



**LUNE VALLEY RURAL HOUSING ASSOCIATION LIMITED**  
**Financial Statements**  
**Year ended 31 March 2023**

## ASSOCIATION DETAILS

Registered Office	South Lakes Housing Bridge Mills Business Centre Kendal Cumbria LA9 4BD
Statutory Auditor	Beever and Struthers One Express 1 George Leigh Street Manchester M4 5DL
Managing Agent*	South Lakes Housing Association Bridge Mills Business Centre Kendal Cumbria LA9 4BD
Bankers	The Royal Bank of Scotland plc Fulwood Preston PR2 4JB
Registration	Co-operative and Community Benefits Society (26654R) Regulator of Social Housing (L3880)

\*South Lakes Housing took on management from 1 October 2019. Prior to this the Managing Agent was Jigsaw Homes Group Limited, who remain the Association's Development Agent.

## **REPORT OF THE BOARD OF MANAGEMENT** **For the year ended 31 March 2023**

The Board of Management present their annual report and the audited financial statements for the year ended 31 March 2023.

### **PRINCIPAL ACTIVITY**

The principal activity of the Association is the provision of affordable housing for people with a strong local connection in the villages of North Lancashire and Northwest Yorkshire.

### **MEMBERS OF THE BOARD OF MANAGEMENT**

The members of the Board of Management during the year ended 31 March 2023 were:

N Paxman (Chair)  
M Robinson (Treasurer)  
N Egdell (Board Member)  
J Huddart (Board Member)  
C Newby (Board Member)  
T Dant (Board Member)

There were no changes to Board membership during the year.

There were also no changes to Shareholder Membership. There are a total of 7 shares (6 Board Members, 1 Resident).

### **ELECTION OF MEMBERS TO THE BOARD OF MANAGEMENT**

In accordance with the rules of the Association, the appointment of the Board of Management will be considered at the Annual General Meeting to be held on 14 August 2023.

### **REGISTRATION OF THE ASSOCIATION**

The Association is registered under the Co-operative and Community Benefits Societies Act 2014 and with the Regulator of Social Housing as a Registered Provider.

### **ADMINISTRATION AND MANAGEMENT**

The administration and management of the Association is carried out by South Lakes Housing Association (Co-operative and Community Benefits Society No. 31419R) a Registered Provider whose registered office is Bridge Mills Business Centre, Kendal, Cumbria, LA9 4BD.

### **AUDITOR**

A resolution to re-appoint Beever and Struthers as auditor for the ensuing year will be proposed at the annual general meeting.

### **FINANCIAL STATEMENTS AND STATE OF THE ASSOCIATION'S AFFAIRS**

The results for the year are shown in the Statement of Comprehensive Income on page 14. Movements in the Fixed Assets of the Association are set out in note 9 on page 25.

**CHAIR'S REVIEW OF THE YEAR**

Welcome to this year's annual report on the performance, financial position and activities of Lune Valley Rural Housing Association. Further detail is available within the annual tenant report.

The Board continues drive forward with its strategic objective ;

1. *Growth* – develop new affordable rented housing in rural areas within the Lune Valley 'circle'. Four new homes have been developed during the year, at Craggs View in Over Kellet and a healthy pipeline of future developments thanks to our loan and support with CAF Bank.
2. *Energy efficiency* – improve the energy efficiency performance of existing homes and set high eco standards for new developments. The Board have secured grant funding from the Social Housing Decarbonisation Fund which will secure investment of around £62k to bring 19 homes up to Energy Performance Certificate Band C over the next two years.
3. *Quality landlord* – invest in the quality of existing homes, keep tenants safe and improve customer experience. £23k was spent upgrading homes during the year to make homes more energy efficient, to keep households safe, improving the quality and dealing with damp and mould. Our latest customer satisfaction survey – an independent survey run by TLF – showed that 79% of our customers are satisfied with services (based upon 36 responses), with 81% satisfied that homes are well maintained and 88% satisfied that they are safe. The Board continues to receive quarterly reports on health and safety, including overseeing any problems with damp and mould which the Regulator of Social Housing contacted all social landlords about in December 2022 (four properties where works have been carried out). The Board has set aside £10k for a community fund to support community projects, and support is available for tenants who are struggling with the 'cost of living'.
4. *Good governance* – ensure good governance and viability arrangements are in place to deliver the strategic objectives around growth, energy efficiency and quality homes and services. The Board have reviewed its compliance with the National Housing Federation 2015 Code of Governance and have reviewed partnerships with the Managing Agent and Development Agent. A Board member was appointed to lead on overseeing complaint handling and ensuring lessons are learned, which is encouraged by the Housing Ombudsman. The Board will also receive reports on the Regulator of Social Housing's Tenant Satisfaction Measures from next financial year (2023/24). The new funding with CAF Bank (completed in June 2022) has reduced the organisation's risk to variable interest rates and rent collection levels remain good. The Board also commenced a recruitment campaign for vacant Board member positions in May 2023.

