and respond to these challenges, using the outcomes we want to achieve in our Future Shape Corporate Strategy, alongside our approach to the management of our strategic risks, to guide decision making and help us prioritise. Our vision for L&Q, that everyone deserves a quality home that gives them the chance to live a better life, has not changed. But in light of the environment we are operating in, we have had to make a number of tough decisions in order to protect our focus on our core strategic priorities; safety, investing in existing homes, and service standards. We remain committed to investing in our existing homes, and our ambition to become an operationally excellent organisation, radically simplifying and improving our operating model, whilst also investing in transforming and changing our processes, ways of working and systems.

As such the focus for the year has been two-fold; ensuring we stabilise our service delivery, alongside making some difficult choices to ensure we focus on areas that will drive the greatest value for money.

Several years of operational challenges has resulted in performance levels fluctuating and led to high levels of complaints and increased scrutiny from the Housing Ombudsman. We are confident we are doing the right things to fix these problems, but the solutions are deep rooted and complex, and so the priority this year has been to stabilise service delivery whilst also keeping focused on the longer-term solutions linked to the simplifying our operating model.

Ensuring the safety of residents and colleagues remains our top priority, and we have one of the sectors largest building safety programmes, covering 32,000 homes in 1,850 buildings. Last year we achieved an important milestone, completing all inspections of our buildings over 18 metres, and this year we met our target to inspect more than 60% of buildings between 11 and 18 metres. We surveyed 5,300 homes where residents had reported damp and mould and exceeded our target, completing the initial inspections of 98% of these reports within 20 days.

Our Repairs Change Project has ensured we deliver more consistent levels of performance in our maintenance services, as well as ensuring the right repairs are processed in the right way by the right team, enabling a quality outcome and greater value for money. Over 2023/24 we completed over 382,000 work orders, and through our Major Works Investment Programme, have seen a significant shift away from conducting routine repairs to conducting planning cyclical works, evidencing the impact of our drive to increase investment in the properties we own, and consequently deliver better value for money by being able to do more with the limited resourced we have.



02 Value for money

The first delivery phase of our Transformation Programme, targeting go live in 2024/25, includes Income Management and will see us move us to our target operating model state enabling us to support residents by anticipating and managing arrears earlier in the process, making greater use of analytics to reduce manual work, introducing the use of AI to proactively forecast trends, all of which reduce the risk of bad debt for L&Q and support residents to remain in their homes.

Housing management services have also stabilised, seeing improved satisfaction with handling of anti-social behaviour cases, but financial pressures have meant we have had to slow down some minor and major works on empty homes. We recognise in some cases we are taking too long to turn these around and let them once they are ready, so we have made organisational changes that are focused on driving improvement in performance in this area.

Coming back to complaints, we are making very good headway with the 40 actions associated with the recent Housing Ombudsman's investigation (paragraph 49). These include improvements to our complaint handling, the management of anti-social behaviour and domestic abuse cases, as well as the management of the specific needs of residents with vulnerabilities. We also recognise that some factors associated with complaints performance are complex to solve, so we have strengthened our strategic focus on transformation, improving our operating model, building stronger 1st, 2nd and 3rd lines of assurance; all of which will help provide the much-needed long term solutions to the issues that give rise to many of our complaints. A cross organisational initiative focussed on resolving the complaints backlog proved to be a success, focussed on ensuring resolution for Residents. Again, with improved services as described above over time we would expect far fewer complaints being raised, and we will be able to deliver better value for money.

We remain committed to addressing the housing crisis in the UK, but have had to make the tough strategic decision to slow down the level of new development we start, as well as focus on reducing our levels of debt through a review of our balance sheet. Despite this slowdown, we delivered the sectors largest development programmes, handing over 2,955 new homes in 2023/24, and since 2019/20 a total of 16,297 new homes, of which 62% were affordable.

This in itself has not been without challenges. We have seen two large building contractors go into administration, demonstrating the volatility of the construction industry. Build quality has also been a challenge. In the South East we have taken significant steps to address this over recent years which has really paid dividends, both in terms of the number of defects found in our new homes and in customer satisfaction once they have moved in. However, this is not the case in the North West, where the quality of homes continues to be below the level we expect. As such, our focus remains on sharing learning across our operations, specifically around driving improvements through our quality inspection procedures, closer scrutiny and management of our contractors' performance, and consistent cross-department collaboration to implement lessons learnt.

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 2023/24 and longer range 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 (2022/23), L&Q's targeted performance for 2023/24. We have also chosen to benchmark against the G15[7] median where possible, using the most recent publicly available data from the Global Accounts of Private Registered Providers. The G15 are a Group of London's largest Housing Associations, and therefore we deem the median to be the most appropriate data us benchmark.

Targets for future years

When we set our Future Shape Corporate Strategy, we included some of the key metrics most clearly linked to delivering value for money in our reporting here, alongside our target for the fifth and final year of Corporate Strategy 2025/26. We have used these to measure our progress and success over the last few years.

Following a review of key operational metrics that we monitor internally as an organisation, alongside aligning to the new Tenancy Satisfaction Measures (TSMs), some items previously featured on the sector scorecard will no longer be measured or might have different methodology going forward. A clear explanation will be provided where a measure and target has been rebased, along with any impact on how we measure value for money.

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

02 Value for money

Business Health							
Source	**Measure**	**L&Q 2023/24 Actual**	**L&Q 2023/24 Target**	**L&Q 2022/23 Actual**	**G15 2022/23 Median**	**L&Q 2024/25 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	Covenant interest cover	**142%**	176%	**169%**	136%	150%	>200%
Regulator	EBITDA MRI (as % interest)[8]	**80%**	108%	**20%**	74%	80%	n/a
L&Q Balanced Scorecard	EBITDA Operating margin (overall)[9]	**28%**	21%	**14%**	13%	37%	>20%
Regulator	Operating margin (overall)[10]	**21%**	29%	**6%**	16%	25%	n/a
Regulator	Operating margin (social housing lettings)	**32%**	38%	**25%**	20%	36%	n/a

Key observations (Business Health)

L&Q's business health continues to demonstrate strong viability, stability and significant headroom against banking covenants. Our internal covenant interest cover measure at 142% ended the year below our budget of 176%, mainly due to increased maintenance costs, delayed sales surpluses and additional development defects arising from the administration of a contractor on three sites in the North West. Despite this the year end position continued to maintain significant headroom before the risk of a covenant breach, and therefore non-reliance on development sales to meet our covenant. Overall EBITDA generated at £343m was £73m below the budgeted £416m.

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. While the regulator's measure at 80% could be of concern for being below 100%, it is notably a significant improvement on the previous year's results of 20%. This is mainly due to the significantly lower level of impairment on development schemes in the year.

Similarly, our operating margin ratios for the year have significantly improved compared to prior year, again mainly due to the lower level of impairment on our development schemes. We were however still behind target due to higher than expected maintenance expenditure in the early part of the year, alongside additional development latent defect discussed previously.

As stated previously, our corporate objective is to increase investment in our existing homes. This decision will impact operating margins in the short term, and we are acutely aware of the need to balance this with remaining financially resilient to future challenges that will present themselves. The improvement initiatives discussed, such as the Repairs Change Project are expected to deliver an improvement in operating margins longer term, through reduced expenditure on responsive repairs and improved service delivery leading to fewer resident complaints and compensation.

[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.

Whalley Manor, Clitheroe

02 Value for money

Development (Capacity and Supply)							
Source	**Measure**	**L&Q 2023/24 Actual**	**L&Q 2023/24 Target**	**L&Q 2022/23 Actual**	**G15 2022/23 Median**	**L&Q 2024/25 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	New home starts	**813**	1,059	2,760	no data	756	1,200
L&Q Balanced Scorecard and Sector Scorecard	New supply delivered (absolute)	**2,955**	3,209	4,047	711	2,605	2,189
Sector Scorecard	- Social housing homes	**2,017**	2,204	2,892	517	2,133	n/a
Sector Scorecard	- Non-social housing homes	**938**	1,005	1,155	194	472	n/a
Sector Scorecard	New supply delivered %[11]	**2.7%**	2.9%	3.7%	1.6%	2.4%	n/a
Regulator	- Social housing homes	**2.2%**	2.4%	3.2%	1.2%	2.4%	n/a
Regulator	- Non-social housing homes	**0.9%**	0.9%	1.1%	0.3%	0.4%	n/a
Regulator	Gearing[12]	**47%**	46%	46%	46%	45%	45%

Key observations (Capacity and Supply)

As mentioned in the Development and Sales section earlier in this publication a strategic decision was 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 homes. This was the main reason that the target for new homes started was not achieved, with the 813 new homes started being intentionally below previous years' performance and target for the 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 again fallen short of the development targets that we set for the year, the volume of development that is being delivered is still significantly greater than most of our peers. Of the 2,955 homes delivered in the year, 68% were social housing homes, which demonstrated our continued commitment to help solve the housing crisis.

Gearing measures the level of debt compared to the carrying value of assets, and consequently the degree of dependence on debt finance. Gearing remained at 47% this year and in line with the G15 median, reflecting a growth in assets funded by operating surpluses, whilst maintaining net debt levels.

[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 2023/24 Actual**	**L&Q 2023/24 Target**	**L&Q 2022/23 Actual**	**G15 2022/23 Median**	**L&Q 2024/25 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	Customer Satisfaction - Service Delivery	**76%**	80%	76%	no data	n/a	n/a
Sector Scorecard	Customer satisfaction with services provided by landlord[13]	**75%**	75%	78%	76%	80%	n/a
L&Q Balanced Scorecard	Average days taken to complete repairs	**26 days**	25 days	27 days	no data	20 days	9 days
Regulator	Reinvestment %[14]	**6%**	6%	6%	6%	6%	n/a
Sector Scorecard	Investment in communities	**£8m**	£8m	£10m	£3m	£7m	n/a

Key observations (Outcomes delivered)

There was no change in the Customer Satisfaction – Service Delivery performance in the year, meaning we were behind our target of 80% being excellent customer satisfaction. This measure is a blended satisfaction score covering 8 different business areas which have had varying challenges including staffing, and performance issues of contracts relating to Estate Management. We continue to strive to improve our service across all areas of the business, even those where the results have been consistently high despite the challenging external environment we operate in. We recognise there is more we can do to help and serve residents, ensuring good value for money, and will particularly focus on Estate Management Services in the coming year.

We are pleased to see that the efforts of our Repairs Change project, which is taking an end-to-end service approach to improving customer service, has seen stabilisation in our service delivery and some steady improvement in the days taken to complete repairs, reducing to 25.5 days. This is especially after a number of years where this metric has been consistently higher than we would have liked, although we didn't quite meet our target for the year due to the introduction of increased scrutiny on larger value works.

We continue to measure complaints per 1,000 homes and were pleased to achieve our target reduction to 14, as a result of our initiative to introduce a focussed centre of excellence to address root causes of complaints and ensure that sufficient focussed resource is directed to resolving customer complaints. This work helped us to reduce our open complaints from 3,178 in February 2024 to 1,949 in March 2024. We have set the target to be under 1,000 complaints within six months, we know that with reduced volumes our response time to residents will improve, and resource can be used more effectively to deliver better value for money.

Reinvestment remains high at 6% in line with the G15 median, with investment in new housing supply falling slightly to £426m (2023: c£500m) in line with our strategic re-prioritisation. Investment in existing homes at £112m continued at the significantly higher rate introduced last year, reflecting our continued commitment to increase the level of major works investment in our existing homes.

Our investment in communities of £8m in line with our target is a decrease on the previous year, but is still one of the highest in our G15 peer group and demonstrates our commitment to driving social value outcomes that support our residents and wider communities. The social value of £27m 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 2023/24 Actual**	**L&Q 2023/24 Target**	**L&Q 2022/23 Actual**	**G15 2022/23 Median**	**L&Q 2024/25 Target**	**L&Q 2025/26 Target**
Regulator	Return on capital employed[15]	**2.7%**	3.8%	1.9%	2.2%	3.4%	n/a
Regulator	Occupancy	**98%**	98%	97%	99%	99%	n/a
Sector Scorecard	Ratio of responsive repairs to planned maintenance[16]	**1.1**	0.7	1.0	0.6	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 this year of 2.7% is ahead of previous year performance mainly due to improved operating performance leading to higher operating surplus, however it was significantly below our target of 3.8% due to maintenance costs being significantly above budget, alongside further development defects that were unknown when setting the target.

Occupancy improved to 98% this year and is on target, as a result of our focus to reduce the turnaround time on our empty homes. We continue to work to reduce delays with lettings in relation to local authority nomination delays and internal resource constraints.

Our ratio of responsive repairs to planned maintenance remained in line with previous year. We expect this to improve as we continue to undertake more major repairs and investment to improve the quality and safety of our stock, with the procurement of an investment programme that in in progress. Compared to our G15 peer group we are still spending significantly higher proportions on responsive repairs than investment in planned and major repairs, whilst we work through a long-standing backlog of repairs jobs. An overspend early in the year on responsive maintenance repairs was offset by a reduction in planned maintenance, consequently further impacting this ratio. Responsive repairs were also impacted due to higher proportions of works passed to contractors and our inability to recruit and retain staff pushing up average values of works completed. We are aware there is still a lot to do to meet this ratio target, and the initiatives as part of our Repairs Change Project that are being implemented will help us to get there.

Key observations (Operating efficiencies)

Details shown on the opposite page.

The Group's headline operating cost per social housing unit improved compared to last year, reducing by 17% and was more in line with our peer group, although was still above of target. Whilst many of the initiatives aimed at improved customer service and satisfaction, alongside focussing on improving our maintenance service will also deliver efficiencies, the improved performance compared to previous year was primarily due to significant one-off costs such as temporary accommodation, impairment and latent defect issues which were incurred in 2022/23. We thankfully have not seen a similar level of these costs in 2023/24, although we continued to operate in a challenging macro-economic environment of high interest levels and were impacted by inflation cost increases for the likes of building materials, gas, and electricity.

Our management cost per unit slightly exceeded target mainly due to overspends related to replacement of inventory within homes that we have not recovered from residents. Encouragingly, this metric was a lot closer to target than in the previous year, and continues to be almost half of our peer's cost per unit. Further increases in third party management costs and costs of works to replace and repair lifts have again led to the increased service charge costs compared to prior year and target, although this will be recharged in future reporting periods.

[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 2023/24 Actual**	**L&Q 2023/24 Target**	**L&Q 2022/23 Actual**	**G15 2022/23 Median**	**L&Q 2024/25 Target**	**L&Q 2025/26 Target**
Regulator	Headline social housing cost per unit	**£6,221**	£5,848	£7,523	£6,239	£6,794	£5,000
Sector Scorecard	Management cost per unit	**£797**	£787	£821	£1,422	£820	n/a
Sector Scorecard	Service charge cost per unit	**£1,129**	£1,114	£1,010	£884	£1,312	n/a
Sector Scorecard	Maintenance and major repairs cost per unit	**£3,608**	£3,356	£3,850	£3,167	£4,181	n/a
Sector Scorecard	Other social housing cost per unit	**£687**	£591	£910	£471	£481	n/a
Sector Scorecard	Rent collected as % of rent due (General needs)	**100%**	100%	100%	n/a	100%	n/a
Sector Scorecard	Overheads as a % of turnover	**9%**	9%	9%	11%	11%	n/a

Although lower than in the previous year, maintenance cost per unit was higher than target due to higher than budgeted spend on responsive repairs. There were decisions taken in the year to adjust overspends in responsive maintenance from the planned maintenance budget, which was a critical reason why we were able to control this cost overspend better than last year. As previously mentioned, we are seeking to improve the functioning and efficiency of the repairs service through the Repairs Change project. This is in addition to the unprecedented levels of investiture in existing homes including fire safety rectification works.

