Report and Consolidated Financial Statements

for the year ended 31 December 2022

WestKent

Places to live. Space to grow.

Report and Consolidated Financial Statements for the year ended 31 December 2022

Highlights

- Operating social housing margin **25.3%**
- Governance **rating G1/V2**
- **£30m invested** in new homes in 2022
- Delivered **2.8 new homes** into management every week
- Started **11 new tenancies** every week
- Increased homes in management to **8,201 (2021:8,065)**
- Achieved **99% occupancy**
- Average rent for general needs of **£108.55** (52 weeks)
- Achieved arrears **2.17%**
- **87.1%** achieving 'right first time'
- **89%** delivering on our repairs promise
- Voids turnaround at **63 days**
- Gearing **41.1%**
- **148 new homes delivered**
- **389** new homes in construction or in contract
- **£75m loans** available for future drawdown
- Interest cover **138%**
- **£17m** invested in our existing stock

Contents

WestKent

Highlights from 2022

- Our first year of customer satisfaction feedback measuring; repairs, anti-social behaviour, making a complaint, calling our customer services team, moving into a home, and buying a shared ownership home. Our overall feedback score for 2022 was 4.3 out of 5
- Achieving 87.1% on our right first-time promise (compared with 89.4% last year and 88% target) and delivering on our Kent Excellent Homes for All contract key performance indicators
- The launch of a new communities offer and reshaped team to better support our residents, particularly those in financial hardship. This included a new team dedicated to providing intensive housing management support and a new fuel poverty role
- Achieving arrears of 2.17% (compared with 1.98% in 2021) against a backdrop of a cost-of-living crisis. This compares well to a sector average of 3.1%. Supporting 4,775 people with communities work including: 1,078 support interventions to help sustain tenancies, 407 employment and training referrals (387 individuals), working closely with 160 tenants with 67 people supported into employment and another 50 into training
- Achieving 89% delivery on our repairs promise (compared with 94.6% last year and 94% target), maintaining good building safety compliance performance, initiating further improvements for our voids management to address the higher number of voids and level of works needed reflected in the 63 days time to let (compared with 40 last year and 32 days target)
- Increasing our homes in management by 148 new builds, achieving £9m sales revenue through the sale of 69 shared ownership homes (against the target of £10.9m for 91 homes due to handovers slipping into 2023 reflecting delays in completions of development works)
- Progressing the design stage of the implementation of our new housing system including the end-to-end business process reviews and documenting how our new 'to be' way of working will solve current gaps in our service offer and deliver efficiency improvements. For example, confirming an appointment by text to reduce 'no access'/ missed appointments.

Foreword

For West Kent, 2022 was a year for re-thinking priorities. Post Covid many people are reconsidering what they want from their homes and local communities. Over the last year we spoke with our customers to better understand their priorities.

At the end of 2021 we introduced customer satisfaction surveys and throughout 2022 we benefited from real time information about our services; what was working well and what should improve. Using the 'Rant & Rave' software customers were asked to rate their satisfaction with our services on a scale of 1 (low) to 5 (high). All scores of 1 or 2 resulted in a call to find out what could be done to put things right. This system tracked satisfaction with repairs, anti-social behaviour reports, making a complaint, calling the customer services team, moving into a home, and buying a shared ownership home. West Kent's overall feedback score for 2022 was 4.3 out of 5.

2022 saw West Kent reconnecting with our communities. In Swanley our team spoke to almost 300 households about what they wanted from their community, supported a local organisation to establish a charity that could access external funding for the local community, engaged with partners and worked with local organisations to address community needs. The project has informed and influenced our new communities offer in which we place West Kent residents more clearly at the heart of our activities, ensuring we can respond to local need and use our resources to improve opportunities for our residents and their communities.

We also reviewed our tenancy sustainment offer. There has been an increase in the number of our customers struggling with mental health issues, which seems to be linked to the lack of other support available through lockdowns. Our new team includes people with the professional skills to provide more intensive housing management and to help individuals to deal with complex issues, such as hoarding. In addition, the team are working with other agencies to resolve domestic violence (DV) or anti-social behaviour that is linked to underlying problems that our residents are facing. Inevitably, this has been very challenging at times and, to support staff, we have provided DV awareness and suicide prevention training.

These initiatives were very timely as the cost-of-living challenges grew for many households during the last year. In the summer we began to plan for the coming winter. Anticipating that some customers would struggle to heat their homes, we reassessed our property repair history and, where damp and mould had been reported in the last five years, contacted the resident to confirm everything remained in good order. We also raised energy efficiency awareness in our winter newsletter to residents and partnered with the charity Green Doctor to support residents with the increasing energy costs. Staff from the charity visited some of our older person schemes in the Autumn to provide advice to residents.

The role of social housing in society has never been more important, and this has brought increasing scrutiny of housing associations from the media, the Housing Ombudsman and a strengthening of regulatory consumer standards in the form of the Tenant Satisfaction Measures.

Throughout the year the Board monitored an enhanced suite of performance measures covering both service delivery and customer satisfaction. Following increased media coverage of damp and mould issues during 2022 the Board rightly asked if such cases could occur at West Kent. We have received and considered detailed reports on complaints including themes, trends and lessons learnt. Following detailed 'spotlight sessions' on West Kent's approach to tackling damp and mould, incidents of damp and mould have been added to our regular monitoring of housing quality, building safety and decent homes standard.

West Kent continues to invest in our existing homes and achieved 100% under the decent homes standard in February 2023. Plans are in place and on track to achieve SAP30 standard by 2030. We have no pressing building safety issues to report.

In parallel, development of new homes continued successfully throughout 2022 and we maintained our heightened focus on the quality of new-builds as nationwide housebuilders reported increasing costs combined with material and staff shortages. This has impacted the delivery timescales for four schemes with completions delayed from 2022 to Q1 2023. We ended the year with no homes unsold six-months post-handover. It's a great testament to the quality of our affordable homes that West Kent was nominated as a finalist in the UK Housing Awards for our 99 home scheme at Oare Lakes in Faversham. Our newly appointed Director of Property Development and Partnerships Anabel Palmer inherits a team keen to secure a strong pipeline for new build and regeneration across Kent.

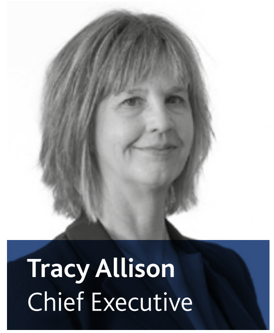
As we ended the year the Government announced a cap on rent increases for 2023. Whilst we understand completely the need to do this, we note that this will have a lasting effect on our future funds available to invest in current homes and new builds. However, we had anticipated the rent cap and have a number of initiatives underway to improve material costs and productivity which will go some way to offset this. In 2023 we will be completing a more detailed piece of work on our housing portfolio to identify those which we should invest in, improve, or redevelop and, occasionally, dispose of. In the context of the Government financial constraints and debt market changes in Autumn 2022, it was understandable (but nevertheless disappointing) that the Regulator for Social Housing reassessed financial & viability ratings, re-rating West Kent from V1 to V2 along with a large number of other housing associations.

Finally, Colin Wilby along with board colleagues Peter Kasch and Judith Collings, will be retiring from the Board at the June 2023 AGM having reached the maximum nine years in office. As is our usual succession-planning practice at West Kent, we undertook a recruitment exercise in late 2022 and joining the Board formally in June will be Piers White as Chair of the Board, Alex Yew as Chair of our Investment and Finance Committee and a member of the Audit and Risk Committee, Lisa Keslake as a member of both the Audit and Risk Committee and the Communities and Housing Committee, and Abdool Kara as a member of the Remuneration and Appointments Committee.

Piers White, Chair Designate, said;

'Under Colin's careful stewardship West Kent have continued to put residents at the heart of our thinking, continued to invest in our communities and have grown from 6,500 homes to the 8,201 today.

I have a passion for the provision of good quality social housing as it is the bedrock on which to build good life chances for everyone. I know about West Kent, living locally, and I am delighted to be joining a well-regarded organisation at such an exciting time.'



Strategic Report

Our Vision: We provide great places to live and space for people to grow.

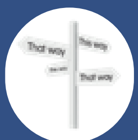
Our Mission: To create in Kent a prosperous, strong and sustainable society; a place of opportunity for all, where people can plan for their futures.

Our Values: West Kent is known for its positive culture of working in partnership with customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

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

Delivering on our promises: Doing what we say, when we say we'll do it.

Integrity: Letting your moral compass keep you on the right track.



Flexibility: Doing the right thing so you get the right result.

Learning: Improving by exploring what's there beyond what you know.

Compassion: Putting yourself in the other person's place.

Honesty: Saying and doing the right thing, even when it's hard.

Self-awareness: Knowing yourself and the impact you have.

Working hard and having fun: Choosing to enjoy the people and the job.

Our strategic objectives:

In March 2020 the board approved our strategic plan to 2025, which was supported by a three year plan and the annual plan for 2022.

Our strategic plan has the following four strategic objectives:

Excellent services: We want to continue to deliver excellent services in a friendly, solution-focused way.

