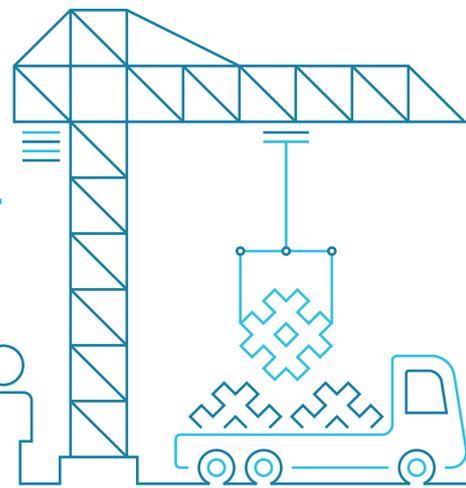


SHAREHOLDERS ANNUAL REPORT

2015 ⇒ 2016



INTRODUCTION

Welcome to our report

The events of the past year underlined the ever-changing nature of our operating environment.

The newly-elected government of 2015 signalled a major change in housing policy with the emphasis on home ownership and then surprised the sector with its one per cent cut in social rents. We responded swiftly but calmly with a tactical plan to address the £23m four-year shortfall this meant for our income. This plan is now business as usual and testament to our financial resilience and ability to take decisive action.

The year began with the launch of our Thousand Days plan setting out our ambitions which included building 1,800 new homes and helping 1,000 tenants into work, self employment or training.

We celebrated ten successful years with the Swarcliffe private finance initiative which has transformed the Leeds estate, improving the quality of residents' lives and benefiting from our excellent repairs service. It's been a first class partnership.

Assurance was a main focus of the year and gaps in our critical processes that led to the previous year's regulatory downgrade were addressed. Key appointments were made to improve compliance and by the end of the year we achieved 100 per cent gas safety certification and improvements in other key risk areas.

We commissioned a governance review and implemented all of its recommendations, including payment of members. This contributed to the regulator restoring top ratings for governance following their in-depth assessment at the end of the year.

It was a challenging but successful period and our staff responded. We were delighted to secure our highest employee engagement score of 83 per cent – just two per cent short of our 2018 target – from our best response rate when 91 per cent of people made their views known.

Our results for 2015/16 in this report show that Yorkshire Housing continues to grow and improve, despite the uncertain political and economic climate.

Jim Taylor, Chair of the Board
Mervyn Jones, Chief Executive



GOVERNANCE AND ACCOUNTABILITY

Board

The Board currently consists of ten members. This includes the two new members, Linda Christon and Richard Flanagan, who have been put forward for election at the Annual General Meeting. We monitor the skills and experience of each member to ensure the Board has the right portfolio of skills including:

- Entrepreneurial leadership
- Strategic awareness
- Risk identification and management
- Financial planning and management
- Property development and regeneration
- Social housing policy and care management
- Tenancy and community issues
- The ability to take an independent view
- Analytical skills
- Valuing equality and diversity.

Vacancies on the Board and Committees are advertised widely and a rigorous selection process takes place. Members themselves sit on the selection panels and make recommendations on appointments. Three members will step down at the AGM including Jim Taylor (Chair) and Jacqui Bateson (Vice Chair) and John Baker. After that date Will Lifford will become Chair and Sue Hall Vice Chair. These replacements are from within the existing Board membership. Following recruitment to replace two of the three departing members we have now selected Philip Severs to be recommended for appointment with one vacancy left to fill. This will ultimately result in a board consisting of nine members in line with the recommendation from the Governance review (see later).

Committees

Three Committees operated across Yorkshire Housing. Committee membership at 31 March 2016 is shown below.

Customer Services Committee

- John Baker (Vice Chair)
- Linda Christon
- Customer working with the Committee: Elia Stojanovic
- Jacqui Bateson
- David Perry (Chair)
- Doreen Benson
- Linda Woodward

Risk and Assurance Committee

- Lish Harris
- Philip Johnson (Vice Chair)
- Will Lifford (Chair)
- Paul Nilsen
- Dennis O'Higgins

Governance Committee

- Jacqui Bateson (Chair)
- Sue Hall
- Keith Holloway
- Jim Taylor

Space Property Board

- Cecilia Brodigan
- Sarah Hall
- Martin Simpson
- Richard Flanagan
- Keith Holloway



GOVERNANCE AND ACCOUNTABILITY

Board

At 31 March 2016 a small board oversaw the work of our trading subsidiary, Space Property. This has subsequently been replaced with the Development Committee overseeing Space Property and Development activity. There is also a local committee that works with tenants in Skipton and the surrounding area.