It should be noted that the headline calculation includes £18m of impairment and £5m 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. Other social housing costs are therefore sometimes 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. In line with our expectations, this year we have seen a reduction due to lower levels of impairment and defects, alongside the strategic decision that was taken to scale back the development programme.

Rent collection for General needs at 100% represents extremely strong performance in this area when taking into account the financial pressures residents are under due to the cost of living crisis.

Overheads as a percentage of turnover is in line with expectations at 9%. Our total overheads reduced a further 3% during the year, while adjusted turnover increased by a further 6%. L&Q continue to consider this a key metric to ensure we 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. We continue to monitor this metric closely to ensure any growth is efficient and are pleased that we have consistently performed at a much lower percent compared to our G15 peers in recent years.

02 Energy and Carbon Emissions

Context and Scope

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

Specifically, they include:

- Gas and electricity used in our offices
- Gas and electricity procured for use in our residential portfolio, e.g. for communal heating
- Temporary gas and electricity supplies to 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	2023/24	2022/23	Unit	% Change
Total energy consumption (used to calculate emissions):	**180.7**	**191.7**	**GWh**	**(6%)**
Gas	128,848	133,478	MWh	(3%)
Electricity	40,304	48,382	MWh	(17%)
Transport fuel	11,569	9,909	MWh	17%
Emissions from combustion of gas (Scope 1)	23,570	24,365	tCO2e	(3%)
Emissions from purchased electricity (Scope 2, location-based)	8,346	9,356	tCO2e	(11%)
Emissions from combustion of fuel for transport purposes (Scope 1)	1,895	1,898	tCO2e	-
Emissions from business travel in rental or employee-owned vehicles where L&Q is responsible for purchasing the fuel (Scope 3)	508	509	tCO2e	-
Total carbon emissions (excluding renewable energy)	**34,319**	**36,128**	**tCO2e**	(5%)
Total renewable electric	-	3,808	tCO2e	-
Total renewable electric procured	-	19,690	MWh	-
Total remaining brown electricity	40,304	28,691	MWh	40%
Total net carbon emissions (including renewable energy)	**33,811**	**31,811**	**tCO2e**	6%
Carbon emissions intensity ratio	**0.265**	**0.243**	**tCO2e / unit**	9%

2023/24 Performance

L&Q's total carbon emissions across scopes 1, 2 and 3 have increased by 6% compared to the previous year, with our carbon emissions intensity ratio increasing by almost 9% to 0.265 tCO2e per unit compared with the same period.

Although there is some good work being done to reduce emissions at L&Q, particularly around efficiency improvements to heat networks, this increase in emissions has largely been caused by two factors:

i) L&Q pausing purchasing of renewable energy due to a 10-fold increase in cost of Renewable Energy Guarantees of Origin (REGO);

ii) A change to our energy broker causing a number of adjustments on accounts where bills had previously been estimated, sometimes for an extended period of time.

As of April 2024 we have a new broker for our consolidated portfolio of more than 5,000 sites, covering scopes 1 and 2 emissions associated with our heat networks, communal supplies and offices. As part of the handover, our new broker has been cleansing data and correcting erroneous billing. This has led to a large number of accounts seeing corrections to estimates, leading to a 17% reduction in electricity consumption (translating to a 10% reduction in carbon emissions) when compared with the previous year.

These estimated consumptions are often defined by the profile class of the meter at the site and are not necessarily representative of actual energy consumption. It is possible that our energy supplier has utilised "industry standard estimates" for billing in the previous years due to the absence of actual readings being provided. Where this has been the case and later an actual reading has been provided, these standard estimates would be overwritten; thus, generating corrections to the total annual consumption. Updating estimated consumptions can happen for numerous reasons; either during tenders to support contracting efforts or reforecasting for risk management and trading purposes. Even business as usual meter readings being provided intermittently throughout the year can play a role in overwriting estimates that will cause volume variances.

Improving data quality for the portfolio will be a continued priority to minimise the impact on our annual reporting commitments.

We have observed a reduction in scope 1 emissions of just over 3%. This is also attributed primarily to the adjustments being made as part of the data cleanse and previous reporting estimates. While it is challenging to quantify, it is likely that we are also starting to see a small reduction in gas consumption as a result of energy efficiency improvements to six large gas-based heat networks. We would not anticipate an actual reduction in scope 1 emissions due to the continuation of new build handovers as our portfolio continues to grow, and more gas-powered heat networks are added to operations.

Energy consumption for our empty homes has also seen a very significant reduction across both scope 1 and 2. Our internal calculations indicate a 98% reduction in gas and 74% reduction in electric. The reduction for empty homes is believed to be in part due to homes being placed on hold for works. This is where homes are cleared and the gas supply is capped, but no work is carried out and they are not switched to our empty homes energy provider. We are continuing to investigate the reason for the observed decrease in consumption itself.

Emissions related to transport across both fleet and business mileage has remained relatively unchanged year on year.

Energy efficiency measures

In 2023 we were successful in our bid for funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2, seeking to improve more than 3,000 homes across the two-year delivery programme, with 40% completion due in year one. So far, we have completed 1,832 PAS (publicly available specifications) assessments and delivered retrofit works to 215 homes. Although we are not at the anticipated delivery level, the challenge has predominantly been due to our homes performing better than data shows, meaning that many homes believed to be EPC band D and below fall out of scope for works at PAS assessment stage and alternative homes are required to be included.

We are working to continually update the data we hold on our homes and roll out a programme of PAS assessments to begin building programmes for future works. In addition to SHDF, L&Q has continued to implement a range of measures throughout 2023/24 as part of our major works programme to improve energy efficiency of our homes and reduce carbon emissions.

02 Sustainability at L&Q

In 2023/24 across both programmes L&Q has installed:

- ‘A’ rated double-glazed windows to 1,740 homes
- 1,341 ‘A’ rated insulated external doors
- 2,480 upgraded boiler systems
- 55 loft insulation
- 4 cavity wall insulation

During the year we carried out efficiency improvements to six heat networks. This work varied by scheme, but included installation of new efficient Heat Interface Units (HIUs), swapping or insulating pipework and replacing older inefficient boilers. This work will have a positive impact for emissions reduction and resident energy usage.

In the last year, over 7,311 homes were visited as part of the Healthy Homes project that looked at providing a holistic approach to eradicating mould and damp from residents’ homes. As part of the programme, more than 3,661 ‘Healthy Homes’ humidity and temperature sensors were installed to closely monitor environmental conditions, enabling L&Q to tackle the risk of damp and mould within residents' homes and identify energy-related issues. During the Healthy Homes visit, energy experts optimise boiler, heating and radiator settings and advise residents on how best to eradicate mould whilst reducing energy waste within their homes.

We have continued to improve the renewable energy generation capacity of our existing solar PV systems through maintenance and repair. Across the L&Q Group we have 819 operational PV arrays supplying individual homes and blocks.

In addition to works to improve the energy efficiency in homes, we have continued improvements to our workspaces. At our Head Office in London, we have created a ‘deadband’ for our Building Management System to prevent simultaneous heating and cooling, which has been an issue in the past. In addition, we now run a weekly reset where all controls are set back to a balanced setting to prevent extreme heating and cooling in different areas of the floors. This will also negate the need to demand extreme heating or cooling during sudden weather changes. We now carry out monthly weeding around our roof-mounted solar panels, preventing panels from being obstructed and to maximise potential energy generated.

Finally for our air conditioning (AC) units, we have seen major chiller repairs which should result in more efficient usage. At both our West Ham Lane and Cray House offices we are now using different fresh air levels to make the heating and cooling more efficient. At our Garrett Lane office, all AC outlets are set to timers so that it does not run out of work hours.

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 by 31 March 2024

72

Average calculated SAP score of 72 by 31 March 2024

8,000

8,000 homes built by 31 March 2024

£10m

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

Progress against our sustainability performance targets is published in our annual Sustainability report

03 Governance

- Group Board
- Internal control and risk management
- Audit and Risk Committee
- Viability statement
- 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 in the following pages, 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 the L&Q Group.

Governance update

During 2022/23 LQHT underwent an In-Depth Assessment (IDA) by the Regulator of Social Housing. In November 2022 the Regulator confirmed that LQHT 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 was 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.

As part of preparing for the introduction of new regulatory Consumer Standards we have undertaken a readiness review and have developed plans to ensure we are compliant with these.

Code of Governance

LQHT adopted the principles and provisions of the NHF Code of Governance 2020. An assessment of compliance with the Code is undertaken annually and we are confident that we remain compliant in all material aspects. There are no areas of non-compliance highlighted, but 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.

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

Code of Conduct

LQHT adopted the NHF Code of Conduct 2022 during 2023. An assessment of compliance with the Code will be undertaken annually and we are confident that we remain compliant in all material aspects.

Leadership and control

The Board consists of between five and twelve Board Members (excluding co-optees). As at 31st March 2024 there were 9 members which includes the Group Chief Executive and the Group Finance Director.

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 the 9 Board members in office on 31st March 2024, these targets had been achieved with 33% of Group board roles occupied by people from a BAME background and 57% of the Board being female.

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

Board and Committee membership

The table opposite sets out the Board membership and attendance as at 31 March 2024, 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 (Chair)	6/6		3/4	4/4	
Waqar Ahmed	6/6				
Fayann Simpson	5/6	5/5	4/4		4/4
Louise Brooke-Smith	6/6			4/4	
Fiona Fletcher-Smith	4/6				
Nigel Hopkins	5/6	5/5			
Raj Kumar	6/6				3/4
Maria Da Cunha	5/6		4/4		
Dominique Kent	5/6				
Other committee members					
Sarah Bundy				4/4	
Kris Peach			4/4		
Faith Smith					4/4
Nadya Enver					3/4
Dave Bedford					4/4
Tim Shand					3/4
Elisse Penney					4/4
Carl Shillito					4/4
James Rolton				4/4	
Raj Kambo		5/5			
Retired during the year					
Sanjay Patel (resigned 31 March 2024)		5/5			
Steve Hughes (resigned 30 September 2023)		2/3			
Kristian Melgaard (resigned 21 February 2023)				3/3	3/3
Michael Verrier (resigned 30 September 2023)					2/2

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.

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.

Fayann Simpson OBE
Chair of Resident Services Board

Fayann has been an L&Q resident for more than 25 years and an involved resident for more than 20 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 and Governance and Remuneration Committee and was recently appointed as Senior Independent Director. She has many years of industry experience working for global law firms and investment banks. Fayann is also a member of the Industry 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.

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.

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.

03 Group Board

Group Board member biographies (continued)

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.

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.

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

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 committees is drawn from both Board members of L&Q, 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 2023/24 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 up to 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 Directors understand the views of stakeholders when making decisions and setting strategy. This includes business relationships with suppliers, residents, communities, and colleagues, 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.

03 Internal control and risk management

The Board has overall responsibility for the framework of internal control and risk management across the Group, and for reviewing its effectiveness. The framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It provides the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The framework consists of:

1. Governance arrangements
2. Leadership structures and portfolio accountabilities
3. Risk management, controls and assurance arrangements.

1. Governance Arrangements

- The governance arrangements support the whole Group and are subject to regular review to ensure continuous improvement. The Board itself sets and assures strategy, risk appetites, financial and treasury plans. Four Committees, each with prescribed terms of reference, between them provide Board with assurance across all the Group's activities.
- The Audit and Risk Committee review and assure that internal control systems are operating effectively. They scrutinise the quarterly internal controls status reports. They oversee the internal audit programme, liaise with external auditors, and review the outcomes of the audit programme overall. They oversee the process to ensure outcomes from the assurance and audit programme is effective in identifying and implementing measures to mitigate gaps in controls. This is a delegated authority on behalf of Group Board.
- The Resident Services Board provide assurance that residents are able to contribute to high-level strategic decision making and that resident views have been sought and taken into account on relevant policy and service delivery issues. They take a lead on monitoring compliance against the Regulators Consumer Standards and Group Service Standards, and report on performance annually to Board.
- The Development Committee provide assurance to Board in relation to development decisions, appraising new products, major ventures and strategic development projects.
- The Governance and Remuneration Committee provide assurance to the Board in relation to governance standards and effectiveness. They provide advice on remuneration, culture, diversity, and inclusion.
- Underpinning and broadly mirroring the Board Committees, internal governance groups oversee and assure performance against our business plans and scrutinise risks and controls within the scope of prescribed terms of reference. There is a clear and defined escalation path between governance groups and committees, as prescribed by terms of reference.

2. Leadership Structures and Portfolio Accountabilities

A defined organisational leadership structure exists, with defined and prescribed accountabilities for the full range of activities undertaken and delivered by the business (referred to as 'portfolios accountabilities'). This approach ensures a single and explicit point of ownership and leadership for each portfolio accountability. Specifically, leaders are required to identify current and forthcoming legislation and regulation and associated risks to ensure compliance. They are required to identify and continuously improve controls to effectively manage the risks. Status reporting on risks and controls is reviewed and scrutinised through governance arrangements.

3. Risk management, controls and assurance arrangements

- The risk management approach operates on two levels. The first is by Executive portfolio; risks are identified, and controls required to effectively mitigate the risks are identified and implemented. The second is at a strategic level; informed by portfolio risks, but also by the overall internal and external operating environment, the core risks to delivery of strategic objectives are identified and risk appetite level defined to help inform strategic decision making and enable strategic risk management.
- Assurance centres around risks and controls by each portfolio. Assurance and Audit activity assesses the effectiveness of risk management and identifies gaps in controls or issues with implementation of controls to effectively mitigate risk.
- Alongside assurance and audit outcomes, quarterly 'internal controls and assurance' status reporting sets out the risk status by portfolio and strategic risks, the effectiveness of controls, plus any external regulatory activity such as that related to the Regulator of Social Housing, the Care Quality Commission and Housing Ombudsman. The status reporting also includes additional internal governance reports and checks completed to assure compliance with regulatory reporting requirements. This reporting is scrutinised through governance arrangements and provides assurance to Board. The internal controls and assurance status report is reviewed annually by Board as part of their review of overall effectiveness of controls.

The Audit and Risk Committee has received regular reports on risk and internal controls throughout the year. They have also received 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 2024, 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.