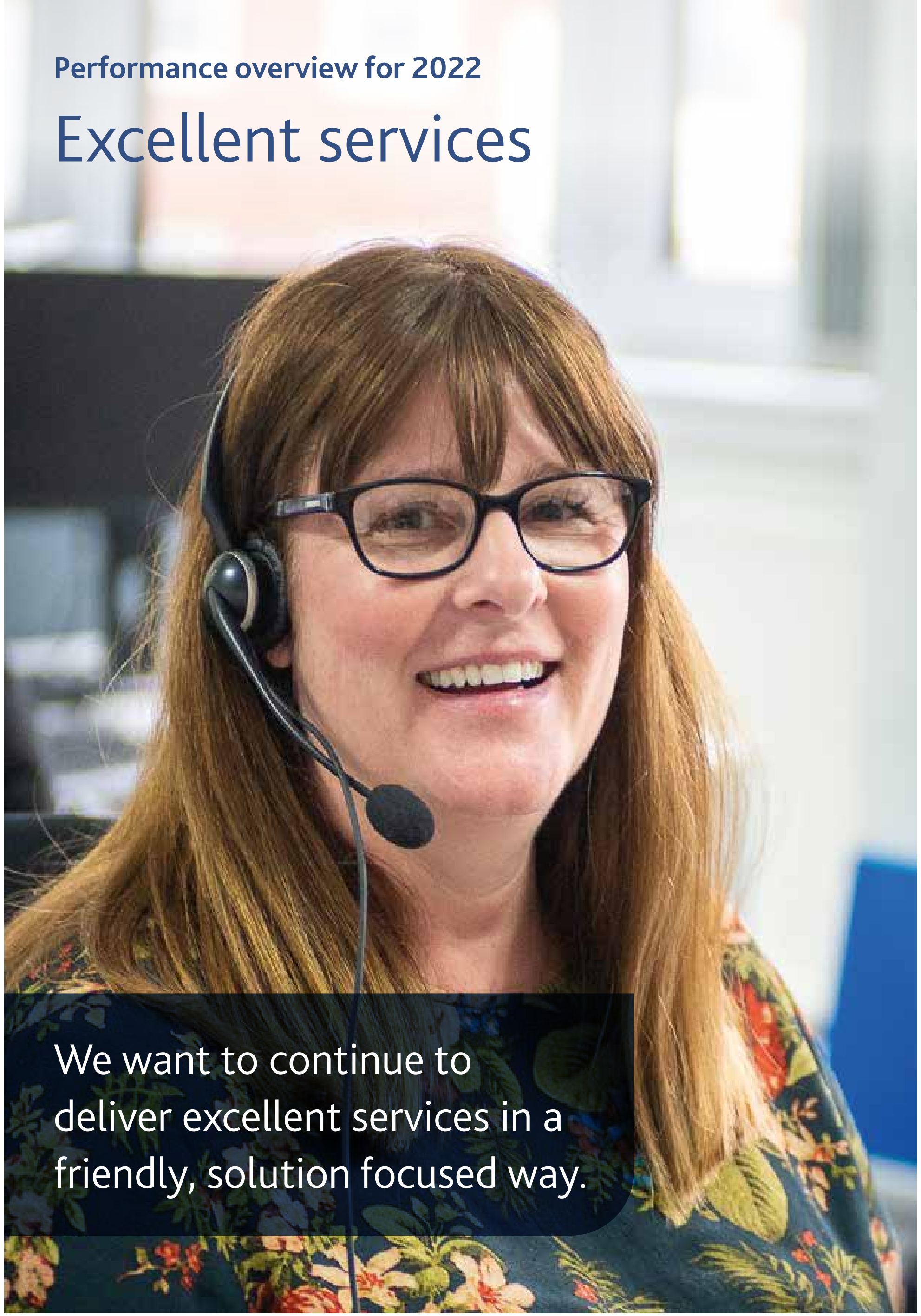
Successful communities: We want to provide homes and build communities residents are proud to live in, with better support to sustain a successful tenancy and manage life changes.

Grow and re-shape: We want to increase our homes in management to 10,000 by 2025 and begin to re-shape our property portfolio to better meet the current and future local needs across Kent and Medway.

Best in Kent: We want to be known as Kent's housing provider of choice.

Performance overview for 2022

Excellent services



We want to continue to deliver excellent services in a friendly, solution focused way.

Our performance

- Customer contact: 97,951 contacts handled. Telephone remains the most popular method of contact, accounting for 64% of customer contact, followed by email (34%) and web forms (1.5%). We also have 35% of our residents registered for our customer portal
- Achieved arrears 2.17% (which compares favourably to sector benchmarking of 3.1%)
- 87.1% Achieving 'right first time'
- 89.0% Delivering on our repairs promise

Fast Facts: Customer complaints

Unlike many others in the sector, we did not have an increase in complaints during the year. 357 compared with 379 in 2021. Although we did see an increase in the number of cases referred to the Housing Ombudsman Service, no maladministration was found in our management of these complaints. We completed an assessment against the updated Housing Ombudsman complaint handling code, which confirmed we comply in all areas and report on themes and lessons learnt from complaints to the Communities and Housing Committee. Our customer resolution team manage all our complaints through to resolution and we have a complex case review with operational teams so we can focus on learning from complaints and prevent poor service from happening again. 60% of complaints were upheld at the first stage. The top reason for complaints was repairs. This reduced from 52% of all complaints in 2021 to 34% in 2022.

Customer insight and data

We now have monthly transactional feedback and we have already started collecting feedback using the new sector wide Tenant Satisfaction Measures (TSMs).

We called back residents who left negative comments when responding to the STAR (survey of tenants and residents) that we completed at the end of 2021. We were able to resolve many of the issues raised and used the feedback in shaping our 2022 priorities.

We have continued to work with our partner, Rant & Rave to get monthly customer feedback. Our measures cover; repairs, anti-social behaviour, making a complaint, calling our customer services team, moving into a home and buying a shared ownership home. Our overall feedback score for 2022 was 4.3 out of 5.

We also completed our West Kent Census where we updated information on our residents and their households including age, health, disability and contact details. This information is being used to tailor services to individual residents and support our strategic planning.

Performance overview for 2022

In 2022 we said we would:

Focus on the four areas highlighted by our 2021 STAR to improve the customer experience.

We experienced a 10% increase in customer contact this year and a satisfaction rating of 4.3 out of 5 with the team described as helpful, polite, knowledgeable and comments on the speed of response. This is a good basis to work from. Monthly customer feedback has helped us improve our responsive repairs service and led to us changing a contractor following poor feedback, so we ended the year with an improving satisfaction rating at 4.3 out of 5. We have also completed a detailed review of our voids service focusing on the works to be completed and quality when let. This has been challenging but working with our contractor we have increased the expertise in both teams and achieved an improving customer satisfaction with the quality of the re-let home score of 4.2 out of 5 by the year end. Finally we looked at how we manage anti-social behaviour and improving complaints resolution introducing a new ASB policy and procedure. This means our service offer is much clearer and residents know what to expect.

Relaunch our customer experience training 'Making the Difference' with our partner MGI Learning.

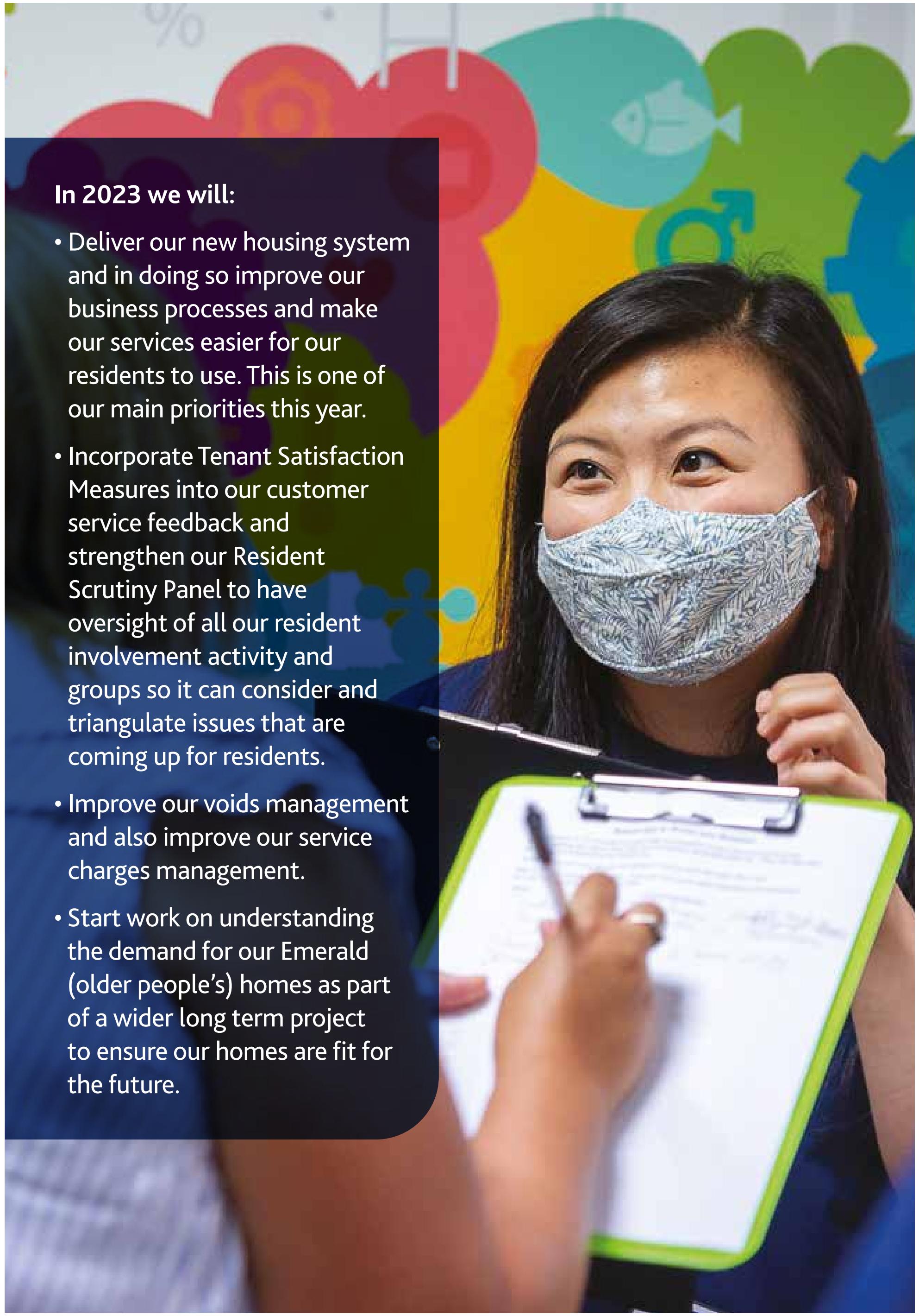
Times are challenging for many people right now. This training was to provide colleagues with tools and techniques to better manage difficult conversations, so we can best help residents or connect them with other organisations that can. The training has been a great success with 100% attendance and we believe this will improve customer satisfaction overall.