Governance Review

This is the first full year following a Governance Review performed by Campbell Tickell, consultants specialising in the housing sector. All of the recommendations from the review have now been implemented or will be completed at the AGM including:

1. Reducing the size of the Board to nine members and of the Committees to a size commensurate with their responsibilities,
2. Updating the Board terms of reference to clarify responsibility for strategic and policy decisions and risk,
3. Introducing a skills matrix for members that will be reviewed annually,
4. Modifying the role of the renamed Risk and Assurance Committee such that it is in a better position to provide the Board with assurance,
5. Updating the terms of reference for the Customer Services Committee to clarify the breadth of scope and role in influencing customer impacting decisions by the Board,
6. Closer working relationships between the Board and the Executive team; and,
7. Payment for Board and Committee members to attract and retain individuals with the skills and experience needed.

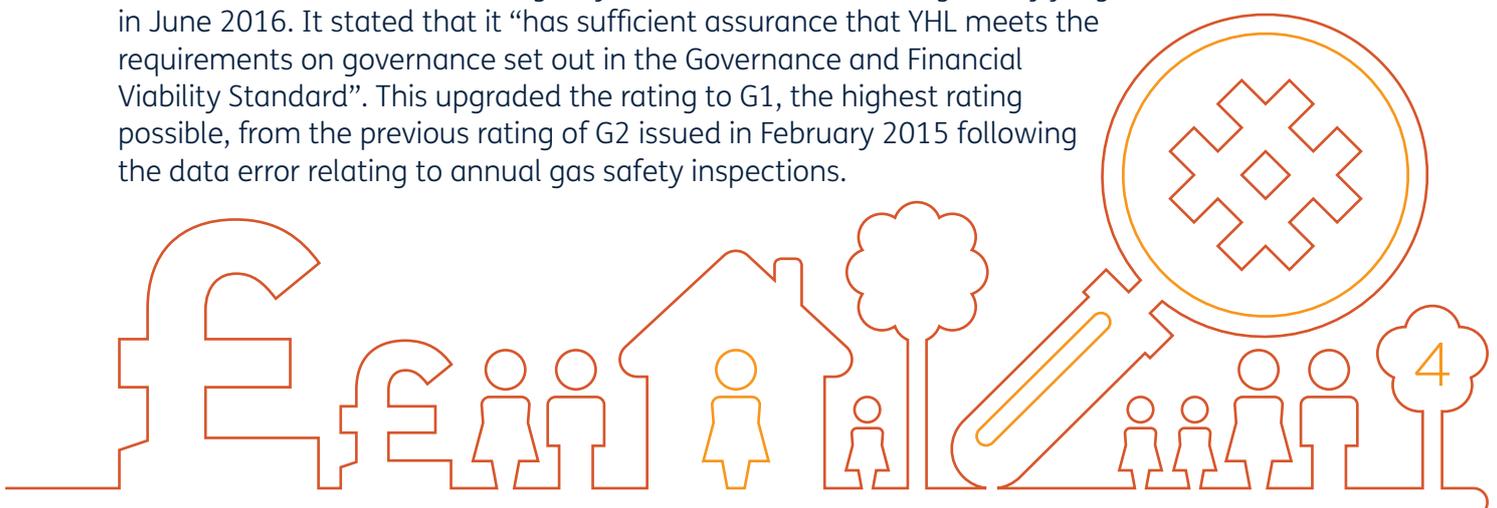
Managing Risk and Internal Controls

Yorkshire Housing maintains rigorous internal control systems. The effectiveness of these is reviewed regularly through management audits and by Auditors who report directly to the Risk and Assurance Committee.

In addition to the audit work overseen by the Risk and Assurance Committee, the Board receives an annual statement from management giving assurance on internal controls. Our aim is to balance good control systems with flexibility so that we can respond promptly and sensitively to the widely varying environment in which we provide homes and housing services.

Governance Rating from the Homes and Communities Agency

The Homes and Communities Agency (HCA) issued its latest regulatory judgement in June 2016. It stated that it “has sufficient assurance that YHL meets the requirements on governance set out in the Governance and Financial Viability Standard”. This upgraded the rating to G1, the highest rating possible, from the previous rating of G2 issued in February 2015 following the data error relating to annual gas safety inspections.



GOVERNANCE AND ACCOUNTABILITY

Code of Governance

The Board has adopted the National Housing Federation's Code of Governance 2015 and currently complies with all the Code's provisions except one. The Code recommends that years of service on previous Boards within the Group must be rolled up to comply with the maximum nine year limit on Board service.

