WestKent

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West Kent Housing Association

Report and Consolidated Financial Statements

for the year ended 31 December 2015

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Executives and advisors

Board	Colin Wilby (Chair)	
	Judith Collings	
	Frank Czarnowski (Chief Executive)	
	Joanne Frawley (Vice Chairman)	
	Angela George	(Appointed 1 October 2015)
	Dave Hill	
	Brian Horton	
	Peter Kasch	
	Alan Knight	
	James MacQuarrie	
	Caroline Phillips	
	Rosie Serpis	

Executive team	Frank Czarnowski	Chief Executive
	Will Campbell-Wroe	Communities Director
	Hilary Knight	Business Services Director
	Mark Leader	Property Director
	Craig Reynolds	Finance Director
	Shan Shivji (Resigned 28 June 2015)	Property Services Director
	Deborah White	Housing Director

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Registered number

Co-operative and Community Benefit Society (FCA) number 26278R.

Registered by the Homes and Communities Agency, number LH3827.

VAT Registration number 927 5219 12 West Kent Housing Association and West Kent Extra Limited

VAT Registration number 991 7828 61 West Kent Ventures Limited

Chair's statement

Our vision is to be the leading community provider of affordable homes in Kent. A good home is a foundation for getting on in life and our core purpose is to help the many people for whom a good home (to rent or buy) is too expensive. We only work in Kent and Medway and we see our role as identifying and responding to unmet need for both homes and communities across the county.

With 1.6 million residents, Kent is the most populous county in England with population growth of 11% over the last 10 years - higher than the national average. Kent has easy access to London and continental Europe and is an attractive place in which to live, work and invest. However, the population is ageing, and, housing in Kent remains unaffordable to many, particularly in rural areas. The average home in Kent costs nine times the average Kent income.

The unique Kent and Medway Housing Strategy (the first county-wide housing strategy in the country) sets out the strategic direction for housing in Kent. West Kent is an active member of the Kent Housing Group, through which local authorities and housing associations work together in a strong partnership with a focus on enabling housing delivery across the county.

For Kent's increasing older population, demand for homes that meet their changing needs is growing. There is a requirement for high quality smaller accommodation for older people to encourage them to downsize, freeing up larger properties for the family market. Our Kent Extra Care project will contribute 218 new homes in 2016 and alongside our Emerald accommodation strategy will ensure our current homes for older people are attractive, fit for the future and offer a choice of tenures.

At the national level, the Conservative government elected in 2015 has thrown down the challenge to housing associations. The previous inflation-based rent formula was removed and a requirement placed on us to reduce social rents by 1% each year from 2016-2020. The household benefit cap has been further reduced and other measures such as increased rents for higher earners in social housing, restrictions on lifetime tenancies and the extension of the right to buy are incorporated into current plans. Furthermore, the long-planned implementation of Universal Credit is expected to have practical effect in Kent from 2016. All of these have important implications for who we are able to house and how we offer services as a landlord.

Our response to these challenges is to increase our efforts to improve cost efficiency and value for money so that we can continue to support our residents and communities and meet housing need across Kent. Driven by 'It's Your Call', our customer strategy, we will provide customer-focussed services that support residents and encourage a culture of self reliance and focus on delivering them right first time.

During the second half of 2015, the Board and Executive of West Kent have been discussing and agreeing how we will meet the new challenges in our operating environment. We remain determined to continue our strategy of building good homes and communities in Kent to 2020 and beyond and we look forward to working with our residents and partners to realise our vision of being the leading community provider of affordable homes in Kent.

Colin Wilby, Chair of the Board

Strategic report

Objectives and strategies to achieve those objectives

West Kent's vision is to be the leading community provider of affordable homes in Kent. By 'affordable homes', we mean homes for people whose needs are not met by the market.

We help to create in Kent a prosperous, strong and sustainable society where people can plan for their futures. We will make Kent a place of opportunity for all by ensuring as many people as possible have:

- A warm, well maintained, affordable home that evokes personal pride.
- Safe and caring communities where people are supported to lead independent and fulfilling lives.
- A healthy and sustainable environment and lifestyle.
- A real sense of opportunity and purpose through work, learning, caring for others, personal development or volunteering.
- An active involvement in the neighbourhood and a strong feeling of belonging and pride.

We aim to be renowned for:

- Delivering exceptional housing and support services across a range of tenures
- Our unique relationship and partnership with our residents, whose views and needs drive everything we do
- Offering great value for money to our residents and partners
- Building not just new affordable homes, but communities too
- Offering residents a real sense of opportunity and purpose
- Meeting the needs of older people in Kent
- Being an ever-present invaluable partner
- Being a respected employer in Kent
- The influence we have at a national, Kent and local level
- Flying the flag for community-based organisations
- Bringing to the whole of Kent what we have already brought to West Kent
- Remaining true to our core purpose and values, which are: *delivering on our promises, compassion, honesty, integrity, self-awareness, learning, flexibility and working hard and having fun.*

Business model

Our business model has evolved from our original housing and asset management functions, to also developing new homes and our community offer. Tenancy sustainment has also become core to our operations as a response to Welfare Reform and wider social change.

We deliver our housing and property services in-house, with a directly employed team responsible for gas safety, plumbing and our handyperson service. Our planned maintenance and electrical works are delivered through long standing and truly open book accounting partnerships.

Our in-house development team deliver our new build programme. Town and Country Housing Group act as lead development partner with the Homes and Communities Agency. West Kent along with AmicusHorizon operates a design and build contractor joint venture.

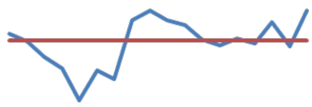
An important new element of our business model is our 25 year agreement with Kent County Council and Galliford Try to develop, manage and maintain two supported housing and five Extra Care schemes through the Kent Excellent Homes for All partnership.

During 2015, we made changes to our communities offer: bringing together the support services previously delivered under our ‘Lifeways’ brand, with the services provided by our charity, West Kent Extra. The staff delivering those services are now organised into an integrated team and we have fully revised our governance arrangements to reflect this repositioning which better places us to meet unmet needs in Kent and Medway.

We have made significant investment in recent years in ICT and process improvement, to better provide customers with a ‘Right Person, Right Answer, First Time’ response and deliver efficiency and value for money improvements. More details are provided in the Value for Money section later in this report.

Development and performance during the financial year and non financial key performance indicators

Five year aim: redefine our relationship with residents based on exceptional services, reciprocity and independence

	Target	2014	2015	Trend over last 18 months
Number of days to turn around and re-let a General needs and Emerald property	21	28	32	
Resident satisfaction with repairs service	94%	93%	94%	
‘Right person; right answer; first time’	83%	84%	82%	
Gas safety checks overdue	0	1	0	

*red line refers to annual target set, trend is a month on month analysis not cumulative

Allocations and lettings

Altogether, we housed 574 households during 2015 (fewer than 2014 when our development programme peaked and we experienced exceptionally high relets following changes to local allocation policies and the introduction of the spare bedroom subsidy):

	2013	2014	2015
How many households did we house in the period (relets)	352	480	425
How many households did we house in the period (first lets)	97	205	149
	449	**685**	**574**

Following a full review we retained the agreement with Sevenoaks District Council (SDC) to run their housing register. We improved performance on processing applications and aim to improve further during 2016.

There is over supply for older persons accommodation in Swanley which we are addressing through the Emerald Accommodation Strategy. There is also action being taken to address demand on three bedroom flats where we are looking at the tenancy type. We work effectively with SDC and are sharing information to support our requests for further changes to the Housing Register rules.

The biggest concern was the inability to maintain improvements in the number of days to turn around and re-let a property. Performance slipped to 32 days from 28 the previous year. A full review of the whole void process is underway to stem this trend and to reduce delays.

<u>Customer service</u>
Resident satisfaction overall with West Kent was 96%.

It has been a good year for both the delivery of the Customer Strategy and service provision. We achieved 82% Right Person Right Answer First Time. Implementation of our refreshed complaints policy and process went well: we handled 686 ‘Making it Right’ situations, and 119 of these progressed to becoming formal complaints. This is a much lower number than we were handling under our previous ‘stage one’.

Our iNHomes team has made great progress. The most tangible evidence of this is the 12 month sustained performance of no gas inspections overdue, and only occasionally a single asbestos inspection being over due when it has been necessary to pursue access via legal channels.

Satisfaction with the service provided by iNHomes and partnering contractors improved from 93% in 2014 to 94% in 2015. Overall performance for jobs completed within timescale was 94%, below the 96% target.

Following a review of our cleaning services and a full re-procurement, we are confident we have selected great partners that will improve service to tenants and provide value for money.

Our cultural development programme was supported by a range of learning interventions to embed our culture and customer service behaviours and we were delighted to see the outcomes of our efforts over the years reflected in very positive Staff Survey, Investors in People and Customer Service Excellence results. The Customer Service Excellence standard has 57 elements; West Kent achieved full compliance in all 57 and three compliance plus to add to the five compliance plus in previous years. This is an excellent result; the assessor highlighted clear evidence of continued improvement and the clarity of the messages to staff about the values and culture of the organisation. He said “as far as customer service goes, staff seem to ‘get it’…there is a clear focus on the training and development of staff to make sure that all staff have the skills and knowledge they need to deliver good customer service; this has helped to develop a greater sense of empowerment and value for staff”.

<u>Resident involvement</u>
2015 was the first full year of our new approach to resident involvement. We have much greater involvement from a wide range of residents, and staff are actively seeking resident consultation at an early stage. Our innovative approach is being recognised regionally and nationally as we have been asked to speak about our journey with other providers and shortlisted at the TPAS southern awards in four categories: young tenant of the year; tenant of the year; excellence in youth involvement; and Resident Involvement team of the year.

<u>Tenancies</u>
It has been a good steady year within tenancy management. We introduced a new process for tenants to apply for mutual exchanges via the website – a good step for channel shift and we look forward to further processes following. There were 15 evictions: 14 related to arrears and one was for anti social behaviour. This compared to 19 the previous year.

<u>Financial well being</u>
We updated our strategy during the year and continue to support tenants with: opening bank accounts; reducing energy costs; and, sign posting to advice and help. We run regular features in Neighbourhood news and will continue this work as further welfare reforms come

Five year aim: Ensure our existing homes remain fit for the future

We invested £2,335 per home on maintenance and component replacements in 2015. We replaced 337 doors, 24 windows, 415 boilers, 82 central heating systems, 261 kitchens, 212 bathrooms and 4 roofs.

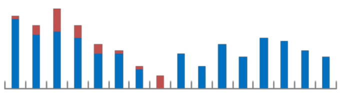
At 31 December 2015, there were 23 homes that had not met the Decent Homes Standard for more than 12 months: 16 of these are tenant refusals. The other seven have a plan to get them decent within the first quarter of 2016 although one has access issues.

