Places to live. Space to grow.

West Kent Housing Association

Report and Consolidated Financial Statements

for the year ended

31 December 2016

West Kent Housing Association
Report and Financial Statements for the year ended 31 December 2016

Contents

Chair's statement

The past year was an important time for West Kent as we opened five new extra care schemes providing 218 new homes for older people across Kent. At the same time, we have been investing heavily in refurbishing our existing Emerald homes, notably in Swanley. In combination, these make West Kent an important provider of housing for older people in the county. Our building programme of new rental and shared ownership properties continued and we are now present in nearly all local authority areas from Dartford to Dover.

West Kent's new homes programme is the largest in our 27 year history and in 2016 we took handover of 254 homes which is the highest number in a single year. Another big landmark occurred in 2016 when we completed the building of our 2000th new home.

The housing shortage across the country has been much discussed in the media over this past year and the board and executive team are keen that we do our part to help solve it by continuing to build as many new homes as we can. West Kent is a financially strong organisation and we have delivered financial results ahead of budget and improved our operating margin. Our entire surplus is re-invested in maintaining our existing homes and building new homes and we have increased our development ambitions to achieve more than 200 new homes per year over the next few years. In order to do so, we successfully secured additional borrowing of £54m in April 2017 to fund the next phases of our building programme.

The 'Your Home, Your Responsibility' process continued to evolve last year, improving the ways in which customers can contact us and interact with the various services we offer. This includes more ways to report repairs, book appointments, and pay rent or service charges. Rent arrears were contained at the previous low level of 2%, which was very welcome as, in April 2016, we reduced our social rents by 1% in line with government policy, followed by a further 1% reduction in April 2017. As a working charity, every £1 of reduced income is £1 we cannot spend on maintaining our existing homes or building new homes.

Demand for our homes remains high, especially for one and two bedroom properties, but demand is determined by the local authority housing register rules. We let 636 homes in 2016 of which 230 were new builds. The average time taken to bring a property from becoming vacant to being re-let was 23 days against the target of 21 days – a significant improvement from 2015 when it was 32 days. This was achieved through focused effort from our voids group using technology to speed up processes and communication.

The government's decision that future housing association tenants claiming benefits should be subject to the Local Housing Allowance Cap (LHA), could critically impact on West Kent's ability to maintain the services we deliver to all our customers. The impact of this will be particularly acute for supported tenants and older people living in our special purpose schemes. We are hopeful that the government will recognise this and we are working with other social housing organisations to suggest more suitable and sustainable alternative arrangements.

Colin Wilby, Chair of the Board

Strategic report

Business overview

West Kent Housing Association is the parent company of the group which is branded as 'West Kent'. The association is a charitable registered provider regulated by the Homes and Communities Agency. Details of the companies which comprise West Kent can be found in note 1.

Established in 1989, we were one of the first large scale voluntary transfers of local authority housing. We were the first 'excellent' housing association in the country and the first gold standard Investor in People in Kent. We have an enviable reputation for helping people and communities flourish.

We are an independent organisation with a proud history, valued brand and a great reputation as a committed, agile, and responsive partner. However none of these attributes are more important than our reason for being – to meet housing need in Kent.

We work only in Kent and Medway, where we own and manage over 7,000 homes. We work closely with all the local authorities in the area and many other statutory and voluntary partners.

Kent is not only the Garden of England, but also its oldest and most populous county, with 1.6 million residents. It is a major player in the economy of the South East and of the UK as a whole. Easily accessible from London and the continent, Kent is an attractive place 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. Kent offers the South East's greatest opportunity for housing growth.

For Kent's increasing elderly population, the demand for homes that meet their changing needs is growing. There is a need for high quality, smaller accommodation for older people to encourage them to downsize, freeing up larger properties for the family market.

Mission - what we do

We believe that a good home is a foundation for getting on in life; our core purpose is to help the many people for whom a good home (to rent or buy) is too expensive, and to nurture their communities.

Most of our homes are rented to families on low or moderate incomes, who come to us from local council lists of people who need housing. Some of our homes are specially designed for older people and we support them to maintain their independence. We also provide shared ownership homes to people who are taking their first steps into home ownership. We rent and sell some homes at the going market rate too.

We invest in our communities and believe that strong communities are built from strong and active individuals. We focus on projects that support people to improve their life chances through training and employment.

By operating efficiently we make a surplus, all of which is then invested back into providing more and better homes and services to residents.

Vision

Our vision is to be the leading community provider of affordable homes in Kent.

We will help to create in Kent a prosperous, strong and sustainable society; a place of opportunity for all; where people can plan for their futures.

Our values and culture

West Kent has developed its own positive culture of working in partnership with customers and stakeholders, to deliver exceptional services in a friendly, solution focused way.

- We focus on the long term and the needs of future, as well as current, residents.

- We ensure our residents and customers have real influence on what we do.

- We provide more than just landlord services because we care about the people and places where we work.

- We recognise the importance of a local focus and work actively with our local authorities and other local partners to improve and shape places at both a strategic and operational level.

Our values guide our staff to give customers a richer experience and staff themselves a greater sense of satisfaction. They guide us to make sound decisions for the business and be responsive to all our stakeholders.

Integrity – letting your moral compass keep you on the right track
Compassion – putting yourself in the other person's place
Self-awareness – knowing yourself and the impact you have
Learning – improving by exploring what's there beyond what you know
Flexibility – doing the right thing so you get the right result
Honesty – saying and doing the right thing, even when it's hard
Delivering on our promises – doing what we say, when we say we'll do it
Working hard and having fun – choosing to enjoy the people and the job

Strategic Plan

Where we'll be in ten years time - what we will look like
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.

By 2026:

- We will own and manage more than 10,000 homes, half of which will be in parts of Kent other than where we originated in the Sevenoaks district.
- We will have provided a range of housing to meet local needs in mixed communities.
- We will be organised to deliver consistent, tailored services across the county.

- 1,300 of our homes will be specifically designed for older people across a mix of tenures.
- Customers will be able to easily deal with us over a range of channels.
- Our homes will be warm, well maintained, affordable and evoke personal pride and satisfaction.
- We will be a leading agency promoting opportunity and supporting strong, cohesive and inclusive communities across Kent.
- We will be an attractive and respected employer.

To realise this future, everything we do will be focused on six strategic objectives:

Viability: ensure West Kent stays a vibrant, sustainable organisation.
Customers: our residents will enjoy exceptional tailored services and choice.
Homes: ensure our homes are warm, well maintained and affordable.
Growth: build new homes to meet housing need in Kent and Medway.
Older people: be a leader in meeting the accommodation needs of older people in Kent.
Community: somewhere to live, something to do and someone to love.

Operating review

West Kent operates across four areas of activity: landlord; new homes; tenancy sustainment; and, communities.

Landlord

Construction completed on five extra care schemes (218 homes) under the Kent Excellent Homes for All Private Finance Initiative and we have established good working relationships with statutory authorities involved with nominations. This led to schemes getting off to a good start and residents being allocated housing quicker than expected after handover.

Demand for our homes remains high, especially for one and two bedroom homes, but demand is influenced by the local authority housing register rules. We let 636 homes in 2016 of which 230 were new homes. The re-let time for the year was 23 days against the target of 21 days – a significant improvement from 2015 when it was 32 days. This was achieved by focused effort from our voids group using technology to improve the speed of processes and communication.

	2014	2015	2016
How many households did we house in the period (relets)	480	425	406
How many households did we house in the period (first lets)	205	149	230
	685	**574**	**636**

Performance on rent collection was strong with current debt at the year end at 1.99%. Maintaining the arrears performance is increasingly difficult, with the roll out of universal credit combined with court procedure changes introduced in autumn 2016 that delay the process of obtaining warrants for evictions. We evicted 14 tenants during the year; eight from assured tenancies and six from starter tenancies. 12 evictions were for rent arrears and two for anti-social behaviour.

We had positive engagement with residents about financial wellbeing and have seen people start to move into work to avoid the lower benefit cap. We are working with the small number of residents already on universal credit and in rent arrears to try to mitigate the debts and will take enforcement action if required. This will be a focus of our well-being work during 2017 as the numbers on universal credit slowly increase. The reduction to the benefit cap came into force in November 2016. It resulted in 86 West Kent householders having their housing benefit entitlement cut. The amount capped ranges from the full rent down to a few pounds. We receive on-going information on households likely to be capped from local authorities and this enables us to work closely with these households, informing them early of changes to their income and supporting them with making choices of how to mitigate the loss.

Our Customer Strategy *It's Your Call* 2014-19 set a five year aim 'to redefine our relationship with our tenants based on exceptional services, reciprocity and independence'. We made good progress with implementing the strategy during 2016: we undertook a major exercise to define *Your Home Your Responsibility*, the *Home Standard* and *Maintaining Your Home* to clarify the respective roles of landlord and tenant and bring new focus to efficiency and Value for Money. We put in place a new foundation for our channel shift with the launch of a new web-site platform.

One of the key measures for the strategy was that by 2019 we will deliver a 'right person; right answer; first time' response for at least 90% of our customers. By December 2016 we were achieving this service 86% of the time – a 4% improvement on 2015.

We completed 96% of repairs on time and achieved 93% scored on our new metric to assess how well we deliver on our 'maintaining your home' promises.

Complaints were much lower than previous years, with 44 complaints reviews, five complaints appeals and no Independent Ombudsman referrals. We put effort into ensuring our first stage review Making It Right process was working smoothly. We have reduced our compensation spend by 68% (about £40,000) after introducing a new way of working that reduced the number of missed appointments by over a third.