Three Members who have served for more than nine years including service elsewhere in the Group will step down at the AGM in September 2016 after which we will be fully compliant.

Member Obligations

Obligations for Members are to support our values (Respect, Reliability, and Enthusiasm); use their skills to guide and lead our business; develop and support the Yorkshire Housing Plan; comply with our Code of Conduct and attend meetings, training and appraisals.

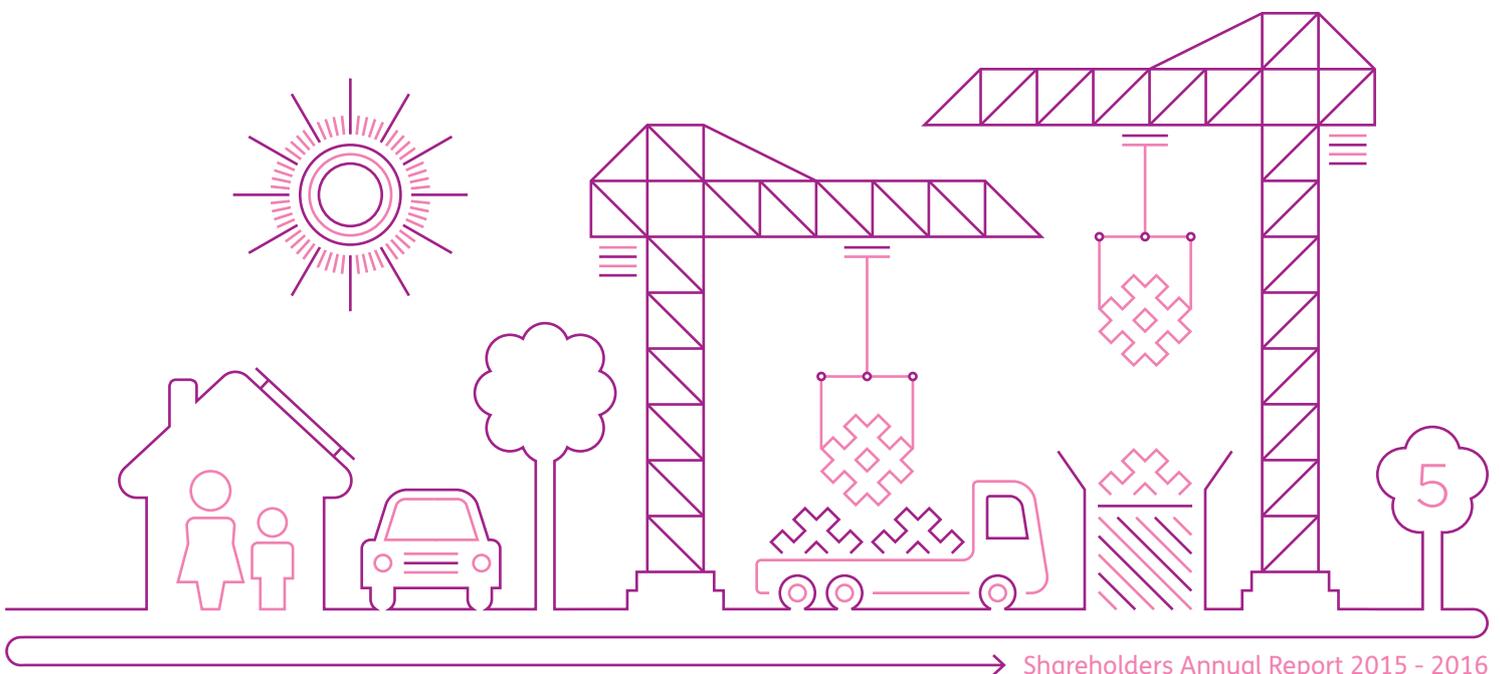
Members are also obliged to act with reasonable care and prudence in the interests of Yorkshire Housing, and to act in a personal capacity, not representing any other organisation or group of people.

Shareholders

At 31 March 2016 Yorkshire Housing had 195 shareholding members.

A Shareholding Membership Policy is in place. Applicants for shareholding membership must show that they support Yorkshire Housing, widen representation from local communities or improve overall diversity. They also sign to say they will meet Yorkshire Housing's Shareholder Principles.

A shareholder's main role is at Annual General Meetings to consider the Board and Executive team's review of the past year, to adopt the accounts, elect the Board and approve any changes to the Yorkshire Housing Rules. From time to time shareholders may be called on by the Board or senior staff to support the Association's work.