I would also like to thank all Board Members for the time and contribution. They all give their time on a voluntary basis, and this includes attendance at Board meetings, reviewing reports and providing insight into their specialist area of the business e.g. finance, community work, development, etc. The Board are committed to developing new homes within rural communities for local people, whilst continuing to invest in the quality and energy efficiency of existing homes. We continue to seek Board members with the right skills who share our vision.

Nick Paxman

Chair

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## FINANCIAL PERFORMANCE

The financial accounts for the year to 31 March 2023 show another stable financial year with a surplus of income over expenditure of £169k, which was £131k higher than budget. This has increased reserves to £2.63m (£2.46m in 2022/23).

These results place the Association in a strong position to support the Board's continued plans for development of new homes and investing in existing homes. At the end of the financial year the Association has cash balances of £555k, a decrease from the previous year's balance (£727k). The Association's cash balances exceeded its approved financial Golden Rules of maintaining a minimum £250k cash buffer to help mitigate some of the risks posed by the volatility in the economy.

In June 2022 the Association completed a refinancing exercise of new loan facilities of £2.65m with CAF Bank Limited. The Association drew £1.65m on completion 24 June 2022, which is fixed at 4.5%, repaying the existing drawn loans with Nationwide Building Society and Clydesdale Bank Plc, with £1.0m of secured available facilities to draw to support the Association's future investment plans. The new loan facilities are subject to fixed interest rates for 10 years. The undrawn facilities incur a non-utilisation fee of 0.8% per annum. The 2023/24 budget and 30-year business plan include the acquisition of 4 homes in Over Kellett (now acquired), plus 5 more in Dolphinholme in 2023/24 and a further 3 in 2024/25.

## OPERATIONAL PERFORMANCE

The Association also continues to invest in the improvement of existing properties. A quantity of major works have been deferred to into 2023/24 to align with the Boards' review of component lifecycles. A large part of the 2023/24 budget comprises of 'catch-up' works. The level of planned and void repairs was less than budget by £26k, driven by low void levels. £47k was spent on responsive repairs, against a budget of £39k, down to higher than anticipated demand.

Despite the risk of the 'cost of living crisis' upon customers, bad debt provision remains low at £18k. There have also been minimal voids losses in the year (£0.3k vs a budget of £8.8k).

Turnover in the 2022/23 year was £13k favourable to budget driven by low void levels resulting in an additional £8.5k rental income versus budget.

The Association has continued to maintain and improve homes to a high standard through its planned works programme. Responsive maintenance to Lune Valley properties is carried out by South Lakes Housing (based in Kendal) and Gas servicing through its contractor, Rothwells. All properties have an up-to-date gas safety certificate and 10-year electrical certificate. Repairs performance has improved with 100% of emergency repairs completed on time and 94% non-emergency repairs completed on time. 100% of properties meet the Decent Homes Standard, and Lune Valley's standard goes some way further.

Energy efficiency is one of Lune Valley's strategic objectives and good progress is being made on the Energy Performance Certificate (EPC) surveying programme to ensure that there is robust data underpinning the assumptions within the Financial Plan. The Board have been successful in securing up to £62k in Social Housing Decarbonisation Funding to tackle 19 properties that have not yet reached Energy Performance Certificate Band C. The programme is underway and based upon a 'fabric first' plan, including upgrading loft insulation.

Current rent arrears have increased from 2.92% in 2021/22 to 4.43% in 2022/23 but this does not include the direct debits collected 31 March 2023 which were received in the first week of 2023/24. Discounting this factor would mean that like-for-like comparison would be 1.73%, surpassing the Board's worst fears when considering the impact of the 'cost of living' issues which most tenants are experiencing.

The Board also sought assurance during the year around the support in place to mitigate tenants getting into arrears both before tenancies start and during tenancies. Tenants have access to financial advice and signposting to support services via the Management Agent. Additional funds have been set aside within the

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

2023/24 budget to help tenants who are experiencing hardship where tenancies are at risk. There was also an eviction at the start of the 2023/24 financial year due to rent arrears that were built up during 2022/23, our first eviction since before the pandemic.