We consulted 39% of West Kent residents during the year. West Kent's approach to resident involvement goes well beyond regulatory requirements. The updated resident involvement strategy embeds the shift from a traditional format, based on centralised involvement structures and groups, to a more flexible, local offer that seeks to improve access for residents to support, monitor and scrutinise our work.

Our health and safety systems and procedures are working well and there have been no significant incidents. There were no outstanding landlord gas safety inspections at year end and our fire safety and assessment procedures are working well with all 393 fire risk assessment within date and a programme in place to ensure they are all reviewed within five years of the previous assessment.

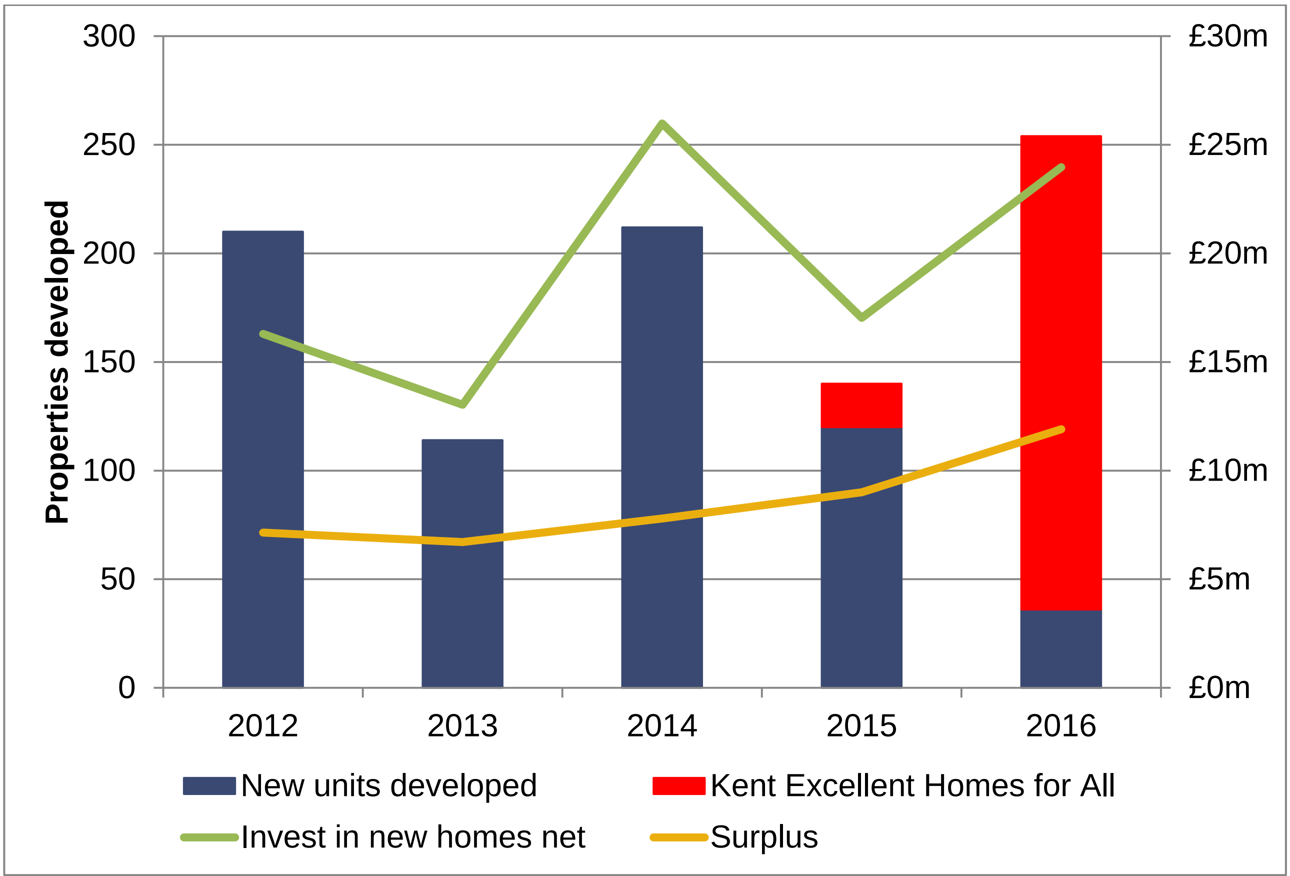
We also did significant work on our Asset Management Strategy to ensure our homes remain fit for the future. The assets are in good condition. A new five-year asset management plan has been agreed. Our review of component information has enabled us to improve our confidence in the data held, and a move to annual house 'MOTs', where we complete a condition check on components within the home, will improve it further.

At the end of the year we had 52 properties failing the decent homes standard, an improvement on the 88 at the end of 2015. Our performance standard is to have no homes non-decent for more than 12 months and there were 14 of these at the end of December 2016. One that was non-decent at year end has subsequently had the works completed, the remaining 13 were due to tenant refusal. The number of poorly heated homes reduced to 14 at the end of 2016 compared to 19 twelve months before. Ten of these will be completed during 2017 but there are four properties where tenants are refusing works.

We invested £2,077 per home on maintenance and component replacements in 2016. We replaced 210 doors, 33 windows, 370 boilers, 128 central heating systems, 159 kitchens, 134 bathrooms and 18 roofs.

New homes

Our new homes programme is the largest in West Kent's 27 year history. In 2016 we took handover of 254 homes which is the highest ever number of homes in a single year. Another big landmark occurred in 2016 when we completed the building of our 2000th new home.



Over the past five years we have invested £118m in building or acquiring 935 homes (including 238 homes as part of Kent Excellent Homes for All), receiving £23m of Homes and Communities Agency grant. In the same period we made surpluses of £43m. For every £1 generated in surpluses we spend £2.26 on building new homes.

2016 was a landmark year in terms of moving forward our aim to be a leader in meeting accommodation needs of older people with the handovers of the five Kent Extra Homes For All schemes and good progress on our Emerald Accommodation Strategy. With all of the schemes completing and moving into management in an extremely tight timeframe our teams responded magnificently. Our Kent County Council partners commented on the unprecedented levels and timeliness of occupation achieved.

Kent Excellent Homes for All is a housing led £100m Private Finance Initiative across seven locations in Kent. It is a partnership between Kent County Council, along with five local authorities, Dalmore Capital, Galliford Try Partnerships and West Kent Housing Association. The first scheme handed over in December 2015 and the last in October 2016.

The first two schemes are delivering supported housing and the last five are purpose built extra care housing schemes for people over the age of 55. Extra care provides independent living, meaning all residents have their own front door, but with the reassurance that care can be provided by the on-site team if the resident requires it.

As well as spacious apartments, residents also benefit from communal facilities including a restaurant, bar, a gym/dance studio, a computer suite, a large communal lounge, a hair dressing studio, laundry and large bathroom with hoist, together with a care team on-site 24 hours a day, seven days a week. This type of scheme is in great demand and enables larger homes to be made available for families or release beds in respite care and hospitals.

The schemes were built by Galliford Try Partnerships and, for the 25 year contract period, West Kent Housing Association will undertake the day to day management of the schemes. Galliford Try Facilities Management will repair and maintain all the buildings and grounds.

We have a strong appetite to build and we have secured a good proportion of our forthcoming three year programme.

Part of our development programme includes shared ownership. Our sales performed well with 28 first tranche sales in the year and four shared ownership resold after West Kent repossessed them some years ago, generating £2.5m of sales receipts. There was only one unsold at the end of the year (no properties were unsold for more six months after taking handover). In addition to the initial sales there were 16 shared owners who chose to increase their equity in their home, this generated an additional £1.5m.

Tenancy sustainment

Tenancy sustainment is embedded in our housing management culture. We want all our tenants to successfully manage their tenancies with us and take personal responsibility for keeping to their tenancy agreements. Where a tenant needs support, we have some specific initiatives to meet their needs. In 2016 these included affordability assessments for mutual exchanges and affordable rent properties; the use of starter tenancies for 204 new allocations and over 800 clients accessing support services such as care navigator, crisis support and HERO project (Housing, Energy, Retraining Opportunities). We also completed 554 tenancy catch up visits.

We want to encourage tenants to plan for their futures and maintain their homes into the future in the context of a changing landscape of benefit entitlement and welfare reform. To this end, in 2016 we have collaborated on local projects designed to encourage tenants' entry into volunteering opportunities, learning and training to reduce dependency on benefits and shape stronger communities. We provided financial well-being workshops and 1:1 advice on welfare benefits and we funded an under-occupancy scheme promoting tenants to downsize where they have been affected by under-occupancy (and unable to maintain their larger home) and the spare room subsidy. 18 tenants benefited from this scheme in 2016 (62 tenants benefitted since 2014).

Our collective work resulted in only 2.45% tenancy failures during the starter tenancy period (this is five out of 204 new starter tenancies with 21 being extended for further interventions during that same period). We had fewer evictions in 2016 compared to the previous two years; with 14 evictions taking place overall.

We will continue with our focus on starting tenancies right, through the new communications tools associated with *Your Home, Your Responsibility*, including short animation films available on our website. Our reorganised housing services are designed to ensure our staff are visiting more tenants each year to identify support needs and take a swift and robust approach to implementing *Your Home, Your Responsibility.* Our re-structured support team widens capacity for referrals while our community safety team will work collaboratively with other West Kent teams and external partners to address anti-social behaviour, access problems and hoarding. Our income team continue to focus on new ways to promote *Your Rent Your Responsibility*, through text messaging and other campaign materials.