BOARD MEMBERS - 31 MARCH 2016



Jim Taylor
Chair - stepping down at AGM



Jacqui Bateson
Vice Chair - stepping down at AGM



John Baker
Board Member - stepping down at AGM



Linda Christon
For election at AGM



Richard Flanagan
For election at AGM



Sue Hall
Board Member



Keith Holloway
Board Member



Will Lifford
Board Member



Paul Nilsen
Board Member



David Perry
Board Member



FINANCIAL RESULTS

Business Review and Results

The Group adopted FRS102 financial reporting standards for the first time this year, the effective date of transition was 1 April 2014. The Board is satisfied with the results for the year and with the position of the Group and Association as at 31 March 2016. The Group made a surplus for the year after taxation of £11.7m (2015: restated £15.4m). In addition the North Yorkshire Pension scheme which is accounted for in other comprehensive income shows a reduction in scheme liabilities resulting in a credit of £1.4m (2015: increased liability by £2.3m), in addition the accounts include in operating costs a remeasurement charge of £2.6m relating to the Social Housing Pension scheme 2015: nil.

Auditors' Opinion

Auditors' opinion is that Yorkshire Housing Limited's financial statements (the "financial statements")

- Give a true and fair view of the state of the Group's and of the registered provider's affairs as at 31 March 2016 and the Group's and the registered provider's result and cash flows for the year then ended; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

Solicitors

- Bevan Brittan
- Devonshires
- Trowers & Hamblins
- Rollits
- Whiteheads
- Ward Hadaway
- Forbes

Auditors

- PriceWaterhouseCoopers (External Auditors)
- BDO (Internal Auditors)

Funders

- Dexia Public Finance Bank
- Royal Bank of Scotland plc
- Lloyds Banking Group plc
- Santander plc
- Haven Funding (32) plc
- Orchardbrook Ltd
- The Housing Finance Corporation
- Bank of Scotland (HBOS)

Co-operative & Community Benefit Society Registered No. 30443R
Homes & Communities Agency Registered No. L4521



FINANCIAL RESULTS

Consolidated income and expenditure*	2016 - £'000	2015 - £'000
Turnover	94,732	92,115
Operating costs	(70,446)	(67,200)
Other income	724	873
Operating profit	25,010	25,788
Share of operating profit of joint venture	181	180
Profit on property sales	2,619	3,350
Interest receivable and similar income	956	974
Interest payable and similar charges	(16,995)	(15,183)
Other finance (costs) / income	(38)	374
Surplus for the year	11,733	15,483
Tax	(40)	(43)
Surplus / (loss) after tax	11,693	15,440
Revaluation movement	77	56
Pension reserve movement	1,430	(2,323)
Other comprehensive income	(89)	24
Total comprehensive income for the year	13,111	13,197
Statement of financial position		
Fixed assets		
Housing properties cost	783,733	753,187
Investment properties	27,887	26,003
Investment in subsidiaries joint venture	(1,346)	(1,588)
	810,274	777,602
Current assets	16,905	36,516
Creditors: amounts falling due in one year	(19,761)	(19,142)
Total assets less current liabilities	807,418	794,976
Creditors: amounts due after more than one year	(623,384)	(625,223)
Provision for liabilities	(10,525)	(9,582)
Total net assets	173,509	160,171
Capital and reserves		
Income and expenditure accumulated surplus	147,252	134,141
Revaluation reserves	28,636	28,713
Restricted reserve	13	13
Joint venture hedging reserve	(2,392)	(2,696)
Total net assets	173,509	160,171

* Please note accounts reported on the basis of new accounting standard (FRS102)



FINANCIAL RESULTS

Split of income

Rent		67%
Service charges		6%
Support charges		2%
Other contracts		10%
Property sales		10%
Amortised grant		4%
Interest		1%

Split of costs

Repairs and investment		35%
Service		7%
Managing homes		13%
Bad debts		1%
Depreciation		14%
Other contracts		8%
Costs associated with property sales		7%
Interest		15%