There were 3 empty properties relet during the year, with rent loss as a % of debit being 0.25% in 2022/23 (0.27% in 2021/22). There were also 5 homes let for the first time following new developments at Gargrave and Over Kellett.

The grounds maintenance service is provided by Continental Landscapes. This includes 12 site visits in the months between April and September and three visits in the months of November, January and March. The Grounds maintenance at Cherry Tree Close is provided by Pilling Parish Council.

The association accounts for housing assets at cost and has no employees or complex financial instruments. The scope for material estimates to impact the accounts is therefore very limited. A provision for impairment of debts has been calculated in line with the accounting policy.

### **VALUE FOR MONEY**

In setting its budget for 2023/24 the Board have agreed a £43k increase in management costs, this is principally due to:

- additional management charge due to new units and the relatively high RPI rate in October 2022,
- inclusion of a hardship fund and community investment fund to reflect the cost of living pressures on customers and the external operating environment,
- increases in insurance and audit fees,
- a small increase in bad debt provision due to the increased rental income that is prudently assumed at 3% of rental income.

The Board continues to look for opportunities to reduce operating costs and improve value for money for current tenants whilst generating surpluses for new development. The Board receives sufficient and regular assurance from South Lakes Housing and Jigsaw Group about the costs of management and development.

The maintenance service is provided by South Lakes Housing's direct labour organisation with costs linked to the National Housing Federation's schedule of rates plus 6%. The Board regularly reviews costs at quarterly meetings and will review value for money with its Managing and Development Agent's during 2023/24.

In line with Government Rent Standard and Rent Policy Statement, the Board increased rents by CPI plus 1% in October 2022 (4.1%) and will increase rents by 7% from October 2023 in line with the Governments' rent ceiling. The Board has a policy to implement the Rent Standard rent flexibility to increase social housing rents by 5% when a social rented property becomes empty and is let to a new tenant and set rents for affordable homes on a new valuation. This is permitted under the Rent Standard and the additional capacity is used to fund much-needed housing within our rural communities.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

In 2018 The Regulator of Social Housing published a set of value for money metrics, a requirement under the Value for Money Standard. These measures are intended to capture performance across the sector in a fair and comparable way. The figures for the Association are shown in the table below along with a comparator for the sector.

	Ref	2022/23 Actual	2021/22 Actual	2021/22 Sector
Reinvestment %	a	7.2%	15.2%	4.7%
New supply delivered (social housing)	a	3.8%	8.8%	0.9%
New supply delivered (non-social housing)		0%	0%	0%
Gearing	b	19.1%	15.3%	32.3%
Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI)	c	315%	777%	194%
Headline social housing cost per unit	d	£2,525	£2,004	£4,960
Operating Margin (social housing lettings)		43.9%	44.6%	19.5%
Operating Margin (overall)		43.9%	44.6%	17.4%
Return on Capital Employed (ROCE)	e	4.67%	4.44%	2.40%

\*Based on 2022 Regulator's aggregate accounts published March 2023 for Associations with <2,500 units

Some further background is provided below:

- a) Reinvestment measures new properties acquired and works to existing properties. One approved development scheme was completed during the year comprising 4 additions properties.
- b) Gearing has increased due to expenditure on development schemes.
- c) Earnings before interest, tax, depreciation and amortisation, major repairs included is intended to indicate the level of revenue surplus compared to the cost of finance (mainly bank interest), adjusted for non-cash revenue items and to include the impact of capitalised major repair costs in the year. The association's indicator remains significantly above the sector average, although has reduced since prior year principally as a result of increased financing costs associated with the refinancing exercise completed in the year.
- d) Social housing cost per unit has increased in 2022/23 as the overall level of spend on management service and routine maintenance costs was higher in year.
- e) The operating margins and Return on Capital Employed are relatively high compared to the sector average.

## GOVERNANCE

The Association has a volunteer Board of management to set its strategic direction and ensure good governance. Board members have a range of relevant experience, local knowledge, and expertise in order to discharge their responsibilities, including:

- Property management and resident and tenant issues – including other Housing Association governance experience.
- Rural housing needs and rural community issues.
- Working with parish councils and local authorities.
- Development, building and maintenance.
- Finance, information technology and legal matters.
- General business skills including management and decision making.
- Procurement and energy efficiency expertise.

The Board continues to certify compliance with the National Housing Federation 2015 Code of Governance '*Promoting board excellence for housing associations*', the Regulator of Social Housing's Regulatory Standards, and the Housing Ombudsman's Complaint Handling Code. The Board also took time out during an 'away day' in May 2023 to consider;

- Strategic priorities and risks.
- Social housing regulation.
- Code of Governance – a relook at the 2020 Code.
- Customer Standards.
- Review of the Managing Agent and partnership.
- Review of the Development Agent.