03 Internal control and risk management

Risk Statement

Group Board has overall responsibility for overseeing our approach to risk management and strategy. Oversight of our Risk Management Framework is delegated to Audit and Risk Committee. During 2023/24 we began reorganising our approach to risk management, establishing a new 'Portfolio Accountabilities' framework, which set clear ownership for every topic area across the Group, arranged by our six members of the Executive. Within this framework, individual director roles are accountable for specific topic areas. This means they are required to ensure an understanding of current and forthcoming legal and regulatory requirements, to identify all current and potential risks, and to identify and own the implementation of controls to mitigate those risks and enable legal compliance.

At a strategic level, informed by the above 'Portfolio' risks, but also by the overall internal and external operating environment, the core risks to the delivery of our strategic objectives are identified and risk appetite levels are defined by Group Board. These risk appetites help inform strategic decision making and enable strategic risk management.

Our Risk Management Framework is supported by the establishment of a stronger three lines of assurance model, linked to these Portfolio Accountabilities. We will be developing and embedding a standardised approach to first and second line assurance during 2024 which will support the robust third line provided by our independent internal audit programme.

Our strategic risks are set out in Figure 1 below, and are managed and monitored in line with our agreed risk appetites to ensure we remain focused on delivering our strategic priorities.

Figure 1: Strategic Risk Map showing current risk status

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	Moderate	Critical	Catastrophic
Almost certain			3 Stock Portfolio Divestment		
Likely				1 Customer Service 2 Growth	
Possible			5 Financial Resilience 6 Data and Cyber security 7 Sustainability and climate change	4 Asset Condition	
Unlikely			10 Organisational Governance	8 Health and Safety 9 People and Talent	
Rare					

Key: Very high | High | Medium | Low | Very low


Kew Bridge Rise, Brentford

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.

Strategic risk	2023/24 Strategic risk commentary
1. Customer Service: Failure to meet legal requirements in respect of service delivery, and failure to provide reliable, repeatable and consistent services to residents (with tailored support to residents who need us most), leading to resident dissatisfaction, complaints, reputational damage, regulatory and stakeholder interventions**.**	We have an appetite over the short to mid-term to lower our risk status in relation to customer service, and like safety and asset investment, this is one of our core priorities in our current corporate strategy. We recognise that we have under invested in service and our existing assets over time, and that as a result, we are experiencing some service delivery failure and a higher cost base than we expect in the longer term. The current landscape to tackle this is challenging, and reducing risk exposure is complex, but our plans to do so are strong, robust, and well underway. Whilst it is our goal to enable genuinely reliable, repeatable and consistent services for residents, doing so will take time. Reducing our risk exposure relies on our continued focus on delivering the planned asset investment programme, improving our reactive repairs service, improving resident experience should they have cause to complain, and improving the consistency and approach by which we adjust our services around specific types of resident need. We also continue to embed our new more traditional housing management structure with smaller patch sizes, enabling greater responsiveness, as well as long term investment in the simplification of our ways of working and enabling technologies to serve residents across the whole organisation. Alongside this, we continue work to deepen resident involvement and build more collaborative relationships, increasing resident voice and ensuring this plays a significant influencing role at L&Q. In parallel, we have been assessing and are beginning to operationalise the requirements of the Regulator of Social Housing's Consumer Standard which include the publication of prescribed Tenant Satisfaction Measures, as well as to manage the heightened external scrutiny and intervention prompted by widely publicised customer service failures in the sector.
2. Growth: Failure to deliver on our strategic objectives to develop and regenerate quality homes within Greater London and Greater Manchester. Resulting in reduced contribution to the affordable homes crisis, associated reputational damage, and impacting our ability to influence the housing sector and investors.	We are one of the biggest developing housing associations, handing over almost 3,000 homes in the last financial year. Whilst we remain committed to developing and regenerating quality, affordable homes in Greater London and Greater Manchester, in the last two years we have chosen to reduce investment and future commitment in growth to support the mitigation of risks where we have a lower appetite, most notably, financial resilience and the condition of our existing homes. In taking this action, we have demonstrated that our current level of risk is aligned to our appetite, and in practice, this means that we are not able to fully meet the numbers of new home starts or handovers as originally set out in our Future Shape corporate strategy. We are however currently exploring options that might enable us to meet, in coming years, a newly stated strategic intent and set of strategic objectives in relation to development and regeneration. We seek to do so in a way that complements and aligns with our wider strategic risk landscape.

Strategic risk	2023/24 Strategic risk commentary
3. Stock portfolio divestment: Failure to divest of properties outside of our core geographical areas of Greater London and Greater Manchester, outside our core tenure or are inefficient to manage, resulting in increased operational cost and complexity in our operating model.	We intend stock portfolio divestment to play a significant role in enabling geographic rationalisation, as well as a means by which we can reduce the financial burden associated with upgrading and maintaining the condition of homes that are outside of our cost, efficiency and quality criteria. However, to mitigate risks associated with financial resilience, we are presently using stock portfolio divestment, irrespective in some cases of the geography within which the assets are located. As such, we acknowledge that our current risk status is in line with our risk appetite, but that in the mid to long term, we would seek to reduce our risk appetite and to reduce the actual degree to which we use the sale of assets as a means to mitigate financial resilience alone, and would wish to use it more strategically, enabling geographical rationalisation and operational efficiency.
4. Asset Condition: Failure to meet our legal responsibilities to repair and maintain our homes and estates, to meet our strategic objectives, and failure to do so in a way that enables best overall value for money. This results in poor condition of homes and estates, customer dissatisfaction and complaints, and regulatory and stakeholder intervention.	We recognise the need to invest more in the building fabric of our existing homes, and to improve our service to residents who need a repair in their home. As such, we seek to reduce our risk exposure in this area. In setting our five-year corporate strategy in 2021 we established this as one of our core priorities and commenced an investment programme (£3bn over 15 years). Fully supported by our financial plan this will accelerate the improvement to the safety and quality of residents' homes, enabling compliance with legislation including 'Decent Homes Standard', energy efficiency requirements, plus current and emerging building safety and fire safety legislation. In parallel, we are working to improve the service delivery standards in our reactive repairs service, and to increase the efficiency of the service delivery overall. The combination of additional planned investment in assets alongside an improved reactive repairs service will deliver increased customer satisfaction, reduced cause for complaints and regulatory intervention, improved brand positioning as well as improvement in financial efficiency. All of which will reduce our risk exposure as a group over the course of coming years.
5. Financial Resilience: Inability to provide sufficient financial control results in loss of financial resilience, restricting or limiting our ability to fulfil our vision, purpose and corporate strategy.	We are financially strong and robust, we maintain investment grade credit ratings, deliver on our loan covenants, can draw on our unencumbered property portfolio to raise capital. We retain a strong liquidity position and have delivered a robust out turn for financial year 2023/24. However, Interest Cover covenant headroom remains constrained and lower than in previous years. The macroeconomic environment, specifically the impact on borrowing costs and sales income, as well as pressures internally resulting from a redirection of priorities on to areas requiring significant financial investment (our existing estate), means that financial resilience remains a key focus and risk. As such, to reduce our risk exposure in the short and mid-term in line with our appetite, we are actively rationalising our asset portfolio and reducing our debt burden. We have applied multivariate stress tests and contingency planning and are implementing mitigating actions to enable us to deliver on our core priorities. We are narrowing our value proposition by reducing our growth ambition and rationalising our geographies towards a tighter focus on Greater London and Greater Manchester. This has allowed us to continue with investment required in improving service delivery and the investment in our existing homes, in line with our expressed risk appetites.

03 Internal control and risk management

Strategic risk	2023/24 Strategic risk commentary
6. Data and cyber security: Failure of data controls, through accidental or unlawful destruction, loss, alteration, unauthorised access or disclosure, resulting in sharing or breach of personal or business sensitive information held by L&Q in support of its business operations. Leading to breach of information putting residents, colleagues or partners at personal risk, legal repercussions, financial penalties and reputational damage.	We acknowledge that a data breach or cyber security incident has significant potential for major business disruption, brand damage, and financial and regulatory consequences. However, we are of the opinion that our controls are appropriately robust, and we continue to invest in our data and information security arrangements, using data and insight from a range of sources to ensure we continuously improve and strengthen our level of governance, assurance and overall protection which include current and emerging risks such as those associated with the prominence of artificial intelligence. As such, we seek to maintain our current risk profile for data and cyber security. In respect of cyber, there have been some well publicised attacks in the housing sector, and whilst there has been no specific intelligence of an imminent or targeted attack, the threat level is heightened at present. Again, we are of the view that we are applying reasonable and robust precautions to mitigate the risks
7. Sustainability and Climate Change: Failure to anticipate and meet L&Q's net zero carbon emissions targets by 2050, and failure to plan for and take reasonable precautions to protect our residents and our assets from the effects of climate change.	Whilst we remain absolutely committed to contributing to the net zero target, through the setting of our risk appetite in this area we are signalling the potential for us to need to slow down financial and operational commitment to the sustainability and climate change agenda in the short to mid-term. Our current risk exposure varies across the group, although the main sources of carbon emissions are from our supply chain, and our development and property services operations. We are currently exploring a range of options to help us continue to reduce our impact on the environment, and decisions will be made in line with our wider strategic risk landscape
8. Health and Building Safety: Failure to effectively manage the safety of our residents, colleagues, suppliers or members of the public, causing harm, reputational damage and regulatory intervention.	Health, fire and building safety continue to remain the biggest priority for L&Q. We have developed an externally accredited health and safety and fire safety management systems, and we use a range of performance data and insight to enable continuous improvement of arrangements, to reduce the risk of harm to residents, colleagues, and members of the public. The number and nature of incidents and accidents are in line with an organisation of our size and scale, and we use learnings to inform continuous improvement to help manage prevention. In respect of fire and building safety, the location and nature of our stock means that we have significant exposure to new and emerging legislation. The level of financial investment and the emerging and complex nature of new regulatory requirements have presented some significant challenges to us, most specifically in building a firm plan for compliance. However, where there is and has been certainty, we have met legal expectations, including the completion of inspections of buildings higher than 18m, and in line with risk - based prioritisation, conducted inspections of all buildings with external wall systems. We continue to assess new requirements as they crystallise to ensure we have appropriate plans to enable compliance and safety, reducing risk exposure in this area further over the short to mid-term.

Strategic risk	2023/24 Strategic risk commentary
9. People and Talent: Failure to attract, retain and develop the people and talent we need, and failure to maintain an engaged, values led and high performing workforce, impacting our ability to deliver on our strategic objectives.	We seek to maintain our current risk profile in respect of our people and talent. We recognise that our people are essential to our success, and our level of risk mitigation in this area is strong and well managed overall. We continue to operate in a challenging labour market with increased competition for many key roles, but our mitigations to manage this are broadly effective in ensuring we have the right people and talent to help us achieve our goals. We use data and insight from a range of sources, but focus on retention, sickness absence, wellbeing, salary benchmarking, and survey data from 'Great Places to Work'. We offer a good range of support and benefits for colleagues to help with attracting, retaining and developing talent, from flexible working arrangements to financial health coaching. We also have a robust framework of compulsory and optional colleague learning and development, plus a comprehensive performance management and people development offer.
10. Organisational Governance: Failure of governance structures and processes leads to business disruption, increased costs, regulatory intervention.	We seek to maintain the current risk status of our overall governance and control of our organisation. We are regulated by multiple regulatory bodies, and we establish ways of working that meet expectations set by those bodies. The Regulator of Social Housing, following their most recent in-depth assessment of our organisation, awarded a V2 rating for financial viability (a rating that reflects our challenging operating environment and measures required but already underway to improve our financial resilience), and G1 for governance (the highest possible rating). Deploying measures to mitigate risk exposure and improve our risk status on financial resilience will, we expect, allow us to return to V1 rating over time. From April 2024 new 'C' (Consumer) ratings will be issued by the Regulator and we have been assessing the implications, working to effectively mitigate the risks associated with navigating a new set of expectations, working to ensure we translate these into positive outcomes for residents. Our regulated status means we place a heavy emphasis on governance and assurance, and have a number of key business frameworks that enable and underpin that. These include our robust governance structure and approach, up to and including our Group Board, business planning and performance, and risk management and assurance. We subscribe to the National Housing Federation Code of Governance, the Housing Ombudsman complaints code, and we use a range of sources of data and insight to drive continuous improvement in our governance and assurance, including internal and external audit programmes.

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 five-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.

L&Q Financial Statements 2024

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

12 September 2024

04 Financial statements

2023/2024

- 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
- Other statutory and regulatory information

04 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 2024 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 2024 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 Board on 1 March 2013. The period of total uninterrupted engagement is for the 12 financial years ended 31 March 2024. 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		£11.5m (2023: £11.6m) 1% (2023: 1%) of Group total revenue
Coverage		90% (2023:86%) of total revenue
Key audit matters		**vs 2023**
Recurring risks	Estimation of the recoverable amount of Fixed Asset Housing Properties under the course of Construction	◀▶
	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 (unchanged from 2023), 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 £844 million (net of impairment of £17 million); 2023: £901 million –(net of impairment of £91 million)) Refer to page 84 (Audit and Risk 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 key inputs used in calculating 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. **Our valuation expertise:** For high risk schemes, within Fixed Asset – Housing Properties under the course of construction, 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 **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. (2023: 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 £590 million (net of impairment of £10 million); 2023: £519m (net of impairment of £34 million) Refer to page 84 (Audit and Risk 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 is required 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, the Group prepared site appraisals 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 considered 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 forecast 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 (2023: 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 £11.5m (2023: £11.6m), determined with reference to a benchmark of total revenue, of which it represents 1% (2023: 1%).

Materiality for the Association financial statements as a whole was set at £9.4m (2023: £8.2m), determined with reference to a benchmark of total revenue, of which it represents 1% (2023: 1%).

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% (2023: 75%) of materiality for the financial statements as a whole, which equates to £8.62m (2023: £8.7m). 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% (2023: 65%) of materiality for the financial statements as a whole, which equates to £6.11m (2023: £5.33m). We applied this percentage in our determination of performance materiality based additional risks following the transfer of engagement in the prior year.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £575k (2023: £580k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 27 (2023: 28) reporting components, we subjected three (2023: five) to full scope audits for group purposes and four (2023: one) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

We subjected four (2023: one) components to specified risk-focused audit procedures over investment properties (one component (2023: one), revenue (two components (2023: none) and cash and cash equivalents (two components (2023: none).