Five year aim: secure and deliver a development programme for building new homes in Kent and Medway

During 2015 we completed 140 new homes: 105 rented and 35 shared ownership. This brought our contribution to the 2011-15 Homes and Communities programme to a successful completion. The completions included the first two supported schemes as part of the Kent Excellent Homes for All partnership. A further 218 properties over five Extra Care schemes will follow during 2016 and a further 85 rented and shared ownership properties are under construction.

Over the past five years we have invested £112m in building or acquiring 868 homes, receiving £22m of HCA grant. In the same period we made surpluses of £36m. For every £1.00 generated in surpluses we spend £2.50 on building new homes.

Shared ownership sales performed well and no properties were unsold for more 6 months after taking handover at the end of the year (compared to four at the end of 2014). Shared ownership sales generated sales receipts of £3.5m which helps subsidise the building of affordable rented properties. In addition to the initial sales there were seven shared owners who chose to increase their equity by staircasing, this generated an additional £0.5m.

	Target	2014	2015	Trend over last 18 months
Unsold shared ownership properties		20	10	
Of which unsold for more than 6 months		4	0	

*red part of bar refers to unsold for more than 6 months

In 2015 the government announced the voluntary right to buy. We await further details on the roll out and mechanisms for this new initiative. At West Kent those tenants that transferred from Sevenoaks District Council in 1989 have the contractual right to buy (RTB). In 2015 we sold eight properties through this route and generated £1m. Both the income from RTB and the staircasing of shared ownership is re-invested in the delivery of new homes.

Five year aim: become a leader in meeting the accommodation needs of older people in Kent

West Kent will be managing five new extra care schemes in 2016. This type of scheme is not new to us we have three existing schemes: Montgomery Court; White Oak Court and Hollybush Court and they currently have an occupancy rate of 98%.

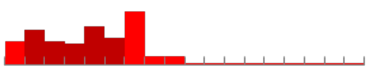
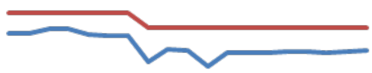
With an ageing population we have reviewed demand for these types of schemes and have a detailed action plan for the next five years to deliver the Swanley Emerald Community. This is built on the principle of a hub and spoke arrangement where we can provide facilities to the surrounding community.

Become a leading agency promoting opportunity and supporting strong, cohesive and inclusive communities across Kent

<u>Community Safety</u>
The strategic approach towards community safety introduced in 2014 has seen positive outcomes with a downward trend in the most commonly reported issues. Our partnership working remains strong and we maintain a good reputation on our management of anti social behaviour (ASB).
We will seek to continue with what has been working well whilst taking the opportunity to embed further the culture of ownership and responsibility for encouraging residents to handle low level disagreements/ASB themselves. We will be reviewing the strategy in 2016 taking into account the national and local landscape to shape what we do going forward.

<u>Support</u>
During the year contracts for the delivery of domestic abuse and care navigator services were extended. We are pleased to report that Shaw Trust has been successfully appointed as strategic lead for mental health services with us as their delivery partner. This is as part of Kent County Council's new Mental Health and Emotional Well Being service that will start in April 2016. This means that we will play an integral part in the delivery of mental health services in the west of Kent, and positions us well for new business opportunities moving forward.

Ensuring West Kent stays a vibrant, sustainable, independent organisation

	Target	2014	2015	Trend over last 18 months
Asbestos checks overdue Longest overdue in days 139	Monitor	0	1	
Current tenant rent arrears (End of year)	3.5%	2.8%	2.0%	

*red line refers to annual target set

<u>Income Protection</u>
We had an excellent year for income protection with arrears decreasing to 2%.

We recognise the slow roll out of Universal Credit assisted with this and are not complacent as 2016 and beyond are likely to be far more challenging. We continue to review and improve our workflow processes to make sure we gain maximum benefit from our investment and this has helped staff to concentrate on those cases that need most help.

ICT Strategy
At the start of 2015 we recognised that the existing ICT infrastructure required attention, after two independent reports we were clear as to the next steps. During the year the core systems were improved. The system is now in a position where we can enhance our digital offer to our customers.

People Strategy
The strength of our People Strategy was evidenced in our staff survey and Investors in People results this year. Our Investors in People Assessor observed "West Kent is a different organisation to the one that was assessed three years ago such is the progress that has been made both in terms of the embedding of processes and procedures and the extremely positive approach being adopted by people across the organisation. The assessment highlighted numerous strengths in West Kent's people management". This is borne out in our 2015 Staff Survey where 97% of employees said they share West Kent's values and 96% of employees said they were clear about what they are expected to achieve at work and they understand how their work contributes to West Kent's objectives.

Financial position at the year end

This is the first year of adoption of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. This included a restatement of 2014 financial statements. The main change is to the treatment of housing properties. An accounting policy change now recognises housing properties at cost. In adoption of FRS102 there are transitional arrangements including an ability to value specified properties at existing use value-social housing and classify this value as deemed cost. West Kent has chosen to exercise this option for properties transferred from Sevenoaks District Council in 1989. This resulted in grant for those properties being released to the Income and Expenditure reserves immediately whereas other property grant is released over the expected life of the home.

Group financial results

	Restated 2014 £'000	**2015 £'000**
Consolidated statement of comprehensive income		
Turnover	43,807	46,046
Cost of sales	(2,166)	(2,520)
Operating costs	(28,101)	(28,795)
Operating surplus	13,540	14,731
Surplus on disposal of fixed assets	1,088	761
Other interest receivable and similar income	82	80
Interest and financing costs	(6,914)	(6,571)
Surplus before taxation	7,796	9,001
Taxation on surplus	-	-
Surplus for the financial year	7,796	9,001

Consolidated balance sheets		
Tangible fixed assets – housing properties	473,509	483,120
Tangible fixed assets – other	3,446	3,330
Investment properties	6,625	6,625
Net current assets	24,612	23,827
	508,192	516,902
Creditors: amounts falling due after more than one year	(265,017)	(264,884)
Provisions for liabilities	(705)	(278)
Pension liability	(7,461)	(4,742)
	235,009	**246,998**
Capital and reserves		
Income and expenditure reserve	65,738	78,165
Revaluation reserve	169,227	168,778
Restricted reserve	44	55
	235,009	**246,998**

Statement of comprehensive income

The Group surplus for the year has increased by £1.2m. The Group accounts consolidate the accounts of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of £49,462 (2014 restated: £18,338) during the year.

Group turnover has increased by £2.2m. This is primarily due to an increase in homes being let generating an additional £1.9m in rent and service charges and an increase in first tranche shared ownership sales of £0.6m.

Operating costs increased by £0.7m in 2015. The cost of providing housing management and services increased by £1.2m, this is mainly due to a reassessment of management costs that had previously been charged to care and support. We invested £14.7m (2014: £14.4m) in maintaining our homes in the year, including the £3.2m replacing components and improvements that have been capitalised under the component accounting policy. This equates to £2,335 per home. We have a very good working knowledge of our stock and by applying a ‘just in time’ methodology we maximise the investment and extend the useful economic life of assets that are not requiring replacement. Our long term projection indicates we will be investing on average £2,516 per home per year over the next 30 years.

Loan interest of £6.6m (2014 restated: £6.9m) reflects the benefit of low interest rates; loan borrowing slightly reduced in 2015 as some loans were repaid as part of a repayment profile. Interest cover was 269%, based on the toughest loan covenant. All our banking covenants have been met in the year.

Balance sheet

Housing properties at cost increased by £13.7m to £529.3m. This increase is due to investment in new homes and spending on existing properties of £16.2m funded through Social Housing Grant of £0.3m. 140 homes were built or acquired in 2015, 20 of those homes were part of the Kent Excellent Homes for All private finance initiative. We now own or manage 6,899 homes.

Key Financial Indictors	2011* actual	2012 actual	2013 actual	2014* actual	2015 actual
Number of homes in management excluding leaseholders	6,142	6,339	6,413	6,606	6,732
Interest cover (as per loan agreement)	194%	203%	196%	239%	270%
Earnings before interest tax depreciation and amortisation (EBITDA) per unit	£1,910	£2,311	£2,234	£2,212	£2,294
EBITDA including major repair improvements capitalised (MRI) per unit	£1,500	£1,968	£1,902	£1,811	£1,889
Net debt to Turnover	3.9	4.5	4.8	3.6	3.4
Operating margin	33%	39%	38%	32%	33%
Operating margin MRI	26%	33%	32%	26%	27%
Change in turnover	7%	7%	0%	16%	6%
Change in maintenance MRI	0%	-6%	9%	14%	-1%
Effective interest rate	4.7%	5.4%	5.0%	4.3%	3.9%
Debt per unit	£23,282	£26,503	£27,756	£27,156	£26,344

* Note: 2011 restated for component accounting and 2014 restated for FRS102.

Future prospects

Recognising the challenges to the sector following the Government's budget and legislative programme announced after the 2015 General Election, we moved our aim to stay a 'vibrant, sustainable and independent organisation' to the forefront of our aims Business Plan 2016 to reflect the importance needed in this area. This focus on our internal capability over the next five years will be critical to our ability to deliver the outcomes for the other five aims:

- ensure West Kent stays a vibrant, sustainable, independent organisation.
- re-define our relationship with our residents based on exceptional services, reciprocity and independence
- ensure our existing homes remain fit for the future
- build new homes in Kent and Medway
- be a leader in meeting the accommodation needs of older people in Kent
- be a leading agency promoting opportunity and supporting strong, cohesive and inclusive communities across Kent

We have agreed a new Development Strategy and we have the capacity, strategic direction and opportunities to secure and deliver a significant number of new homes in the period 2016-20. Our ambition is to deliver 200 homes per year net of sales. There are a number of factors at play and changes in relation to Homes and Communities Agency led affordable housing that drives a change in our reliance on grant funding and the way subsidy is derived for affordable housing. We have choices and contract options that will enable us to meet our strategic objective but the impact of the Starter Home Initiative affects the total homes we can deliver after 2017.

We will engage in continuous market engagement as part of the HCA 2016-20 programme, the numbers below reflect this, and are in line with our financial growth capacity. There will be particular pressures in achieving the units stated below due to uncertainty around how many properties will be lost through the extended right to buy, the impact of builders moving away from affordable housing into starter home initiatives and the exposure of more shared ownerships in a mixed development to ensure viability.

West Kent currently own and manage 6,899 properties.