The Board have reflected on the challenges associated with the new Code of Governance and agreed to keep the Code of Governance under review and continue to adopt the 2015 Code of Governance, as it better reflected the structure of a small Housing Association with no employees or Audit Committee.

In November 2022 the Board appointed Nick Egdell as the Company Secretary. Nick is supported by the South Lakes Housing Governance Team and Company Secretary, ensuring that governance and regulatory returns are compliant and completed on time. This includes the Regulator of Social Housing, Housing Ombudsman, Financial Conduct Authority and Information Commissioners Office. The Board receives quarterly reports on regulatory and governance compliance.

The Board of Management considers the Association to be compliant with Regulator of Social Housing Governance and Financial Viability Standard.

On appointment, board members sign a statement committing themselves to the following:

- Commitment to the Association's vision, values objectives and core policies, working constructively with Board colleagues, managing agent and contractors to fulfil them.
- Contribution to the Association's strategic direction, control and performance monitoring, drawing on personal skills and experience as required.
- Provision of support and advice to the Officers of the Association.
- Commitment to collective responsibility for board decisions and the maintenance of confidentiality of Board and Committee papers and discussions.
- Commitment to prepare for and attend Board Meetings and participate in training sessions where possible and relevant.
- Agreement to declare any relevant interests in accordance with the Association's procedures and, at all times, to avoid any occasion for suspicion and any appearance of improper conduct.
- Signed commitment to a Board Member Services Agreement.
- Commitment to the Code of Governance and to all related policies.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

The Board has a sound system of internal controls, risk management and governance related documentation including;

- Succession and Recruitment Policy.
- Gifts and Hospitality Policy and Register.
- Board Induction and Training Plan.
- Governance Improvement Plan.
- Strategic Risk Register.
- Complaints Policy.
- Role Profile and Person Specification for the Board Chair position.
- National Housing Federation Code of Governance 2015
- National Housing Federation Code of Conduct 2022.
- Housing Ombudsman Complaint Handling Code 2022.
- Board Member Services Agreement, signed by each Board Member.

**STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR INTERNAL CONTROL AND THE FINANCIAL STATEMENTS**

The Board of Management is responsible for preparing the report and financial statements in accordance with applicable law and regulations. The Co-operative and Community Benefits Societies Act 2014 and Registered Social Housing Legislation requires the Board of Management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and the income and expenditure of the Association for that year. In preparing those financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Association will continue in business.

The Board of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Association and to enable them to ensure that the financial Statements at any time comply with the Co-operative and Community Benefits Societies Act 2014, The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2022. It has a general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for maintaining a sound system of control which:

- Focuses on the significant risks that threaten the Association's ability to meet its objectives.
- Provides reasonable assurance of the safeguarding of assets.

The Board of Management are responsible for reviewing the effectiveness of the system of internal control.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute, assurance against material misstatement or loss. Key elements include:

- A commitment to quality and competence and an appropriate organisational structure with clearly defined lines of responsibility and delegation of authority, which combine to create an appropriate control environment.
- Procedures to identify major business risks in a timely manner using the risk management process recommended by the Regulator of Social Housing.
- Information systems for detailed financial reporting, budgeting and planning against which performance is monitored. Performance indicators are used to identify trends in current financial and non-financial data.
- Financial control procedures based upon clearly defined responsibilities and authorities of the Board of Management.

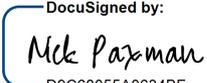
The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing with a quarterly review of the risk register at every Board meeting. The risk register is aligned to the Board's Strategic Objectives – growth, energy efficiency, quality landlord and good governance. This process has been in place for the year ended 31 March 2023 and up to the date of approval of the annual report and financial statements and is regularly reviewed by the Board of Management. No weaknesses in internal control resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or the auditors' report on the financial statements.

The Board of Management's current policy on the prevention, detection and reporting of fraud is as per South Lakes Housing Association policy.

We the Board of Management of the Association who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- There is no relevant audit information of which the Association's auditors are unaware, and
- We have taken all the steps that we ought to have taken as Board of Management members, in order to make ourselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Approved by the Board of Management on 14 August 2023

Signed on their behalf by .....  
  
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N Paxman (Chair)

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LUNE VALLEY RURAL HOUSING ASSOCIATION LIMITED****Opinion**

We have audited the financial statements of Lune Valley Rural Housing Association ('the Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

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

**Other information**

The other information comprises the information included in the Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

**Responsibilities of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 9, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing 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 the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

**Use of our report**

This report is made solely to the Members of 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 Members of 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 and the members of the Association for our audit work, for this report, or for the opinions we have formed.