Understand the demand for our Emerald (older people's) housing.

This has been delayed to 2023 and this will be part of a wider long-term project to ensure our homes are fit for the future.

Progress the implementation of our new housing system and customer portal

We are moving from multiple systems, databases and spreadsheets to one system. We are on track for a launch in 2023.



In 2023 we will:

- Deliver our new housing system and in doing so improve our business processes and make our services easier for our residents to use. This is one of our main priorities this year.
- Incorporate Tenant Satisfaction Measures into our customer service feedback and strengthen our Resident Scrutiny Panel to have oversight of all our resident involvement activity and groups so it can consider and triangulate issues that are coming up for residents.
- Improve our voids management and also improve our service charges management.
- Start work on understanding the demand for our Emerald (older people's) homes as part of a wider long term project to ensure our homes are fit for the future.

Performance overview for 2022

Successful communities

We want to provide homes and build communities residents are proud to live in, with better support to sustain a successful tenancy and manage life changes.

Our performance

Supported 4,775 people with communities work including:

- Delivering 1,078 support interventions to help sustain tenancies
- Handled 407 employment and training referrals (387 individuals), working closely with 160 tenants. 67 people were supported into employment and another 50 into training
- Delivered in person youth services. We achieved 6,825 attendances across HOUSE and Young Adventurers groups, reaching 739 individual young people
- Completed 5,480 interventions with young people in schools and through detached youth work
- Provided furniture to 706 tenants and 1,090 local customers through our Abacus store. Abacus also hosted 796 volunteer hours, recycled 770 furniture donations, diverting 73,972 kilos of waste from landfill
- Partnered with Sevenoaks District Council to deliver 43 furniture hardship packs (229 furniture items), through Abacus, to local homeless people moving into temporary accommodation
- Worked with 67 different partners
- Awarded £11.7k of grant funding to community groups and organisations across Kent to deliver their own community activities
- Generated £327k of quantifiable value for West Kent
- Secured an additional £43k of income paid directly to our tenants through benefits and grants.

Fast Facts:

Youth services

This year we completed a review of youth services so that we can respond better to the needs of young people. In 2022 we had 13,923 attendances across our service mainly through the HOUSE project in Edenbridge and the Young Adventurers in seven locations across the district, with boxing sessions at Edenbridge and Westerham and our contract with Kent County Council delivering detached and school work around Sevenoaks. We also had additional funding to deliver other activities that included DJ workshops, The Time Out programme (Mental Health course), three wellbeing days, three HOUSE trips to Bewl Water, London Zoo and Thorpe Park, pottery sessions during February and April school holidays and two summer clubs were delivered in Swanley and Edenbridge. In May youth services attended the St Mary's Jubilee event and we attended 14 Sevenoaks District Council Summer fun days. We also took 95 Children on a residential trip and 90 children to the pantomime in Sevenoaks.

Employment and Training

We launched the third job hub in early January at Edenbridge alongside our successful hubs in Swanley and Sevenoaks working in partnership with the Department of Work and Pensions, which have proved popular and valuable to residents.

We have run several employment fairs at all the job hubs and increased interaction with our residents. We have also made links with local employers supporting our residents into work.

We have offered and signposted our residents to several training courses from Construction Skills Certification Scheme to working in schools Level 2. The training courses have enabled our residents to get into work. We have also successfully delivered a mums business start-up course in Swanley.

We exceeded our job outcomes to total 67.

Abacus Furniture Project

We had a very successful year for Abacus, which saw us exceed all income and engagement targets, evidencing how we remain a much-needed service to our residents and local community customers.

We have strengthened our relationships with local partners accessing our services and remain the preferred supplier of reuse products for vulnerable customers and many households experiencing furniture poverty within the home.

We remain committed to reducing our carbon footprint and have saved 74 tonnes of unwanted furniture items going to landfill by finding them new homes for reuse, recycling and repurpose.

Performance overview for 2022

In 2022 we said we would:

Establish a community development pilot to form the basis of our new thriving communities offer.

We developed a pilot approach to community development in Swanley. We spoke to almost 300 households about what they wanted from their community, supported a local organisation to establish a charity that could access funding for the community, engaged with partners and worked with local organisations to address community needs. The project has informed our new communities offer and created clear principles on which we deliver our community development work.

Drive value for money by reviewing our tenancy sustainment and community investment offer.

We reviewed our tenancy sustainment offer. We created a specialist in house service, recognising the impact of reduced external support and the cost benefit to residents and West Kent of providing that service ourselves. We have extended the service by adding a specialist financial inclusion and welfare benefits team.

These new services, aligned to our community development, employment and youth services comprise our new communities offer. That offer has been developed based on resident feedback, internal and external data and a comprehensive analysis of our external operating environment. The new offer puts West Kent residents at the heart of our activities, ensuring we can respond to local need and use our resources to improve opportunities for our residents and communities.

Develop clear metrics to measure the impact of our work in communities.

We have developed a clear impact tool that enables us to understand the full reach of our services, as well as the value and leverage that our communities offer brings to residents and to West Kent. Our model is aligned to ESG (Environmental, Social and Governance) principles. We will continue to develop this model with a focus on understanding progress and impact.

Support our resident's scrutiny panel to deliver three reviews with the aim of improving our customer services.

In 2022 the panel completed two scrutiny reviews to support improving our services. They scrutinised our employment and training service, and recommendations included the better promotion of our offer and additional resources. The panel also scrutinised the repairs service. Many recommendations aligned with the organisation's own business improvement plans. All recommendations are monitored by the scrutiny panel and the Communities and Housing Committee.

In 2023 we will:

- Support our residents through the cost-of-living crisis
- Establish an organisational approach to tackling fuel poverty
- Deliver our new communities offer across West Kent neighbourhoods
- Support the scrutiny panel to deliver no less than two scrutiny exercises, to include how West Kent listens and acts upon the voice of residents
- Wind-down our charitable subsidiary West Kent Extra and will transfer the services it provides to West Kent Housing Association to provide.

Performance overview for 2022

Grow and re-shape

We want to increase our homes in management to 10,000 by 2025 and begin to re-shape our property portfolio to better meet the current and future local needs across Kent and Medway.

Our performance

- The average time to let our homes was 63 days
- At the end of the year there were four overdue gas safety checks (all are proceeding through the no access process)
- 98.8% of our homes meet the Decent Homes Standard – and we have a plan for all those homes that do not currently meet it
- Zero fire risk assessments overdue.

Fast Facts:

- Tennyson Lodge – in collaboration with Kent County Council and Bouygues UK Ltd we are replacing the cladding. Works have progressed to the stage a waking watch is no longer required and is due to complete by September 2023
- We are bringing stock condition surveys in-house and including the collection of energy data and a wider remit to identify potential property problems so these can be remedied quicker
- In 2022 we continued to have a much higher number of voids with many of them in poorer condition and a higher number of older persons accommodation resulting in a much higher average void loss per week and a longer timeframe for completing works and reletting. We now have a dedicated role to manage the voids works and oversee the quality and ensure they are delivered to agreed timeframes
- We replaced doors at 213 homes and 25 had new windows installed in 2022
- We have taken a proactive approach to damp and mould. We carried out a detailed analysis of all stock condition surveys reports and repairs over the last five years. By Q3 this identified 41 possible properties with ongoing issues that were all contacted by a West Kent Surveyor. We also contacted all residents that mentioned damp and mould on STAR survey return for a surveyor to attend. Resident Winter newsletter provided advice and details for contacting us with concerns.

Performance overview for 2022

In 2022 we said we would:

Move our planned maintenance approach from 'just in time' to a blended approach.

Our focus is on enhancing the fuel efficiency of homes and directing our investments towards areas with the highest risk of fuel poverty. We have established a five-year plan that includes expanding our door and window replacement initiatives to align with the preferences of our residents. Adopting a more structured approach to our work programme has allowed us to secure better pricing and supply chain arrangements from our primary supplier, Brenwards. Last year, we collaborated with an external consultant to create a comprehensive value for money strategy to support these contract arrangements.

Drive value for money by improving the component costs and iNHomes productivity (our in house service) and increase satisfaction with our services.

We have identified a number of efficiencies during 2022, which have been incorporated into the 2023 budget.

Re-procure our estate services

The procurement exercise, which included a resident panel, took place during 2022 with the new contractor appointed to start during 2023.

Performance overview for 2022

Growth in homes

Our performance

- We built 148 new homes (185 in 2021)
- In 2022 we sold 69 shared ownership homes, our target was 91 homes (100 in 2021)
- 30% Sales margin on shared ownership sales (the target was 23%).

Fast Facts:

- We have contracted on 387 homes, 56% are for rent and 44% for shared ownership
- As of 31 December we had two shared ownership units unsold, both of which were under offer (both were completed by March 2023).

In 2022 we said we would:

Improve customer satisfaction in our new homes

In 2022 we worked to reduce the number of snags and defects of the homes we accepted. This improved from 2.9 defects per home in 2021 to 1.9 defects per home for 2022.

Deliver the re-modelling of our existing stock at Vine Court Road and Orchard Close

We worked in partnership with Sevenoaks District Council to access grant funding specifically for 'rough sleepers' and we are progressing options for Heath Close into 2023.

Identify potential stock acquisition opportunities

We explored a couple of opportunities but took the decision not to progress. This remains part of our strategy and we will consider opportunities as they arise.