	2015
Rented	6,301
Low cost home ownership	431
Total social housing units	6,732
Units managed by others	4
Leaseholders	163
Total owned and managed accommodation	6,899
Units under construction	85

Current properties owned and managed by local authority area

	2015	By end of 2016
Sevenoaks	5,786	5,730
Ashford	264	319
Dartford	12	51
Dover	0	40
Gravesend	37	37
Maidstone	270	270
Medway	392	436
Swale	28	28
Thanet	9	58
Tonbridge and Malling	79	74
Tunbridge Wells	22	69
	6,899	7,112

We hope to be able to work more with the other Kent authorities as we establish more local area bases within the county.

Principal risks and uncertainties

The board is responsible for setting the overall direction of the organisation. In doing this it ensures that West Kent has an appropriate, robust and prudent business planning, risk and control framework. There is a comprehensive business plan which reconciles our plans for the future, with the risks we think we will face in trying to achieve those plans and our appetite for facing those risks.

The board agreed a new risk management framework in the light of new regulatory requirements from April 2015: identifying the links between our vision, the key risks and our risk appetite, in the context of our operating environment and opportunities. We also agreed a new approach with our internal auditor which includes; strategic reviews, compliance checks and data integrity reviews.

Following the Government decisions to change the rent formula, we reviewed our 30 year financial model and agreed a new base model that we subjected to robust stress testing against identified risks and combinations of risks across a range of scenarios. We have reassured our regulator that we can live within the changes to the rent setting framework; meet all bank covenants and stock condition requirements for maintenance; whilst continuing to fund new homes over the next ten years; and respond to right to buy and shared ownership stair casing applications. We have started a cost review programme which will look at all of our activities. The board has identified a range of risks to delivering our objectives. The board see the principal risks being:

Government policy changes: We await the details of several policy changes including, increased rents for higher earners in social housing, restrictions on lifetime tenancies and the extension of the right to buy. We are gearing up to replace properties sold under the right to buy and respond to the other policy changes.

Handover and letting of Kent Extra Care homes: We take handover of the 218 Extra care new homes by the end of June 2016. We have a project plan and team in place to ensure we are ready to manage and let these homes. Progress is reported monthly to the board.

Welfare reform: With further reforms in 2016 we are focusing our financial inclusion work with our affected residents and continue to drive improvements to our income collection processes and culture with residents to safeguard revenue collection.

Shared ownership first tranche sales: We are planning to sell 27 first tranche shared ownership sales generating cash receipts of £2.3m in 2016. We achieved £3.5m from 46 homes in 2015. We are not dependent on this cash for our liquidity, but will pay close attention to the forward commitment to ensure it stays within this parameter. Every scheme will have had a marketing appraisal, affordability assessment and sales plan. The housing and mortgage market is monitored continuously and sales progress is reported quarterly to the board.

Health and safety: We have comprehensive arrangements to ensure the health and safety of our employees, our residents and others who may be affected by our work. Key indicators are reported monthly to the board.

Governance

The board is committed to high standards of corporate governance based on the following principles:

- The board is effective in leading and controlling the organisation and acting wholly in its best interest. Board members must ensure that the interests of the organisation are placed before any personal interests;
- The board is clear about its duties and responsibilities;
- Board members will receive induction on joining the board and will regularly refresh and update their skills;
- Recruitment to board vacancies is open and transparent, based on merit, objective selection and assessment techniques. The board undertakes a formal and rigorous annual appraisal of its members and of the board as a whole;
- The board is headed by a properly appointed and skilled chair who is aware of their duties as head of the board and the clear division of responsibilities between the board and executive
- The board acts effectively, making clear decisions based on timely and accurate information
- There are clear working arrangements between the board and the chief executive and clear delegation of duties;

- Committees of the board will provide expertise and enable the board to scrutinise and deliver effective corporate governance and manage risk;
- The board provides leadership in operating in an open and transparent manner, having satisfactory dialogue with key stakeholders including tenants. The board will demonstrate accountability to shareholders and other key stakeholders;
- The board demonstrates leadership and commitment to equality, diversity and inclusion as outlined in the Equality Act 2010, across the organisation's activities;
- The board establishes a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls, manages risk and maintains an appropriate relationship with external auditors;
- The organisation maintains the highest standards of probity and conduct.

The board currently comprises eleven non-executive members, three of whom are tenants, plus one executive member. It normally meets with the executive directors seven times a year. The whole board is remunerated. The board members of West Kent are listed on page 1.

During 2015 the composition of the subsidiary West Kent Extra Limited changed. West Kent board approved a new structure and governance arrangements for the delivery of the community offer which predominantly uses the registered charity (West Kent Extra Limited) to deliver its services. This is governed through the Communities and Housing Sub-committee of the West Kent Board of Management which is coterminous with the smaller charity board. Members of Communities and Housing Sub-committee are also trustees of West Kent Extra Limited.

Approval
This Strategic Report was approved by order of the Board on 28 April 2016

Craig Reynolds
Company Secretary

Report of the board of management

Principal activities and review of business

West Kent Housing Association, the Group parent, is an asset holding, exempt charity registered under the Co-operative and Community Benefit Societies Act 2014 (26278R) and with the Homes and Communities Agency (LH3827). These group financial statements include the accounts of West Kent Housing Association (the 'Association') and a subsidiary West Kent Extra Limited (WKE). The restated 2014 accounts also include the subsidiary West Kent Ventures Limited, which became dormant in 2014.

WKE is a registered charity that runs community development and social enterprise projects to help to create more inclusive neighbourhoods. West Kent financially supports WKE to ensure that people living in the areas where we work have a voice that is heard and to which we respond.

Since West Kent controls the board of WKE it is classified as a subsidiary undertaking.

West Kent was established in 1989, as one of the first large scale voluntary transfers of local authority housing. We have always put our residents first and have an enviable reputation for helping people and communities flourish. We are now managing, developing homes or providing support services in ten boroughs across Kent and Medway. Our core purpose is to provide homes for those who struggle to afford them in the open market and to nurture the communities around those homes. We see our role as identifying and responding to unmet need in relation to both homes and communities.

West Kent's principal activities are the management, maintenance and development of affordable homes and the provision of support for older and vulnerable people who need extra help to live independently in their own homes. West Kent operates in a region where there is a high demand for housing and insufficient supply. Providing more affordable housing for a range of tenures is a priority.

Effects of material estimates and judgements upon performance

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where judgments and estimates have been made are shown in note 3 of the accounts. Further information on the most significant judgements are these:

- Capitalisation of property development costs
  Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £13.0m.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- Useful lives of depreciable assets
  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 ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property may reduce

the economic life of the property. Accumulated depreciation at 31 December 2015 was £6.2m.

- Defined benefit obligations
  Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 30). The liability at 31 December 2015 was £4.7m.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of West Kent Housing Association – Registered Social Housing Provider.

Value for money

West Kent is committed to the pursuit of economy, efficiency and effectiveness. As part of the business plan the aim is to adopt good practice and incorporate value for money principles in all activities.

Value for money is embedded into the operations of West Kent and included in our vision of 'being the leading community provider of affordable homes in Kent and renowned for offering great value for money to our residents and partners.' The board have agreed measurable outcomes to judge whether West Kent is fulfilling this vision. The value for money assessment found on our website at www.westkent.org outlines where West Kent is now and how it has tested its costs and service delivery across the quadrants of landlord, tenancy sustainment, community and new homes. These areas have been analysed with agreed actions and targets in place to enable the board to come to an overall value for money assessment.

In these difficult times for the housing sector it has never been more important that we understand our purpose and how we can improve. The impact to the sector over the next 4 years is massive. It will however put us in a position to strive forward in a lean and efficient way whilst also delivering more homes than ever before.

At West Kent we have responded to this challenge by comprehensively reviewing our underlying business assumptions and set about a bold cost management and income generation programme.

West Kent recognises that value for money is fundamental to the organisation's success and ability to thrive and achieve more. West Kent is committed to providing services which represent the best possible value for money for its residents, stakeholders and the communities in which we operate. Value for money is key in ensuring our financial resources go further, to enable us to devote more resources to achieving and exceeding our business objectives.

West Kent understands value for money is a strategic cross-cutting theme and is the result of a series of outcomes that, taken together, demonstrate that we understand our costs, our customers, the services we deliver and proactively minimise unnecessary expenditure.

In 2015 we have once again demonstrated West Kent to be a financially robust, efficient organisation. The cashable efficiencies have been reported in detail in our Value for Money assessment. These efficiencies have been used to either enhance the performance in that strand of the business or contribute to other parts of the business principally building new affordable homes, where in the last 5 years our development programme has spent £2.50 for every £1 made in surplus.

Category	Indicators	Actual 2014	Actual 2015	Trend
Financial	Earnings before interest tax depreciation and amortisation MRI per unit	£1,811 per unit	£1,889 per unit	⇧
	Development appraisal assumptions	Achieved and reported to board	Achieved and reported to board	⇔
	Long term model	Zero net debt by 2036	Zero net debt not achieved, increased development	⇩
	Current tenant rent arrears	2.8%	2.0%	⇧
	Re-let general needs	28 days	30 days	⇩
	Effective interest rate	4.3%	3.9%	⇧
	Operating Surplus in year / Investment in new homes	£3.34	£1.88	⇩
Customer/ Stakeholder	It's your call – Customer Strategy objectives	84% enquiries dealt with first time	82% enquiries dealt with first time	⇩
	Leverage in external funding to WKE	£1,305k	£1,125k	⇩
	Decent homes	98% decent	99% decent	⇧
	Rents are in line with regional comparators	In line with regional comparators	In line with regional comparators	⇔
Internal process	Process mapping	Seven processes completed	Five processes completed	⇩
	Divestment of stock	No non-core areas	No non-core areas	⇔
Learning and growth	Employee engagement	80% (2013)	82%	⇧
	Pay and benefits	98%	73%	⇩

The actions identified in 2014 value for money assessment for 2015 were:

- Reduction in overall treasury costs from improved interest rate margins - Achieved
- Introduce electronic gas safety records – Partly achieved
- Further develop our customer relationship management system - Achieved
- Tender our block cleaning service – Achieved
- Carry out a staff survey - Achieved

The actions identified for 2016 in the value for money assessment are:

- Review of cost management
- Continue to build new affordable homes
- Reviewing our responsibilities and those of our customers
- Review how we handle former tenancy arrears
- Increase income through an improved garage property investment strategy
- ICT will be used to reduce transaction costs across the business
- There will be a digital maturity – applications, mobile working and online services
- Maintenance migration from responsive to planned as part of property MOT
- Review of fencing as part of redefining our offer to tenants.

The board reviewed a comprehensive assessment of our overall approach to value for money and have concluded that West Kent has met the Homes and Communities Agency Value for money standard. The full assessment is available on our website at www.westkent.org.