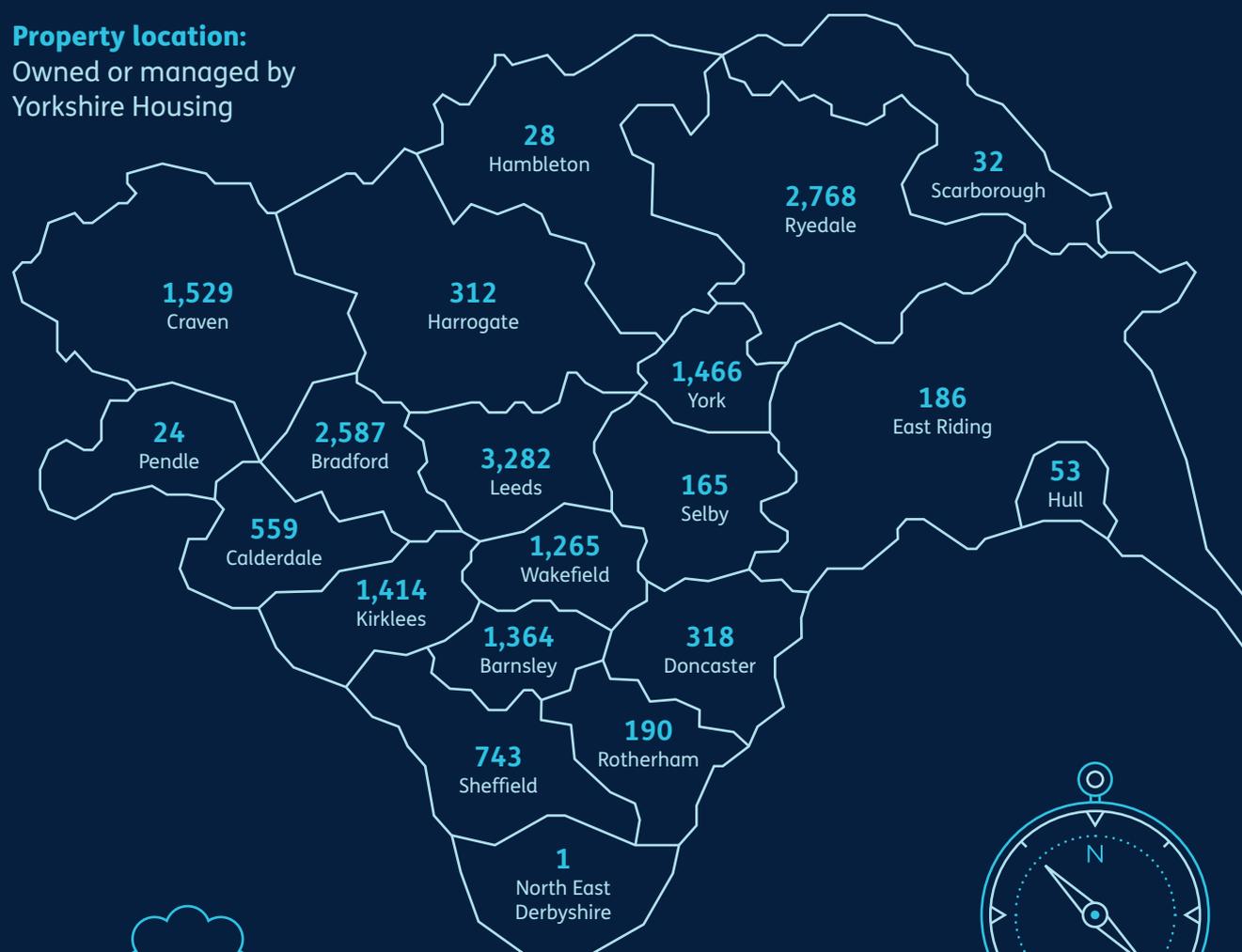
PROPERTY CATEGORIES AND LOCATIONS

Properties	2016
New properties handed over in the year	320
Homes sold or demolished in the year	161

Properties owned by Yorkshire Housing	2016
Leaseholders	315
Supported housing and care homes	495
Intermediate and market rent	1,572
Housing for older person	2,947
General needs	10,866
Other - properties awaiting sale	13
Total	16,208

Property location:

Owned or managed by Yorkshire Housing



PERFORMANCE RESULTS

General needs average weekly rents	2016	2015
Bedsit	£70.16	£68.65
1 bed property	£74.60	£73.19
2 bed property	£87.19	£86.22
3 bed property	£96.23	£94.75
4 bed property	£103.13	£102.19
5 bed property	£109.73	£105.55
6+ bed property	£136.25	£133.32
Rent collection	100%	99%
Current tenant rent arrears	3.05%	3.27%

General needs lettings	2016	2015
Homes let	1,930	1,744
Average re-let times	27 days	27 days
Rent loss due to empty homes	0.93%	1.46%

Repairs	2016	2015
Day-to-day repairs and voids completed	56,882	56,756

Investment	2016	2015
All handyperson jobs completed	10,391	11,671
All adaptations completed	1,547	1,468
Customers receiving services from the HIAs	18,617	14,982



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