Commence construction of our 'nearly zero' low-carbon pilot at Mills Crescent in the Sevenoaks area

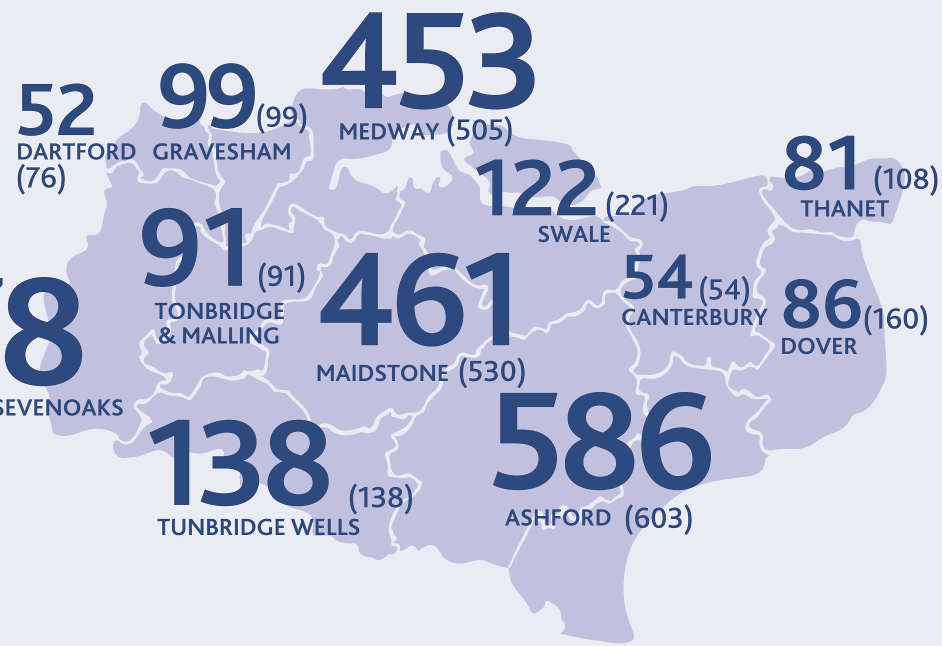
We are now in contract, with start on site now planned for 2023.

In 2023 we will:

- Deliver 295 new homes including Mills Crescent, a low carbon pilot, the first rural exception homes in Sevenoaks for 15 years and completion of the regeneration of three garages sites to construct 14 new homes for social rent houses
- Shape our pipeline for regeneration of existing properties and agree criteria for disposals.

Performance overview for 2022

Our stock & development plans



TOTAL
8,201 (8,590)

Our current stock by local authority

(in brackets includes homes under construction)

	2022	2021
Rented	6,031	5,944
Rented – older people	1,110	1,110
Low-cost home ownership	813	771
Total social housing homes	**7,954**	**7,825**
Homes managed by others	-	7
Leaseholders	247	237
Total owned and managed accommodation	**8,201**	**8,069**
Homes under construction	389	409

	2022 Less than 6 months old	2022 Over 6 months old	Total
For homes unsold on 31 December			
Unsold with no offers	-	-	-
Unsold under offer	2	-	2
For homes unsold on 31 December position as of 31 March 2023			
Unsold with no offers	-	-	-
Unsold under offer	-	-	-

All unsold shared ownership properties at the 31 December have been sold within the first quarter of 2023.

Performance overview for 2022

Best in Kent

We want to be known as Kent's housing provider of choice. To be the Best in Kent we must ensure the long-term financial viability of West Kent with a well-run business delivering to plans and within budget.

Our performance

- Social housing operating margin 25% (budget 27%)
- In Depth Assessment April 2022 confirmed Highest rating from the Regulator on governance and financial viability (G1V1)
- Re-graded to G1V2 in December 2022 to reflect volatile financial operating environment
- Employee engagement 72% (70% in 2020)
- £75m loans available to be drawn to build new affordable housing.

Fast Facts:

- We introduced an all-staff performance bonus of up to £500 linked to five measures selected to drive and maintain day to day services. This was a 'stretch' for the organisation as we work to deliver the significant change projects and growth in the next two years. The measures also linked to our STAR survey results and what our tenants have told us are important to them. Based on performance £325 was paid to all eligible staff
- We held our all-staff conference in July, bringing colleagues together for the first time in over three years. Feedback was positive with 100% agreed / strongly agreed they are proud to work at West Kent, 97% agreed they got to know the Executive Team more and 86% agreed they better understand our priorities. We launched our 'making the difference' awards which celebrated the excellent customer service by staff and teams and were selected from the compliments received during 2021-2022, and from nominations made by staff
- We are on track with our increased investment in staff IT kit and infrastructure along with the simplification of business processes in support of our new housing and finance systems implementation due in 2023
- In December the Regulator completed their annual stability check and in light of our increased planned investment in our homes and IT, together with the wider economic conditions of high inflation and interest rate pressure advised us they had re-rated West Kent from V1 to the still compliant V2. This was announced alongside a number of others in the sector also re-rated from V1 to V2.

Performance overview for 2022

In 2022 we said we would:

Work towards obtaining Equality Diversity and Inclusion accreditation in 2023.

We have completed our internal assessment against the accreditation criteria from Housing Diversity Network and have a plan to achieve accreditation in 2023. We ran several events in relation to equality, diversity and inclusion for our staff and residents. This included International Women's Day, Mental Health Awareness Week, Pride and Black History Month. They were well attended and helped us to raise awareness and take time to learn.

Seek reconfirmation of Investors in People Gold accreditation.

This took place at the end of 2022 and Gold status was reconfirmed in March 2023.

Update our IT Strategy.

The Board reviewed progress against the 2020-2022 strategy and agreed the principles and priorities for 2023-26 and the final strategy was approved by the Board in March 2023.

Review our treasury plans for the next three to five years reflecting the increasing investment to meet net zero carbon requirements.

Working with board members a treasury working group have appointed advisors to help us assess our future funding needs and treasury strategy. We approached the market for further funding in January 2023 and are on track for securing funding by Q2 2023.

Risk

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 sets out our intentions for the future, informed by the risks we think we will face in trying to achieve them and our appetite for those risks.

The risk management framework links our vision, with the key risks and our risk appetite, in the context of our operating environment and opportunities.

In 2021 the Board agreed risk appetite statements across six key risk areas which guide us in how we respond to emerging issues and approach opportunities. These were reviewed and updated in 2022.

Risk category	Risk appetite
Legal and regulatory compliance	**Averse:** Compliance with the law and regulatory requirements is a key organisational objective.
How we deliver our services	**Opportunistic:** We actively pursue innovation to challenge and improve on current working practices.
Financial, treasury and liquidity	**Balanced:** We seek safe delivery options and will consider small residual financial loss if outweighed by the opportunities.
Technology, data and information security	**Cautious:** Maintaining the security and resilience of our systems is very important to us.
Growth and diversification	**Opportunistic:** (changed from eager in October 2022 to reflect market conditions): We are open to expanding beyond our traditional products and footprint (geography), provided that we are confident that we can manage the risks.
Brand and reputation	**Balanced:** We prefer not to draw attention to the organisation unless we are sure that what we say or do will have little chance of any significant repercussions for the organisation.

Emerging issues, mitigations and governance

We regularly review our control framework, consider emerging risks, and take steps to actively manage potential impacts on our services or strategic plans. The Audit and Risk Committee review the effectiveness of our risk identification and management twice a year. The Board consider the external environment, emerging themes and actions to mitigate strategic risks on a quarterly basis and undertake an annual risk horizon scanning exercise to align with setting the annual plan.

Top risks from our strategic risk register

There were no 'red' rated risks. The following were the high scoring 'amber' rated risks. This year we have embedded our operational risks assurance framework and used the outcomes of quarterly self-assessments of this framework to develop a five- year risk-based internal audit workplan.

Strategic risk	Mitigation
Failure in data capture, integrity and management leading to poor decision making or a breach in GDPR guidelines resulting in ICO or Regulatory scrutiny.	We have a dedicated Data Protection Officer, who monitors compliance with the UK GDPR, including management of subject access requests and ensuring staff have appropriate training and guidance. The new systems implementation planned for 2023 will support a single source of data and management reporting. Our property compliance data was independently validated by external advisors in 2021 and our tenant data updated through the West Kent census late 2021.
Failure to collect rental income leading to a reduction in our income/ increasing bad debt action, legal action and reputational damage.	Our proactive approach to rent collection with supportive tenancy sustainment, financial heath checks and advice aims to limit the number of tenancies falling into arrears and maximise the direct payment of benefits to us.
Failure to ensure reliable, secure and robust IT services leading to the risk we are unable to meet our service offer to customers and suffer the business impact of not meeting our commitments, incurring financial or data loss.	We complete independent checks on the resilience and security of our systems and monitor daily performance. Work is ongoing to deliver a programme to update and improve core IT infrastructure and simplify and replace our legacy systems.

2022 continued to be a challenging and uncertain operating environment, however as this report sets out West Kent continued to perform well in delivering our services, meeting our building safety obligations and performing well on shared ownership sales planned. We experienced challenges with the continuing high number of voids and the level of works needed but took steps to contain spend within our overall budget for voids and planned works. We also experienced delays in the planned handover of developments due in the last quarter of the year in part where we were not happy with the quality on inspection and for others, due to site delays with the utilities connections.

With growing inflationary pressures, loan interest rates, rising utility costs (which are passed on through service charges for communal areas to our residents) and the Government consultation on the Rent Inflation for 2023 in August we modelled different scenarios and stress tested our financial plans for the next five years. Following the Truss budget announcements and the impact on markets in September we paused all development investment plans and revisited our appraisal criteria.

Our plans for 2023 initially assumed a 5% rent cap and our five-year plan reflected our Value for Money plans, including procurement savings and organisational efficiencies. Our budget has since been updated to reflect the improved position of a 7% rent cap along with other known changes and to include the additional 3 months needed for the transition in the financial year end from December to March.

Value for money

This section provides information on our performance aligned to the Regulator's Value for Money (VFM) metrics. Value for Money (VFM) looks at the 'efficiency, economy and effectiveness' of how we do things. It is how we push ourselves to do things differently so we can achieve more for the same money or effort, achieve something better for the same money or effort, or even achieve the same benefit for less money and less effort.

Our strategic plan 2020-25 sets out our approach to VFM, how we aim to achieve it and how we will measure it. The strategic ambition to deliver our objectives and to maintain a 35% operating margin on our social housing operations by 2025 has been tempered during 2022 due to the high inflationary and interest rate environment and the cap on rent increases for April 2023.