**Beever and Struthers, Statutory Auditor**  
**One Express**  
**1 George Leigh Street**  
**Manchester**  
**M4 5DL**

Date: ..... 10-Aug-23

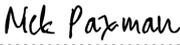
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Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

**Statement of Comprehensive Income  
For the Year Ended 31 March 2023**

	Note	2023 £	2022 £
Turnover	2	612,329	540,137
Operating expenditure	3	(343,368)	(299,483)
<b>Operating surplus</b>		<b>268,961</b>	<b>240,654</b>
Interest receivable		2,701	107
Interest and financing costs	6	(102,911)	(34,916)
<b>Surplus before tax</b>		<b>168,751</b>	<b>205,845</b>
Taxation		-	-
<b>Total comprehensive income for the year</b>		<b>168,751</b>	<b>205,845</b>

The financial statements on pages 14 to 29 were approved and authorised for issue by the Board on 14 August 2023 and were signed on its behalf by:

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 ..... 974D4755952C45C... M Robinson (Treasurer)  
 DocuSigned by:  
  
 ..... 8FEE88EFA25F4E1... N Egdell (Secretary)

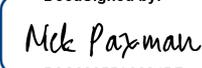
The results relate wholly to continuing activities and the notes on pages 18 to 29 form an integral part of these accounts.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

**Statement of Financial Position  
at 31 March 2023**

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible fixed assets	9	5,235,403	4,947,267
<b>Current assets</b>			
Trade & other debtors	10	86,432	45,655
Cash and cash equivalents	11	555,375	727,496
		<b>641,807</b>	<b>773,151</b>
<b>Less: Creditors:</b>			
Amounts due within one year	12	(123,559)	(294,379)
<b>Net current assets</b>		<b>518,248</b>	<b>478,772</b>
<b>Total assets less current liabilities</b>		<b>5,753,651</b>	<b>5,426,039</b>
<b>Creditors: amounts falling due after more than 1 Year</b>	13	<b>(3,120,794)</b>	<b>(2,961,933)</b>
<b>Total net assets</b>		<b>2,632,857</b>	<b>2,464,106</b>
<b>Reserves</b>			
Non-equity share capital	16	7	7
Income & expenditure reserve		2,632,850	2,464,099
<b>Total reserves</b>		<b>2,632,857</b>	<b>2,464,106</b>

The financial statements on pages 14 to 29 were approved and authorised for issue by the Board on 14 August 2023 and were signed on its behalf by:

DocuSigned by:  
  
 .....D9C68055A0634BE..... N Paxman (Chair)

DocuSigned by:  
  
 .....974D4756952C450..... M Robinson (Treasurer)

DocuSigned by:  
  
 .....8FEE88EFA25F4E1... N Egdell (Secretary)

The notes on pages 18 to 29 form an integral part of these accounts.

Lune Valley Rural Housing Association Limited  
 Financial Statements  
 Year Ended 31 March 2023

**Statement of Changes in Reserves  
 At 31 March 2023**

	Income and expenditure reserve £	Non-equity share capital £	Total £
<b>Balance as at 31 March 2021</b>	<b>2,258,254</b>	<b>8</b>	<b>2,258,262</b>
Surplus from Statement of Comprehensive Income	205,845	-	205,845
Issued shares	-	1	1
Shares write-off	-	(2)	(2)
<b>Balance as at 31 March 2022</b>	<b>2,464,099</b>	<b>7</b>	<b>2,464,106</b>
Surplus from Statement of Comprehensive Income	168,751	-	168,751
Issued shares	-	-	-
Shares write-off	-	-	-
<b>Balance as at 31 March 2023</b>	<b>2,632,850</b>	<b>7</b>	<b>2,632,857</b>

The notes on pages 18 to 29 form an integral part of these accounts.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

**Statement of Cash Flows**  
**For the Year Ended 31 March 2023**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Net cash generated from operating activities (see note i)	<b>236,908</b>	<b>368,353</b>
Cash flow from investing activities		
Purchase of tangible fixed assets	(378,082)	(731,911)
Interest received	2,701	107
	<b>(138,473)</b>	<b>(363,451)</b>
Cash flow from financing activities		
Interest paid	(75,520)	(28,641)
Loan financing costs	(69,505)	(1,662)
Loans drawn	1,650,000	-
Repayment of borrowings	(1,538,623)	(143,163)
<b>Net change in cash and cash equivalents</b>	<b>(172,121)</b>	<b>(536,917)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>727,496</b>	<b>1,264,413</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>555,375</b>	<b>727,496</b>