Together, all services will adopt a more holistic approach from the outset. Where there is a risk of a tenancy breach or there has already been one, we will identify it at an early stage and encourage the tenant to work with us to address their needs or behaviours and establish a successful tenancy going forward.

Communities

In the past year we have completed the consolidation of our community work into a new Communities directorate. As well as the structural change we have completed a new Communities Strategy that sets out the ethos and key aims of our community work. Despite the changes the previous aim to build and support strong, cohesive and inclusive communities across Kent remains. This is now underpinned by a clear methodology to understand and tackle unmet need, to recognise and utilise the range of assets in a community, including physical, economical and social assets, and have a clear theory of change to guide our work.

Our new strategy sets a clear goal to work with a range of partners across Kent to grow the scale and scope of our work in the five years ahead. In this light we were pleased to continue to deliver a range of community and support work and also win new contracts including delivering volunteer support and development in libraries across Kent, delivering youth work services in Sevenoaks district and developing a national pilot project for the Money Advice Service that aims to understand the help young people need to access employment.

As well as delivering services directly, our new strategy recognises the strength of our relationships and the ability to use them to influence others to tackle social issues that are beyond our expertise, capacity or geographical reach. We will therefore seek to be a greater influence and contributor to the debate within Kent and beyond on building social capital and forging strong communities.

Over the coming years, we expect to have to compete more effectively to secure grant and trust funding for the unmet needs we identify in Kent. We also expect our local government partners to commission services in a new way, often with wider scope and reach. This will require us to act quickly and effectively in building new partnerships, new skills and new ways of working. In the short term we are likely to see our smaller contracts incorporated into much larger commissioning processes which may mean we lose some contracts. In the long term our recent changes to structure and approach leave us well placed to compete for and win these large contracts.

2016 was the busiest and most successful year to date for our community work and we expect to continue to grow over the next five years, supporting current and future West Kent residents and their wider Kent communities.

Financial review

This is the second year of adoption of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Group financial results

	2015 £'000	2016 £'000
Consolidated statement of comprehensive income		
Turnover	46,046	46,665
Cost of sales	(2,520)	(1,828)
Operating costs	(28,795)	(27,189)
Surplus on disposal of housing properties	476	762
Operating surplus	15,207	18,410
Surplus on disposal of other fixed assets	285	43
Other interest receivable and similar income	80	60
Interest and financing costs	(6,571)	(6,606)
Surplus before taxation	9,001	11,907
Taxation on surplus	-	-
Surplus for the financial year	9,001	11,907
Consolidated balance sheets		
Tangible fixed assets – housing properties	483,120	517,320
Tangible fixed assets – other	3,330	3,220
Investment properties	6,625	6,625
Net current assets	23,827	19,747
	516,902	546,912
Creditors: amounts falling due after more than one year	(264,884)	(283,238)
Provisions for liabilities	(278)	-
Pension liability	(4,742)	(12,620)
	246,998	**251,054**
Capital and reserves		
Income and expenditure reserve	78,165	82,491
Revaluation reserve	168,778	168,496
Restricted reserve	55	67
	246,998	**251,054**

Statement of comprehensive income

The Group surplus for the year has increased by £2.9m before actuarial gains/losses on the local government pension scheme. The Group accounts consolidate the results of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of £19,304 (2015: £49,462) during the year.

Group turnover has increased by £0.6m. This is primarily due to full year rental income on new homes delivered in 2015 and partial rental year for homes handed over in 2016. We increased the rents on our older person accommodation; this helped offset income lost through the 1% reduction on social housing rents. Turnover from other social housing activities reduced by £1.1m due to a decrease in the number of shared ownership first tranche sales. Our void loss increased by £0.1m however this is made up of improved void performance on the majority of our stock reducing void loss by £151k, while our new extra care homes took time to be fully occupied resulting in a void loss for this tenure of £254k. This was expected and predicted within our budget setting.

Operating costs decreased by £1.6m in 2016. This was due to a reduction in maintenance in the year. A review of how overheads are allocated across our cost base resulted in reduced costs in providing housing management and services by £0.5m, as well as the impact of a review of our housing staffing structure. The operating costs associated with delivering the Kent Excellent Homes For All contracts include service, maintenance and management functions. This has been separated out in Note 5 of the accounts so the cost of providing this contract can be seen and the costs to other tenures is not distorted by this service.

We invested £13.6m (2015: £14.8m) in maintaining our homes in the year, including the £2.7m replacing components and improvements that have been capitalised under the component accounting policy. This equates to £2,077 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. The reduction in spend was not due to a cost cutting exercise. Our long term projection indicates we will be investing on average £2,155 per home per year over the next 30 years.

Interest payable and similar charges of £6.6m (2015: £6.6m) reflect the benefit of low interest rates; loan borrowing slightly reduced in 2016 as some loans were repaid as part of a repayment profile. There is a finance lease charge of £0.2m for the first time in 2016. This is due to the way in which Kent Excellent Homes For All, Private Finance Initiative, is structured. Interest cover was 299%, based on the toughest loan covenant. All our banking covenants have been met in the year.

Balance sheet

Housing properties at cost increased by £34.2m to £517.3m. This increase is due to investment in new homes and spending on existing properties of £13.3m. 254 homes were built or acquired in 2016. There were 218 homes built as part of the Kent Excellent Homes for All Private Finance Initiative. We consider the 238 (218 completed in 2016, 20 completed in 2015) Kent Excellent Homes for All properties as West Kent's due to the risk and rewards that West Kent benefit from. West Kent provides the landlord function, of holding the tenancies along with taking rent and void risk. At the end of the contract period West Kent may obtain the properties at existing use value. There is no initial cost to West Kent in obtaining these assets. West Kent has recognised a finance lease of £21.6m, being the present value of the properties.

Group Key Financial Indicators	2014	2015	2016
Number of homes in management excluding leaseholders	6,606	6,732	6,970
Interest cover (as per loan agreement)	239%	265%	299%
Earnings before interest tax depreciation and amortisation (EBITDA) per unit	£2,986	£3,034	£3,327
EBITDA including major repair improvements capitalised (MRI) per unit	£2,582	£2,558	£2,937
Net debt to Turnover	3.5	3.3	3.4
Operating margin (including Surplus on disposal of housing properties)	33%	33%	39%
Operating margin MRI (including Surplus on disposal of housing properties)	27%	26%	34%

Group Key Financial Indicators	2014	2015	2016
Change in turnover	N/a	5%	1%
Change in maintenance MRI	10%	3%	-8%
Effective interest rate	4.2%	3.7%	3.8%
Debt per unit	£27,156	£26,344	£25,295

Future prospects

Our Development Strategy identifies our 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.

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.

West Kent currently owns and/or manages 7,144 properties.

	2016
Rented	6,528
Low cost home ownership	442
Total social housing homes	6,970
Homes managed by others	4
Leaseholders	170
Total owned and managed accommodation	7,144
Homes under construction	299

Current properties owned and managed by local authority area

	2016	Including homes under construction
Sevenoaks	5,781	5,845
Medway	392	392
Ashford	311	455
Maidstone	269	286
Tonbridge and Malling	78	78
Tunbridge Wells	70	70
Thanet	58	58
Swale	57	72
Dartford	51	51
Dover	40	40
Gravesend	37	76
Canterbury	-	20
	7,144	7,443

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. The strategic plan 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 identifying the links between our vision, the key risks and our risk appetite, in the context of our operating environment and opportunities.

Following the Government decisions to change the rent formula, we reviewed our 30 year financial plan and embarked on a comprehensive cost management programme. The programme includes a range of projects across the organisation to drive down costs and improve efficiencies.

The board has identified the four highest risk areas on delivering our business objectives.

Welfare reform: Welfare Reform continues to be a volatile risk, despite close management of tenants impacted. In particular the materialisation of universal credit debt is a worrying trend. Although numbers are small the average debt owed by the 13 in arrears is £1,454 as at the 31 December 2016. The reduced benefit cap has not yet caused issues and has seen a number of tenants move into work to avoid the impact. Rent arrears figures are reported monthly to the board.

Local Housing Allowance Cap: The risk remains volatile and, as the details of the policy are still not formed, there remains great uncertainty on implementation. Government has recently pushed back the implementation date for social housing Local Housing Allowance to 1 April 2019 for all claimants. Supported housing, in particular the impact for older tenants, is the major worry and we have made a formal response to the consultation paper stating that Local Housing Allowance does not work for this type of housing. In addition, we have contributed to responses by Placeshapers and Kent Housing Group.

Kent Excellent Homes for All: West Kent is fulfilling all contract conditions and no penalties have been applied to us during 2016. We receive regular unannounced inspections; the most recent inspection has not produced any concerns by Kent County Council on West Kent's performance. Occupancy levels have risen since handover to expected levels. The operational risk is being managed and monitored, however the threat posed by Local Housing Allowance is still present (see above).

Sales: This is a significant liquidity risk and it is managed closely. A balance is continually monitored between risk and opportunity; between ambition and prudence; between treasury headroom and 'sweating' our assets. We are currently within our internal value at risk appetite level in pursuit of our development strategy for net 200 homes per year. We are planning to sell 65 first tranche shared ownership sales generating cash receipts of £6.2m in 2017. 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. Current unsold properties are reported monthly to the board.

The board has also identified key business as usual risks which are monitored regularly by the board.