Compliance with Governance and Financial Viability Standard

The Homes and Communities Agency's Governance and Financial Viability Standard (the Standard) was updated in April 2015. This was accompanied by a new Code of Practice, which provides guidance to registered providers to ensure compliance with the Standard. The overall required outcomes of the Standard are:

- to ensure that there are effective governance arrangements that deliver the aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner
- to manage resources effectively to ensure their viability is maintained, ensuring that social housing assets are not put at risk. The Standard requires registered providers to assess their compliance with the Standard at least annually and Boards are now required to report their compliance with the Standard within their annual accounts.

The definition of assurance means that this is not just an internal and external audit issue. Boards need to determine where they are obtaining their assurance to demonstrate to the HCA:

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Note that boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay
- Evidence of application of the principles
- The assurance they receive on quality of records

Compliance with the regulator's revised Governance and Financial Viability Standard was reviewed by the board in April 2016. The Association complies in full with the Standard.

In December 2015 the board agreed to adopt the latest (2015) version of the National Housing Federation governance code. The Association complies in full with the code.

Going concern

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 debt 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 business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Assessment of the effectiveness of internal control

The board is the ultimate governing body and is responsible for ensuring that an adequate system of internal control is in place and for reviewing its effectiveness. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives will be met. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests. The board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Risks are defined as those factors that could adversely affect the achievement of the West Kent business plan. The internal control framework manages and mitigates the risks by identifying those risks and ensuring that controls are in place.

To assess the effectiveness of the control systems the board considers the major risks facing West Kent and the appropriate procedures to manage them. These include health and safety, legal compliance, quality assurance, insurance, security and social, ethical and environmental risks.

The key elements of internal control include:

- Corporate Governance arrangements including the adoption of the National Housing Federation's Code of Governance
- An annual planning process within which the board approves strategy and business plan objectives supported by long-term financial projections
- The preparation and review of annual budgets which are approved by the board; monthly review of actual results against the approved budget, and revised forecasts prepared at three monthly intervals
- Performance indicators to identify trends in current financial and non-financial data to monitor progress towards objectives and to identify changes that require intervention
- Written financial regulations and delegated authorities
- Board approved policies to control exposures in connection with treasury management activities
- Financial control procedures to ensure accurate accounting for financial transactions including authorisation procedures, physical controls, segregation of duties and procedures to ensure compliance with laws and regulations
- A fraud policy, fraud response plan and whistle blowing policy that have been communicated to all staff
- All major investments in existing properties, new properties, plant, equipment and software are subject to appraisal and individual approval by the executive team or the board
- An internal audit function structured to deliver the Audit and Finance Committee's risk based audit plan. West Kent uses the services of Mazars to provide internal audit services.

The effectiveness of the controls is assured by:

- Independent assurance by internal auditors as to the existence and effectiveness of the risk management activities described by management
- Board / Audit and Finance Committee overview
- External audit
- Assurances from management
- External regulatory and other reports.

The internal control framework, the risk management process and the fraud register are subject to regular review by internal audit, which has responsibility for providing independent assurance to the board via its audit and finance committee. The Audit and Finance Committee considers internal controls and risk at each of its meetings during the year.

The board has received the chief executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by West Kent. This process has been in place throughout the year under review and up to the date of the Annual Report and Financial Statements and is reviewed by the board. The board has responsibility for the group as a whole.

Post balance sheet events

There are no post balance sheet events.

Board member's responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation requires the board members to prepare financial statements for each financial year. In accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Group and Association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulation 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP has expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting on 26 May 2016.

By order of the Board

Colin Wilby
Chair of the Board of Management

Date: 28 April 2016

Independent auditor's report to the members of West Kent Housing Association

We have audited the financial statements of West Kent Housing Association for the year ended 31 December 2015 which comprise the consolidated and association statement of comprehensive income, the consolidated and association balance sheets, the consolidated statement of changes in reserves, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them 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 Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate .

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31 December 2015 and of the Group's and parent Association's surplus 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 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 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;

- adequate accounting records have not been kept by the parent Association, or returns adequate for our audit have not been received from branches not visited by us; or

- a satisfactory system of control has not been maintained over transactions; or

- the parent Association financial statements are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

West Kent Housing Association

Consolidated and Association statement of comprehensive income for the year ended 31 December 2015

	Note	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
Turnover	4	46,046	43,807	45,029	42,635
Cost of sales	4	(2,520)	(2,166)	(2,520)	(2,166)
Operating costs	4	(28,795)	(28,101)	(27,826)	(26,942)
Operating surplus	4,7	14,731	13,540	14,683	13,527
Surplus on disposal of fixed assets	11	761	1,088	761	1,088
Other interest receivable and similar income	12	80	82	80	82
Interest and financing costs	13	(6,571)	(6,914)	(6,571)	(6,914)
Surplus before taxation		9,001	7,796	8,953	7,783
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		9,001	7,796	8,953	7,783
Actuarial gains/(losses) on defined benefit pension scheme	30	2,988	(3,839)	2,988	(3,839)
Total comprehensive income for year		11,989	3,957	11,941	3,944

The notes on pages 30 to 82 form part of these financial statements.

All activities relate to continuing operations.

West Kent Housing Association
Consolidated and Association balance sheets at 31 December 2015

	Note	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	483,120	473,509	483,120	473,509
Tangible fixed assets - other	16	3,330	3,446	3,281	3,414
Investment properties	18	6,625	6,625	6,625	6,625
		493,075	483,580	493,026	483,548
Current assets					
Properties for sale	19	1,046	1,808	1,046	1,808
Stock		98	108	70	87
Debtors – receivable within one year	20	1,839	2,950	1,585	2,838
Debtors – receivable after one year	20	142	148	142	148
Cash and cash equivalents	21	25,678	25,168	25,640	25,049
		28,803	30,182	28,483	29,930
Creditors: amounts falling due within one year	22	(4,976)	(5,570)	(4,871)	(5,502)
Net current assets		23,827	24,612	23,612	24,428
Total assets less current liabilities		516,902	508,192	516,638	507,976
Creditors: amounts falling due after more	23	(264,884)	(265,017)	(264,884)	(265,017)
Provisions for liabilities	29	(278)	(705)	(278)	(705)
Net assets excluding pension liability		251,740	242,470	251,476	242,254
Pension liability	30	(4,742)	(7,461)	(4,742)	(7,461)
Net assets		246,998	235,009	246,734	234,793
Capital and reserves					
Called up share capital	31	-	-	-	-
Income and expenditure reserve	36, 38	78,165	65,738	77,956	65,566
Revaluation reserve	36, 38	168,778	169,227	168,778	169,227
Restricted reserve	36	55	44	-	-
		246,998	235,009	246,734	234,793

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2016.

C Wilby, Chair of Board

The notes on pages 30 to 82 form part of these financial statements.

West Kent Housing Association

Consolidated statement of changes in reserves for the year ended 31 December 2015

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at January 2015	65,738	44	169,227	235,009
Surplus for the year	8,990	11	-	9,001
Actuarial gains on defined benefit pension scheme	2,988	-	-	2,988
Reserves Transfers:				
Transfer from revaluation reserve to income and expenditure reserve	449	-	(449)	-
Balance at December 2015	78,165	55	168,778	246,998

West Kent Housing Association

Association statement of changes in reserves for the year ended 31 December 2015

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at January 2015	65,566	169,227	234,793
Surplus for the year	8,953	-	8,953
Actuarial gains on defined benefit pension scheme	2,988	-	2,988
Reserves Transfers:			
Transfer from revaluation reserve to income and expenditure reserve	449	(449)	-
Balance at December 2015	77,956	168,778	246,734

West Kent Housing Association
Consolidated statement of changes in reserves for the year ended 31 December 2014

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total excluding non-controlling interests
	£'000	£'000	£'000	£'000
Balance at January 2014	61,243	80	169,765	231,088
Surplus/(deficit) for the year	7,796	(36)	-	7,760
Actuarial losses on defined benefit pension scheme	(3,839)	-	-	(3,839)
Other comprehensive income for the year	-	-	-	-
Reserves Transfers:				
Transfer from revaluation reserve to income and expenditure reserve	538	-	(538)	-
Balance at December 2014	65,738	44	169,227	235,009

West Kent Housing Association
Association statement of changes in reserves for the year ended 31 December 2014

	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at January 2014	61,084	-	169,765	230,849
Surplus for the year	7,783	-	-	7,783
Actuarial losses on defined benefit pension scheme	(3,839)	-	-	(3,839)
Other comprehensive income for the year	-	-	-	-
Reserves Transfers:				
Transfer from revaluation reserve to income and expenditure reserve	538	-	(538)	-
Balance at December 2014	65,566	-	169,227	234,793

West Kent Housing Association
Consolidated statement of cash flows for the year ended 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
Cash flows from operating activities			
Surplus for the financial year		9,001	7,796
Adjustments for:			
Depreciation of fixed assets - housing properties	15	5,563	5,434
Depreciation of fixed assets - other	16	607	621
Amortised grant	5	(954)	(954)
Interest payable and finance costs	13	6,571	6,914
Interest received	12	(80)	(82)
Difference between net pension expense and cash contribution	30	269	(141)
Surplus on the sale of fixed assets - housing properties	11	(476)	(524)
Surplus on the sale of fixed assets - other	11	(285)	(564)
Decrease / (increase) in trade and other debtors		306	(718)
Decrease in stocks		771	28
Increase / (decrease) in trade creditors		427	(805)
(Decrease) / increase in provisions		(427)	705
Cash from operations		21,293	17,710
Taxation paid		-	-
Net cash generated from operating activities		21,293	17,710
Cash flows from investing activities			
Proceeds from sale of fixed assets – housing properties	11	1,275	2,751
Proceeds from sale of fixed assets - other	11	285	564
Purchase of fixed assets – housing properties	15	(13,961)	(15,886)
Purchases of fixed assets - other	16	(491)	(369)
Receipt of grant	24	1,199	3,521
Interest received	12	80	82
Loans redeemed	20	12	16
Net cash from investing activities		(11,601)	(9,321)
Cash flows from financing activities			
Interest paid	13	(7,136)	(6,778)
New loans - other	27	-	19,545
Debt issue costs incurred	27	(46)	(43)
Repayment of loans - bank	27	(2,000)	-
Net cash used in financing activities		(9,182)	12,724
Net increase in cash and cash equivalents		510	21,113
Cash and cash equivalents at beginning of year		25,168	4,055
Cash and cash equivalents at end of year		25,678	25,168

The notes on page 30 to 82 form part of these financial statements.

Index of Notes

General notes

Statement of comprehensive income related notes

Balance sheet related notes

1 Legal status

West Kent Housing Association (the group) consists of West Kent Housing Association (the association), West Kent Extra Limited (WKE) and West Kent Ventures Limited (WKV).

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider. WKE is a registered charity and WKV is a wholly owned commercial subsidiary.