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

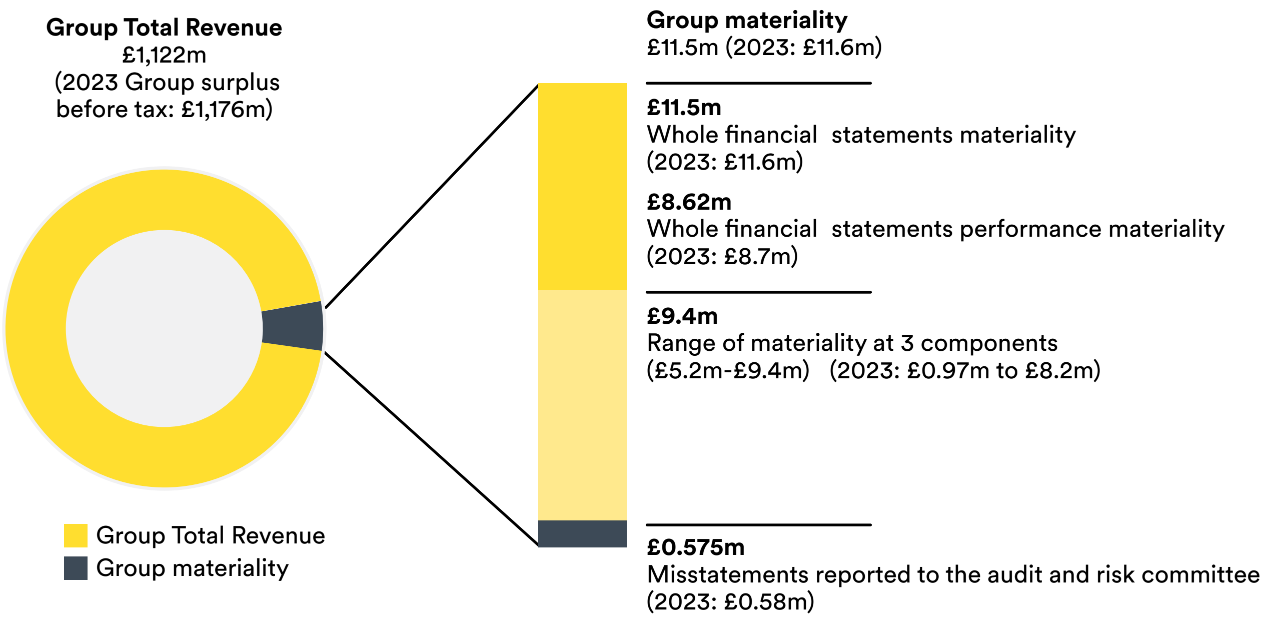
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

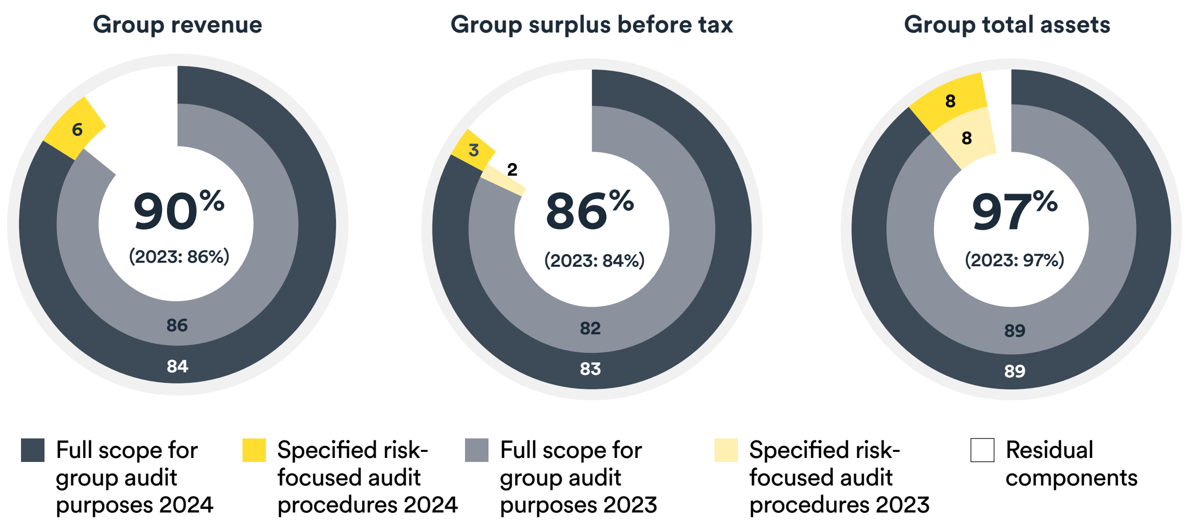
We set component materialities, which ranged from £5.2m to £9.4m (2023: £1.7m to £8.7m), having regard to the mix of size and risk profile of the Group across the components.

The audits of all components, including the Association, were completed by the Group team (2023: 1 of the 5 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.

04 Independent auditor's report





4. Going concern

The Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease 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:

- Inability to complete housing stock disposals.

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

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

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the 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 the Association's ability to continue as a going concern 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 the Board, 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 the Board and the audit and risk committee minutes; and
- 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.

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.

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.

04 Independent auditor's report

Identifying and responding to risks of material misstatement related to 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.

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 noncompliance 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 Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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 Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with I SAs (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.

J Lees

Joanne Lees

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

24 September 2024

04 Statement of comprehensive income for the year ended 31 March 2024

	Note	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Turnover	3a	**1,122**	1,176	**899**	854
Cost of sales	3a	**(241)**	(367)	**(158)**	(160)
Operating costs	3a	**(650)**	(733)	**(590)**	(622)
Surplus on disposal of fixed assets and investments	6	**117**	152	**119**	154
Share of profits from joint ventures	14a	**15**	19	**-**	-
Change in value of investment property	14c	**(30)**	(85)	**-**	(2)
Operating surplus	5	**333**	162	**270**	224
Gift aid received		**-**	-	**57**	34
Interest receivable and similar income	7	**7**	5	**69**	51
Interest payable and similar charges	8a	**(217)**	(148)	**(216)**	(154)
Other finance income/(costs)	8b	**(10)**	(4)	**(18)**	(9)
Surplus on ordinary activities before tax		**113**	15	**162**	146
Tax on surplus on ordinary activities	11	**4**	25	**-**	-
Surplus for the year		**117**	40	**162**	146
Other comprehensive income					
Actuarial gain/(loss) on pension schemes	9	**(11)**	(12)	**(11)**	(12)
Total comprehensive income for the year		**106**	28	**151**	134

Following the completion of the Transfer of Engagements of THT and L&Q Community Limited to Trafford Housing Trust Limited on 31st January 2023 and Trafford Housing Trust Limited to London & Quadrant Housing Trust on 31st March 2023, combined results of all three companies have been presented since 31 March 2022. 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 Silk District, Whitechapel

04 Statement of Financial Position as at 31 March 2024

	Note	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Fixed assets					
Housing properties	12	**11,617**	11,354	**11,271**	10,880
Other tangible fixed assets	13a	**43**	62	**34**	53
Intangible assets	13b	**38**	26	**38**	26
Equity investment in subsidiaries	14e	**-**	-	**1,116**	866
Investments - jointly controlled entities	14a	**292**	326	**45**	68
Investments - HomeBuy equity loans	14b	**82**	86	**83**	86
Investment properties	14c	**1,185**	1,083	**3**	3
Investments - Real Lettings property fund	14d	**6**	10	**6**	10
		13,263	12,947	**12,596**	11,992
Net pension assets	9	**5**	5	**5**	5
Debtors due after more than one year	16a	**58**	59	**653**	806
Current assets					
Land and properties for sale and work in progress	15	**590**	712	**224**	301
Debtors	16b	**175**	166	**134**	154
Cash and cash equivalents	17	**175**	146	**60**	69
		940	1,024	**418**	524
Creditors: amounts falling due within one year	18	**(599)**	(850)	**(461)**	(652)
Net current assets /(liabilities)		**341**	174	**(43)**	(128)
Total assets less current liabilities		**13,667**	13,185	**13,211**	12,675

	Note	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Creditors: amounts falling due after more than one year	19	**(5,734)**	(5,308)	**(5,356)**	(4,926)
Deferred social housing grant	20	**(2,020)**	(2,065)	**(2,063)**	(2,109)
Grant on HomeBuy equity loans	14b	**(74)**	(77)	**(74)**	(77)
Provisions for liabilities	23	**(91)**	(98)	**(34)**	(35)
Net pension liability	9	**(27)**	(22)	**(26)**	(21)
Net assets		**5,721**	5,615	**5,658**	5,507
Capital and reserves					
Share capital	25	**-**	-	**-**	-
Revenue reserve		**3,957**	3,844	**3,711**	3,553
Revaluation reserve		**1,764**	1,771	**1,947**	1,954
		5,721	5,615	**5,658**	5,507

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: 12 September 2024

04 Statement of changes in equity Year ended 31 March 2024

Group	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 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
Surplus for the year	**-**	**-**	**117**	**117**
Reserves transfer	**-**	**(7)**	**7**	**-**
Actuarial gains	**-**	**-**	**(11)**	**(11)**
Balance at 31 March 2024	**-**	**1,764**	**3,957**	**5,721**

LQHT	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2022	-	1,980	3,393	5,373
Surplus for the year	-	-	146	146
Reserves transfer	-	(26)	26	-
Actuarial losses	-	-	(12)	(12)
Balance at 31 March 2023	-	1,954	3,553	5,507
Surplus for the year	**-**	**-**	**162**	**162**
Reserves transfer	**-**	**(7)**	**7**	**-**
Actuarial gains	**-**	**-**	**(11)**	**(11)**
Balance at 31 March 2024	**-**	**1,947**	**3,711**	**5,658**

The accompanying notes form part of these financial statements.

04 Consolidated statement of cash flows for the year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Surplus for the year		**117**	40
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		**120**	209
Deferred government grant		**(28)**	(26)
		92	183
Adjustments for investing or financing activities:			
Change in value of investment property		**30**	85
Interest receivable and similar income		**(7)**	(5)
Interest payable and similar charges (including capitalised interest)		**217**	148
Other finance costs		**10**	4
Gain on sale of fixed assets		**(117)**	(152)
Share of profit from joint ventures		**(15)**	(19)
Taxation		(4)	(25)
		114	36
Adjustment for working capital movement:			
(Increase)/decrease in trade and other debtors		**(8)**	3
Decrease in stock		**109**	153
(Decrease)/increase in trade and other creditors		**(80)**	54
Increase in provisions and employee benefits		**(14)**	(18)
		7	192
Tax recovered/(paid)		**-**	-
Net cash flow from operating activities		**330**	451

	Note	2024 £m	2023 £m
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**291**	380
Proceeds from sale of investments		**1**	1
Purchase of other fixed assets		**(18)**	(14)
Interest received		**7**	5
Other finance costs		**(10)**	(7)
Investments in jointly controlled entities		**44**	76
Acquisition of investment property		**(2)**	(11)
Net government grant (repaid)/received		**(15)**	1
Capitalised development expenditure		**(436)**	(556)
Capital expenditure on existing properties		**(112)**	(117)
Net cash from investing activities		**(250)**	(242)
Cash flows from financing activities			
Loans received		**695**	545
Loans repaid		**(497)**	(634)
Interest paid		**(249)**	(190)
Net cash from/(to) financing activities		**(51)**	(279)
Net increase/(decrease) in cash and cash equivalents		**29**	(70)
Cash and cash equivalents at 1 April		**146**	216
Cash and cash equivalents at 31 March	17	**175**	146

The accompanying notes form part of these financial statements.

04 Notes to the financial statements for the year ended 31 March 2024

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 April 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 2024 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 2024/25 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 62% of the Group's debt is fixed which limits exposure. Further downside scenarios included sensitivities over achieving planned fixed asset disposals.

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 Board and 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.

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 site wide 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.

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.

04 Notes to the financial statements for the year ended 31 March 2024

2. Principal accounting policies (continued)

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.

Foreign Currency
Transactions in foreign currencies are translated to the Group's functional currency (£ sterling) at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated to the functional currency at the foreign exchange rate ruling at that date. The Group operates two Euro bank accounts.

04 Notes to the financial statements for the year ended 31 March 2024

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

Group	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus
					2024					2023
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**430**	**-**	**(337)**	**-**	**93**	413	-	(334)	-	79
Supported housing	**55**	**-**	**(46)**	**-**	**9**	52	-	(57)	-	(5)
Intermediate market rent	**29**	**-**	**(19)**	**-**	**10**	26	-	(21)	-	5
Low-cost home ownership	**93**	**-**	**(40)**	**-**	**53**	75	-	(32)	-	43
Affordable rent	**98**	**-**	**(39)**	**-**	**59**	79	-	(39)	-	40
	705	**-**	**(481)**	**-**	**224**	645	-	(483)	-	162
Other social housing activities										
Care and support	**13**	**-**	**(12)**	**-**	**1**	10	-	(11)	-	(1)
First tranche low-cost home ownership sales	**131**	**(96)**	**-**	**-**	**35**	146	(122)	-	-	24
Development	**5**	**(9)**	**(58)**	**-**	**(62)**	6	-	(143)	-	(137)
Community investment	**-**	**-**	**(8)**	**-**	**(8)**	-	-	(10)	-	(10)
Other	**-**	**-**	**(3)**	**-**	**(3)**	1	-	(2)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**117**	**117**	-	-	-	152	152
	149	**(105)**	**(81)**	**117**	**80**	163	(122)	(166)	152	27
Non-social housing lettings										
Student accommodation	**-**	**-**	**(1)**	**-**	**(1)**	2	-	(2)	-	-
Market rent	**57**	**-**	**(21)**	**(30)**	**6**	47	-	(24)	(85)	(62)
Non-social homeowners	**29**	**-**	**(31)**	**-**	**(2)**	18	-	(23)	-	(5)
Commercial	**3**	**-**	**(3)**	**-**	**-**	3	-	(1)	-	2
Garages, sheds, parking spaces	**2**	**-**	**(1)**	**-**	**1**	1	-	(1)	-	-
	91	**-**	**(57)**	**(30)**	**4**	71	-	(51)	(85)	(65)

Group	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus
					2024					2023
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**84**	**(94)**	**(6)**	**-**	**(16)**	156	(150)	(2)	-	4
Land sales	**83**	**(42)**	**(5)**	**-**	**36**	128	(95)	(10)	-	23
Resales	**1**	**-**	**-**	**-**	**1**	3	-	-	-	3
Other non-social housing activity	**9**	**-**	**(20)**	**-**	**(11)**	10	-	(21)	-	(11)
Share of profits from joint ventures	**-**	**-**	**-**	**15**	**15**	-	-	-	19	19
	177	**(136)**	**(31)**	**15**	**25**	297	(245)	(33)	19	38
	1,122	**(241)**	**(650)**	**102**	**333**	1,176	(367)	(733)	86	162
Interest receivable					**7**					5
Interest payable					**(217)**					(148)
Other finance income/(costs)					**(10)**					(4)
Tax on surplus on ordinary activities					**4**					25
Surplus for the year					**117**					40

Notes:
Social housing lettings: There is was no net impairment within general needs operating costs in the year considered to be fixed asset impairment (2023: £5m charge).
Other social housing activities: First tranche low-cost home ownership cost of sales of £96m includes a net impairment release of £22m (2023: £4m) considered to be current asset impairment.
Development operating costs of £58m (2023: £143m) includes £45m net impairment charge considered to be fixed asset impairment (2023: £90m), £nil abortive site costs (2023: £7m), £17m overheads (2023: £16m) and £11m latent defects (2023: £26m), of which £6m (2023: £15m) relates to a net increase in provision (see Note 23 for more detail). Of the £45m total net impairment, £3m related to handed over properties which are undergoing rectification construction works, and therefore was considered to be Development activity impairment.
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 £94m includes a net impairment charge of £1m (2023: £28m) considered to be current asset impairment, and Land cost of sales of £42m includes a net impairment release of £6m (2023: £1m charge). Share of profits from joint ventures totalling £15m includes no impairment in the year (2023: £1m release).