In the current economic climate, we will target 28% by 2027 but with 30-32% as a stretch target to be developed post market recovery, to reflect the priority we place on the long-term financial improvement and hence viability, of our business model.

The strategic plan recognises this is challenging ourselves, and states that over the life of the plan we will:

- Identify and implement business improvements so we can meet increasing Investment needs to achieve the zero-carbon challenge
- Invest in our process and systems, so that we can have more homes in management with the same cost base.

At West Kent we deliver value for money by:

- Having a well-run business with our homes safe, fully occupied, collecting all income due and managing our business to plans within budget
- Generating a surplus for purpose enabling us to invest in communities and new homes
- Delivering on targets for supporting tenants in successful tenancies and work to build thriving communities, set out in our strategic plan.

We measure our achievements through the sector scorecard and compare our performance to peers. We monitor performance for:

- Costs per unit
- Delivering new supply
- Measures to compare our cost to delivery and service excellence
- The affordability of West Kent rents to local earnings
- The benefit of our tenant sustainment and community investment and publish this in our annual social impact report.

In 2022 we delivered value for money through:

- As part of the new housing systems implementation we are undertaking end to end business process reviews and documenting how our new 'to be' way of working will solve current gaps in our service offer and efficiency improvements. For example, confirming an appointment by text to reduce 'no access'/ missed appointments
- Partnership working with our Contractors enabled us to deliver £327k of social value examples include our partner Brenwards paying for Christmas events in our supported schemes
- Working with our residents we refreshed our community investment offer. We now have more staff providing a service available to all of our residents
- Recruiting a procurement manager and developing a three-year procurement plan against which savings will be tracked during 2023.

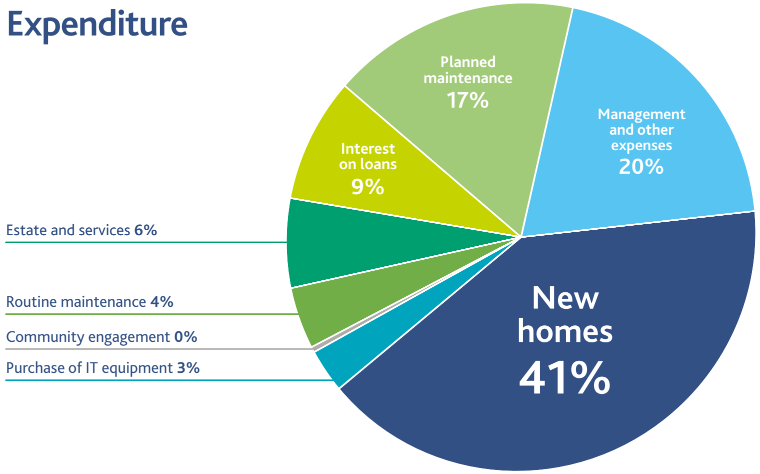
In 2023 we will:

- We have identified benefits expected from our new housing management and Finance systems, identifying cashable savings, reducing costs, improving efficiency and service delivery to our residents. This will enable future capacity to do more. This has formed the basis of a three-year improvement plan, starting in 2023, which is being tracked through our financial plans
- We will manage inflationary pressures through improving our forward procurement activity, contracting for longer timescales (three-five years rather than one-three), to achieve cost efficiencies
- Insurance costs are increasing and so we will complete a review of our insurance contract, to identify ways to drive down costs
- We will review our approach to management of defined benefit pension liabilities.

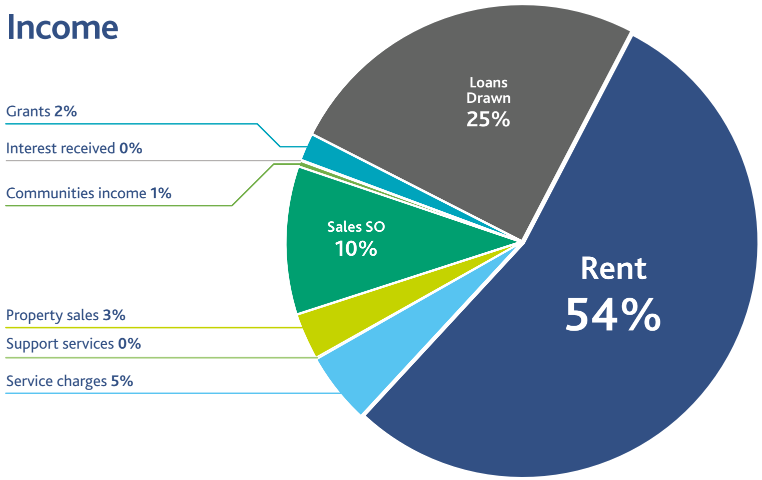
How we use our money

Our rental income is used to maintain our homes and provide our housing management and community services. Any surplus is reinvested in our homes and building new homes. These graphs show the income we received and how we have used it in 2022.

Expenditure



Income



Our income is supplemented by loan financing to support our investment in new homes.

West Kent compares our performance with our closely aligned comparator group based on geography (south-east), number of homes in management (5k to 20k) and similar profile of types of homes (70% similarity across tenures). This identified eight peers who we believe are similar to West Kent. The following tables compare our performance (2021) to this group (2021/22).

We will continue to monitor ourselves against our own performance, that of these peers and the sector. Our target for 2023 reflects the strategic plan 2020-2025.

STAR surveys undertaken at the end of 2021 fedback that residents wanted us to prioritise new doors and windows. During 2022 we have mobilised contracts so that we can increase reinvestment in windows and doors over the next five years with 162 window replacements and 2484 door replacements planned for the first two years of our asset management plan.

In 2022 we replaced:

- **25 Windows**
- **366 Boilers**
- **35 Air Source Heating Systems**
- **17 Electrical Heating Systems**
- **113 Kitchens**
- **123 Bathrooms**
- **10 Roofs**
- **213 Doors**
- **We Undertook: Two Electrical Rewires.**

Regulatory value for money metrics

Comparator information is taken from the VFM metrics published by the Regulator alongside the Global Accounts. Comparator year ends are March 2022.

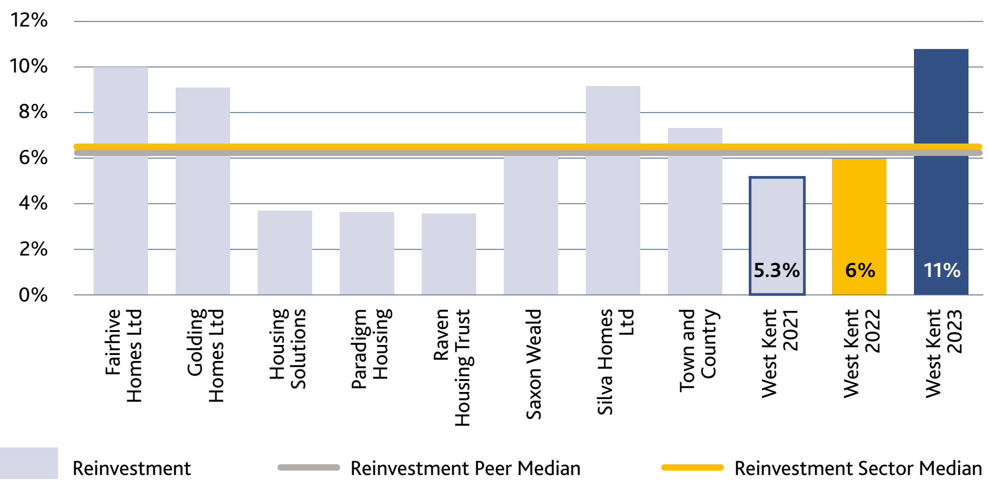
Regulatory Metric 1

Reinvestment %

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total housing properties held. This metric is key to our ability to meet our growth objective of delivering 3.5% new homes per year.

Global accounts Sector Median 21/22	6.4%	
Global Accounts Peer Median 21/22	6.4%	
West Kent Housing Association 2021	5.3%	
West Kent Housing Association 2022	**6.0%**	**10% Target**
West Kent Housing Association 2023 budget	**10.8%**	

Reinvestment 21/22



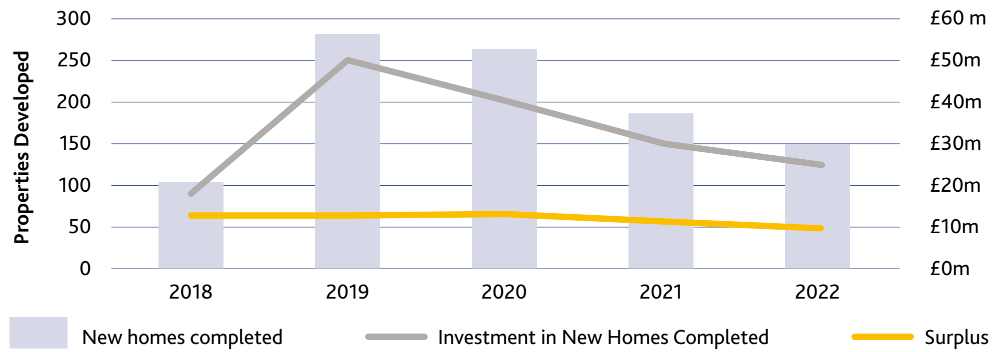
West Kent invested £35m in 2021 and £33m in 2022, against an asset value of £667m and £669m respectively.

When this rate is split between investment in our existing assets and investment in new supply we can see that we have a reinvestment rate of 6% in exiting assets and 1.9% in new supply, demonstrating that the majority of reinvestment spend in 2022 was directed towards our existing stock and that the underperformance against target was driven by delays in our development programme, predominantly driven by a pause in activity to re-set investment activity, in response to the volatile financial markets during 2022.

We expect to invest c£88m in our development programme for the next 3 years to achieve our growth ambitions.

Our peers have a range of reinvestment rates, this may be due to their development cycle or due to their asset base valuation methodology.

In response to the volatile financial markets, we reviewed our loan finance position and investment appraisal assumptions during 2022 and are undertaking a loan refinance exercise during 2023. The size and speed of our investment programme going forward will be, in part, determined by the success of this exercise in delivering loan finance at pricing that delivers value for money. Initial indications from this exercise at the time of writing are positive with an indication that investment plans will be able to continue as planned for 2023 once the loan finance is in place.