***Health and safety:* -** We fail to fulfil our legal obligations under health and safety legislation.
Developing new homes: New homes are not economically and operationally fit for purpose.
Business operations continuity: Inability to deliver our services.
Business partner failure: A key partner who we rely on to deliver our services, unexpectedly withdraws their services.
Local Government Pension Scheme: A termination payment which is either unexpected or poor value for money, is triggered on the Kent County Council administered local government pension scheme.
Regulation: We fail to comply with the regulatory regime. Specifically, in the short-term, we fail to properly implement and comply with the new consents regime.
Data security: A breach of data security impacts on our day to day operations and regulatory obligations.

Approval

This Strategic Report was approved by order of the board on 11 May 2017

Craig Reynolds
Company Secretary

Directors' report

Principal activities

West Kent Housing Association (West Kent) is a registered provider of social housing which is regulated by the Homes and Communities Agency. The activities of West Kent Housing Association and its subsidiaries (see note 35) have been detailed in the Strategic Report.

Business review

Details of West Kent's performance for the year and its future plans are set out in the Strategic Report and for part of this report by cross-reference.

Post balance sheet events

There are no post balance sheet events.

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 is as follows:

- 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 £38.5m.

- Kent Excellent Homes for All – Private Finance Initiative - Finance Lease
  Section 34 'Service concessions' of FRS 102 indicates that a service concession arrangement is an arrangement whereby a public sector body, or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (concession period). The operator is paid for its services over the period of the arrangement. A common feature of a service concession arrangement is the public service nature of the obligation undertaken by the operator, whereby the arrangement contractually obliges the operator to provide services to, or on behalf of, the grantor for the benefit of the public. A significant judgement has been made that due to the arrangements in place and the risks West Kent takes on in this arrangement West Kent is the grantor in this relationship.

  To calculate the finance lease we have used a qualified valuer to arrive at an existing use value of these assets. The valuation has been estimated at £21.55m.

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 that 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. Total depreciation charged in year was £5.7m.

- 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 2016 was £12.6m.

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

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'. 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 against our progress towards our ten year strategy. This analysis with agreed actions and targets in place enables the board to come to an overall value for money assessment.

Over the next ten years we aim to:

- increase our efficiency, to respond to pressure on our income, and to build our capacity to do more.

- remain an attractive employer, with an engaged workforce, who have the tools to deliver our promises to our customers.

- provide our staff and customers with the means to access relevant, timely information easily.

How we achieve these aims is set out in our Financial Plan, Cost Management Plan, Value for Money Strategy, ICT Strategy, and People Strategy.

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 2016 we have once again demonstrated West Kent to be a financially robust, efficient organisation. We have monitored ourselves against the same measures since 2012 and these are shown below. When the revised Value for Money standard is published we will review these measures to ensure they remain fit for purpose.

The actions identified in 2015 value for money assessment for 2016 were:

- Reviewing cost management - in progress
- Continuing to build new affordable homes – continuing
- Reviewing our responsibilities and those of our customers – completed
- Reviewing how we handle former tenancy arrears – completed
- Increasing income through an improved garage property investment strategy – completed

- Using ICT to reduce transaction costs across the business – continuing
- Achieving a digital maturity – applications, mobile working and online services – completed
- Migrating maintenance from responsive to planned as part of property MOT– in progress
- Reviewing fencing as part of redefining our offer to tenants – completed.

Category	Indicators	Actual 2015	Actual 2016
Financial	Earnings before interest tax depreciation and amortisation MRI per unit	£2,558 per unit	£2,937 per unit
	Development appraisal assumptions	Achieved and reported to board	Achieved and reported to board
	Long term model	2025 peak debt at end of development programme	2026 peak debt at end of development programme
	Current tenant rent arrears	2.0%	2.0%
	Re-let general needs	30 days	23 days
	Effective interest rate	3.7%	3.8%
	Operating surplus in year / Investment in new homes	£1.89	£2.01
Customer/ Stakeholder	It's your call – Customer Strategy objectives	82% enquiries dealt with first time	86% enquiries dealt with first time
	Leverage in external funding to WKE	£1,016k	£698k
	Decent homes	99% decent	99% decent
	Rents are in line with regional comparators	In line with regional comparators	In line with regional comparators
Internal process	Process mapping	Five processes completed	Core process completed rolled out mobile working
	Divestment of stock	No non-core areas	No non-core areas
Learning and growth	Employee engagement	82%	86% engaged with new e-learning tool
	Pay and benefits	73%	73%*

*Response rate for benefits only survey completed (February 2017)

The measures that we will monitor ourselves against as part of our ten year strategy are:

Viability

- Monitor operating margin by activity with overall margin of 35%
- Current rent arrears kept within 3%
- Employee engagement scores benchmark in upper quartile
- Increase digital systems for staff through introduction of paperless invoicing by 2019
- Introduce HR self-service for staff during 2017

Customers
- Development of digital/channel shift plan in 2017
- Residents will book 60% repair appointments themselves on-line by 2018
- More than half of resident contact with us will be digital by 2020
- Starter tenancy failures <2%

Homes
- All our homes meet decent homes criteria and provide a positive financial contribution
- Monitor our performance on maintenance achieving 95% delivery of our repairs promise
- By April 2020 we will have in place new delivery arrangements for our maintenance service
- Re-let our voids on average within 21 days.

Growth
- Develop and complete 987 new homes from 2017-2021
- Replace on a 1:1 basis homes lost to right to buy and shared ownership stair-casing

Community
- Secure £1.5m of external funding for Communities work annually
- Produce an annual impact report of our work from 2018
- Commission academic research into the impact of one areas of our work each year
- Work with 50,000 beneficiaries per year by 2019.

Sector Scorecard

The Sector Scorecard is a suite of industry set indicators to benchmark efficiency across the housing sector. The aim is for these indicators to become the mainstream way that efficiency and effectiveness are measured. These indicators will allow housing associations to compare like with like, while at the same time recognising that ours is a diverse sector encompassing a wide range of legitimate social missions. West Kent supports the intention of the Sector Scorecard and believes it assists in us making our judgement on compliance with the Value for Money standard.

West Kent is participating in a one-year pilot and the below table is West Kent's results using the pilot definitions. Although these are comparable against the sector how we compare with ourselves over time is of greater importance.

Sector Scorecard	**2014**	**2015**	**2016**
Operating margin (including Surplus on disposal of housing properties)	33%	33%	39%
Operating margin – social housing lettings	37%	37%	42%
EBITDA MRI (as a % of interest) - including Surplus on disposal of housing properties	209%	259%	297%
Units Developed	212	140	254
Units Developed (as a % of owned)	3%	2%	4%
Gearing (excludes revaluation reserve)	38%	37%	38%
Customer satisfaction with overall service provided by landlord	Not collected	Not collected	Not collected
Housing investment per £ of operating cash inflow	£0.90	£0.66	£0.93

Sector Scorecard	2014	2015	2016
Community Investment per £ of operating cash inflow	0.11	0.08	0.06
Return on Capital Employed	2.9%	3.0%	3.4%
Occupancy rates*	99.7%	99.7%	99.7%
Responsive repairs / planned maintenance	£0.63	£0.44	£0.63
Social Housing cost per unit	£3,698	£3,908	£3,530
· Management	£685	£635	£545
· Service charge	£427	£541	£633
· Maintenance	£1,593	£1,515	£1,551
· Major repairs	£584	£680	£394
· Other	£408	£538	£408
Rent collected	96.1%	99.2%	98.3%

* 2014 and 2015 figures from Statistical data return as at 31 March, 2016 based on 31 December.

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.

Governance

In April 2016 the board agreed to adopt the National Housing Federation voluntary code on 'Mergers, Group Structures and Partnerships - A voluntary code for housing associations'. Members agreed criteria that would be applied in assessing a merger or partnership approach.

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.

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 Homes and Communities Agency:

- 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 May 2017. The association complies in full with the Standard.

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 in the section of the report titled 'Executives and advisors' on page 23.

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, conducted its annual review of the effectiveness of the risk and control framework 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.

Board member 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 on-going integrity of the financial statements contained therein.

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.

After making enquiries and reviewing the financial plan, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Disclosure of information to 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.

Auditors

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 15 June 2017.

By order of the board

Colin Wilby
Chair

Date: 11 May 2017

Executives and advisors

West Kent Housing Association Board members
Colin Wilby, Chair
Judith Collings
Frank Czarnowski, Chief Executive
Joanne Frawley, Vice Chair
Angela George
Dave Hill
Brian Horton
Peter Kasch
Alan Knight (resigned 26 May 2016)
James MacQuarrie
Caroline Phillips
Rosie Serpis
Dr Joanne Simpson (appointed 1 February 2017)

Executive team
Frank Czarnowski, Chief Executive
Will Campbell-Wroe, Communities Director
Hilary Knight, Business Services Director
Mark Leader, Property Director
Craig Reynolds, Finance Director
Deborah White, Housing Director

Registered office and advisors:
- Registered office
  101 London Road, Sevenoaks TN13 1AX

- Statutory auditor
  BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

- Principal solicitor
  Trowers & Hamlins, Sceptre Court, 40 Tower Hill, London W1A 4ZW

- Banker
  Royal Bank Of Scotland, 67 High Street, Sevenoaks, Kent TN13 1LA

- Funders
  Lloyds Bank, 25 Gresham Street, London EC2V 7HN
  Royal Bank of Scotland, 280 Bishopsgate, London EC2M 4RB
  The Housing Finance Corporation Ltd, 4th Floor, 107 Cannon Street, London EC4N 5AF

Legal Status
Registered under the Co-operative and Community Benefit Societies Act 2014 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 782861 West Kent Ventures Limited

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 2016 which comprise the consolidated and association statement of comprehensive income, the consolidated and association balance sheets, the consolidated and association 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 2016 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 2015.