Note i to the cash flow statement

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Cash flow from operating activities</b>		
Surplus for the year	168,751	205,845
<b>Adjustment for non-cash items:</b>		
Depreciation of tangible fixed assets	89,946	93,474
(Increase) / Decrease in trade and other debtors	(40,520)	28,676
(Decrease) / Increase in trade and other creditors	(59,254)	27,775
<b>Adjustment for investing or financing activities:</b>		
Amortisation of grants	(22,225)	(22,225)
Amortisation & write-off of loan financing costs	30,918	5,688
Interest and financing cost	71,993	29,228
Interest received	(2,701)	(107)
<b>Net cash generated from operating activities</b>	<b>236,908</b>	<b>368,353</b>

## Notes to the Financial Statements for the year ended 31 March 2023

### Legal Status

Lune Valley Rural Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is South Lakes Housing, Bridge Mills Business Centre, Kendal, Cumbria, LA9 4BD.

### 1. Principal Accounting Policies

The Association's financial statements have been prepared in accordance with applicable United Kingdom Financial Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers SORP 2018.

### Basis of accounting

The 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. The accounts are prepared on the historical cost basis of accounting and are presented in sterling pounds.

The Association's financial statements have been prepared in compliance with FRS102. In complying with FRS102 the Association meets the definition of a public benefit entity.

### Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Board approved a financially sustainable budget for 2023/24 in February 2023 and a 30-year long term financial plan in May 2023. The impact of Covid-19 is now judged to be a reduced risk for the Association but other economic factors, particularly sharp increases to the cost of living and potential resultant fuel poverty do pose a risk. Although rent arrears may increase, this is not expected to be to such an extent for such a prolonged period that it would significantly impact on the going concern assumption. A key mitigating factor is that as at 31 March 2023 the Association held significant uncommitted cash balances (in relation to the operational cash flows); the long term financial plan has been prepared on the basis of keeping £250k as unallocated cash balances which equates to nearly 40% of expected annual turnover for 2023/24. Stress testing was completed on the plan and reported to the Board in May 2023. This showed that although there were some risk factors there were sufficient mitigations to address these. The plan was prepared on the basis of the new funding completed with CAF bank during the financial year. We consider it appropriate to continue to prepare the financial statements on a going concern basis.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### a) Categorisation of housing properties

The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that social rent rented properties are for social benefit.

## 1. Principal Accounting Policies (continued)

### Critical judgements and key sources of estimation uncertainty (continued)

#### b) Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### c) Bad Debt Provision

The association makes a provision for bad debts at the year end as follows:

- Former tenants arrears – 100%
- Current tenants arrears – 75% of amount owed between £500 but under £1000
- Current tenants arrears - 100% of amounts over £1,000 or tenants declared bankrupt.

#### d) Impairment of non-financial assets

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Impairment triggers are defined as:

- Changes in Government policy on rental income,
- Property remaining empty for significant periods of time,
- Properties where significant works have been identified in a stock condition survey

### Turnover and revenue recognition

Turnover represents rental income receivable and amortised capital grant. Income is recognised in relation to the period when goods or services have been supplied. Rental income is recognised when the property is available to let, net of voids.

### Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates variable service charges on a scheme by scheme basis in full consultation with residents.

### Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

### Loan issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive income account in the year in which redemption took place.

## 1. Principal Accounting Policies (continued)

### Tangible fixed assets and depreciation

#### Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. The association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	<b>Years</b>
Structure	100
Roofs	80
Bathroom	30
Doors	30
Windows	30
Kitchens	20
Boilers	15

#### Property managed by agents

The Association carries the majority of the financial risk on property managed by agents. Income arising from the property is included in the Statement of Comprehensive Income.

The assets and associated liabilities are included in the Association's Statement of Financial Position.

#### Short-term debtors and creditors

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

## 1. Principal Accounting Policies (continued)

### Social Housing and other government grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG), the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

### Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs that the entity may incur on sale or other disposal.

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS102 are measured at cost less impairment.

### Financial instruments held by the Association are classified as follows:

Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.

### Value Added Tax

The Association does not charge VAT on its income and is unable to recover the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

### Taxation

Lune Valley Rural Housing Association has charitable status and is therefore exempt from UK Corporation Tax on its charitable activities.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

## 2. Turnover, Operating Expenditure and Surplus

The association has no other activity than Social Housing Lettings. All the turnover, operating expenditure and the resulting operating surplus as set out in the Statement of Comprehensive Income arise from General Needs housing. This is summarised below with further detail in note 3.