2 Accounting policies

2.1 Basis of accounting

The financial statements of the group and association have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for West Kent Housing Association includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014 'Accounting by registered social housing providers' 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. This is the first year in which West Kent Housing Association financial statements have been prepared under FRS 102. Information on the impact of first-time adoption of FRS 102 is given in note 38.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements of the parent entity, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent would be identical;
- No cash flow statement has been presented for the parent;
- Disclosures in respect of the parent's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of West Kent Housing Association – and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The group accounts consolidate the accounts of the association and all its subsidiaries at 31 December using the purchase method. The group has the right to remove the board of West Kent Extra Limited and West Kent Ventures Limited and therefore exercises control.

The consolidated financial statements incorporate the financial statements of the association and entities controlled by the group and its subsidiaries. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 Joint ventures

West Kent participates in a joint arrangement, Ink Development Company Limited (Ink), which is a building contractor completing design and build services in South East England solely for the members of the joint arrangement. West Kent holds one of three £1 shares in Ink and appoints two of seven board members.

The equity method of accounting has been adopted and therefore the initial investment of £1 has been adjusted by West Kent's share of the profits or loss and other comprehensive income and equity of Ink. West Kent's share of profits to the comprehensive income to date is £25k, which is not material and therefore had not been presented in the accounts.

2.4 Investment in subsidiaries

Investment in subsidiaries are accounted for at cost less impairment in the individual financial statements.

2.5 Income

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Service charges receivable
- Support grants
- Revenue grants
- Proceeds from the sale of land and property

Rental income and service charges are recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

In addition to the association directly managing our properties, the association owns properties in respect of some supported housing which are run by outside agencies. A management fee is received from the managing agents and any charges incurred by the association were recharged to the managing agent.

2.6 Support grant income

The Group receives support grants from Kent County Council and Medway Unitary Authority. The grants received in the period, as well as costs incurred by the Group in the provision of support services, have been included in the Income and Expenditure Accounts. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

2.7 Service charges

The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

2.8 Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

2.9 Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

2.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in income and expenditure, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The association and West Kent Extra Limited have charitable status and therefore are not subject to Capital Gains Tax or Corporation Tax on surpluses derived from charitable activities.

West Kent Ventures Limited's profit is subjected to Corporation Tax.

2.11 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 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. The balance of VAT payable or recoverable at the year-end is included as a current liability of asset.

West Kent Ventures Limited is a commercial company and is separately registered for VAT. Its activities are fully VAT recoverable.

2.12 Finance costs

Finance costs are charged to income and expenditure over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pension costs

Contributions to the group's defined contribution pension scheme are charged to income and expenditure in the year in which they become payable.

The group participates in a multi-employer defined benefit scheme as an admitted body in the Kent County Council Local Government Pension Scheme.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The current service cost and costs from settlements and curtailments are charged to income and expenditure. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

2.14 Holiday pay accrual

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

2.15 Tangible fixed assets - Housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within Property, Plant and Equipment (PPE) and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised that the scheme will not be developed to completion.

2.16 Deemed cost on transition to FRS 102

Housing properties are split between the land, structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life, which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the 'Decent Homes standard'.

Any difference between historical cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

West Kent has changed its accounting policy from recording housing properties at valuation to being at historic cost. West Kent has taken the transition option to elect to measure some items of property plant and equipment (PPE) at fair value and use that fair value as the deemed cost of those assets at that date. For these items there is a revaluation reserve and any unamortised grant is released to reserves as this constitutes a revaluation that triggers the performance method to be used.

Properties initially purchased by West Kent as part of the large scale voluntary transfer from Sevenoaks District Council will be recognised in PPE at fair value using existing use value – social housing (EUV-SH) valuation. All other housing properties will be recognised in PPE at historical cost.

2.17 Depreciation of housing properties

Housing land and property is split between the land, structure and other major components that are expected to require replacement over time.

The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

	Years
Land	(Not Depreciated)
Structure	100
Roof	50
Windows	30
Doors	25
Boilers	15
Central Heating System	15
Kitchens	20
Bathrooms	30
Systems / Electrics	30
Other Heating	15
Lifts	20
Other scheme fixed assets	5-20

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Leasehold properties are depreciated over the term of the lease.

Any difference between the historical annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred to the revaluation reserve for the asset concerned until that reserve is depleted.

2.18 Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

2.19 Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

2.20 Tangible fixed assets - Other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.21 Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold buildings	50
Furniture and equipment	5
Fixtures and fittings	5-25
Computer equipment	5
Motor vehicles	3

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'surplus on disposal of fixed assets' in the statement of comprehensive income.

2.22 Government grants

Capital grants received in advance of scheme completion are held in grant in advance until completed, then transferred to deferred capital grant.

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grants received in relation to assets that are presented at historic cost at the date of transition and grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of economic useful lives above).

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

2.23 Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency (HCA) can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

2.24 Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

2.25 Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

2.26 Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or 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 cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value impairment is recorded through a charge to income and expenditure.

2.27 Properties for sale

Properties for sale represents the first tranche proportion of shared ownership properties under construction or completed and held for sale. Stock is stated at the lower of cost and net realisable value, cost comprises of a proportion of the development construction cost.

2.28 Stock

Stock is cost of materials stated at the lower of cost and net realisable value.

2.29 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.

2.30 Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

2.31 Rent and service charge agreements

The Group has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

2.32 Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

2.33 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2.34 Cash and cash equivalents

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

2.35 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

2.36 Leasehold Sinking Funds

Unexpended amounts collected from leaseholders for major repairs and cyclical decorations on leasehold schemes and any interest received are included in creditors.

2.37 Provision for liabilities

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

2.38 Contingent liabilities

A contingent liability is recognised 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.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

2.39 Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund. All restricted funds are derived from West Kent Extra Limited.

The revaluation reserve is created from surpluses on asset revaluation.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

3.1 Key judgements

In preparing these financial statements, key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value - Social Housing (EUV-SH) or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units

- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development

- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense

- whether leases entered into by the group either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis

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

- the exemptions to be taken on transition to FRS102

- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset

3.2 Other key sources of estimation uncertainty

- Tangible fixed assets (see note 15 and 16)
  Tangible fixed assets, other than investment properties, 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 major repairs profile, ability to let the property and alternative options for the site are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

  For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

  In assessing impairment of assets an estimate of current new build property build costs is applied, depreciation is calculated based on the age of the existing property to arrive at a depreciated replacement cost.

- Rental and other trade receivables (debtors) (see note 20)
  The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Revenue recognition around particular contracts – ie supporting people
  Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

4 Particulars of turnover, cost of sales, operating costs and operating surplus - Group

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
					Restated	Restated	Restated	Restated
	2015	2015	2015	2015	2014	2014	2014	2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	40,000	-	(25,629)	14,371	38,135	-	(24,588)	13,547
Other Social Housing Activities								
First tranche low cost home ownership sales	3,479	(2,520)	-	959	2,910	(2,166)	-	744
Charges for support services	706	-	(711)	(5)	721	-	(715)	6
Supporting people	225	-	(272)	(47)	246	-	(744)	(498)
Community engagement	1,017	-	(1,818)	(801)	1,177	-	(1,863)	(686)
Development costs not capitalised	-	-	(169)	(169)	-	-	(53)	(53)
Other	17	-	(25)	(8)	26	-	(26)	-
	45,444	(2,520)	(28,624)	14,300	43,215	(2,166)	(27,989)	13,060
Activities other than Social Housing Activities								
Lettings - Garages	564	-	(171)	393	555	-	(112)	443
Other	38	-	-	38	37	-	-	37
	602	-	(171)	431	592	-	(112)	480
	46,046	(2,520)	(28,795)	14,731	43,807	(2,166)	(28,101)	13,540

4 Particulars of turnover, cost of sales, operating costs and operating surplus - Association

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
					Restated	Restated	Restated	Restated
	2015	2015	2015	2015	2014	2014	2014	2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	40,000	-	(25,629)	14,371	38,135	-	(24,588)	13,547
Other Social Housing Activities								
First tranche low cost home ownership sales	3,479	(2,520)	-	959	2,910	(2,166)	-	744
Charges for support services	706	-	(711)	(5)	721	-	(715)	6
Supporting people	225	-	(272)	(47)	246	-	(744)	(498)
Community engagement	-	-	(849)	(849)	-	-	(704)	(704)
Development costs not capitalised	-	-	(169)	(169)	-	-	(53)	(53)
Other	17	-	(25)	(8)	31	-	(26)	5
	44,427	(2,520)	(27,655)	14,252	42,043	(2,166)	(26,830)	13,047
Activities other than Social Housing Activities								
Lettings - Garages	564	-	(171)	393	555	-	(112)	443
Other	38	-	-	38	37	-	-	37
	602	-	(171)	431	592	-	(112)	480
	45,029	(2,520)	(27,826)	14,683	42,635	(2,166)	(26,942)	13,527

5 Income and expenditure from social housing lettings - Group and Association

	General needs	Supported housing	Low cost home ownership	Leasehold	Total	Total
						Restated
	2015	2015	2015	2015	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents net of identifiable service charges	29,788	4,884	1,492	1	36,165	34,361
Service charge income	966	1,377	211	44	2,598	2,477
Amortised government grants	760	110	84	-	954	954
Other grants	228	55	-	-	283	343
Turnover from social housing lettings	31,742	6,426	1,787	45	40,000	38,135
Expenditure						
Management	(4,012)	(751)	(346)	(118)	(5,227)	(4,528)
Service charge costs	(1,624)	(1,359)	(259)	(64)	(3,306)	(2,818)
Routine maintenance	(4,643)	(877)	-	-	(5,520)	(5,535)
Planned maintenance	(4,357)	(972)	-	-	(5,329)	(4,990)
Major repairs expenditure	(626)	(38)	-	-	(664)	(1,194)
Bad debts	21	(5)	6	3	25	(48)
Depreciation of housing properties:						
- annual charge	(4,239)	(868)	-	-	(5,107)	(5,156)
- accelerated on disposal of components	(383)	(73)	-	-	(456)	(278)
Impairment of housing properties	-	-	-	-	-	-
Other costs	(13)	(31)	(1)	-	(45)	(41)
Operating expenditure on social housing lettings	(19,876)	(4,974)	(600)	(179)	(25,629)	(24,588)
Operating surplus/(deficit) on social housing lettings	11,866	1,452	1,187	(134)	14,371	13,547
Void losses	(274)	(85)	(16)	-	(375)	(532)

6 Units of housing stock

	Group 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
General needs housing:				
- social	4,871	4,880	4,871	4,880
- affordable	424	338	424	338
Housing for older people:				
- social	870	870	870	870
- affordable	42	42	42	42
- Kent Excellent Homes for all	-	-	-	-
Supported housing:				
- social	38	38	38	38
- Kent Excellent Homes for all	20	-	20	-
Intermediate rent	36	38	36	38
Low cost home ownership	431	400	431	400
Total social housing units	6,732	6,606	6,732	6,606
Units managed by others	4	4	4	4
Total owned and managed accommodation	6,736	6,610	6,736	6,610
Leaseholders	163	161	163	161
Units under construction	85	141	85	141