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

- 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).

Consolidated and Association statement of comprehensive income for the year ended 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Turnover	4	46,665	46,046	45,967	45,029
Cost of sales	4	(1,828)	(2,520)	(1,828)	(2,520)
Operating costs	4	(27,189)	(28,795)	(26,510)	(27,826)
Surplus on disposal of housing properties	4, 11	762	476	762	476
Operating surplus	4,7	18,410	15,207	18,391	15,159
Surplus on disposal of other fixed assets	11	43	285	43	285
Other interest receivable and similar income	12	60	80	60	80
Interest and financing costs	13	(6,606)	(6,571)	(6,606)	(6,571)
Surplus before taxation		11,907	9,001	11,888	8,953
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		11,907	9,001	11,888	8,953
Actuarial (loss)/gain on defined benefit pension scheme	30	(7,851)	2,988	(7,851)	2,988
Total comprehensive income for year		4,056	11,989	4,037	11,941

The notes on pages 31 to 81 form part of these financial statements.

All activities relate to continuing operations.

West Kent Housing Association
Consolidated and Association balance sheets at 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	517,320	483,120	517,320	483,120
Tangible fixed assets - other	16	3,220	3,330	3,172	3,281
Investment properties	18	6,625	6,625	6,625	6,625
		527,165	493,075	527,117	493,026
Current assets					
Properties for sale	19	3,822	1,046	3,822	1,046
Stock		153	98	137	70
Debtors – receivable within one year	20	2,015	1,839	1,901	1,585
Debtors – receivable after one year	20	251	142	251	142
Cash and cash equivalents	21	19,925	25,678	19,756	25,640
		26,166	28,803	25,867	28,483
Creditors: amounts falling due within one year	22	(6,419)	(4,976)	(6,355)	(4,871)
Net current assets		19,747	23,827	19,512	23,612
Total assets less current liabilities		546,912	516,902	546,629	516,638
Creditors: amounts falling due after more than one year	23	(283,238)	(264,884)	(283,238)	(264,884)
Provisions for liabilities	29	-	(278)	-	(278)
Net assets excluding pension liability		263,674	251,740	263,391	251,476
Pension liability	30	(12,620)	(4,742)	(12,620)	(4,742)
Net assets		251,054	246,998	250,771	246,734
Capital and reserves					
Called up share capital	31	-	-	-	-
Income and expenditure reserve		82,491	78,165	82,275	77,956
Revaluation reserve		168,496	168,778	168,496	168,778
Restricted reserve		67	55	-	-
		251,054	246,998	250,771	246,734

The financial statements were approved by the board of directors and authorised for issue on 11 May 2017 and signed on their behalf by:

C Wilby, Chair of Board

The notes on pages 31 to 81 form part of these financial statements.

Consolidated statement of changes in reserves

	Income and expenditure reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 January 2016	78,165	55	168,778	246,998
Surplus for the year	11,895	12	-	11,907
Actuarial losses on defined benefit pension scheme	(7,851)	-	-	(7,851)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	282	-	(282)	-
Transfer of restricted expenditure from income and expenditure reserve	-	-	-	-
Balance at 31 December 2016	82,491	67	168,496	251,054
Balance at 1 January 2015	65,738	44	169,227	235,009
Surplus for the year	8,990	11	-	9,001
Actuarial gain on defined benefit pension scheme	2,988	-	-	2,988
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	449	-	(449)	-
Balance at 31 December 2015	78,165	55	168,778	246,998

West Kent Housing Association
Association statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 January 2016	77,956	168,778	246,734
Surplus for the year	11,888	-	11,888
Actuarial losses on defined benefit pension scheme	(7,851)	-	(7,851)
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	282	(282)	-
Balance at 31 December 2016	82,275	168,496	250,771
Balance at 1 January 2015	65,566	169,227	234,793
Surplus for the year	8,953	-	8,953
Actuarial gain on defined benefit pension scheme	2,988	-	2,988
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	449	(449)	-
Balance at 31 December 2015	77,956	168,778	246,734

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Surplus for the financial year		11,907	9,001
Adjustments for:			
Depreciation of fixed assets - housing properties	15	5,044	5,563
Depreciation of other fixed assets	16	695	607
Amortised grant	5	(958)	(954)
Interest payable and finance costs	13	6,606	6,571
Interest received	12	(60)	(80)
Difference between net pension expense and cash contribution	30	27	269
Disposal cost of sales - housing properties	11	2,058	799
Surplus on the sale of other fixed assets	11	(43)	(285)
Decrease / (increase) in trade and other debtors		(289)	306
Decrease in stocks		(2,831)	771
Increase / (decrease) in trade creditors		1,013	427
(Decrease) / increase in provisions		(278)	(427)
Cash from operations		22,891	22,568
Taxation paid		-	-
Net cash generated from operating activities		22,891	22,568
Cash flows from investing activities			
Proceeds from sale of other fixed assets	11	52	285
Purchase of fixed assets – housing properties	15	(21,213)	(13,961)
Purchases of other fixed assets	16	(594)	(491)
Receipt of grant	24	659	1,199
Interest received	12	60	80
Loans redeemed	20	5	12
Net cash from investing activities		(21,031)	(12,876)
Cash flows from financing activities			
Interest paid	13	(6,570)	(7,136)
Debt issue costs incurred	27	(43)	(46)
Repayment of bank loans	27	(1,000)	(2,000)
Net cash used in financing activities		(7,613)	(9,182)
Net increase in cash and cash equivalents		(5,753)	510
Cash and cash equivalents at beginning of year		25,678	25,168
Cash and cash equivalents at end of year		19,925	25,678

The notes on page 31 to 81 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. The association is a public benefit entity.

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.

WKV is a wholly owned commercial subsidiary that is currently dormant.

All group entities are incorporated in the United Kingdom.

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.

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 Going concern

After making enquiries and reviewing the financial plan, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

2.4 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 £11k, which is not material and therefore has not been presented in the accounts.

2.5 Investment in subsidiaries

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

2.6 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 are 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.

2.7 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 Statement of comprehensive income. Any excess of cost over the grant received is borne by the group where it is not recoverable from tenants.

2.8 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.

2.9 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.

2.10 Schemes managed by agents

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

2.11 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.

2.12 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 or asset.

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

2.13 Finance costs

Finance costs are charged to income or expense 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.

2.14 Pension costs

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are shown as an operating expense in the surplus for the year during which the services are rendered by employees.

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.

2.15 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.

2.16 Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal to a formal detailed plan to terminate employment.

2.17 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 includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs and expenditure incurred in respect of improvements that comprise the modernisation and extension of existing properties.

Directly attributable administration costs include capitalised interest calculated, on a proportional basis, using finance costs on borrowing that 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 fixed assets – housing properties 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 fixed assets – housing properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Surplus and deficit on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within surplus/deficit on disposal of fixed assets in the statement of comprehensive income. Shared ownership and right to buy disposals of fixed assets are included in operating surplus/deficit as they are part of West Kent's normal operating activities. Other disposals of fixed assets are included after operating surplus.

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

2.18 Deemed cost on transition to FRS 102

West Kent changed its accounting policy in 2014 from recording housing properties at valuation to being at historic cost. West Kent took the transition option under FRS102 to elect to measure some items of property plant and equipment at fair value and use that fair value as the deemed cost of those assets at that date.

A revaluation reserve was recognised, with the difference between historic cost depreciation and depreciation calculated on deemed cost transferred between the revaluation reserve and income and expenditure reserve.

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

Housing properties are split between the land, structure and those major components that 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.

2.19 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 with substantially different economic lives.

Land is not depreciated on account of its indefinite useful economic life.

Housing properties are split between the structure and the major components that require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life on a straight line basis as follows:

Description	Economic useful life (years)
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	5-30

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.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last reporting date in the pattern by which the group expects to consume an asset's future economic benefit.

2.20 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 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 fixed assets and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in arriving at the surplus or deficit on disposal.

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.

2.21 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.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2.22 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.

2.23 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.

2.24 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".

2.25 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 the 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".

2.26 Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. They are properties which are held either to earn rental income or for capital appreciation or for both. 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. Rental income from these properties is taken to revenue.

2.27 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 that 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.

2.28 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.

2.29 Stock

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

2.30 Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the income statement in other operating expenses.

2.31 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.

2.32 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.

2.33 Loans, Investments and short term deposits

All loans, investments and short term deposits held by the group have been assessed as meeting the definition of basic financial instruments as set out in FRS 102. FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses, however as the difference between this and historic cost method is not materially different, these instruments are initially recorded at the transaction price less any transaction costs (historic cost). Loans and investments that are payable or receivable within one year are not discounted.

2.34 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.

2.35 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.

2.36 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.

2.37 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.

2.38 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.

2.39 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.

2.40 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:

- A number of the group's loan agreements contain clauses that entitle the borrower to compensation in the event that, on cancellation or redemption of a loan, the underlying derivative positions would return a benefit to the lender. In preparing these financial statements, management have judged that the requirements of FRS 102 are unclear as to whether these arrangements result in the affected loans being classified as 'basic' or 'other'. On the basis of this lack of clarity and because it is not the intention of the group to redeem or actively trade in these borrowings for speculative purposes, management consider that the criteria for classification as basic instruments are met. These amounts are therefore amortised over the life of the loan as the difference between this value and amortised cost method was not significant. Should management determine that alternative judgements become appropriate or additional clarity be offered by FRS 102 in future that indicates that the instruments are "other" financial instruments, they would be required to be presented at their fair value in the financial statements with annual fair value movements reported through the Income and Expenditure account.