04 Notes to the financial statements for the year ended 31 March 2024

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

LQHT	2024					2023				
	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	**430**	**-**	**(337)**	**-**	**93**	413	-	(334)	-	79
Supported housing	**55**	**-**	**(46)**	**-**	**9**	51	-	(57)	-	(6)
Intermediate market rent	**29**	**-**	**(19)**	**-**	**10**	26	-	(21)	-	5
Low-cost home ownership	**93**	**-**	**(40)**	**-**	**53**	75	-	(32)	-	43
Affordable rent	**98**	**-**	**(39)**	**-**	**59**	79	-	(39)	-	40
	705	**-**	**(481)**	**-**	**224**	644	-	(483)	-	161
Other social housing activities										
Care and support	**-**	**-**	**-**	**-**	**-**	-	-	(1)	-	(1)
First tranche low-cost home ownership sales	**131**	**(114)**	**-**	**-**	**17**	146	(138)	-	-	8
Development	**-**	**(11)**	**(45)**	**-**	**(56)**	5	-	(76)	-	(71)
Community investment	**-**	**-**	**(8)**	**-**	**(8)**	-	-	(10)	-	(10)
Other	**-**	**-**	**(3)**	**-**	**(3)**	-	-	(2)	-	(2)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**119**	**119**	-	-	-	154	154
	131	**(125)**	**(56)**	**119**	**69**	151	(138)	(89)	154	78
Non-social housing lettings										
Student accommodation	**-**	**-**	**(1)**	**-**	**(1)**	2	-	(2)	-	-
Market rent	**1**	**-**	**(1)**	**-**	**-**	-	-	(4)	(2)	(6)
Non-social homeowners	**29**	**-**	**(30)**	**-**	**(1)**	19	-	(23)	-	(4)
Commercial	**3**	**-**	**(3)**	**-**	**-**	3	-	(1)	-	2
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	1	-	(1)	-	-
	34	**-**	**(36)**	**-**	**(2)**	25	-	(31)	(2)	(8)

LQHT	2024					2023				
	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	**21**	**(33)**	**-**	**-**	**(12)**	23	(22)	-	-	1
Land sales	**-**	**-**	**-**	**-**	**-**	3	-	-	-	3
Resales	**1**	**-**	**-**	**-**	**1**					
Other non-social housing activity	**7**	**-**	**(17)**	**-**	**(10)**	8	-	(19)	-	(11)
	29	**(33)**	**(17)**	**-**	**(21)**	34	(22)	(19)	-	(7)
	899	**(158)**	**(590)**	**119**	**270**	854	(160)	(622)	152	224
Interest receivable					**69**					51
Interest payable					**(216)**					(154)
Other finance income (costs)					**(18)**					(9)
Gift aid					**57**					34
Tax on surplus on ordinary activities					**-**					-
Surplus for the year					**162**					146

Notes:
Social housing lettings: There is nil net impairment release within general needs operating costs in the year (2023: £5m charge), considered to be fixed asset impairment.
Other social housing activities: First tranche low-cost home ownership cost of sales of £114m includes a net impairment release of £14m (2023: £6m charge) considered to be current asset impairment.
Development operating costs of £45m (2023: £76m) includes £38m net impairment charge considered to be fixed asset impairment (2023: £42m), £nil abortive site costs (2023: £nil), £16m overheads (2023: £18m) and £6m latent defects (2023: £16m). Of the £38m total net impairment, £3m related to handed over properties which are undergoing rectification construction works, and therefore was considered to be Development activity impairment.

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	2024 Total £m	2023 Total £m
Rent receivable net of identifiable service charges and void losses	**385**	**40**	**23**	**63**	**82**	**593**	543
Service charges receivable	**30**	**13**	**5**	**19**	**14**	**81**	73
Net rents receivable	**415**	**53**	**28**	**82**	**96**	**674**	616
Amortised government grant	**15**	**2**	**-**	**10**	**1**	**28**	26
Government grants taken to income	**-**	**-**	**-**	**1**	**-**	**1**	-
Other income	**-**	**-**	**1**	**-**	**1**	**2**	3
Total income from lettings	**430**	**55**	**29**	**93**	**98**	**705**	645
Expenditure on letting activities:							
Management	**48**	**7**	**4**	**7**	**6**	**72**	74
Services	**48**	**12**	**6**	**23**	**13**	**102**	91
Routine maintenance	**141**	**11**	**5**	**6**	**10**	**173**	173
Planned maintenance and major repairs	**29**	**5**	**1**	**3**	**3**	**41**	57
Bad debts	**-**	**-**	**-**	**-**	**-**	**-**	5
Depreciation of housing properties	**71**	**11**	**3**	**1**	**7**	**93**	88
Impairment of housing properties	**-**	**-**	**-**	**-**	**-**	**-**	(5)
Other costs	**-**	**-**	**-**	**-**	**-**	**-**	-
Total expenditure on lettings	**337**	**46**	**19**	**40**	**39**	**481**	483
Operating surplus on lettings	**93**	**9**	**10**	**53**	**59**	**224**	162
Voids losses	**5**	**3**	**3**	**-**	**1**	**12**	16

LQHT	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2024 Total £m	2023 Total £m
Rent receivable net of identifiable service charges and void losses	**385**	**40**	**23**	**63**	**82**	**593**	543
Service charges receivable	**30**	**13**	**5**	**19**	**14**	**81**	72
Net rents receivable	**415**	**53**	**28**	**82**	**96**	**674**	615
Amortised government grant	**15**	**2**	**-**	**10**	**1**	**28**	26
Government grants taken to income	**-**	**-**	**-**	**1**	**-**	**1**	-
Other income	**-**	**-**	**1**	**-**	**1**	**2**	3
Total income from lettings	**430**	**55**	**29**	**93**	**98**	**705**	644
Expenditure on letting activities:							
Management	**48**	**7**	**4**	**7**	**6**	**72**	74
Services	**48**	**12**	**6**	**23**	**13**	**102**	91
Routine maintenance	**141**	**11**	**5**	**6**	**10**	**173**	173
Planned maintenance and major repairs	**29**	**5**	**1**	**3**	**3**	**41**	57
Bad debts	**-**	**-**	**-**	**-**	**-**	**-**	5
Depreciation of housing properties	**71**	**11**	**3**	**1**	**7**	**93**	88
Impairment of housing properties	**-**	**-**	**-**	**-**	**-**	**-**	(5)
Other costs	**-**	**-**	**-**	**-**	**-**	**-**	-
Total expenditure on lettings	**337**	**46**	**19**	**40**	**39**	**481**	483
Operating surplus on lettings	**93**	**9**	**10**	**53**	**59**	**224**	161
Voids losses	**5**	**3**	**3**	**-**	**1**	**12**	16

04 Notes to the financial statements for the year ended 31 March 2024

4. Group housing stock

Social housing accommodation	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2024 Total	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2023 Total
General needs	**54,887**	**174**	**182**	**55,243**	55,745	183	186	56,114
Affordable rent	**9,352**	**-**	**7**	**9,359**	8,679	-	8	8,687
Intermediate rent	**3,011**	**-**	**1**	**3,012**	2,783	-	-	2,783
Housing for older people	**4,947**	**20**	**11**	**4,978**	4,967	20	11	4,998
Supported housing	**864**	**1,670**	**7**	**2,541**	928	1,623	7	2,558
Care homes	**36**	**275**	**-**	**311**	45	260	-	305
Total social housing	**73,097**	**2,139**	**208**	**75,444**	73,147	2,086	212	75,445

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

	2024	2023
Other social housing accommodation		
Key worker accommodation	**808**	872
Low-cost home ownership	**11,739**	11,310
Shared equity	**2,080**	2,200
Other social homes	**93**	116
Social leased housing	**179**	178
Total other social housing	**14,899**	14,676
Non-social housing accommodation		
Leaseholders	**13,372**	12,911
Market rent	**3,112**	2,705
Student accommodation	**157**	157
Other landlords	**2,493**	2,356
Commercial	**8**	76
Total non-social housing	**19,142**	18,205
Total homes owned or managed	**109,485**	108,326
Garages, parking spaces and other non-habitable units	**12,447**	12,036
Total homes and units owned or managed	**121,932**	120,362
Homes in development pipeline	**21,209**	25,594
Strategic land plots	**83,062**	76,610

5. Operating surplus on ordinary activities before tax

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Operating surplus is stated after charging/(crediting):				
Depreciation on social housing properties	**93**	88	**93**	88
Depreciation on other non-social housing	**-**	-	**-**	-
Depreciation and amortisation on other fixed assets	**9**	11	**9**	10
Impairment charge on fixed asset housing properties	**21**	90	**28**	42
Impairment release on fixed asset housing properties	**-**	(6)	**-**	(6)
Net impairment on fixed asset housing properties	**21**	84	**28**	36
Impairment charge on current assets under development	**10**	34	**14**	8
Impairment release on current assets under development	**(13)**	(8)	**(18)**	(2)
Net impairment on current assets	**(3)**	26	**(4)**	6
Impairment release on joint ventures	**-**	(1)	**-**	-
Surplus on sale of fixed assets	**(117)**	(152)	**(119)**	(154)
Operating lease rentals - Land and buildings	**2**	1	**2**	1
Change in valuation of investment property	**30**	85	**-**	-

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

Auditor's remuneration (excluding VAT):	Group 2024 £'000	Group 2023 £'000	LQHT 2024 £'000	LQHT 2023 £'000
• In their capacity as auditor	**893**	789	**690**	528
• In respect of other services	**88**	63	**88**	63

04 Notes to the financial statements for the year ended 31 March 2024

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	2024 Total £m	2023 Total £m
Sales proceeds	254	1	7	41	303	390
Cost of sales	(147)	(1)	(4)	(10)	(162)	(211)
Grant recovered	(5)	-	-	(20)	(25)	(38)
Grant abated	-	-	-	-	-	-
Depreciation on sales	12	-	-	-	12	20
Incidental sale expense and write downs	(11)	-	-	-	(11)	(9)
Total	103	-	3	11	117	152

LQHT	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2024 Total £m	2023 Total £m
Sales proceeds	254	-	7	41	302	389
Cost of sale	(146)	-	(4)	(10)	(159)	(208)
Grant recovered	(5)	-	-	(20)	(25)	(38)
Grant abated	-	-	-	-	-	-
Depreciation on sales	12	-	-	-	12	20
Incidental sale expense and write downs	(11)	-	-	-	(11)	(9)
Total	104	-	3	11	119	154

7. Interest receivable and similar income

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Bank interest receivable	4	2	3	2
Other interest receivable	3	3	66	49
	7	5	69	51

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 2024, interest has been capitalised at an average rate of 4.13% (2023: 4.10%) 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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Interest expense on liabilities at amortised cost	249	190	236	181
Amortisation of loan set-up costs	(1)	3	3	4
Less: interest capitalised in housing properties	(31)	(45)	(23)	(31)
	217	148	216	154

8b. Other finance income and costs

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movements in financial instruments relating to deferred land payments	2	(2)	1	(2)
Release of loan fair values on repayment and refinancing	5	5	-	-
Other charges	(17)	(7)	(19)	(7)
	(10)	(4)	(18)	(9)

04 Notes to the financial statements for the year ended 31 March 2024

9. Employee information

	Group 2024 No.	Group 2023 No.	LQHT 2024 No.	LQHT 2023 No.
The average full-time equivalent employees based on their individual contracted hours:				
Chief Executive Department	**11**	17	**11**	17
Contact Centre and Income Management	**432**	482	**432**	482
Development, Sales and Asset Management	**589**	621	**555**	585
Finance, Treasury, Insurance and Procurement	**197**	209	**189**	200
Governance, Strategy and Communications	**139**	145	**138**	144
Human Resources, Learning and Development and Facilities	**105**	102	**105**	102
L&Q Foundation	**60**	65	**60**	65
Care and Support	**343**	373	**26**	104
Maintenance and L&Q Energy	**841**	897	**841**	897
Housing Management	**700**	527	**700**	527
Private Rented and Commercial Lettings	**72**	68	**72**	68
Technology and Digital	**236**	173	**236**	173
Transformation	**22**	9	**22**	9
	3,747	3,688	**3,387**	3,373

	Group 2024	Group 2023	LQHT 2024	LQHT 2023
Staff costs (for the above persons)	**£m**	£m	**£m**	£m
Wages and salaries	**172**	160	**160**	150
Social security costs	**19**	18	**18**	17
Other pension costs	**22**	20	**21**	**20**
	213	198	**199**	187

Reorganisation between functions to facilitate more efficient operating structures has led to variations in some categories year on year, for example 46 FTE's have moved from the void team in maintenance to a new Empty Homes and Lettings team that sits under Housing Management. The reduction in FTE's in Development, Sales and Asset Management, and Care and Support reflect the changes in the business where there has been a reduced level of activity.

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 (2023: 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 36.1% (2023: 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 three defined benefit pension schemes ("LGPS") which are administered by:

- London Borough of Waltham Forest with 1 active member (2023: 1);
- Buckinghamshire County Council with no active members (2023: nil); and
- Greater Manchester Pension Fund with 96 active members (2023: 104).

During the year, L&Q exited the LGPS defined benefit pension scheme with the London Borough of Bexley. L&Q paid pension contributions in respect of 1 active member (2023:1) of 32.4% (2023: nil) to this pension scheme until 30th November 2023.

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

- London Borough of Waltham Forest scheme 21.2% (2023: 17.3%);
- Buckinghamshire County Council scheme nil (2023: nil); and
- Greater Manchester Pension Fund 34.1% (2023: 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 through the application of an 'asset ceiling' adjustment, 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.

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. In April 2024 the last member left the scheme.

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

	2024	2023
Financial assumptions		
Discount rate	**4.7%**	4.7%
Inflation (RPI)	**3.1%**	3.2%
Inflation (CPI)	**2.4%**	2.4%
Salary growth	**3.1%**	3.2%
Mortality assumptions		
• Base table	**S3PA**	S3PA
• Improvement method	CMI 2022 with 1.25% LTR 7	CMI 2021 with 1.5% 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

	2024	2023
Financial assumptions		
Discount rate	**4.8%**	4.7%
Inflation (RPI)	**3.1%**	3.2%
Inflation (CPI)	**2.8%**	2.8%
Salary growth	**3.1%**	3.3%
Mortality assumptions		
• Base table	**S3PA**	S3PA
• Improvement method	CMI 2022 with 1.25% LTR 7	CMI 2021 with 1.5% LTR
• Projection	**Year of birth**	Year of birth

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

9. Employee information (continued)

Summary of pension scheme balances

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Net pension asset				
LGPS schemes	28	25	28	25
Net pension asset	28	25	28	25
Asset ceiling adjustment	(23)	(20)	(23)	(20)
Net pension asset recognised	5	5	5	5
Net pension liability				
LGPS schemes	-	-	1	-
LQHT staff benefits plan	7	2	7	2
SHPS	20	20	18	19
Net pension liability	27	22	26	21

LGPS Defined benefit schemes - Net Pension Asset

As at 31 March 2024 there were two (2023: three) LGPS schemes in a net pension asset position - Buckinghamshire County Council and the Greater Manchester Pension Fund. The maximum surplus recognised has been calculated by determining the net present value of future service costs as at 31 March 2024, with the asset ceiling adjustment highlighting the difference between the actuarial surplus, and value of asset recognised in the financial statements. During the year, we exited the London Borough of Bexley LGPS, which was also previously in a net pension asset position.