7 Operating surplus

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	5,107	5,156	5,107	5,156
- accelerated depreciation on replaced components	456	278	456	278
Depreciation of other tangible fixed assets	607	621	594	613
Operating lease charges – land & building	94	117	94	117
Leasing income	(1,351)	(1,181)	(1,351)	(1,181)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	41	41	41	41
- fees for audit of accounts of subsidiary entities	5	5	-	-
- fees for other non-audit services	13	-	13	-
Defined benefit pension cost (see note 30)	1,391	1,184	1,391	1,184
Defined contribution pension cost	85	32	85	32

8 Employees

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	7,684	7,327	7,684	7,327
Social security costs	612	582	612	582
Cost of defined benefit scheme (see note 30)	1,391	1,184	1,391	1,184
Cost of defined contribution scheme	85	32	85	32
Less amounts recharged to group entities	-	-	(890)	(835)
	9,772	9,125	8,882	8,290

The average number of employees (including Executive Management Team) expressed as full time equivalents (FTE), calculated based on a standard working week of 37 hours, during the year was as follows:

	Group 2015 FTE	Group 2014 FTE	Association 2015 FTE	Association 2014 FTE
Administration	38	36	38	36
Development	7	6	7	6
Housing, Support and Care	187	193	187	193
	232	235	232	235

A defined contribution pension scheme is operated by the group on behalf of the employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £84,708 (2014 - £31,849). No contributions (2014 - £nil) were outstanding for the fund at the year end.

9 Directors' and senior executive remuneration

The key management personnel are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 1.

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Executive directors' emoluments	695	665	695	665
Amounts paid to non-executive directors	71	24	71	24
	766	689	766	689

During the year a severance payment of £40,606 was paid to Shan Shivji for his loss of contract.

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £121,277 (2014 - £118,960). As a member of the Kent County Council local government pension scheme (KCC LGPS), the pension entitlement of the Chief Executive is identical to those of other members. No enhanced or special terms apply.

There were five directors in the KCC LGPS scheme (2014 - six) and no directors in the group's defined contribution pension scheme (2014 - Nil).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
£60,000 - £69,999	4	2	4	2
£70,000 - £79,999	1	-	1	-
£80,000 - £89,999	2	3	2	3
£90,000 - £99,999	2	1	2	1
£100,000 - £109,999	-	-	-	-
£110,000 - £119,999	-	1	-	1
£120,000 - £129,999	1	-	1	-
	10	7	10	7

10 Board members

Board members	Remuneration £	Member of: Group Board	Audit and Finance	Communities and housing	Remuneration
Judith Collings	6,269	X	X		
Frank Czarnowski (Chief executive)	121,277	X		X	
Joanne Frawley (Vice chair)	6,000	X		X	X
Angela George	4,500	X	X		
Dave Hill	6,635	X	X		
Brian Horton	6,000	X		X	
Peter Kasch	6,000	X		X	
Alan Knight	6,000	X	X		X
James MacQuarrie	6,000	X		X	
Caroline Phillips	6,000	X	X		
Rosie Serpis	6,058	X		X	X
Colin Wilby (Chair)	11,409	X	X	X	X

11 Surplus on disposal of fixed assets

Group	**Shared ownership 2015 £'000**	**Right to Buy 2015 £'000**	**Other 2015 £'000**	**Total 2015 £'000**	**Restated Total 2014 £'000**
Housing Properties:					
Disposal proceeds	504	994	360	1,858	2,615
Cost of disposals	(492)	(520)	(73)	(1,085)	(1,514)
Selling costs	(5)	(5)	(2)	(12)	(13)
Surplus on disposal of other tangible fixed assets	7	469	285	761	1,088

Association	**Shared ownership 2015 £'000**	**Right to Buy 2015 £'000**	**Other 2015 £'000**	**Total 2015 £'000**	**Restated Total 2014 £'000**
Housing Properties:					
Disposal proceeds	504	994	360	1,858	2,615
Cost of disposals	(492)	(520)	(73)	(1,085)	(1,514)
Selling costs	(5)	(5)	(2)	(12)	(13)
Surplus on disposal of other tangible fixed assets	7	469	285	761	1,088

12 Interest receivable and income from investments

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Interest receivable and similar income	80	82	80	82
	80	82	80	82

13 Interest payable and similar charges

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
Bank loans and overdrafts	6,683	7,439	6,683	7,439
All other loans (excluding loans from group entities)	-	-	-	-
Finance leases and hire purchase contracts	-	-	-	-
Recycled capital grant fund	-	-	-	-
Disposal proceeds fund	-	-	-	-
Net interest on net defined benefit liability	244	166	244	166
	6,927	7,605	6,927	7,605
Interest capitalised in construction costs of housing properties	(356)	(691)	(356)	(691)
	6,571	6,914	6,571	6,914

14 Taxation on surplus on ordinary activities

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
UK corporation tax				
Current tax on surplus/(defict) for the year	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Tax on disposals of discontinued operations	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Changes to tax rates	-	-	-	-
	-	-	-	-
Taxation on surplus/(deficit) on ordinary activities	-	-	-	-

14 Taxation on surplus on ordinary activities (continued)

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus/(deficit) before tax. The differences are explained below:

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
Surplus/(deficit) on ordinary activities before tax	9,001	7,796	8,953	7,783
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2014 - 20%)	1,800	1,559	1,791	1,557
Effects of:				
Charitable income	(1,800)	(1,559)	(1,791)	(1,557)
Expenses not deductible for tax purposes	-	-	-	-
Depreciation in excess of capital allowances	-	-	-	-
Utilisation of tax losses	-	-	-	-
Adjustment to tax charge in respect of previous periods	-	-	-	-
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2014: £Nil).

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total un-provided amount is £Nil (2014 - £Nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

15 Tangible fixed assets - Housing properties

Group and Association	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
Cost:					
At 1 January 2015	460,989	6,241	47,025	1,338	515,593
Additions:					
construction costs	-	9,997	-	3,020	13,017
replaced components	3,202	-	-	-	3,202
Completed schemes	13,755	(13,755)	3,561	(3,561)	-
Transfer to properties held for sale	-	-	(171)	-	(171)
Disposals:					
stair-casing sales	-	-	(283)	-	(283)
other sales	(647)	-	-	-	(647)
replaced components	(1,418)	-	-	-	(1,418)
Revaluations	-	-	-	-	-
At 31 December 2015	475,881	2,483	50,132	797	529,293
Depreciation:					
At 1 January 2015	(42,084)	-	-	-	(42,084)
Charge for the year	(5,563)	-	-	-	(5,563)
Reclassification of properties	-	-	-	-	-
Eliminated on disposals:					
replaced components	1,474	-	-	-	1,474
other	-	-	-	-	-
At 31 December 2015	(46,173)	-	-	-	(46,173)
Impairment:					
At 1 January 2015	-	-	-	-	-
Charge for the year	-	-	-	-	-
Released in the year	-	-	-	-	-
At 31 December 2015	-	-	-	-	-
Net book value at 31 December 2015	429,709	2,483	50,132	797	483,120
Net book value at 31 December 2014 (restated)	418,905	6,241	47,025	1,338	473,509

15 Tangible fixed assets - Housing properties (continued)

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
The net book value of housing properties may be further analysed as:				
Freehold	466,425	456,799	466,425	456,799
Long leasehold	16,695	16,711	16,695	16,711
Short leasehold	-	-	-	-
	483,120	473,510	483,120	473,510
Interest capitalisation				
Interest capitalised at 1 January	4,561	3,951	4,561	3,951
Interest capitalised in the year	356	691	356	691
Transferred to current assets for equity sale of shared ownership properties	(43)	(74)	(43)	(74)
Adjustments to interest capitalised	(13)	(7)	(13)	(7)
Cumulative interest capitalised at 31 December	4,861	4,561	4,861	4,561
Rate used for capitalisation	5.0%	5.0%	5.0%	5.0%
Works to properties				
Improvements to existing properties capitalised	478	16	478	16
Major components replacement capitalised	2,724	2,650	2,724	2,650
Major repairs expenditure to income and expenditure account	664	1,194	664	1,194
	3,866	3,860	3,866	3,860
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – Housing Properties - general needs	78,183	78,784	78,183	78,784
Capital grant – Housing Properties - shared ownerships	7,726	7,775	7,726	7,775
Recycled Capital Grant Fund	381	360	381	360
Disposals Proceeds Fund	188	188	188	188
Revenue grant – I&E	954	954	954	954
Revenue grant – reserves	31,533	30,614	31,533	30,614
	118,965	118,675	118,965	118,675

15 Tangible fixed assets - Housing properties (continued)

Finance Leases

The net book value of housing properties for the group includes an amount of £1,828k (2014 - £Nil) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Impairment

The group considers each scheme under development to represent separate cash generating unit (CGU's) and completed assets at an indivudal asset level when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.

During the current year, the group and association have not recognised any impairment loss (2014 - £NIL) in respect of general needs housing stock. On 8 July 2015, the Summer Budget included the announcement that the Government will reduce rents in social housing in England by 1% a year for four years from April 2016. The Government indicated this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. As such, this was a trigger for impairment and a full review was performed on affected properties.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, West Kent is required to make the following disclosure:

a) Judgements made in defining the cash generating unit (CGU)
b) Estimation technique and judgement used in measuring recoverable amount
c) When VIU-SP is used to estimate amount, the key assumptions used and details of the method used

West Kent estimated the recoverable amount of its housing properties as follows:

a) Determined the level at which the recoverable amount is to be assessed. The CGU was determined to be an individual asset level.
b) Estimated the recoverable amount of the CGU
c) Calculated the carrying amount of the CGU and
d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

15 Tangible fixed assets - Housing properties (continued)

Based on this assessment, West Kent calculated the Depreciated Replacement Cost (DRC) of each social housing property with a one percent rent reduction in 2016, using recently contracted construction costs and land prices depreciated based on age of existing property. Comparing this to the carrying amount of each asset, there was no impairment of social housing properties.

Properties held for security

West Kent Housing Association – Registered social housing provider had property with a net book value of £266m pledged as security at 31 December 2015 (2014 - £267m).

Valuation

On transition to FRS102, West Kent Housing Association took the option of carrying out one off valuations on its stock transfer and using these amounts as deemed cost. To determine the deemed cost at 1st January 2014, the Group engaged Savills LLP to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. All other properties will be accounted at cost. All housing properties will subsequently be measured at cost.