- The extent to which there have been indicators of impairment triggering the performance of an impairment review of the group's tangible and intangible assets. 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 EUV-SH or depreciated replacement cost. The members have also considered impairment on the basis of their assumptions of cash or asset generating units. Had management assessed cash generating units at different levels (e.g. as individual properties within a particular scheme) the conclusion on impairment may have been different. Management considered possible alternatives and determined the possible impacts to be immaterial to the financial statements.

- 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, management 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.

- Whether the Kent Excellent Homes for All – Private Finance Initiative should be treated as a finance lease. In considering this project an assessment of Section 34 'Service concessions' of FRS 102 was conducted. A service concession arrangement is an arrangement whereby a public sector body, or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (concession period). The operator is paid for its services over the period of the arrangement. Kent County Council and West Kent could be deemed to be the public sector body and public benefit entity respectively. The agreement sees West Kent making regular payments to the Special Purpose Vehicle to operate and maintain the assets for the period to 31 December 2040. A significant judgement has been made that due to the arrangements in place and the risks West Kent takes on in this arrangement West Kent is the grantor in this relationship.

- The extent to which garages owned by West Kent are treated as investment properties. These assets are let on a commercial basis, both in terms of price and customer base. They are valued in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, using a widely recognised specialist valuer and property advisor in the social housing sector. A key judgement has been made on the valuation. There has not been a rent increase since the last increase in price for these assets, no revaluation of investment property has arisen.

- 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 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.

- Allocation of costs for mixed tenure and shared ownership developments (see note 15)
  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.

- 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, surplus on disposal of fixed assets and operating surplus - Group

	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)
	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	41,794	-	(24,272)	-	**17,522**	40,000	-	(25,070)	-	**14,930**
Other social housing activities										
First tranche low cost home ownership sales	2,511	(1,828)	-	-	**683**	3,479	(2,520)	-	-	**959**
Staircasing activity on low cost home ownership (Note 11)	-	-	-	413	**413**	-	-	-	7	**7**
Sales of other housing properties (Note 11)	-	-	-	349	**349**	-	-	-	469	**469**
Charges for support services	656	-	(682)	-	**(26)**	706	-	(1,058)	-	**(352)**
Supporting people	244	-	(386)	-	**(142)**	225	-	(361)	-	**(136)**
Community engagement	698	-	(1,475)	-	**(777)**	1,017	-	(1,899)	-	**(882)**
Development costs not capitalised	-	-	(189)	-	**(189)**	-	-	(177)	-	**(177)**
Other	98	-	(65)	-	**33**	17	-	(80)	-	**(63)**
	46,001	(1,828)	(27,069)	762	**17,866**	45,444	(2,520)	(28,645)	476	**14,755**
Activities other than social housing activities										
Lettings - Garages	585	-	(120)	-	**465**	564	-	(150)	-	**414**
Other	79	-	-	-	**79**	38	-	-	-	**38**
	664	-	(120)	-	**544**	602	-	(150)	-	**452**
	46,665	(1,828)	(27,189)	762	**18,410**	46,046	(2,520)	(28,795)	476	**15,207**

4 Particulars of turnover, cost of sales, operating costs, surplus on disposal of fixed assets and operating surplus - Association

	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)
	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	41,794	-	(24,272)	-	**17,522**	40,000	-	(25,070)	-	**14,930**
Other social housing activities										
First tranche low cost home ownership sales	2,511	(1,828)	-	-	**683**	3,479	(2,520)	-	-	**959**
Staircasing activity on low cost home ownership (Note 11)	-	-	-	413	**413**	-	-	-	476	**476**
Sales of other housing properties (Note 11)	-	-	-	349	**349**	-	-	-		**-**
Charges for support services	656	-	(682)	-	**(26)**	706	-	(1,058)	-	**(352)**
Supporting people	244	-	(386)	-	**(142)**	225	-	(361)	-	**(136)**
Community engagement	-	-	(796)	-	**(796)**	-	-	(930)	-	**(930)**
Development costs not capitalised	-	-	(189)	-	**(189)**	-	-	(177)	-	**(177)**
Other	98	-	(65)	-	**33**	17	-	(80)	-	**(63)**
	45,303	(1,828)	(26,390)	762	**17,847**	44,427	(2,520)	(27,676)	476	**14,707**
Activities other than social housing activities										
Lettings - Garages	585	-	(120)	-	**465**	564	-	(150)	-	**414**
Other	79	-	-	-	**79**	38	-	-	-	**38**
	664	-	(120)	-	**544**	602	-	(150)	-	**452**
	45,967	(1,828)	(26,510)	762	**18,391**	45,029	(2,520)	(27,826)	476	**15,159**

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

	General needs	Supported housing	Kent Excellent Homes for All	Low cost home ownership	Leasehold	Total	Total
	2016	2016	2016	2016	2016	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings							
Rents net of identifiable service charges	30,232	4,920	802	1,653	2	37,609	36,165
Service charge income	1,013	1,460	194	223	52	2,942	2,598
Net rental income	31,245	6,380	996	1,876	54	40,551	38,763
Amortised government grants	764	110	-	84	-	958	954
Other grants	238	47	-	-	-	285	283
Turnover from social housing lettings	32,247	6,537	996	1,960	54	41,794	40,000
Operating costs on social housing lettings							
Management	(2,836)	(511)	(137)	(227)	(86)	(3,797)	(4,273)
Service charge costs	(2,001)	(1,424)	(87)	(296)	(87)	(3,895)	(3,639)
Routine maintenance	(4,387)	(827)	-	-	-	(5,214)	(4,528)
Planned maintenance	(4,621)	(976)	-	-	-	(5,597)	(5,673)
Major repairs	(19)	(4)	-	-	-	(23)	(1,374)
Kent Excellent Homes for All operating service agreement	-	-	(517)	-	-	(517)	-
Bad debts	(136)	(7)	-	1	1	(141)	25
Depreciation of housing properties:							
- annual charge	(4,154)	(731)	-	-	-	(4,885)	(5,107)
- accelerated on disposal of components	(141)	(18)	-	-	-	(159)	(456)
Other costs	(13)	(31)	-	-	-	(44)	(45)
Operating costs on social housing lettings	(18,308)	(4,529)	(741)	(522)	(172)	(24,272)	(25,070)
Operating surplus/(deficit) on social housing lettings	13,939	2,008	255	1,438	(118)	17,522	14,930
Void losses	(124)	(89)	(254)	(10)	-	(477)	(375)

6 Units of housing stock

	Group 2016 Number	Group 2015 Number	Association 2016 Number	Association 2015 Number
General needs housing:				
- social	4,865	4,871	4,865	4,871
- affordable	443	424	443	424
Housing for older people:				
- social	868	870	868	870
- affordable	41	42	41	42
- Kent Excellent Homes for All	218	-	218	-
Supported housing:				
- social	38	38	38	38
- Kent Excellent Homes for All	20	20	20	20
Intermediate rent	35	36	35	36
Low cost home ownership	442	431	442	431
Total social housing units	6,970	6,732	6,970	6,732
Units managed by others	4	4	4	4
Total owned and managed accommodation	6,974	6,736	6,974	6,736
Leaseholders	170	163	170	163
Units under construction	299	85	299	85

7 Operating surplus

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	4,885	5,107	4,885	5,107
- accelerated depreciation on replaced components	159	456	159	456
Depreciation of other tangible fixed assets	695	607	678	594
Operating lease charges – land & building	58	94	58	94
Leasing income	(1,504)	(1,351)	(1,504)	(1,351)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	44	41	44	41
- fees for audit of accounts of subsidiary entities	6	5	-	-
- fees for other non-audit services	-	13	-	13
Defined benefit pension cost (Note 30)	1,117	1,391	1,117	1,391
Defined contribution pension cost (Note 8)	113	85	113	85

8 Employees

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Staff costs (including executive management team) consist of:				
Wages and salaries	7,452	7,684	7,452	7,684
Social security costs	675	612	675	612
Cost of defined benefit pension scheme (Note 30)	1,117	1,391	1,117	1,391
Cost of defined contribution scheme	113	85	113	85
Less amounts recharged to group entities	-	-	(685)	(890)
	9,357	9,772	8,672	8,882

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 2016 FTE	Group 2015 FTE	Association 2016 FTE	Association 2015 FTE
Administration	37	38	37	38
Development	7	7	7	7
Housing, Support and Care	187	187	187	187
	231	232	231	232

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 £113,374 (2015 - £84,708). No contributions (2015 - £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 23.

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Executive directors' emoluments	601	695	601	695
Amounts paid to non-executive directors	67	71	67	71
	668	766	668	766

The total amount payable to the chief executive, who was also the highest paid director in respect of emoluments was £121,335 (2015 - £121,277). 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 (2015 - five) and no directors in the group's defined contribution pension scheme (2015 - Nil).