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	(1)	(2)	(1)	(2)
Net interest on the defined liability	1	-	1	-
	-	(2)	-	(2)

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	(1)	(5)	(1)	(5)
Amount included in net interest on net defined benefit liability	3	2	3	2
Remeasurements – return on plan assets excluding interest income	2	(3)	2	(3)
Changes in assumptions underlying the present value of the plan liabilities	2	37	2	37
Changes due to experience	(2)	(4)	(2)	(4)
Changes in effect of the asset ceiling	20	-	20	-
Remeasurements recognised	22	30	22	30
Movement in (deficit)/surplus during the year				
At beginning of the year	5	(4)	5	(4)
Movement in year:				
Current service cost	(1)	(2)	(1)	(2)
Employer contributions	1	2	1	2
Other finance income	1	-	1	-
Remeasurements	22	29	22	29
Net surplus/(deficit) at end of the year	28	25	28	25
Asset ceiling adjustment	(23)	(20)	(23)	(20)
Net surplus at end of the year	5	5	5	5
Movement in fair value of plan assets				
At beginning of the year	80	81	80	81
Interest income	4	2	4	2
Remeasurements on plan assets	2	(3)	2	(3)
Employer contributions	1	2	1	2
Benefits paid	(2)	(2)	(2)	(2)
At end of the year	85	80	85	80

04 Notes to the financial statements for the year ended 31 March 2024

9. Employee information (continued)

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movement in liabilities during the year				
Past service liability at start of the year	**55**	86	**55**	86
Service cost	**1**	2	**1**	2
Interest cost	**3**	2	**3**	2
Remeasurement:				
- Due to changes in assumptions	**(2)**	(37)	**(2)**	(37)
- Due to experience	**2**	4	**2**	4
Benefits paid	**(2)**	(2)	**(2)**	(2)
Liabilities extinguished on settlements	**(3)**	-	**(3)**	-
Past service liability at end of the year	**54**	55	**54**	55

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

There were two pension schemes in a net pension liability position as at 31 March 2024, (2023: two). These were the LQHT Staff Benefits Plan, and London Borough of Waltham Forest.

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**(4)**	(43)	**(4)**	(43)
Amount included in net interest on net defined benefit liability	**(5)**	(4)	**(5)**	(4)
Remeasurements – return on plan assets excluding interest income	**(9)**	(47)	**(9)**	(47)
Changes in assumptions underlying the present value of the plan liabilities	**2**	37	**2**	37
Changes due to experience	**-**	(8)	**-**	(8)
Remeasurements recognised	**(7)**	(18)	**(7)**	(18)
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**(2)**	13	**(2)**	13
Movement in year:				
Employer contributions	**2**	3	**2**	3
Remeasurements	**(7)**	(18)	**(7)**	(18)
Net deficit at end of the year	**(7)**	(2)	**(7)**	(2)

04 Notes to the financial statements for the year ended 31 March 2024

9. Employee information (continued)

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	**107**	136	**107**	136
Interest cost	**5**	4	**5**	4
Remeasurement:				
- Due to changes in assumptions	**(2)**	(37)	**(2)**	(37)
- Due to experience	**1**	8	**1**	8
Benefits paid	**(5)**	(4)	**(5)**	(4)
At end of the year	**106**	107	**106**	107

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movement in fair value of plan assets				
At beginning of the year	**104**	148	**104**	148
Net interest income	**5**	4	**5**	4
Remeasurements	**(9)**	(47)	**(9)**	(47)
Employer contributions	**3**	3	**3**	3
Benefits paid	**(5)**	(4)	**(5)**	(4)
At end of the year	**98**	104	**98**	104

SHPS - Net pension liability

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Analysis of the amount recognised in comprehensive income				
Net interest on the defined liability	**(1)**	-	**(1)**	-
Total	**(1)**	-	**(1)**	-
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**(3)**	(42)	**(2)**	(39)
Amount included in net interest on net defined benefit liability	**(4)**	(3)	**(4)**	(3)
Remeasurements – return on plan assets excluding interest income	**(7)**	(45)	**(6)**	(42)
Changes in assumptions underlying the present value of the plan liabilities	**3**	40	**2**	37
Changes due to experience	**1**	1	**1**	-
Remeasurements recognised	**(3)**	(4)	**(3)**	(5)
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**(20)**	(20)	**(19)**	(18)
Movement in year:				
Employer contributions	**4**	4	**4**	4
Other finance costs	**(1)**	(1)	**(1)**	(1)
Remeasurements	**(3)**	(3)	**(2)**	(4)
Net deficit at end of the year	**(20)**	(20)	**(18)**	(19)

04 Notes to the financial statements for the year ended 31 March 2024

9. Employee information (continued)

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movement in fair value of plan assets				
At beginning of the year	82	124	77	115
Net interest income	4	3	4	3
Remeasurements	(7)	(46)	(6)	(42)
Employer contributions	5	4	4	4
Benefits paid	(3)	(3)	(3)	(3)
At end of the year	81	82	76	77

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	103	144	97	134
Interest cost	5	4	4	4
Remeasurement:				
- Due to changes in assumptions	(3)	(40)	(3)	(38)
- Due to experience	(1)	(1)	-	-
Benefits paid	(3)	(3)	(3)	(3)
Other costs	-	(1)	-	-
Past service liability at end of the year	101	103	95	97

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

Group	2024 £m	2024 %	2023 £m	2023 %
Equities	77	30	56	21
Gilts	1	-	2	1
Corporate bonds	24	9	22	8
Property	15	6	13	5
Cash	8	3	7	3
Other assets	136	52	167	62
	261	100	267	100

LQHT	2024 £m	2024 %	2023 £m	2023 %
Equities	77	30	56	21
Gilts	1	-	2	1
Corporate bonds	24	9	22	8
Property	15	6	13	5
Cash	8	3	7	3
Other assets	132	52	162	62
	257	100	262	100

We were notified in 2021 by the Trustees 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 FY2025 at the earliest. It is estimated that this could potentially increased 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 Provision basis.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Company are currently considering the implications of the case for the Social Housing Pension Scheme. In addition, the Company has been informed by the scheme's trustee that this will be affected by questions which are being put to the High Court in the case of Verity Trustees Limited v Wood and others, which will be heard by the High Court in February 2025. In line with the prior year, the defined benefit obligation has been calculated on the basis of the pension benefits currently being administered, and at this stage the directors do not consider it necessary to make any adjustments to these financial statements as a result of the Virgin Media case.

04 Notes to the financial statements for the year ended 31 March 2024

10. Board members and executive directors

Group Board remuneration for the year was:	2024 £	2023 £
Aubrey Adams (Chair)	**36,251**	34,690
Fiona Fletcher-Smith (Chief Executive)	**-**	-
Waqar Ahmed (Group Finance Director)	**-**	-
Fayann Simpson	**22,520**	21,550
Michael More (resigned 31/12/2022)	**-**	15,056
Rajiv Jaitly (resigned 30/09/2022)	**-**	7,085
Louise Brooke-Smith	**20,977**	20,074
Sean Anstee (resigned 31/03/2023)	**-**	21,528
Maria Da Cunha	**20,977**	20,074
Raj Kumar	**16,856**	14,169
Dominique Kent	**20,977**	20,074
Nigel Hopkins (appointed 08/09/2022)	**20,977**	11,330
	159,535	185,630

Board expenses of £1,155 (2023: £1,586) 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 2024 £'000	Group 2023 £'000	LQHT 2024 £'000	LQHT 2023 £'000
Emoluments payable to the directors (excluding pension contributions, or cash in lieu payment thereof but including benefits in kind)	**1,722**	1,558	**1,722**	1,558
Pension contributions, or cash in lieu payment thereof, in respect of services as directors	**167**	133	**167**	133
	1,889	1,691	**1,889**	1,691
Emoluments payable to the Chief Executive (excluding pension contributions but including benefits in kind)	**357**	342	**357**	342

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 £20,520 (2023: £18,180). The Trust does not make any further contribution to an individual pension arrangement for the Chief Executive. A car allowance of £8,500 (2023: £8,500) is included in total emoluments.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2023: £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 2024

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 5 at the back of these Financial Statements.

	Group 2024 No.	Group 2023 No.	LQHT 2024 No.	LQHT 2023 No.
Salary Banding				
£60,001 to £210,000	-	-	-	-
£210,001 to £220,000	-	1	-	1
£220,001 to £230,000	-	-	-	-
£230,001 to £240,000	3	1	3	1
£240,001 to £250,000	1	2	1	2
£250,000 to £260,000	1	-	1	-
£260,001 to £270,000	-	-	-	-
£270,001 to £280,000	-	-	-	-
£280,001 to £290,000	-	-	-	-
£290,001 to £300,000	-	1	-	1
£300,001 to £310,000	1	-	1	-
£310,001 to £360,000	-	-	-	-
£360,001 to £370,000	-	1	-	1
£370,001 to £380,000	1	-	1	-
	7	6	7	6

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Current tax				
UK corporation tax	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Net origination and reversal of timing difference	4	25	-	-
Total tax on results on ordinary activities	4	25	-	-

04 Notes to the financial statements for the year ended 31 March 2024

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 25% (2023: 19%).
The differences are explained as follows:

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Surplus on ordinary activities before tax	**113**	15	**162**	146
Surplus multiplied by 25% (2023: 19%) the standard rate of UK corporation tax	**28**	3	**40**	28
Effects of:				
Non-taxable income	**-**	11	**-**	-
Origination and reversal of timing differences	**7**	(6)	**-**	-
Non-taxable charitable activities	**(39)**	(33)	**(40)**	(28)
Total tax charge/(credit) for the year	**(4)**	(25)	**-**	-

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 2024 was 25% (2023: 19%).

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 £16m (2023: £8m) is included in other debtors and is included in note 16a and 16b. The deferred tax liability as at 31 March 2024 has been calculated based on tax rate that is expected to apply to the reversal of the timing differences.

04 Notes to the financial statements for the year ended 31 March 2024

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

Low-cost home owners and leaseholders are responsible for the costs of maintenance and replacement of components except in some specific circumstances where management make a policy decision otherwise e.g. replacement of defective cladding.

All social housing grant (SHG) is amortised to income over 100 years for social housing lettings and over 25 years for low cost home ownership. Accumulated grant amortisation and any grant recognised through the performance method in equity is recorded as a contingent liability in the notes to the accounts (note 24).

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

Housing properties under construction and held for letting are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, a detailed assessment is undertaken to compare the carrying amount of cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of a 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 £11m 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 3.3% 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 £3m.

Group additions to new housing properties during the year include capitalised interest of £17m (2023: £22m) and capitalised directly attributable internal costs of £29m (2023: £26m). 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 £342m (2023: £347m) of which £112m (2023: £117m) was capitalised and included as additions to properties held for lettings.

04 Notes to the financial statements for the year ended 31 March 2024

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 2023	524	548	107	9,923	1,340	97	**12,539**
Reclassifications	185	(233)	55	3	(1)	(8)	**1**
Reclassifications from/(to) investment properties	-	-	(163)	-	-	-	**(163)**
Schemes completed in the year	(340)	(239)	(35)	340	239	35	**-**
Additions	195	156	85	104	8	-	**548**
Capitalised interest in the year	7	10	-	-	-	-	**17**
Transfer from/(to) current assets	(14)	69	11	-	1	-	**67**
Transfer from/(to) other fixed assets	-	-	-	-	-	7	**7**
Disposals	-	-	-	(115)	(34)	(8)	**(157)**
At 31 March 2024	**557**	**311**	**60**	**10,255**	**1,553**	**123**	**12,859**
Depreciation							
At 1 April 2023	**-**	**-**	**-**	**975**	**7**	**4**	**986**
Charge for year	-	-	-	92	1	-	**93**
Eliminated in respect of disposals	-	-	-	(23)	(1)	-	**(24)**
At 31 March 2024	**-**	**-**	**-**	**1,044**	**7**	**4**	**1,055**
Impairment							
At 1 April 2023	89	29	54	20	1	6	**199**
Schemes completed in the year	(49)	-	(23)	49	-	23	**-**
Charge for year	5	1	2	3	-	-	**11**
Release in the year on disposal	-	-	-	-	-	-	**-**
Other net impairment	12	(29)	26	1	-	-	**10**
Transfer to investment properties	-	-	(33)	-	-	-	**(33)**
At 31 March 2024	57	1	26	73	1	29	**187**
Net book value:							
At 31 March 2024	**500**	**310**	**34**	**9,138**	**1,545**	**90**	**11,617**
At 31 March 2023	**435**	**519**	**53**	**8,928**	**1,332**	**87**	**11,354**

For the Group, a total funding value of £10,070m (2023: £9,685m) 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 2023	428	552	14	9,610	1,314	93	**12,011**
Reclassifications	185	(233)	55	3	(1)	(8)	**1**
Schemes completed in the year	(340)	(239)	(35)	340	239	35	**-**
Additions	268	201	1	104	8	-	**582**
Capitalised interest in the year	7	10	-	-	-	-	**17**
Transfer from/(to) current assets	(3)	69	(29)	-	1	-	**38**
Transfer from/(to) other fixed assets	-	-	-	-	-	7	**7**
Disposals	-	-	-	(115)	(34)	(8)	**(157)**
At 31 March 2024	**545**	**360**	6	**9,942**	1,527	**119**	**12,499**
Depreciation							
At 1 April 2023	**-**	**-**	**-**	**999**	**7**	**6**	**1,012**
Charge for year	-	-	-	92	-	-	**92**
Eliminated in respect of disposals	-	-	-	(23)	(1)	-	**(24)**
Transfer from other fixed assets	-	-	-	-	-	1	**1**
At 31 March 2024	**-**	**-**	**-**	**1,068**	**6**	**7**	**1,081**
Impairment							
At 1 April 2023	59	19	13	21	1	6	**119**
Schemes completed in the year	(39)	-	(23)	39	-	23	**-**
Charge for year	4	1	2	**3**	-	-	**10**
Release in the year on disposal	-	-	-	-	-	-	**-**
Other net impairment	27	(19)	10	-	-	-	**18**
At 31 March 2024	51	1	2	63	1	29	**147**
Net book value:							
At 31 March 2024	**494**	**359**	**4**	**8,811**	**1,520**	**83**	**11,271**
At 31 March 2023	**369**	**533**	**1**	**8,590**	**1,306**	**81**	**10,880**

In LQHT, a total funding value of £9,617m (2023: £9,168m) has been pledged as security on debt.

04 Notes to the financial statements for the year ended 31 March 2024

12. Fixed assets – Housing properties (continued)

During the year, a scheme with commercial space was reclassified within Non-Social Housing Lettings whilst options to develop the site are considered, on the basis that this asset it not being held for capital appreciation.