Over the past five years we have spent £163m in building or acquiring new homes, we have completed 982 homes in this time and have 387 homes being built. We received £5m over the last five years in Homes England grants. In the same period, we made surpluses of £59m. For every £1 generated in surpluses we spent £2.69 on building new homes.

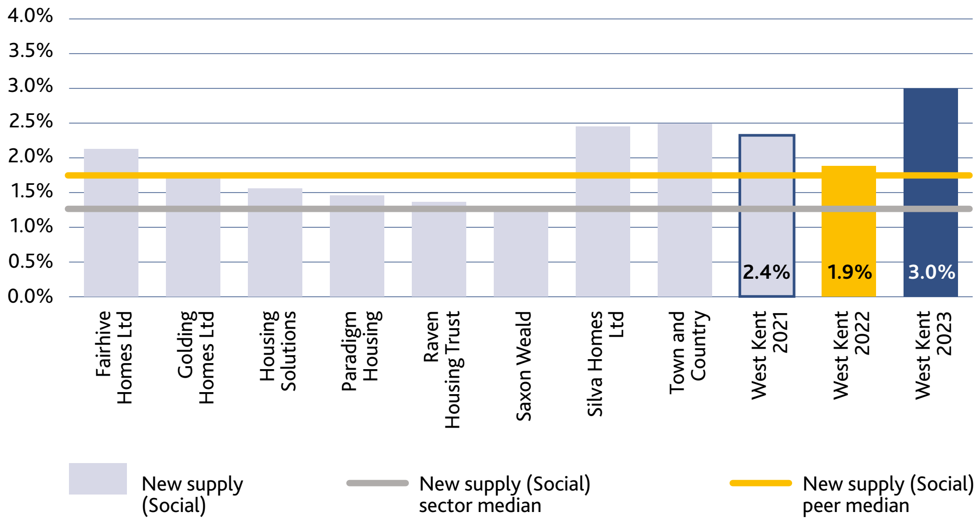
Regulatory Metric 2a

New supply delivered % (social housing units)

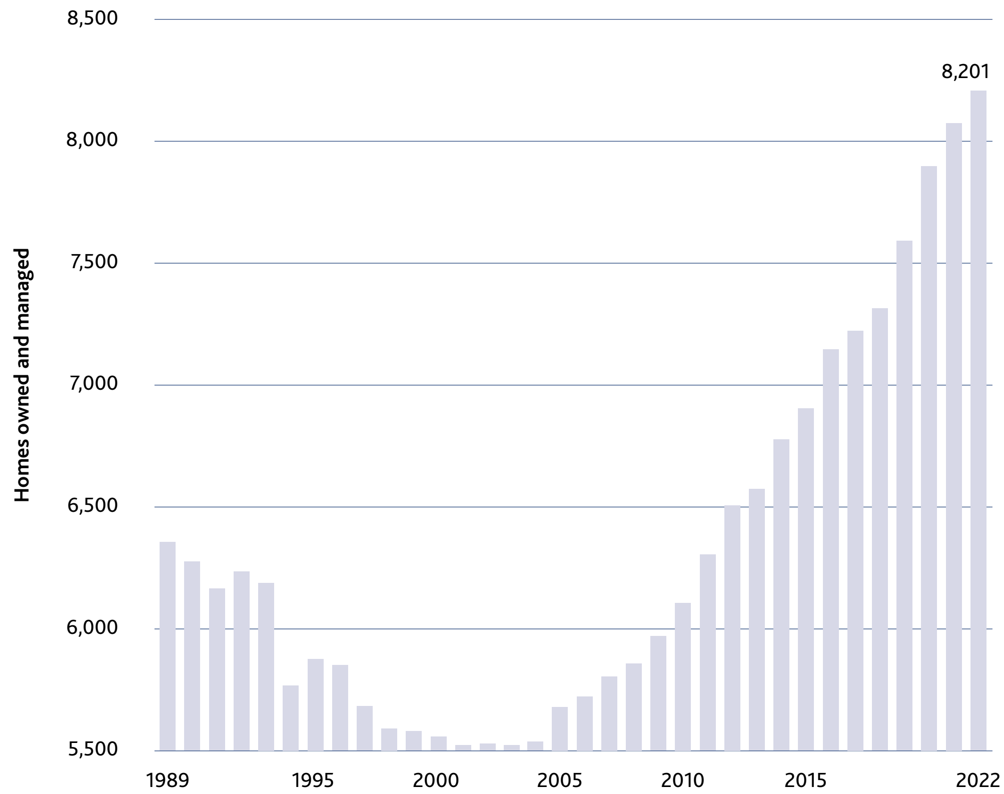
This metric is linked to investment. It records the number of new social housing homes as a proportion of homes owned. Our growth objective is to deliver 3.5% new homes per year.

Global accounts Sector Median 21/22	1.3%	
Global Accounts Peer Median 21/22	1.8%	
West Kent Housing Association 2021	2.4%	
West Kent Housing Association 2022	**1.9%**	**3.5% Target**
West Kent Housing Association 2023 budget	3.0%	

New Supply Social Housing 21/22 %



West Kent Homes History 1989 – 2022



We built 148 (2021: 185) homes in 2022 representing 1.8% of our total homes owned. This included 11 for social rent, 75 for affordable rent and 62 for shared ownership. Our aim is to deliver 3.5% new homes every year, of which 40% will be for social rent.

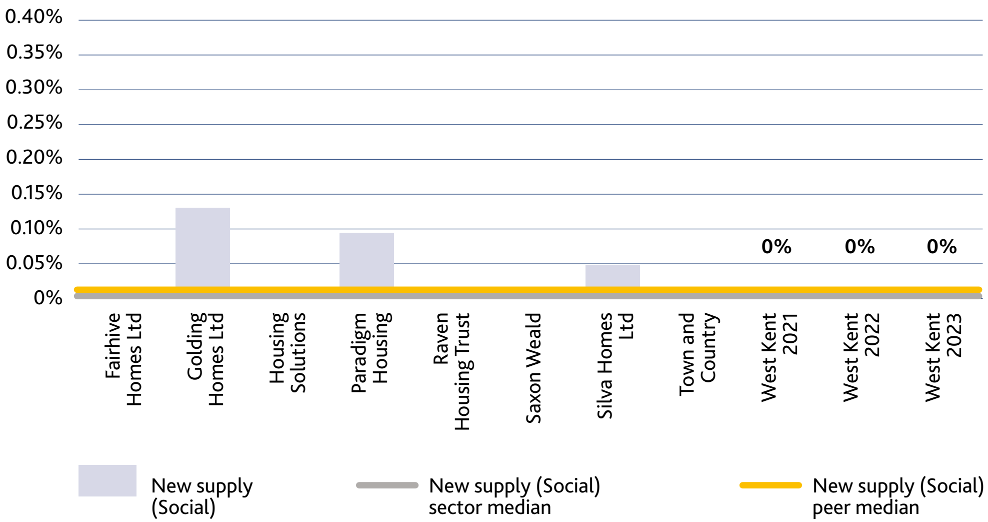
In 2022 West Kent sold four homes through Right to Buy. In the last 30 years this programme has resulted in the loss of over 1,300 homes from West Kent's original transferred homes from Sevenoaks District Council. We now own and/or manage 8,201 homes and have plans to reach 10,000 by 2027.

Regulatory Metric 2b
New supply delivered (non-social housing) %

This metric looks at non-social housing homes as a proportion of homes owned.

Global accounts Sector Median 21/22	0.0%	
Global Accounts Peer Median 21/22	0.0%	
West Kent Housing Association 2021	0.0%	
West Kent Housing Association 2022	**0.0%**	**0.0% Target**
West Kent Housing Association 2023 budget	**0.0%**	

New Supply Delivered NSH % 21/22



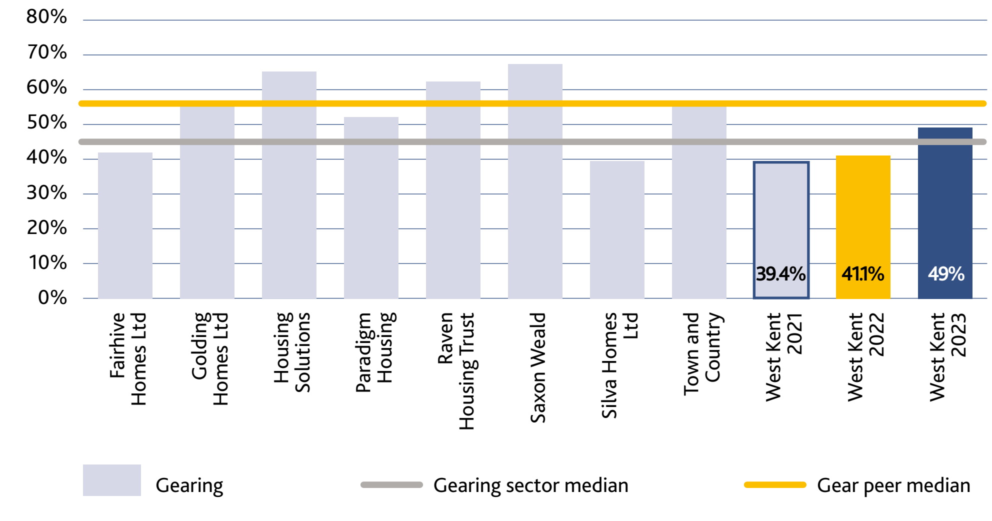
Our development strategy is not predicated on delivering non-social housing homes. However, we are looking at future development opportunities that could include outright sale and open market rent. We would only consider delivery of non-social homes when this could assist in our delivery of social housing homes.

Regulatory Metric 3
Gearing

This metric measures net debt as a proportion of housing asset value.