The remuneration paid to staff (including executive management team) earning over £60,000 upwards:

	Group 2016 Number	Group 2015 Number	Association 2016 Number	Association 2015 Number
£60,000 - £69,999	3	4	3	4
£70,000 - £79,999	1	1	1	1
£80,000 - £89,999	1	2	1	2
£90,000 - £99,999	2	2	2	2
£100,000 - £109,999	-	-	-	-
£110,000 - £119,999	-	-	-	-
£120,000 - £129,999	1	1	1	1
	8	10	8	10

10 Board members

Board members	Remuneration £	Member of: Group Board	Audit and Finance	Communities and housing	Remuneration
Judith Collings	6,000	X	X		
Frank Czarnowski (Chief executive)	121,335	X		X	
Joanne Frawley (Vice chair)	6,000	X		X	X
Angela George	6,000	X	X		
Dave Hill	6,000	X	X		
Brian Horton	6,000	X		X	
Peter Kasch	6,000	X		X	
Alan Knight (resigned 26 May 2016)	2,432	X	X		X
James MacQuarrie	6,000	X		X	
Caroline Phillips	6,000	X	X		
Rosie Serpis	6,000	X		X	X
Colin Wilby (Chair)	11,015	X	X	X	X

11 Surplus on disposal of fixed assets

Group	Shared ownership 2016 £'000	Other housing properties 2016 £'000	Other 2016 £'000	Total 2016 £'000	Total 2015 £'000
Housing properties:					
Disposal proceeds	1,453	1,380	43	2,876	1,858
Cost of disposals	(1,031)	(1,028)	-	(2,059)	(1,085)
Selling costs	(9)	(3)	-	(12)	(12)
Surplus on disposal of fixed assets	413	349	43	805	761

Association	Shared ownership 2016 £'000	Other housing properties 2016 £'000	Other 2016 £'000	Total 2016 £'000	Total 2015 £'000
Housing properties:					
Disposal proceeds	1,453	1,380	43	2,876	1,858
Cost of disposals	(1,031)	(1,028)	-	(2,059)	(1,085)
Selling costs	(9)	(3)	-	(12)	(12)
Surplus on disposal of fixed assets	413	349	43	805	761

The surplus on sale of shared ownership and other housing properties are included in operating surplus as they are considered to be part of West Kent's normal operating activities. Disposals of other fixed assets are included after operating surplus.

12 Interest receivable and income from investments

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Interest receivable and similar income	60	80	60	80
	60	80	60	80

13 Interest payable and similar charges

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Bank loans and overdrafts	6,710	6,683	6,710	6,683
Finance leases	194	-	194	-
Net interest on net defined benefit liability	165	244	165	244
	7,069	6,927	7,069	6,927
Interest capitalised in construction costs of housing properties	(463)	(356)	(463)	(356)
	6,606	6,571	6,606	6,571

14 Taxation on surplus on ordinary activities

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'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 before tax. The differences are explained below:

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Surplus on ordinary activities before tax	11,907	9,001	11,888	8,953
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20%)	2,381	1,800	2,378	1,791
Effects of:				
Charitable income	(2,381)	(1,800)	(2,378)	(1,791)
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2015: £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 (2015 - £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 2016	475,881	2,483	50,132	797	529,293
Additions:					
construction costs	-	30,369	-	8,174	38,543
replaced components	2,722	-	-	-	2,722
Reclassification of properties	3,716	-	(3,716)	-	-
Completed schemes	22,625	(22,625)	2,000	(2,000)	-
Disposals:					
staircasing sales to 100%	-	-	(723)	-	(723)
staircasing sales partial	-	-	(292)	-	(292)
other sales	(1,058)	-	-	-	(1,058)
replaced components	(1,661)	-	-	-	(1,661)
At 31 December 2016	502,225	10,227	47,401	6,971	566,824
Depreciation:					
At 1 January 2016	(46,173)	-	-	-	(46,173)
Charge for the year	(5,044)	-	-	-	(5,044)
Eliminated on disposals:					
other sales	52	-	-	-	52
replaced components	1,661	-	-	-	1,661
At 31 December 2016	(49,504)	-	-	-	(49,504)
Impairment:					
At 1 January 2016	-	-	-	-	-
Charge for the year	-	-	-	-	-
Released in the year	-	-	-	-	-
At 31 December 2016	-	-	-	-	-
Net book value at 31 December 2016	452,721	10,227	47,401	6,971	517,320
Net book value at 31 December 2015	429,708	2,483	50,132	797	483,120

15 Tangible fixed assets - Housing properties (continued)

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
The net book value of housing properties may be further analysed as:				
Freehold	478,153	466,425	478,153	466,425
Long leasehold	39,167	16,695	39,167	16,695
	517,320	483,120	517,320	483,120
Interest capitalisation				
Interest capitalised at 1 January	4,861	4,561	4,861	4,561
Interest capitalised in the year	463	356	463	356
Transferred to current assets for equity sale of shared ownership properties	(64)	(43)	(64)	(43)
Adjustments to interest capitalised	-	(13)	-	(13)
Cumulative interest capitalised at 31 December	5,260	4,861	5,260	4,861
Rate used for capitalisation	5.0%	5.0%	5.0%	5.0%
Works to properties				
Improvements to existing properties capitalised	74	478	74	478
Major components replacement capitalised	2,648	2,724	2,648	2,724
Major repairs expenditure to income and expenditure account	23	664	23	664
	2,745	3,866	2,745	3,866
Total Social Housing Grant received or receivable to date is as follows:				
Deferred capital grant – Housing properties - general needs	78,206	78,183	78,206	78,183
Deferred capital grant – Housing properties - shared ownerships	7,489	7,726	7,489	7,726
Recycled capital grant fund	521	381	521	381
Disposals proceeds fund	-	188	-	188
Revenue grant – income and expenditure	958	954	958	954
Revenue grant – reserves	32,487	31,533	32,487	31,533
	119,661	118,965	119,661	118,965

15 Tangible fixed assets - Housing properties (continued)

Finance Leases

The net book value of housing properties for the group includes an amount of £21,550k (2015 - £1,828k) 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. The finance lease is from a Private Finance Initiative called Kent Excellent Homes for All. This is a contract between Kent County Council and Kent EHFA ProjectCo Limited. West Kent has concluded that it is the grantor due to the conditions it fulfills within the contracts. West Kent collects rents and service charges from its tenants. It pays the Kent EHFA ProjectCo an operating and construction services payments over the life of the contract. At the end of the contract West Kent is likely to purchase the assets outright.

Properties held for security

West Kent Housing Association had property with a net book value of £268m pledged as security at 31 December 2016 (2015 - £266m).

Valuation

A valuation of those properties pledged as security was carried out, as part of the five-yearly valuation, for the year ending 31 December 2016. Savills LLP valued these 4,625 properties on an Existing Use Valuation - Social Housing (EUV-SH) at £287m.

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 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% real.

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 2016	2,423	4,236	1,359	8,018
Additions	-	594	-	594
Disposals	-	(161)	(17)	(178)
At 31 December 2016	2,423	4,669	1,342	8,434
Depreciation				
At 1 January 2016	(689)	(3,012)	(987)	(4,688)
Charge for year	(38)	(588)	(69)	(695)
Disposals	-	161	8	169
At 31 December 2016	(727)	(3,439)	(1,048)	(5,214)
Net book value				
At 31 December 2016	1,696	1,230	294	3,220
At 31 December 2015	1,734	1,224	372	3,330

Association	Office buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2016	2,423	4,198	1,289	7,910
Additions		576		576
Disposals		(161)	(7)	(168)
At 31 December 2016	2,423	4,613	1,282	8,318
Depreciation				
At 1 January 2016	(689)	(2,979)	(961)	(4,629)
Charge for year	(38)	(579)	(61)	(678)
Disposals		161		161
At 31 December 2016	(727)	(3,397)	(1,022)	(5,146)
Net book value				
At 31 December 2016	1,696	1,216	260	3,172
At 31 December 2015	1,734	1,219	328	3,281

16 Other tangible fixed assets (continued)

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
The net book value of office buildings may be further analysed as:				
Freehold	1,673	1,710	1,673	1,710
Short leasehold	23	24	23	24
	1,696	1,734	1,696	1,734

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 2016 is calculated to be £22,640. West Kent's share of the profits to date would be £11,319. 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 2016	6,625	6,625
Movements in fair value of investment	-	-
At 31 December 2016	6,625	6,625
Net book value at 31 December 2016	6,625	6,625
Net book value at 31 December 2015	6,625	6,625

The association owns garages which are clasified as investment properties and they were last valued in December 2014. 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.

For the reporting period the valuation arrived at in December 2014 has been used unchanged on the basis that:

-There is no obligation contained in FRS102 for an external valuation to be performed. Paragraph 16.7 of FRS102 states that "investment property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value at each reporting date with changes in fair value recognised in the profit and loss";

-The last valuation carried out in December 2014 by RICS valuers is still sufficiently recent to be valid;

-There has been no change in the portfolio of Garages valued in January 2014 and the rental income has remained unchanged.

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%

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

19 Properties for sale

Group and Association	2016 £'000	2015 £'000
First tranche shared ownership properties:		
Work in progress (Properties under construction)	3,753	430
Completed properties (Properties completed and unsold)	69	616
	3,822	1,046

Properties developed for sale include capitalised interest of £65,391 (2015 - £42,707).