This valuation has been undertaken by Savill's Affordable Housing Division, a widely recognised specialist valuer and property advisor in the social housing sector. They act for many registered providers, all existing lenders, lawyers and rating agencies in the sector (without exception), and have driven a high proportion of Statutory Accounts valuations, Bond Issuances (and their revaluations) and a cross section of land/consultancy projects.

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cashflows. The property portfolio was grouped by a number of key parameters to determine the valuation including:

- Location
- Spread
- Usage categories
- Age
- Construction
- Property Type
- Tenure Type
- Rental streams less key deductions for expected maintenance and management costs

The resultant cash flow was calculated over 30 years with the net income in the final year capitalised into perpetuity with an assumption of 1% real rent increase per annum with a discount rate of 5.25% real.

The carrying value at 31 December 2014 of letting properties under the cost model would be £314m compared with £483m shown above.

16 Other tangible fixed assets

Group	Office buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2015	2,513	4,327	967	7,807
Additions	25	3	463	491
Disposals	(117)	-	(163)	(280)
At 31 December 2015	2,421	4,330	1,267	8,018
Depreciation				
At 1 January 2015	(769)	(2,992)	(600)	(4,361)
Charge for year	(36)	(52)	(519)	(607)
Disposals	117	-	163	280
At 31 December 2015	(688)	(3,044)	(956)	(4,688)
Net book value				
At 31 December 2015	1,733	1,286	311	3,330
At 31 December 2014	1,744	1,335	367	3,446

Association	Office buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2015	2,513	4,273	943	7,729
Additions	25	3	433	461
Disposals	(117)	-	(163)	(280)
At 31 December 2015	2,421	4,276	1,213	7,910
Depreciation				
At 1 January 2015	(769)	(2,952)	(594)	(4,315)
Charge for year	(36)	(50)	(508)	(594)
Disposals	117	-	163	280
At 31 December 2015	(688)	(3,002)	(939)	(4,629)
Net book value				
At 31 December 2015	1,733	1,274	274	3,281
At 31 December 2014	1,744	1,321	349	3,414

16 Other tangible fixed assets (continued)

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
The net book value of office buildings may be further analysed as:				
Freehold	1,709	1,744	1,709	1,744
Long leasehold	-	-	-	-
Short leasehold	24	-	24	-
	1,733	1,744	1,733	1,744

Finance leases

The company had no 'Other tangible fixed assets' held under such leases at either year end.

17 Fixed asset investments

Details of Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the Association has an interest in are as follows:

Name	Accounting treatment	Country of incorporation or registration	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
Subsidiary undertakings					
West Kent Extra Limited (WKE)	Consolidated	England	100%	Provision of community support services	Registered charity
West Kent Ventures Limited (WKV)	Dormant	England	100%	Dormant commerical company	Incorporated company
Joint Ventures					
Ink Development Company Limited	Jointly controlled entity - Equity method	England	50%	Development company	Incorporated company

Ink Development Company Limited is a jointly controlled entity between AmicusHorizon and West Kent. The equity method of accounting has been adopted. West Kent’s equity investment was £1. The profits of Ink Development Company as at 31 December 2015 is calculated to be £50,828. West Kent's share of the profits to date would be £25,414. This has not been presented in the accounts as it is not deemed to be material.

18 Investment properties - Group and Association

	Garage land £'000	Total £'000
Cost		
At 1 January 2015	6,625	6,625
Movements in fair value of investment	-	-
At 31 December 2015	6,625	6,625
Net book value at 31 December 2015	6,625	6,625
Net book value at 31 December 2014 (restated)	6,625	6,625

The group's investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 15. This valuation has been undertaken by Savill's Affordable Housing Division, a widely recognised specialist valuer and property advisor in the social housing sector. They act for many registered providers, all existing lenders, lawyers and rating agencies in the sector (without exception), and have driven a high proportion of Statutory Accounts valuations, Bond Issuances (and their revaluations) and a cross section of land/consultancy projects.

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

Discount rate	8.5%
Annual inflation rate	No increase since April 2013
Level of long term annual rent increase	Consumer price index
Void rate	35%

As there has not been a rent increase there is no revaluation of investment property arising.

If investment property had been accounted for under the historic cost accounting rules, there would be no attibutable costs or depreciation.

19 Properties for sale

Group and Association	2015 £'000	2014 £'000
First tranche shared owneship properties:		
Work in progress (Properties under construction)	430	722
Completed properties (Properties completed and unsold)	616	1,086
	1,046	1,808

Properties developed for sale include capitalised interest of £42,707 (2014 - £60,722).

20 Debtors

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Due within one year				
Rent and service charge arrears	908	1,052	908	1,052
Less: Provision for doubtful debts	(532)	(661)	(532)	(661)
	376	391	376	391
Amounts owed by group undertakings	-	-	71	23
Staff loans	6	12	6	12
Other debtors	782	1,288	602	1,215
Prepayments and accrued income	670	455	525	393
Social housing grant receivable	5	804	5	804
	1,839	2,950	1,585	2,838
Due after one year				
Staff loans	2	8	2	8
Prepayments and accrued income	140	140	140	140
Other debtors	-	-	-	-
	142	148	142	148
	1,981	3,098	1,727	2,986

21 Cash and cash equivalents

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Cash at bank and in hand	25,086	24,645	25,048	24,526
Leaseholder accounts	592	523	592	523
	25,678	25,168	25,640	25,049

22 Creditors: amounts falling due within one year

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Loans and borrowings (note 27)	1,000	2,000	1,000	2,000
Trade creditors	1,151	978	1,151	978
Rent and service charges received in advance	752	630	752	630
Obligations under finance lease and hire purchase contracts	152	-	152	-
Other creditors	882	735	882	735
Recycled capital grant fund (Note 25)	51	49	51	49
Disposal proceeds fund (Note 26)	188	-	188	-
Accruals and deferred income	216	330	111	262
Accrued interest	584	848	584	848
Sinking fund balances	-	-	-	-
	4,976	5,570	4,871	5,502

23 Creditors: amounts falling due after more than one year

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
Loans and borrowings (note 27)	176,346	177,392	176,346	177,392
Obligations under finance lease and hire purchase contracts	1,676	-	1,676	-
Deferred capital grant (Note 24)	85,909	86,559	85,909	86,559
Recycled capital grant fund (Note 25)	330	311	330	311
Disposal proceeds fund (Note 26)	-	188	-	188
Sinking fund balances	623	567	623	567
	264,884	265,017	264,884	265,017

24 Deferred capital grant

	Group 2015 £'000	Restated Group 2014 £'000	Association 2015 £'000	Restated Association 2014 £'000
At 1 January	86,559	80,845	86,559	80,845
Grants received during the year	291	6,882	291	6,882
Grants recycled from the recycled capital grant fund	49	-	49	-
Released to income during the year	(954)	(954)	(954)	(954)
Grants on disposed properties	(36)	(214)	(36)	(214)
At 31 December	85,909	86,559	85,909	86,559

25 Recycled capital grant fund

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
At 1 January	360	110	360	110
Inputs to fund:				
- grants recycled from deferred capital grants	32	214	32	214
- grants recycled from statement of comprehensive income	38	36	38	36
Recycling of grant:				
- new build	(49)	-	(49)	-
At 31 December	381	360	381	360
Amounts 3 years or older where repayment may be required	-	-	-	-

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing housing properties. All grant is from Homes and Communities Agency (HCA).

26 Disposal Proceeds Fund

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
At 1 January	188	188	188	188
Inputs to fund:				
- funds recycled from deferred capital grants	-	-	-	-
Use / allocation of funds:				
- new build	-	-	-	-
Repayment of grant to the HCA	-	-	-	-
At 31 December	188	188	188	188
Amounts 3 years or older where repayment may be required	-	-	-	-

27 Loans and borrowings

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
No later than one year	1,000	2,000	1,000	2,000
Later than one year and not later than two years	1,250	1,000	1,250	1,000
Later than two years and not later than five years	4,750	4,250	4,750	4,250
Later than five years	170,346	172,142	170,346	172,142
	177,346	179,392	177,346	179,392

All borrowings are in the form of bank loans. During the year, the group did not borrow any further funds from its bankers. All historic loans accrue interest at a variable or fixed rate equivalent to LIBOR plus margin. Issue costs incurred, have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the amortised cost method.

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 4.77% to 5.40% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 December 2015 the group had undrawn loan facilities of £12m (2014 - £12m).

28 Financial instruments

The group's financial assets comprise of trade receivables, cash and cash equivalents measured at historical cost.

The group's financial liabilities comprise of loans payable measured at historical cost as an approximate for amortised cost as the difference between them is not deemed material, and trade creditors, other creditors and finance leases are measured at historical cost.

There are a limited number of agreements in place with customers to pay debts owed to West Kent, the value of the payment plans are small and have been included and continue to be held at transaction price.

29 Provisions for liabilities

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
At 1 January	705	-	705	-
Charged to income and expense	-	705	-	705
Utilised in year	(427)	-	(427)	-
At 31 December	278	705	278	705

The provision above are for exceptional repair costs agreed in 2014 and carried out in 2015. The remaining provision is for works that are due to be completed in 2016.

30 Pensions

Two pension schemes are operated by the group.

Defined benefit pension scheme

The group is an admitted body to the Kent County Council local government superannuation scheme, a defined benefit pension scheme. The group closed its membership to new entrants. The fund is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method.

There is a stated policy for charging the net defined benefit scheme between those group companies that are a party to the scheme and hence a proportion of the defined benefit scheme assets, liabilities, income and costs are recognised by individual group companies in accordance with that policy.

Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2013 and updated to 31 December 2014 and 2015 by a qualified independent actuary. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

	2015 £'000	Restated 2014 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	38,014	31,338
Current service cost	1,394	1,187
Interest cost	1,353	1,468
Actuarial (gains) / losses:		
- Change in financial assumptions	(2,876)	4,033
- Experience (gains) / loss on curtailments	(17)	43
Estimated benefits paid	(1,212)	(407)
Past service costs, including curtailments	-	-
Contributions by scheme participants	370	374
Unfunded pension payments	(26)	(22)
At the end of the year	37,000	38,014
Composition of plan liabilities		
Schemes wholly or partly funded	Partly	Partly

30 Pensions (continued)

	2015 £'000	Restated 2014 £'000
Reconciliation of fair value of plan assets		
At the beginning of the year	30,553	27,575
Interest income on plan assets	1,109	1,302
Return on assets less interest	95	237
Other gains/(losses)	-	-
Administration expenses	(22)	(21)
Contributions by employer including unfunded	1,391	1,515
Contributions by fund participants	370	374
Estimated benefits paid	(1,238)	(429)
At the end of the year	32,258	30,553

	2015 £'000	Restated 2014 £'000
Fair value of plan assets	32,258	30,553
Present value of the defined benefit obligation	(36,682)	(37,655)
Present value of unfunded obligation	(318)	(359)
Net pension scheme liability	(4,742)	(7,461)

	2015 £'000	Restated 2014 £'000
Amounts recognised in other comprehensive income are as follows:		
Current service cost	1,394	1,187
Administrative expenses	22	21
Interest cost	1,353	1,468
Interest on assets	(1,109)	(1,302)
	1,660	1,374

	2015 £'000	Restated 2014 £'000
Analysis of actuarial loss recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	95	237
Experience gains and losses arising on the scheme liabilities	17	(43)
Changes in assumptions underlying the present value of the scheme liabilities	2,876	(4,033)
	2,988	(3,839)

30 Pensions (continued)

	2015 £'000	Restated 2014 £'000
Composition of plan assets		
Equities	21,641	20,351
Gilts	283	380
Other bonds	3,596	3,704
Property	4,626	3,611
Cash	708	1,180
Target return portfolio	1,404	1,327
Total plan assets	32,258	30,553
Actual return on plan assets	1,204	1,518

Principal actuarial assumptions used at the balance sheet date

	2015	2014
Discount rates	4.0%	3.6%
Future salary increases	4.3%	4.3%
Future pension increases	2.5%	2.5%
Inflation assumption		
- Retail Price Index (RPI) increases	3.4%	3.3%
- Consumer Price Index (CPI) increases	2.5%	2.5%
Mortality rates		
for a male aged 65 now	22.8	22.7
at 65 for a male member aged 45 now	25.1	24.9
for a female aged 65 now	25.2	25.1
at 65 for a female member aged 45 now	27.6	27.4

Defined contribution scheme

A defined contribution pension scheme is operated by the group on behalf of the employees. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £85k (2014 - £30k). Contributions totalling £Nil (2014 - £Nil) were payable to the fund at the year end and are included in creditors.

31 Share capital

	Group 2015 £	Group 2014 £	Association 2015 £	Association 2014 £
At 1 January	34	36	34	36
Shares issued in the year	1	3	1	3
Shares cancelled in the year	(2)	(5)	(2)	(5)
At 31 December	33	34	33	34

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

32 Contingent liabilities

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

The association has entered into a residual value deed with Kent EHFA ProjectCo Limited as part of the Kent Excellent Homes For All Private Finance Initiative. The amount outstanding under the Residual Value Facility, and at any relevant time shall not exceed, nine million pounds (£9,000,000) save with the prior written consent of West Kent Housing Association. No security has been provided by West Kent Housing Association in connection with this liability. The homes being built under the contract will be held as security once completed. If this is not sufficient further security will be used from West Kent Housing Association's unencumbered stock.

33 Operating leases

The group and the association had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee	**Group 2015 £'000**	**Group 2014 £'000**	**Association 2015 £'000**	**Association 2014 £'000**
No later than one year	143	85	143	85
Later than one year and not later than five years	573	340	573	340
Later than five years	2,306	1,943	2,306	1,943
	3,022	2,368	3,022	2,368

Amounts receivable as Lessor	**Group 2015 £'000**	**Group 2014 £'000**	**Association 2015 £'000**	**Association 2014 £'000**
No later than one year	1,470	1,470	1,470	1,470
Later than one year and not later than five years	5,880	5,880	5,880	5,880
Later than five years	158,894	137,016	158,894	137,016
	166,244	144,366	166,244	144,366

34 Capital commitments

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Commitments contracted but not provided for:				
Construction	10,722	5,883	10,722	5,883
Construction - Ink Development Company Ltd.	18	305	18	305
Commitments approved by the Board but not contracted for:				
Construction	107	15,126	107	15,126
Construction - Ink Development Company Ltd.	1,200	1,301	1,200	1,301
	12,047	22,615	12,047	22,615

Capital commitments for the group and association will be funded as follows:

	Group 2015 £'000	Group 2014 £'000	Association 2015 £'000	Association 2014 £'000
Social Housing Grant	196	64	196	64
New loans	-	-	-	-
Sales of properties	3,361	5,501	3,361	5,501
Existing reserves	8,490	17,050	8,490	17,050
	12,047	22,615	12,047	22,615

Included in capital expenditure that has been contracted for – PPE is £Nil in respect of commitments relating to joint ventures.

35 Related party disclosures

The ultimate controlling party of the group is West Kent Housing Association – Registered social housing provider. There is no ultimate controlling party of West Kent Housing Association – Registered social housing provider.

West Kent considers the key management personnel to be the Board and Executive Team, the only transactions between West Kent and the key management personnel are remuneration which is set out in note 10.

West Kent participates in two pension schemes, being the Kent County Council defined benefit pension scheme (Closed for new entrants) and the Scottish Life defined contribution scheme. The transaction with these pension schemes are set out in note 30.

The board includes three tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. There were 10 shareholders (2014 - 10), excluding the board members, that are also tenants, or have close family that are tenants, of the association, who hold tenancy agreements on normal terms and cannot use their position to their advantage. The transactions recorded during the year are aggregated below:

	2015 £'000	2014 £'000
Payment due from previous year	(2)	(1)
Charges in year	84	82
Payments in year	(83)	(84)
Adjustments in year	-	1
Payments due at end of year	(1)	(2)

Joint venture

The following transactions took place between the group and its joint venture and associated companies during the year:

	Joint Venture	
	2015 £'000	2014 £'000
Net sales and purchases of goods and services	6	13
Debtors due to Ink	(85)	(32)
Creditor due from Ink	52	227
Administration fees received by West Kent	11	11

35 Related party disclosures

Transactions with non regulated entities

The association provides management services and other services to its subsidiaries. The association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

	Management charges		Other charges	
	2015	2014	2015	2014
Payable to Association by subsidiaries:	£'000	£'000	£'000	£'000
West Kent Extra Limited	649	581	189	177
	649	581	189	177

	Management charges		Other charges	
	2015	2014	2015	2014
Payable by Association to subsidiaries:	£'000	£'000	£'000	£'000
West Kent Extra Limited	649	581	189	177
	649	581	189	177

Intra-group management fees

Intra-group management fees are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries. The management fee is calculated as the total finance and administration apportioned based on turnover.

36 Capital and reserves

The Revaluation Reserve contains the unrealised gains in respect of fixed assets for which the deemed cost option was taken.

Group	Housing properties revaluation reserve £'000	Restricted reserve £'000	Income and expenditure account £'000	Total £'000
At 1 January 2015	169,227	44	65,738	235,009
Surplus for the year	-	11	8,990	9,001
Actuarial deficit on pension scheme	-	-	2,988	2,988
Realisation of revaluation surplus in year	(449)	-	449	-
Surplus arising on valuation	-	-	-	-
Transfers between reserves	-	-	-	-
At 31 December 2015	168,778	55	78,165	246,998

Association	Housing properties revaluation reserve £'000	Restricted reserve £'000	Income and expenditure account £'000	Total £'000
At 1 January 2015	169,227	-	65,566	234,793
Surplus for the year	-	-	8,953	8,953
Actuarial deficit on pension scheme	-	-	2,988	2,988
Realisation of revaluation surplus in year	(449)	-	449	-
Surplus arising on valuation	-	-	-	-
Transfers between reserves	-	-	-	-
At 31 December 2015	168,778	-	77,956	246,734

37 Post balance sheet events

There were no material post balance sheet events.

38 First time adoption of FRS102

Group	Note	Income and Expenditure Reserves as at 1 January 2014 £'000	Surplus for the year ended 31 December 2014 £'000	Income and Expenditure Reserves as at 31 December 2014 £'000
As previously stated under former UK GAAP		25,508	5,169	30,677
Transitional adjustments				
Net impact of depreciation		(2,884)	(1,549)	(4,433)
Net impact of grant amortisation		30,614	919	31,533
Investment property recognition		6,625	-	6,625
Other		1,319	17	1,336
As stated in accordance with FRS102		61,182	4,556	65,738

Association	Note	Income and Expenditure Reserves as at 1 January 2014 £'000	Surplus for the year ended 31 December 2014 £'000	Income and Expenditure Reserves as at 31 December 2014 £'000
As previously stated under former UK GAAP		25,385	5,137	30,522
Transitional adjustments				
Net impact of depreciation		(2,884)	(1,549)	(4,433)
Net impact of grant amortisation		30,614	919	31,533
Investment property recognition		6,625	-	6,625
Other		1,319	-	1,319
As stated in accordance with FRS102		61,059	4,507	65,566

38 First time adoption of FRS102 (continued)

Group and Association	Note	Revaluation Reserves as at 1 January 2014 £'000	Movement for the year ended 31 December 2014 £'000	Revaluation Reserves as at 31 December 2014 £'000
As previously stated under former UK GAAP		183,286	12,696	195,982
Transitional adjustments				
Revaluation adjustment		(183,286)	(12,696)	(195,982)
Revaluation to deemed cost		169,686	(459)	169,227
Other				-
As stated in accordance with FRS102		169,686	(459)	169,227

As this is the first year application of FRS102 the effect of the change in accounting policy from holding housing properties under the valuation method to holding them under the historic cost method is shown in the table above.

If this was not the first year of application, the change in accounting policy would have been highlighted in the statement of changes in reserves, and all comparatives would have been restated.

38 First time adoption of FRS102 (continued)

Explanation of changes to previously reported profit and equity

a. FRS 102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 31 December 2014 because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan’s specific assets be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit is mirrored by an increase in actuarial gains which are presented within other comprehensive income.

b. Section 35 of FRS 102 allows first-time adopters to elect to measure items of property plant and equipment (PPE), at their fair value at the date of transition and use that fair value as deemed cost at that date.

   Section 17 of FRS 102 states that any gain in revaluation must be recognised within comprehensive income and the revaluation reserves, any losses must be offset by any gains recognised in the revaluation reserve and then must be recognised within surplus/deficit before taxation.

   Adoption of the deemed cost option has resulted in a net increase in fixed assets at 1 January 2014 of £97.9m, this includes the movement of £111.5m of grant moved to creditors, £169.7m of revaluation gains credited to the revaluation reserve. Consequently, depreciation for the year ending 31 December 2014 has increased by £1.6m.

c. Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost, the related social housing grant will be recognised initially under the performance model with subsequent grants measured using the ‘accrual model’ with the grant amortised over the life of the structure and components of the property.

   Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

   Grants due from government organisations or received in advance are included as current assets or liabilities.

   The effect on the 1 January 2014 balance sheet is the movement of £111.5m to long term creditors. £11.6m social housing grant moved to creditors initially has been classified under the accruals method and charged to the income and expenditure. £19.1m social housing grant relating to assets where the deemed cost option has been applied has been charged to the income and expenditure under the performance method. Consequently, £1m grant has been amortised. Movements in the long term creditor grants during 2014 are shown in note 24.