Impairment

As a result of the impairment review outlined on page 141, the Group recognised £8m and LQHT £7m of impairment charge on housing properties under construction (2023: £90m for Group and £42m for LQHT). On housing properties held for lettings for both Group and LQHT, £3m (2023: £1m) impairment charge was recognised and nil release of impairment was recognised in the year (2023: £6m). As this was related to remediation costs on units handed over at a scheme still under construction, this was considered to be Development impairment, and therefore does not appear in Note 3b. Other net impairment reflects recalculations as a result of scheme improvements and tenure changes, which are considered to be a change in accounting estimate and not a movement in the overall net realisable value of a scheme. The Group defines a cash generating unit as a whole scheme (across mixed tenures) within housing properties.

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 2023	**59**	**2**	**9**	**15**	**85**
Additions	-	-	-	1	**1**
Disposals	(11)	(1)	(1)	(2)	**(15)**
Transfer from/(to) fixed assets	(7)	-	-	-	**(7)**
At 31 March 2024	**41**	**1**	**8**	**14**	**64**
Depreciation					
At 1 April 2023	**8**	**-**	**4**	**11**	**23**
Charge for year	1	-	1	2	**4**
Eliminated in respect of disposals	(2)	-	(1)	(2)	**(5)**
Transfer from/(to) fixed assets	(1)	-	-	-	**(1)**
At 31 March 2024	**6**	**-**	**4**	**11**	**21**
Net book value:					
At 31 March 2024	**35**	**1**	**4**	**3**	**43**
At 31 March 2023	**51**	**2**	**5**	**4**	**62**

LQHT	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2023	**61**	**2**	**7**	**17**	**87**
Additions	-	-	-	1	**1**
Disposals	(11)	(1)	(1)	(2)	**(15)**
Transfer from/(to) fixed assets	(7)	-	-	-	**(7)**
At 31 March 2024	**43**	**1**	**6**	**16**	**66**
Depreciation					
At 1 April 2023	**16**	**1**	**4**	**13**	**34**
Charge for year	1	-	1	2	**4**
Eliminated in respect of disposals	(2)	-	(1)	(2)	**(5)**
Transfer from/(to) fixed assets	(1)	-	-	-	**(1)**
At 31 March 2024	**14**	**1**	**4**	**13**	**32**
Net book value:					
At 31 March 2024	**29**	**-**	**2**	**3**	**34**
At 31 March 2023	45	1	3	4	**53**

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

04 Notes to the financial statements for the year ended 31 March 2024

13b. Intangible fixed assets

Group	Computer software £m	Total £m
Cost		
At 1 April 2023	**36**	**36**
Additions	17	**17**
Disposals	-	-
At 31 March 2024	**53**	**53**
Amortisation		
At 1 April 2023	**10**	**10**
Charge for year	5	**5**
Eliminated in respect of disposals	-	-
At 31 March 2024	**15**	**15**
Net book value:		
At 31 March 2024	38	**38**
At 31 March 2023	**26**	**26**

LQHT	Computer software £m	Total £m
Cost		
At 1 April 2024	**36**	**36**
Additions	17	**17**
Disposals	-	-
At 31 March 2023	**53**	**53**
Amortisation		
At 1 April 2024	**10**	**10**
Charge for year	5	**5**
Eliminated in respect of disposals	-	-
At 31 March 2023	**15**	**15**
Net book value:		
At 31 March 2024	**38**	**38**
At 31 March 2023	**26**	**26**

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.

04 Notes to the financial statements for the year ended 31 March 2024

14. Investments (continued)

Group	Barking Riverside Ltd £m	Limited Liability Partnerships £m	Associates £m	Total £m
Cost				
At 1 April 2023	**119**	**191**	**6**	**316**
Additions	10	14	-	**24**
Repayments	-	(41)	-	**(41)**
At 31 March 2024	**129**	**164**	**6**	**299**
Goodwill				
At 1 April 2023	**14**	**-**	**-**	**14**
Additions	**-**	**-**	**-**	**-**
Amortisation	(1)	-	-	**(1)**
At 31 March 2024	**13**	**-**	**-**	**13**
Impairment				
At 1 April 2023	-	-	-	**-**
Charge for the year	-	**-**	-	**-**
Release in the year	-	**-**	-	**-**
At 31 March 2024	**-**	**-**	**-**	**-**
Share of reserves				
At 1 April 2023	(12)	7	**1**	**(4)**
Share of profit in the year	(10)	21	-	**11**
Profit distributed	**-**	(27)	-	**(27)**
At 31 March 2024	(22)	1	**1**	**(20)**
Net book value:				
At 31 March 2024	**120**	**165**	**7**	**292**
At 31 March 2023	**121**	**198**	**7**	**326**

Addiscombe Oaks, Croydon

04 Notes to the financial statements for the year ended 31 March 2024

14. Investments (continued)

Included in the share of profit from joint ventures as shown in the group statement of comprehensive income £15m (2023: £19m) 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 2024 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%	**120**
BDWZest Developments LLP	BDW Trading Limited	50%	50%	-
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%	**2**
Countryside Zest (Beaulieu Park) LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**30**
Countryside L&Q (Oaks Village) LLP	Countryside Four Ltd	50%	50%	**3**
Acton Gardens LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**7**
Ponton Road LLP	Bellway Homes Limited	50%	50%	**2**
Erith Hills LLP	Anderson Design Limited	50%	50%	**33**
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%	-
Stepney Way 2 LLP	Mount Anvil	50%	50%	**4**
Laurus Partnership Homes LLP	Willmott Dixon Construction Limited	100%	50%	-
Health Social Innovators LLP	- Numbers for Good Limited - UCL Business PLC	50%	50%	-
Heath Farm Lane LLP	Vistry Linden Limited	50%	50%	-
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%	-
Laurus Living Space LLP	Various	50%	50%	-
Laurus Lovell Whalley LLP	Wates Construction Limited	50%	50%	-
Countryside L&Q (North East Chelmsford) LLP	Lovell Partnerships Limited'	50%	50%	**4**
L&Q Hill Brentford (Citroen Garage) LLP	Hill Residential Limited	50%	50%	**30**
Homes for Trafford LLP	Trafford Borough Council	50%	50%	**41**
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				**292**

04 Notes to the financial statements for the year ended 31 March 2024

14. Investments (continued)

L&Q Group did not enter in to any new joint ventures during 2024 (2023: 2). 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 2024, HomeBuy equity loans amounted to £82m for Group and £83m for LQHT (2023: £86m both Group and LQHT) and HomeBuy grant amounted to £74m for the Group and LQHT (2023: £77m).

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 2024, there are 1,295 investment properties with a value of c.£503m 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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At 1 April 2023	**1,083**	1,162	**3**	8
Additions	**2**	11	**-**	-
Transfer from/(to) fixed assets	**130**	(4)	**-**	(3)
Revaluation	**(30)**	(85)	**-**	(2)
Disposal	**-**	(1)	**-**	-
At 31 March 2024	**1,185**	1,083	**3**	3

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. Repayments started in the year, reducing the outstanding balance to £6m for FY2024.

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 2024, LQHT held £550m in PRS Co Ltd (2023: £300m), £311m in L&Q Estates Ltd (2023: £311m), £250m in L&Q New Homes Ltd (2023: £250m), £5m in L&Q Energy Ltd (2023: £5m).

L&Q Financial Statements 2024

04 Notes to the financial statements for the year ended 31 March 2024

15. Land and properties for sale and work in progress

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

Strategic land under development and promotion included as open market sales under construction is valued at the lower of cost and estimated selling price less costs to complete and selling expenses.

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

Group	Land and Properties under construction		Completed properties for sale		
	Low-cost home ownership	Open market sales	Low-cost home ownership	Open market sales	Total
	£m	£m	£m	£m	£m
At 1 April 2023	**168**	**351**	**149**	**44**	**712**
Completed in the year	(55)	(86)	55	86	**-**
Additions	73	123	-	-	**196**
Capitalised interest	5	3	-	-	**8**
Transfer (to)/from fixed assets	(76)	(1)	(1)	9	**(69)**
Reclassification	-	-	-	-	**-**
Cost of properties sold	-	(39)	(110)	(111)	**(260)**
Impairment charge - current assets	(9)	(1)	-	-	**(10)**
Release of impairment on disposal	1	-	-	-	**1**
Net impairment reclassification	19	(7)	-	-	**12**
At 31 March 2024	**126**	**343**	**93**	**28**	**590**

LQHT	Properties under construction		Completed properties for sale		
	Low-cost home ownership	Open market sales	Low-cost home ownership	Open market sales	Total
	£m	£m	£m	£m	£m
At 1 April 2023	**150**	**2**	**148**	**1**	**301**
Completed in the year	(55)	(33)	55	33	**-**
Additions	90	6	-	-	**96**
Capitalised interest	5	-	-	-	**5**
Transfer (to)/from fixed assets	(76)	29	(1)	9	**(39)**
Reclassification	-	-	-	-	**-**
Cost of properties sold	-	-	(110)	(33)	**(143)**
Impairment charge - current assets	(14)	-	-	-	**(14)**
Release of impairment on disposal	1	-	-	-	**1**
Net impairment reclassification	17	-	-	-	**17**
At 31 March 2024	**118**	**4**	**92**	**10**	**224**

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 £251m (2023: £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.

Net Impairment reclassification of £12m Group and £17m LQHT recognises movements within schemes due to tenure changes and scheme improvements during the year, which are considered change in accounting estimate and not a movement in the overall net realisable value of a scheme .

04 Notes to the financial statements for the year ended 31 March 2024

16a. Debtors due after more than one year

On-lending loans made to subsidiaries by London and Quadrant Housing Trust are classified as a long term debt as formal agreements deem them not to be repayable within one year. These are shown at cost with interest between 1% and 5.8% (2023: 4.8% and 8.2%) charged at arm's length.

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Amounts owed by subsidiaries	**-**	-	**595**	750
Forward funding of land purchase	**56**	57	**56**	54
Shared equity	**2**	2	**2**	2
	58	59	**653**	806

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Amounts receivable within one year:				
Former tenant arrears	**15**	14	**13**	12
Less: provision for bad and doubtful debts	**(15)**	(14)	**(13)**	(12)
	-	-	**-**	-
Current tenant arrears	**46**	44	**45**	44
Less: provision for bad and doubtful debts	**(6)**	(12)	**(6)**	(12)
	40	32	**39**	32
Deferred tax asset	**14**	8	**-**	-
Other debtors and prepayments	**121**	126	**60**	42
Amount owing from subsidiaries	**-**	-	**35**	80
	175	166	**134**	154

Other debtors and prepayments include deferred land debtors of £30m (2023: £56m) and development debtors of £15m (2023: £11m).

17. Cash and cash equivalents

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Cash and cash equivalents	**175**	146	**60**	69

Restrictions on cash and cash equivalents include £18m (2023: £29m) held in debt service reserve and £3m (2023: £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.

04 Notes to the financial statements for the year ended 31 March 2024

18. Creditors: amounts falling due within one year

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Debenture loans (see note 22)	**11**	21	**11**	21
Bank loans and overdrafts (see note 22)	**105**	295	**105**	295
Trade creditors	**52**	84	**14**	26
Other taxation and social security	**18**	21	**5**	4
Accruals and deferred income	**205**	228	**105**	133
Other creditors	**181**	175	**125**	121
Social housing grant (see note 20)	**27**	26	**28**	26
Amounts due to subsidiaries	**-**	-	**68**	26
	599	850	**461**	652

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 £65m related to Land sales (2023: £79m). Included in other creditors is development related creditors of £106m (2023: £93m). During the year a reclassification of £6m relating to Grant Funding was applied, from creditors due within one year to creditors due after more than one year (see Note 19).

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

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Debenture loans (see note 22)	**3,467**	3,504	**3,167**	3,204
Bank loans and overdrafts (see note 22)	**2,005**	1,570	**2,005**	1,570
Total housing loans	**5,472**	5,074	**5,172**	4,774
Net issue premium	**(34)**	(32)	**(33)**	(31)
Loan fair value adjustments	**78**	83	**-**	-
Total loans measured at amortised cost	**5,516**	5,125	**5,139**	4,743
Deferred income	**15**	3	**15**	3
Other creditors	**75**	65	**74**	65
Recycled capital grant fund (see note 21)	**128**	115	**128**	115
	5,734	5,308	**5,356**	4,926

During the year, a reclassification of £6m relating to Grant Funding has been applied from creditors due within one year to creditors due after more than one year, shown within deferred income.

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 2023	**284**	**137**	**-**	**1,812**	**237**	**-**	**2,470**
Reclassification	17	(19)	-	1	1	-	**-**
Schemes completed in the year	(35)	(28)	-	35	28	-	**-**
Received during the year	-	1	-	-	-	-	**1**
Repaid during the year	-	-	-	-	-	-	**-**
Transferred to other RP's	-	-	-	(16)	-	-	**(16)**
Recycled on disposal	-	-	-	(2)	(5)	-	**(7)**
At 31 March 2024	**266**	**91**	**-**	**1,830**	**261**	**-**	**2,448**
Amortisation							
At 1 April 2023	-	-	-	270	109	-	**379**
Charge for the year	-	-	-	18	10	-	**28**
Eliminated on disposal	-	-	-	(4)	(2)	-	**(6)**
At 31 March 2024	-	-	-	**284**	**117**	-	**401**
Net book value:							
At 31 March 2024	**266**	**91**	**-**	**1,546**	**144**	**-**	**2,047**
At 31 March 2023	**284**	**137**	**-**	**1,542**	**128**	**-**	**2,091**

20. Social Housing Grant (continued)

Social Housing Grant	Group 2024	Group 2023
Within one year	27	26
Greater than one year	2,020	2,065
Total	**2,047**	2,091

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 2023	284	137	-	1,851	246	-	2,518
Reclassification	17	(19)	-	1	1	-	-
Schemes completed in the year	(35)	(28)	-	35	28	-	-
Received during the year	-	1	-	-	-	-	1
Repaid during the year	-	-	-	-	-	-	-
Transferred to other RP's	-	-	-	(16)	-	-	(16)
Recycled on disposal	-	-	-	(2)	(5)	-	(7)
At 31 March 2024	266	91	-	1,869	270	-	2,496
Amortisation							
At 1 April 2023	-	-	-	273	110	-	383
Charge for the year	-	-	-	18	10	-	28
Eliminated on disposal	-	-	-	(4)	(2)	-	(6)
At 31 March 2024	-	-	-	287	118	-	405
Net book value:							
At 31 March 2024	266	91	-	1,582	152	-	2,091
At 31 March 2023	284	137	-	1,578	136	-	2,135

Social Housing Grant	LQHT 2024	LQHT 2023
Within one year	28	26
Greater than one year	2,063	2,109
Total	**2,091**	2,135

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	115	112	115	112
Net HomeBuy grant abated	-	-	-	-
Transferred to fund during year	20	16	20	16
Utilised during the year against new build	(7)	(13)	(7)	(13)
At end of the year	128	115	128	115

There are no amounts 3 years old or older where repayment may be required (2023: £nil).