Global accounts Sector Median 21/22	44.7%	
Global Accounts Peer Median 21/22	55.7%	
West Kent Housing Association 2021	39.4%	
West Kent Housing Association 2022	**41.1%**	**<55% Target**
West Kent Housing Association 2023 budget	**49.0%**	

Gearing % 21/22



This is a key metric for our funders and demonstrates our capacity to borrow more from the assets we own. West Kent has sufficient debt and an available loan facility to meet our capital commitments. We also have sufficient undrawn loans to continue to commit to more new homes. Our development programme is funded from surpluses and loan finance £343m (2021: £346m). This measure is expected to rise slightly each year in line with our strategic plan and within our covenants agreed with our funders.

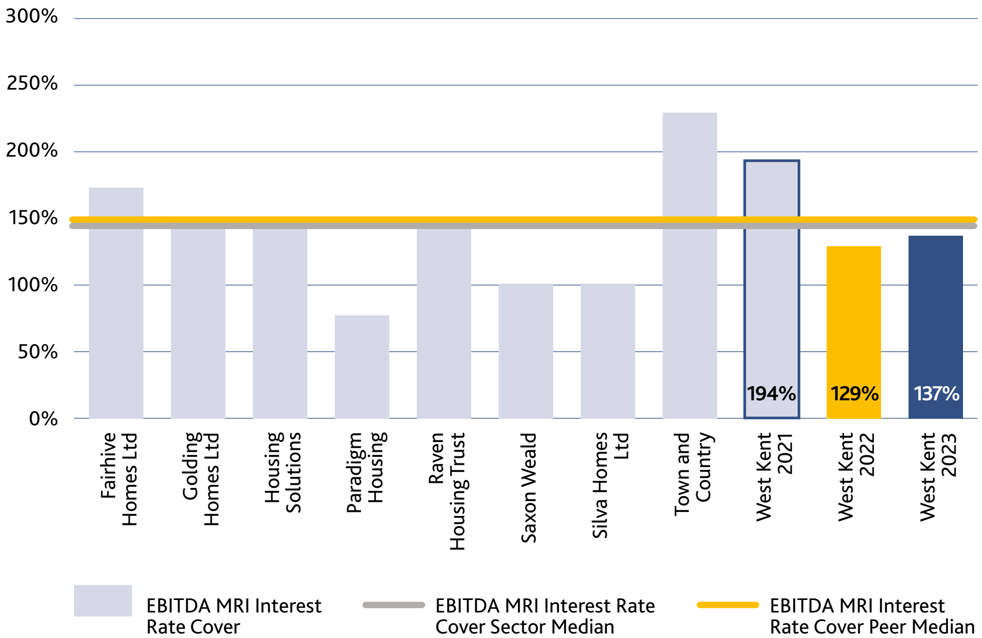
Regulatory Metric 4

Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This metric is a key indicator for liquidity and investment capacity. It measures the level of surplus we generate compared with interest payable.

	VfM Definition	Loan Definition	
Global accounts Sector Median 21/22	147%	N/A	
Global Accounts Peer Median 21/22	150%	N/A	
West Kent Housing Association 2021	194%	245%	
West Kent Housing Association 2022	**129%**	**138%**	**>130% Target**
West Kent Housing Association 2023 budget	137%	146%	

EBITDA MRI Interest Rate Cover 21/22 (Entity)



As West Kent grows, we will borrow to fund our development programme. Over time we expect our interest cover to reduce, this represents the social value we bring to the sector. We are looking at ways to limit this decline by driving efficiencies in our operations, at the same time we are looking at how we can build more homes for social rent or reduce the level we peg our affordable rent to. This metric is key to our ability to finance our loans. Our internal target of 130%, calculated using our lender's definition of this metric means we have sufficient contingency to respond to unforeseen circumstances. As discussed in "Best in Kent" above the benefits we expect to realise from our IT investment over the next five years will have a direct impact on our interest cover and our operating margins.

The decline in our interest cover in 2022 and 2023 is driven by the high inflationary and interest rate operating environment and the rent cap imposed by Government for 2023. Several efficiencies have been identified in the five-year plan to help offset these new cost pressures, and we will be reviewing our plans in 2023 to identify how we can further manage these cost pressures.

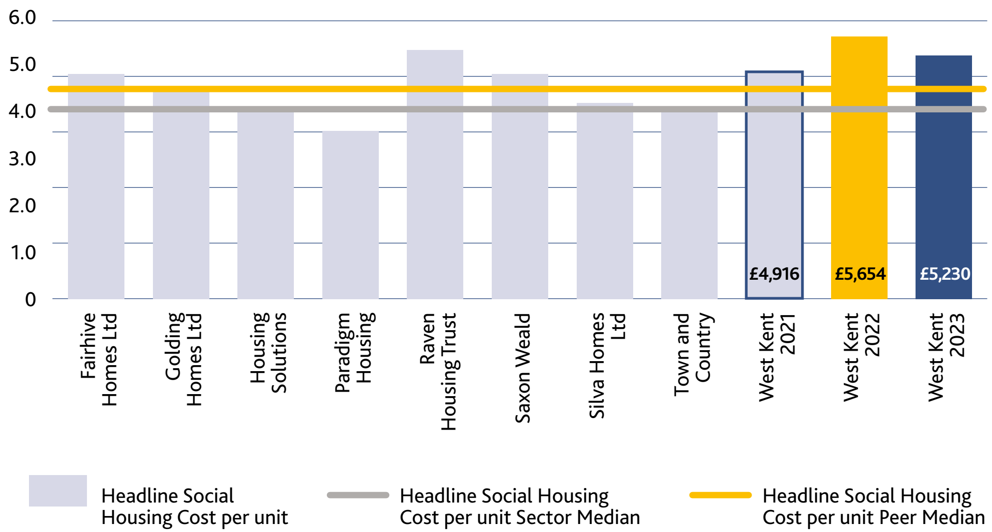
Regulatory Metric 5

Headline social housing cost per home

This metric assesses the group headline social housing cost per home.

Global accounts Sector Median 21/22	£4,076	
Global Accounts Peer Median 21/22	£4,498	
West Kent Housing Association 2021	£4,916	
West Kent Housing Association 2022	**£5,654**	**5% variation from budget Target**
West Kent Housing Association 2023 budget	**£5,230**	

Headline social housing cost per unit (21/22)



The bar chart above compares West Kent Group with peers on a Group basis. Cost per unit will often be higher on a Group basis in comparison to an Entity due to the subsidiary costs being included in the landlord. For West Kent this includes the operating costs of West Kent Extra.

Costs have increased by 17% (see breakdown below) while homes have increased by 2%. Increased costs in 2022 are predominantly driven by increased void numbers and turnaround times during 2022 and inflationary and interest rate increases due to the current economic climate. Three of our largest costs are management, service charges and maintenance. Services include £281 per home relating to operating payments on Kent Excellent Homes for All, a Private Finance Initiative which generates a low margin for the period of the contract. Excluding this headline social housing cost per unit would be £5,373 in 2022.

The table below shows how our group costs, which include West Kent Extra, our subsidiary, compared to the previous year. The Group cost per unit is higher than the entity cost per unit due to the inclusion of West Kent Extra, our Charitable subsidiary in the Group analysis.

Breakdown of social housing cost per home	**Group and Association**		
	2022	**2021**	**% change**
Management costs	£701	£676	+4%
Services	£1,034	£921	+12%
Maintenance	£3,592	£2,805	+28%
Other (social housing letting) costs	£7	£8	-13%
Development services	£109	£33	+230%
Community / neighbourhood services	£116	£223	-48%
Other social housing activities: other (operating expenditure)	£17	£18	-6%
Other social housing activities: charges for support services (operating expenditure)	£78	£135	-42%
Group total social housing costs	**£5,654**	**£4,819**	**+17%**
Total social housing homes owned and / or managed at period end	7954	7832	+2%

Regulatory Metric 5

Headline social housing cost per home

Our 2022 financial plan assumed cost per unit will grow, over the next five years, reflecting our transition from 'Just in Time' to a planned approach to maintenance, investment in Net Zero Carbon, investment in our IT infrastructure, unit growth from our development and stock transfer programme and inflation.

The value and speed of our investment plans are being reviewed as part of the 2023 planning process considering the current economic climate. Any reduction in planned unit growth in response to the current economic climate will have an impact on this measure, as well as increased or decreased costs.

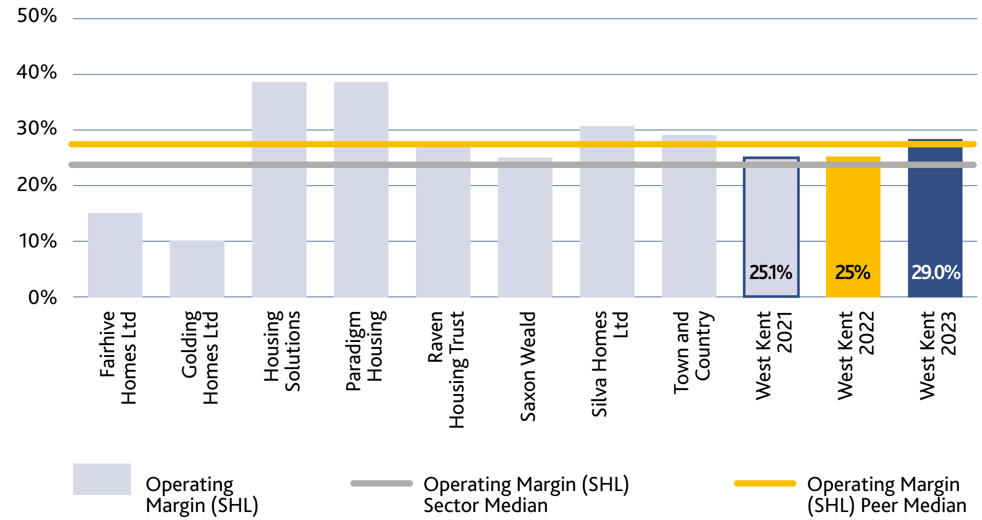
Regulatory Metric 6a

Operating Margin (social housing lettings only)

The Operating Margin demonstrates the profitability of West Kent's social housing activities. Increasing margins are one way to improve the financial efficiency of a business. However, how we choose to use our resources is for the Board to agree. This may mean using our social housing margin to improve the communities in which we operate.