20 Debtors

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Due within one year				
Rent and service charge arrears	1,051	908	1,051	908
Less: Provision for doubtful debts	(523)	(532)	(523)	(532)
	528	376	528	376
Amounts owed by group undertakings	-	-	18	71
Staff loans	3	6	3	6
Other debtors	886	782	788	602
Prepayments and accrued income	592	670	558	525
Social housing grant receivable	6	5	6	5
	2,015	1,839	1,901	1,585
Due after one year				
Staff loans	-	2	-	2
Prepayments and accrued income	251	140	251	140
	251	142	251	142
	2,266	1,981	2,152	1,727

21 Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Cash at bank and in hand	19,369	25,086	19,200	25,048
Leaseholder accounts	556	592	556	592
	19,925	25,678	19,756	25,640

22 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Loans and borrowings (Note 27)	1,293	1,000	1,293	1,000
Trade creditors	2,186	1,151	2,185	1,151
Rent and service charges received in advance	909	752	909	752
Obligations under finance leases (Note 27)	108	152	108	152
Other creditors	742	882	742	882
Recycled capital grant fund (Note 25)	28	51	28	51
Disposal proceeds fund (Note 26)	-	188	-	188
Accruals and deferred income	134	216	71	111
Accrued interest	1,019	584	1,019	584
	6,419	4,976	6,355	4,871

23 Creditors: amounts falling due after more than one year

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Loans and borrowings (Note 27)	175,010	176,346	175,010	176,346
Obligations under finance leases (Note 27)	21,416	1,676	21,416	1,676
Deferred capital grant (Note 24)	85,696	85,909	85,696	85,909
Recycled capital grant fund (Note 25)	493	330	493	330
Sinking fund balances	623	623	623	623
	283,238	264,884	283,238	264,884

24 Deferred capital grant

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 January	85,909	86,559	85,909	86,559
Grants received during the year	660	291	660	291
Grants recycled from the recycled capital grant fund and disposal proceeds fund	239	49	239	49
Released to income during the year	(958)	(954)	(958)	(954)
Grants on disposed properties	(154)	(36)	(154)	(36)
At 31 December	85,696	85,909	85,696	85,909

25 Recycled capital grant fund

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 January	381	360	381	360
Inputs to fund:				
- grants recycled from deferred capital grants	154	32	154	32
- grants recycled from statement of comprehensive income	37	38	37	38
Recycling of grant:				
- new build	(51)	(49)	(51)	(49)
At 31 December	521	381	521	381
Amounts three 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 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 January	188	188	188	188
Inputs to fund:				
- funds recycled from deferred capital grants	-	-	-	-
Use / allocation of funds:				
- new build	(188)	-	(188)	-
Repayment of grant to the HCA	-	-	-	-
At 31 December	-	188	-	188
Amounts three years or older where repayment may be required	-	-	-	-

27 Loans and borrowings

Group and Assocation	Loans 2016 £'000	Finance Lease 2016 £'000	Total 2016 £'000	Loans 2015 £'000	Finance Lease 2015 £'000	Total 2015 £'000
No later than one year	1,293	108	1,401	1,000	152	1,152
Later than one year and not later than two years	1,543	132	1,675	1,250	10	1,260
Later than two years and not later than five years	6,628	551	7,179	4,750	43	4,793
Later than five years	166,839	20,733	187,572	170,346	1,623	171,969
	176,303	21,524	197,827	177,346	1,828	179,174

All borrowings are in the form of bank loans. During the year, the group did not borrow any further funds from its bankers. The group have drawn £35m in bond finance from THFC, £85m from Lloyds, and £45m from Royal Bank of Scotland. 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 2.79% to 5.40% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 December 2016 the group had undrawn loan facilities of £12m (2015 - £12m).

28 Financial instruments

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Financial assets measured at historic cost				
Trade receivables	528	376	528	376
Other receivables	1,738	1,605	1,624	1,351
Cash and cash equivalents	19,925	25,678	19,756	25,640
Total financial assets	22,191	27,659	21,908	27,367
Financial liabilities measured at historic cost				
Loans payable	176,303	177,346	176,303	177,346
Trade creditors	2,186	1,151	2,185	1,151
Other creditors	89,644	89,535	89,581	89,430
Finance leases	21,524	1,828	21,524	1,828
Total financial liabilities	289,657	269,860	289,593	269,755

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

The group's financial liabilities comprise of loans payable measured at historic 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 historic cost.

29 Provisions for liabilities

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 January	278	705	278	705
Charged to income and expense	-	-	-	-
Utilised in year	(278)	(427)	(278)	(427)
At 31 December	-	278	-	278

The provision above is for exceptional repair costs agreed in 2014, commenced in 2015 and 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 2016 and updated to 31 December 2016 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.

Reconciliation of present value of plan liabilities	**2016 £'000**	**2015 £'000**
At the beginning of the year	37,000	38,014
Current service cost	1,060	1,394
Interest cost	1,466	1,353
Actuarial (gains) / losses:		
- Change in financial assumptions	12,588	(2,876)
- Experience gains on curtailments	(36)	(17)
Estimated benefits paid	(1,012)	(1,212)
Past service costs, including curtailments	30	-
Contributions by scheme participants	329	370
Unfunded pension payments	(24)	(26)
At the end of the year	51,401	37,000

Composition of plan liabilities		
Schemes wholly or partly funded	Partly	Partly

30 Pensions (continued)

Reconciliation of fair value of plan assets	**2016 £'000**	**2015 £'000**
At the beginning of the year	32,258	30,553
Interest income on plan assets	1,301	1,109
Return on assets less interest	4,701	95
Administration expenses	(23)	(22)
Contributions by employer including unfunded	1,251	1,391
Contributions by fund participants	329	370
Estimated benefits paid	(1,036)	(1,238)
At the end of the year	38,781	32,258
Fair value of plan assets	38,781	32,258
Present value of the defined benefit obligation	(51,097)	(36,682)
Present value of unfunded obligation	(304)	(318)
Net pension scheme liability	(12,620)	(4,742)
Amounts recognised in other comprehensive income are as follows:		
Current service cost	1,090	1,394
Administrative expenses	23	22
Interest cost	1,466	1,353
Interest on assets	(1,301)	(1,109)
	1,278	1,660
Analysis of actuarial loss recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	4,701	95
Experience gains and losses arising on the scheme liabilities	36	17
Changes in assumptions underlying the present value of the scheme liabilities	(12,588)	2,876
	(7,851)	2,988

30 Pensions (continued)

Composition of plan assets	2016 £'000	2015 £'000
Equities	26,945	21,641
Gilts	337	283
Other bonds	3,983	3,596
Property	4,971	4,626
Cash	931	708
Target return portfolio	1,614	1,404
Total plan assets	38,781	32,258
Actual return on plan assets	6,002	1,204

Principal actuarial assumptions used at the balance sheet date		
Discount rates	2.8%	4.0%
Future salary increases	4.6%	4.3%
Future pension increases	2.8%	2.5%
Mortality rates		
for a male aged 65 now	22.9	22.8
at 65 for a male member aged 45 now	25.2	25.1
for a female aged 65 now	25.3	25.2
at 65 for a female member aged 45 now	27.7	27.6

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 £113k (2015 - £85k). Contributions totalling £Nil (2015 - £Nil) were payable to the fund at the year end and are included in creditors.

31 Share capital

	Group 2016 £	Group 2015 £	Association 2016 £	Association 2015 £
At 1 January	33	34	33	34
Shares issued in the year	-	1	-	1
Shares cancelled in the year	(4)	(2)	(4)	(2)
At 31 December	29	33	29	33

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

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, £9m save with the prior written consent of West Kent Housing Association. An overage payment is potentially there if the Existing Use Valuation - Social Housing at the end of the contract exceed £9m. No existing security has currently been provided by West Kent Housing Association in connection with this liability. The homes built under the contract are held as security. 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 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
No later than one year	106	143	106	143
Later than one year and not later than five years	401	573	401	573
Later than five years	2,408	2,306	2,408	2,306
	2,915	3,022	2,915	3,022

Amounts payable as lessee relate to rented housing properties and office property in acccordance with the term of the lease where West Kent Kent Housing is the leaseholder.

Amounts receivable as lessor	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'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	168,723	158,894	168,723	158,894
	176,073	166,244	176,073	166,244

Amounts receivable as lessor relate to Leasehold and Shared ownership properties for the term of the lease where West Kent Housing is the freeholder. There has been no reduction for Shared ownership lease term for staircasing, due to limited evidence of the impact of sales.

34 Capital commitments

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Commitments contracted but not provided for:				
Construction	30,772	10,722	30,772	10,722
Construction - Ink Development Company Ltd.	12,444	18	12,444	18
Commitments approved by the Board but not contracted for:				
Construction	5,014	107	5,014	107
Construction - Ink Development Company Ltd.	344	1,200	344	1,200
	48,574	12,047	48,574	12,047

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

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Social Housing Grant	2,093	196	2,093	196
New loans	-	-	-	-
Sales of properties	17,028	3,361	17,028	3,361
Existing reserves	29,453	8,490	29,453	8,490
	48,574	12,047	48,574	12,047

Included in capital expenditure that has been contracted for 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. There is no ultimate controlling party of West Kent Housing Association.

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 Royal London 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 ten shareholders (2015 - ten), 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:

	2016 £'000	2015 £'000
Payment due from previous year	(1)	(2)
Charges in year	82	84
Payments in year	(83)	(83)
Payments due at end of year	(2)	(1)

Joint venture

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

	2016 £'000	2015 £'000
Net sales and purchases of goods and services	90	6
Debtors due to Ink	103	(85)
Creditor due from Ink	14	52
Administration fees received by West Kent	11	11

Transactions with the joint venture are payable on demand. There are no other terms and conditions.

35 Related party disclosures (continued)

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	
	2016	2015	2016	2015
Payable to association by subsidiaries:	£'000	£'000	£'000	£'000
West Kent Extra Limited	419	649	175	189
	419	649	175	189

	Management charges		Other charges	
	2016	2015	2016	2015
Donation by association to subsidiaries:	£'000	£'000	£'000	£'000
West Kent Extra Limited	419	649	175	189
	419	649	175	189

Intra-group charges

Intra-group charges are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries. The management charge is for management staff costs incurred in managing the delivery of West Kent Extra activities. Other charges are finance and administration costs that have been apportioned on staff costs.

36 Post balance sheet events

There were no material post balance sheet events.