04 Notes to the financial statements for the year ended 31 March 2024

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Creditors falling due within one year				
Debenture loans	**11**	21	**11**	21
Bank loans	**105**	295	**105**	295
	116	316	**116**	316
Creditors falling due after more than one year				
Debenture loans	**3,467**	3,504	**3,167**	3,204
Bank loans and overdrafts	**2,005**	1,570	**2,005**	1,570
	5,472	5,074	**5,172**	4,774
Total housing loans	**5,588**	5,390	**5,288**	5,090

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 2024 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 2024.

Group Debt analysis – interest-bearing loans and borrowings

As at 31 March 2024	Total loans £m	Interest on loans £m	Total £m
Due less than one year	**(116)**	**(241)**	**(357)**
Between one and two years	**(705)**	**(211)**	**(916)**
Between two and three years	**(966)**	**(167)**	**(1,133)**
Between three and five years	**(893)**	**(250)**	**(1,143)**
In five years or more	**(2,908)**	**(1,236)**	**(4,144)**
Gross contractual cash flows	**(5,588)**	**(2,105)**	**(7,693)**

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)

04 Notes to the financial statements for the year ended 31 March 2024

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

LQHT Debt analysis – interest-bearing loans and borrowings

As at 31 March 2024	Total loans £m	Interest on loans £m	Total £m
Due less than one year	(116)	(232)	(348)
Between one and two years	(705)	(202)	(907)
Between two and three years	(791)	(159)	(950)
Between three and five years	(768)	(242)	(1,010)
In five years or more	(2,908)	(1,236)	(4,144)
Gross contractual cash flows	(5,288)	(2,071)	(7,359)

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)

The weighted average cost of fixed rate loans was 3.5% (2023: 3.5%), and variable rate loans was 6.1% (2023: 4.9%) inclusive of lending margins. 62% of the Group's debt, including the use of financial instruments (see note 29) was fixed (2023: 65%). Interest rates on fixed rate debt range from 2.0% to 11.5% (2023: 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 2024	5,588	2,110	3,748	4.13	10
At 31 March 2023	5,390	1,865	3,525	4.09	11

Analysis of changes in net debt - Group

	As at 31 March 2023	Cashflows	Other non- cash movements	As at 31 March 2024
Cash	146	29	-	175
Debt due within one year	(316)	497	(296)	(115)
Debt due after one year	(5,074)	(69)	(330)	(5,473)
Net debt	(5,244)	457	(626)	(5,413)

04 Notes to the financial statements for the year ended 31 March 2024

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	**98**	110	**35**	36
Increase in provision	**16**	31	**16**	21
Release of provision	**(23)**	(43)	**(17)**	(22)
At end of the year	**91**	98	**34**	35

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 £8m 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, £9m was released.

	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	**9**	24	**9**	24
Increase in provision	**8**	5	**8**	5
Release of provision	**(9)**	(20)	**(9)**	(20)
At end of the year	**8**	9	**8**	9

Self-insurance reserve provision
A self-insurance amount of £3m that decreased by £1m in the year

At beginning of the year	**4**	2	**4**	2
Increase in provision	**-**	2	**-**	2
Release of provision	**(1)**	-	**(1)**	-
At end of the year	**3**	4	**3**	4

04 Notes to the financial statements for the year ended 31 March 2024

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	51	35	12	-
Increase in provision	6	21	4	12
Release of provision	(12)	(5)	(4)	-
At end of the year	45	51	12	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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	4	4	4	4
Increase in provision	-	-	-	-
Release of provision	-	-	-	-
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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	7	5	6	5
Increase in provision	2	3	3	3
Release of provision	(2)	(1)	(2)	(2)
At end of the year	7	7	7	6

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	23	40	-	-
Increase in provision	-	-	-	-
Release of provision	-	(17)	-	-
At end of the year	23	23	-	-

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At start of the year	1,816	1,795	1,769	1,748
Increase in the year	28	25	28	25
Eliminated in respect of disposals	(6)	(4)	(6)	(4)
At end of the year	1,838	1,816	1,791	1,769

The £28m 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 £6m (2023: £4m) relates to grant on units that were disposed in the year predominantly through stock transfers.

04 Notes to the financial statements for the year ended 31 March 2024

25. Share capital

	Group 2024 £	Group 2023 £	LQHT 2024 £	LQHT 2023 £
Shares of £1 each issued and fully paid				
At beginning of the year	**7**	9	**7**	9
Issued during year	**-**	1	**-**	1
Cancelled or eliminated during the year	**-**	(3)	**-**	(3)
At end of the year	**7**	7	**7**	7

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Expenditure that has been contracted for but has not been provided for in these financial statements	**828**	1,167	**684**	1,016
Expenditure that has been authorised by the Governing Board but has not yet been contracted for	**436**	487	**363**	461
	1,264	1,654	**1,047**	1,477
The Group expects to finance contracted commitments through:				
Social housing grant	**316**	364	**308**	364
Surpluses and borrowings	**512**	803	**376**	652
	828	1,167	**684**	1,016

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 £2.5bn (2023: £3.1bn) of which £1.9bn (76%) is currently committed (2023: £2.5bn which was 81%).

26. Capital commitments (continued)

Our approved development pipeline has the following projections:

	Group 2024	Group 2023
Homes in the development pipeline	**21,209**	25,594
		£m
Projected pipeline cost	**2,505**	3,134
Projected source of funding		
Social housing grant	**459**	492
Surpluses and borrowings	**2,046**	2,642
	2,505	3,134

27. Commitments under operating leases

Total commitments under operating leases are as set out below:

Land and buildings Operating leases which expire:	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
In less than one year	**2**	2	**2**	2
Between one and five years	**1**	3	**1**	3
After five years	**-**	-	**-**	-
Total	**3**	5	**3**	5

Vehicle leases Operating leases which expire:	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
In less than one year	**2**	1	**2**	1
Between one and five years	**2**	2	**2**	2
After five years	**-**	-	**-**	-
Total	**4**	3	**4**	3

04 Notes to the financial statements for the year ended 31 March 2024

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 2024:

2024	Sales income	Cost of sales	Operating costs	Gift aid	Loan interest payable	Loan interest receivable	Loan creditors	Loan debtors	Other creditors	Other debtors
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	326	(328)	-	-	(11)	-	(17)	-	-	33
L&Q New Homes Ltd	1	31	(5)	(20)	(7)	-	(45)	-	(3)	-
L&Q PRS Co Ltd	-	-	(5)	-	(38)	-	(380)	-	(3)	-
L&Q Energy Ltd	-	-	-	(1)	-	-	-	-	-	-
East Place Ltd	-	-	-	-	-	-	(2)	-	-	-
THT and L&Q Developments LLP	4	(4)	-	-	(3)	-	(83)	-	-	-
THT Developments Ltd	6	(6)	-	-	-	-	-	-	-	-
Gallagher Estates Ltd	-	-	-	(4)	(4)	-	(71)	-	-	-
Gallagher Estates Longstanton Ltd	-	-	-	(1)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(24)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	(7)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	18	(30)	9	58	(2)	64	-	598	(33)	5

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 2023:

2023	Sales income	Cost of sales	Operating costs	Gift aid	Loan interest payable	Loan interest receivable	Loan creditors	Loan debtors	Other creditors	Other debtors
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	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

04 Notes to the financial statements for the year ended 31 March 2024

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 (2023: 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 £6,646 (2023: £6,211) of which £nil (2023: £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 completed a stock transfer with Heart of Medway Housing Association Ltd for the purchase price of £21,711,999 in the year. Nigel Hopkins is the Chair of the Board of MHS Homes Group, the parent company of Heart of Medway Housing Association Ltd.
- LQHT paid the Centre for London £24,000 in the year in relation to premium membership fee, 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 £184,975 towards the National Housing Federation (NHF), with no amounts outstanding at year end. Waqar Ahmed is a board member of National Housing Federation.
- LQHT recharged Barking Riverside Limited (BRL) £18,650 in relation to audit fees, with no amounts outstanding at year end. Victoria Savage and Steven Moseley are current board members of BRL.
- LQHT were charged £8,306 for services provided by International Distribution Services (formerly Royal Mail), of which no amounts were outstanding at year end. Maria da Cunha is a non-executive director at Royal Mail.
- LQHT paid £548,327 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 incurred costs of £181,460 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.
- LQHT paid subscription fees of £2,588 to the Registered Institute of Chartered Surveyors (RICS) in the year. No amounts were outstanding at the end of the year. Dr Louise Brooke-Smith is a Director on the RICS Management Board and the RICS Diversity, Equity and Inclusion Board.
- LQHT made a donation of £6,000 to Birmingham City University during the year, in relation to a scholarship payment through the Turlough O'Brien scholarship programme, which is a L&Q Foundation initiative to support student residents into University by making contributions towards tuition fees. Dr Louise Brooke-Smith was a Governing Board Member at the University during the year.

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.

04 Notes to the financial statements for the year ended 31 March 2024

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Financial instruments measured at fair value through profit and loss	-	-	-	-
Total loans measured at amortised cost	**5,632**	5,441	**5,255**	5,059
At end of the year	**5,632**	5,441	**5,255**	5,059

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 2024 62% 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. There are no current cashflow hedges to report in any of the L&Q Group companies and hence the movement through the cash flow reserve for the year ended 31 March 2024 was £nil (2023: £nil.)

The Group's cash flow interest rate risk exposure is managed in accordance with treasury policy. As at 31 March 2024 a 1% increase in interest rates would result in an additional charge of £21m (2023: £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 52% of the Group's borrowings were due to mature in more than five years (2023: 59%). The liquidity risk of each Group entity is managed centrally by the Group treasury function in accordance with the Board approved Treasury Plan.

30. Financial assets and liabilities

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

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

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

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

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

Group	Financial assets at fair value		Financial assets at amortised cost	
Financial assets	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Investment properties and real lettings property fund	**1,191**	1,093	**-**	-
Cash and cash equivalents	**-**	-	**175**	146
Debtors	**-**	-	**232**	222
	1,191	1,093	**407**	368

	Financial liabilities at fair value		Financial liabilities at amortised cost	
Financial liabilities	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Trade and other payables	**-**	-	**558**	608
Loans and borrowings	**-**	-	**5,632**	5,441
Derivatives				
• Designated hedges	**-**	-	**-**	-
• Fair value through profit and loss	**-**	-	**-**	-
	-	-	**6,190**	6,049

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 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
At beginning of the year	**26**	25	**24**	23
Movement in provision	**(5)**	1	**(5)**	1
At end of the year	**21**	26	**19**	24

Arrears	Group 2024 £m	Group 2023 £m	LQHT 2024 £m	LQHT 2023 £m
Less than 30 days	**20**	7	**19**	6
30 to 60 days	**6**	5	**5**	5
60 to 90 days	**4**	4	**4**	4
More than 90 days	**31**	42	**30**	40
	61	58	**58**	55

Included in the above are £15m (2023: £14m) 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. Events after the reporting period
On 6th August 2024, L&Q Estates and its subsidiaries were sold to Urban & Civic. For the year ended 31 March, 2024, land sales generated 7% of the turnover of the Group and 12% of the Group's EBITDA. The value of strategic land stock held as at the year ended 31 March, 2024 was £251m which represented 2% of the Group's total assets.

04 Notes to the financial statements for the year ended 31 March 2024

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 individual entities for the current and previous year are shown below. As the transfer of engagement of THT was completed on 31st 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 31st 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

CGI of Prime Point, Greenwich

04 Notes to the financial statements for the year ended 31 March 2024

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

04 Notes to the financial statements for the year ended 31 March 2024

33. Details of Transfer of Engagement (continued)

Alignment of Accounting Policies
THLQC and 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
Interest receivable and similar income	(9)
Interest payable and similar charges	9
Total Adjustment to comprehensive income	-

2. Elimination of loan balance between LQHT and THT

Statement of financial position	Total Adjustment 2023 £m
Debtors due after more than one year	(293)
Creditors: amounts falling due after more than one year	293
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
Debtors due after more than one year	(22)
Current Assets: debtors	(22)
Creditors: amounts falling due after more than one year	44
Total Adjustment to statement of financial position	-

04 Notes to the financial statements for the year ended 31 March 2024

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	Application to strike off and dissolve the company submitted. 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

04 Notes to the financial statements for the year ended 31 March 2024

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	Company dissolved October 2023
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	Company dissolved 16 May 2023
THT Social Investments Limited	Limited company by shares registered in England and Wales	Company dissolved 3 October 2023.

Under s479(c) of the Companies Act 2006, the following subsidiary companies are exempt from the requirements of audit of their individual company accounts, through the application of a parental guarantee for the year ended 31 March 2024:

i) THT Development Limited

ii) THT and L&Q Developments LLP

04 Notes to the financial statements for the year ended 31 March 2024

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 FY2024 to disclose (2023: 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 and cash equivalents.

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 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 2024
Operating margin (overall - RSH calculation) - Note 3a calculated as operating surplus excluding gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties ÷ turnover	**£231m ÷ £1,122m** **= 21%**
Operating margin (social housing lettings "SHL" only - RSH calculation) - Note 3a 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	**£224m ÷ £705m** **= 32%**
EBITDA MRI (as % of interest - L&Q calculation) EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs calculated as EBITDA MRI ÷ net cash interest payable x 100	**£343m ÷ £242m** **= 142%**
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	**£5,413m ÷ £11,617m** **= 47%**
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	**£363m ÷ £13,667m** **= 2.7%**
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 ÷ (£41m +£112m)** **= 1.1**
Headline social housing cost per unit Total social housing cost (per note 3) Total social housing homes (per note 4) Total	**£562m ÷ 90,343** **= £6,221**
Management cost per unit Total management cost (per note 3) Total social housing homes (per note 4) Total	**£72m ÷ 90,343** **= £797**
Service charge cost per unit Total service charge cost (per note 3) Total social housing homes (per note 4) Total	**£102m ÷ 90,343** **= £1,129**
Maintenance cost per unit Total routine maintenance + planned maintenance cost (per note 3) + capitalised major repairs per (note 12) Total social housing homes (per note 4) Total	**(£173m +£41m+£112) ÷ 90,343** **= £3,608**
Other social housing costs per unit Total other social housing cost (per note 3) Divided by total social housing homes (per note 4) Total	**£62m ÷ 90,343** **= £687**
Overheads as % of adjusted turnover Calculated as overheads ÷ turnover excluding amortised grant, adjusted for cost of sales x 100	**£78m ÷ £921m** **= 9%**

04 Notes to the financial statements for the year ended 31 March 2024

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 2023 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 empty homes. 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 empty homes, consumption figures were calculated using the total energy spend data for electricity and gas, provided by our empty homes energy supplier, and applying the corresponding tariff and charge rates. However, a large number of our empty homes were not moved to our empty homes 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 empty homes 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.

To reflect L&Q's 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.

05 Other company information

Executive Directors

Fiona Fletcher-Smith (Chief Executive)

Waqar Ahmed (Group Finance Director)

Steve Moseley

Tom Nicholls

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,
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Statutory auditor

KPMG LLP
15 Canada Square
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Banker

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E14 5HP

Registrations

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

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