	Note	2023 £	2022 £
Turnover	3	612,329	540,137
Operating expenditure	3	(343,368)	(299,483)
<b>Operating surplus</b>		<b>268,961</b>	<b>240,654</b>

## 3. Breakdown of operating revenues from Social Housing

	General Housing 2023 £	General Housing 2022 £
<b>Turnover</b>		
Rent receivable net of identifiable service charge and net of voids	581,188	510,635
Service charge income	8,916	7,276
Amortised government grants	22,225	22,225
<b>Turnover from Social Housing Lettings</b>	<b>612,329</b>	<b>540,136</b>
<b>Operating Expenditure</b>		
Management	148,934	114,911
Services charge costs	22,649	12,665
Routine maintenance	60,772	38,958
Planned maintenance	12,060	17,260
Major repairs expenditure	7,683	20,607
Bad debts	1,324	1,607
Depreciation of housing properties	89,946	93,474
<b>Operating Expenditure on Social Housing Lettings</b>	<b>343,368</b>	<b>299,482</b>
<b>Operating Surplus from Social Housing Lettings</b>	<b>268,961</b>	<b>240,654</b>
Void Losses (being rental income lost as a result of property not being let, although available for letting)	(268)	(714)

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

#### 4. Units owned and in development

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Owned	106	102
In development	-	-
<b>Balance b/f</b>	102	93
Acquired	4	9
Disposed	-	-
<b>Balance c/f</b>	<b>106</b>	<b>102</b>

Average weekly rental income per unit (£) as at reporting date	111.31	105.31
--	--------	--------

All units are managed by South Lakes Housing.

#### 5. Directors and key management personnel

The Directors and key management personnel are defined as the Board of Management. None of the Board of Management received any emoluments during the period (2022: Nil).

The administration and management of the Association is carried out by South Lakes Housing Association (Co-operative and Community Benefits Society No. 31419R), a Registered Social Landlord whose registered office is South Lakes Housing Association, Bridge Mills Business Centre, Kendal, Cumbria, LA9 4BD. Lune Valley Rural Housing Association has no paid Executive Officers.

Expenses reimbursed to the Board of Management not chargeable for UK income tax during the period were:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
M Robinson	88	-
N Paxman	200	-
N Egdell	-	270
	<b>288</b>	<b>270</b>

The Association does not have any employees.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

**6. Financing costs**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
On loans repaid during the year	8,459	-
On loans repayable in more than 4 years but less than 5 years	-	27,965
On loans repayable in more than 5 years	60,623	1,263
Costs associated with financing	33,829	5,688
	<b><u>102,911</u></b>	<b><u>34,916</u></b>

**7. Surplus on ordinary activities**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Auditors' remuneration (excluding VAT):		
Audit of the financial statements	6,018	3,970
Corporation Tax Return	-	300
Depreciation of housing properties	89,946	93,474
Amortisation of Social Housing Grant	(22,225)	(22,225)

**8. Taxation**

Lune Valley Rural Housing Association has charitable status and is therefore exempt from UK Corporation Tax on its charitable activities.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

## 9. Tangible fixed assets

### Housing properties

	Social housing properties for letting completed	Social housing properties for letting under construction	Total fixed assets
	£	£	£
<b>Cost</b>			
As at 1 April 2022	6,196,393	345	6,196,738
Additions	-	362,483	362,483
Schemes completed	362,828	(362,828)	-
Components Replaced	15,599	-	15,599
<b>As at 31 March 2023</b>	<b>6,574,820</b>	<b>-</b>	<b>6,574,820</b>
<b>Depreciation</b>			
At 1 April 2022	1,249,471	-	1,249,471
Charged in the year	89,946	-	89,946
<b>As at 31 March 2023</b>	<b>1,339,417</b>	<b>-</b>	<b>1,339,417</b>
<b>Net book value 31/3/2023</b>	<b>5,235,403</b>	<b>-</b>	<b>5,235,403</b>
Net book value 31/3/2022	4,946,922	345	4,947,267

All properties are freehold.

### Planned expenditure on works to existing properties

	2023	2022
	£	£
Components capitalised	15,599	40,787
Amounts charged to the income and expenditure account	19,743	37,867
	<b>35,342</b>	<b>78,654</b>

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

<b>10. Trade and other debtors</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Rent arrears	28,660	17,855
Less: provision for bad debts	(18,476)	(12,989)
	<b>10,184</b>	<b>4,866</b>
Cash in transit	5,858	17,663
Other debtors	70,390	16,157
Prepayments and accrued income	-	6,969
	<b>86,432</b>	<b>45,655</b>

<b>11. Cash and cash equivalents</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Cash at bank	555,375	727,496
	<b>555,375</b>	<b>727,496</b>

<b>12. Creditors: amounts falling due within one year</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Loans (note 14)	36,075	148,082
Deferred Capital Grant (note 15)	22,663	22,222
Rents in Advance	8,656	12,587
Accruals and deferred income	9,762	40,485
Other creditors	46,402	71,003
	<b>123,559</b>	<b>294,379</b>

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

<b>13. Creditors: amounts falling due after one year</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Loans (note 14)	1,516,657	1,335,129
Deferred Capital Grant (note 15)	1,604,138	1,626,804
	<b><u>3,120,795</u></b>	<b><u>2,961,933</u></b>

<b>14. Debt analysis</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Loans repayable by instalments</b>		
In One Year or Less	36,075	148,082
Between One and Two Years	38,059	150,687
Between Two and Five Years	171,696	1,170,455
In Five Years or More	1,377,050	42,278
	<b><u>1,622,880</u></b>	<b><u>1,511,502</u></b>
Loan issue costs	(70,148)	(28,292)
	<b><u>1,552,732</u></b>	<b><u>1,483,210</u></b>

During the year, loans held with Nationwide and Yorkshire Bank were repaid, financed by a new loan arranged with CAF Bank. The loan is secured by specific charges on the Association's housing properties. The loan is repayable in monthly instalments and is due to be fully repaid by 2047. Drawn loans have a fixed interest rate of 4.81%.

As at 31 March 2023 the Association has £1m in undrawn loan facilities (2022: £nil).

Loan arrangement fees are capitalised and amortised over the remaining life of the loan. In accordance with FRS102 the loan arrangement fees in respect of the repaid Nationwide and Yorkshire Bank loan have been expensed in the year ended 31 March 2023.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

**15. Deferred capital grant**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
As at 1 April	1,649,026	1,671,251
Grant received in the year	-	-
Released to income in the year	(22,225)	(22,225)
As at 31 March	<u>1,626,801</u>	<u>1,649,026</u>
	<b>£</b>	<b>£</b>
Amount due to be released < 1 year	22,663	22,222
Amount due to be released >1 year	1,604,138	1,626,804
	<u>1,626,801</u>	<u>1,649,026</u>

**16. Non-equity share capital**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Shares of £1 par value each issued and fully paid		
As at 1 April	7	8
Issued in period	-	1
Written-off in period	-	(2)
As at 31 March	<u>7</u>	<u>7</u>

The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable. Each share has full voting rights.

**17. Capital commitments**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not been contracted for	718,061	460,269

There were no development schemes in progress where contracts had been exchanged at the balance sheet date. The authorised but not contracted figure comprises £178,061 relating to capital major repairs and £540,000 in relation to the development scheme at Abbeystead Road, Dolphinholme which had not exchanged contracts as at 31 March 2023.

Lune Valley Rural Housing Association Limited  
Financial Statements  
Year Ended 31 March 2023

### 18. Grant and financial assistance

	2023	2022
	£	£
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	1,626,801	1,649,026
Recognised as income in the Statement of Comprehensive Income	596,073	573,848
	<b>2,222,874</b>	<b>2,222,874</b>

### 19. Related parties

The following are related parties:

- South Lakes Housing Association is the managing agent which provides administrative and maintenance services. During the year the Association purchased services from South Lakes Housing Association totalling £217,598 (2022: £216,394). At the balance sheet date £46,402 (2022: £71,003) was owed to South Lakes Housing Association. Some elements of rental income are collected by South Lakes Housing on behalf of the Association. At the year end, £70,390 (2022: £16,157) was due to the Association from South Lakes Housing.
- Transactions with key management personnel and their close family members (including compensation paid); there were no related party transactions in the year to 31 March 2023 and no amounts outstanding (2022: £nil).

Related party balances are not secured.

### 20. Changes in net debt

	At 1 April 2022	Cash Flows	Non-cash Movements	At 31 March 2023
	£	£	£	£
Cash and cash equivalents	727,496	(172,121)	-	555,375
Housing loans due in one year	(148,082)	112,007	-	(36,075)
Housing loans due after one year	(1,335,129)	(153,879)	(27,649)	(1,516,657)
	<b>(755,714)</b>	<b>(213,993)</b>	<b>(27,649)</b>	<b>(997,357)</b>