Global accounts Sector Median 21/22	23.7%	
Global Accounts Peer Median 21/22	27.5%	
West Kent Housing Association 2021	25.3%	
West Kent Housing Association 2022	**25.0%**	**35% Target**
West Kent Housing Association 2023 budget	**28.4%**	

Operating Margin Social Housing Lettings 21/22 %



Costs in 2022 increased due to an higher level of voids than anticipated during the year. Both void costs and void turnaround times have been higher than anticipated, this is a trend that has been seen elsewhere in the sector. The voids' end to end process was reviewed and improved during 2022 to improve performance in this area.

2022 has also seen increased costs from our investment in our transformation projects HAWK (Housing at West Kent our new housing system) and Falcon (our new finance system) and from the high inflation and interest rate operating environment we find ourselves. Traditionally our key strategic metric has been to achieve above 35% social housing margin. The current economic climate and recent Government rent caps mean that an operating margin of 35% is not currently achievable. In the current economic climate, we will target 28% by 2027 (five-year plan) but with 30-32% as a stretch target to be developed post market recovery to reflect the priority West Kent places on the long-term financial improvement and hence viability, of its business model.

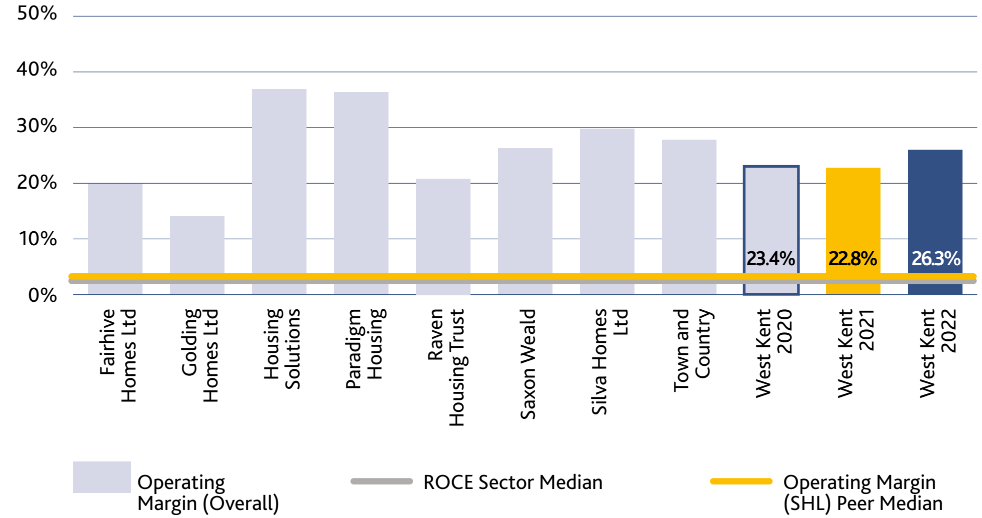
Regulatory Metric 6b

Operating Margin (overall)

The Operating Margin (overall) demonstrates the profitability of West Kent's operating activities. This metric brings in our social housing activities, as stated in 6a, and our shared ownership sales, support services, community activities and investment portfolio of garages.

Global accounts Sector Median 21/22	21.5%	
Global Accounts Peer Median 21/22	26.5%	
West Kent Housing Association 2021	23.4%	
West Kent Housing Association 2022	**22.8%**	**30% Target**
West Kent Housing Association 2023 budget	**26.3%**	

Operating Margin 21/22 (Overall)



When we look at our overall business, the operating margin reduces to 22.8%. The dilution on the margin is a conscious one. We have built a strong community brand that identifies unmet needs of Kent communities and works with partners and residents who share our ethos to directly tackle those needs or seek to influence others to do so. These types of service cannot generate large margins and, in some areas, make a loss.

West Kent has chosen, as part of our communities' strategy, to commit resources in this area. We understand some services we offer do not generate high levels of margin, so we target a lower margin of 30% on overall activities. We generate a margin of 30% on first tranche sales and 46.5% on garage investments, we use this to support our communities and support services that do not generate a margin.

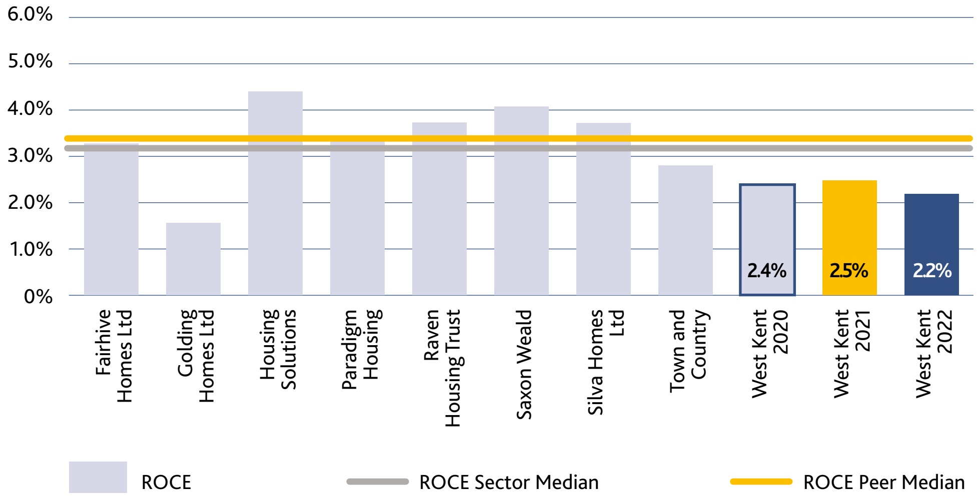
Regulatory Metric 7

Return on capital employed (ROCE)

This metric compares the operating surplus to total assets, less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

Global accounts Sector Median 21/22	3.2%	
Global Accounts Peer Median 21/22	3.4%	
West Kent Housing Association 2021	2.4%	
West Kent Housing Association 2022	**2.5%**	**3.0% Target**
West Kent Housing Association 2023 budget	2.2%	

ROCE 20/21 %



Having a large asset value makes our gearing look lower than our peers. When this high asset value is applied to re-investment or return on capital employed, we come out worse than our peers. As we continue to build new homes and convert the £5m sitting on our balance sheet as cash into increased earnings we will see our return on capital employed grow, but we will not see a significant improvement on this measure against our peers as we build more homes for social rent or equivalent. The social return of providing homes for those in need is a key objective. Performance against this metric is impacted by a reduction in our overall surplus predicted due to the impact of the current economic climate on inflation and interest rates and while we are investing more in building new homes, improving the standards of our current homes and transforming our IT systems.

Financial review

West Kent's financial strength ensures we stay a vibrant, sustainable organisation. Any surplus that we make is reinvested in building new homes.

Group financial results

Consolidated statement of comprehensive income	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Turnover	64.5	66.0	63.2	57.3	52.7
Turnover before housing sales	55.4	53.5	50.7	48.2	47.9
Income from lettings	53.9	50.9	48.5	46.0	45.6
Property depreciation	6.7	6.7	6.2	5.7	5.4
Operating surplus before housing sales	12.0	11.9	16.2	16.5	17.0
Operating surplus for social housing lettings	13.6	12.8	17.5	17.3	17.7
Operating surplus	17.4	16.6	20.0	19.4	19.7
Surplus for the financial year	9.2	11.1	13.2	12.7	12.5

Consolidated balance sheets	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Housing properties	699.2	667.1	640.3	605.2	563.1
Net current assets	4.0	6.1	8.7	35.9	54.7
Indebtedness	293.4	270.8	253.9	262.0	251.9
Total reserves	338.2	322.0	303.4	296.8	281.9

Statistics	2022 %	2021 %	2020 %	2019 %	2018 %
Operating margin	27%	25%	32%	34%	37%
Operating margin excluding sales on disposals[1]	23%	23%	30%	32%	35%
Operating margin excluding all sales	22%	22%	32%	34%	36%
Operating margin social housing lettings[2]	25%	25%	36%	38%	39%
Surplus as a % of turnover	14%	17%	21%	22%	24%
Rent losses	1.6%	1.3%	1.2%	1.0%	0.7%
Gearing[3]	41%	39%	39%	39%	36%
EBITDA – MRI interest cover[4]	128%	220%	277%	229%	238%

Accommodation owned and managed	2022 Units	2021 Units	2020 Units	2019 Units	2018 Units
Total rented	7,141	7,061	6,955	6,772	6,626
Total shared ownership	813	771	706	629	507
Total leasehold	247	237	232	182	175
Total housing	8,201	8,069	7,893	7,583	7,308

1. VFM metric 6b; 2. VFM metric 6a; 3. VFM metric 3; 4. VFM metric 4.

Statement of comprehensive income

The group financial results for 2022 report a surplus of £9.2m (2021: £11.1m) after spending £22.5m (2021: £13.0m) to maintain our existing housing stock.

The Group accounts consolidate the results of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of Nil (2021: Nil) during the year.

The development programme saw 148 homes handed over in the year. The volume of first tranche shared ownership sales decreased from 100 to 69, with 28 planned for 2022 delayed into 2023. Shared Ownership sales have seen an increase from a 25% margin in 2021 to 30% in 2022. We have continued to achieve margins above expectations. The sales team provides monthly updates for the executive team to monitor the sales risk.

Interest payable and similar charges of £8.2m (2021: £7.1m) increased from 2021 to reflect increased drawings to fund the activity on the development programme and increased interest to reflect the rising interest rates in the financial markets.

Balance sheet

The operating surpluses enable delivery of our development programme. By the year end we had increased our housing properties assets by £37m and had 389 homes in construction. Our liquidity position is strong, with £4.7m available cash and £75m of undrawn loan facilities that we can draw on for future planned and unplanned expenditure. We have contracted capital commitments of £38m, this can be financed from cash and available loan facilities.

Balance sheet

This Strategic Report was approved by order of the board on 22 May 2023.

Maria Organ

Executive Director Finance

Directors' report

Principal activities

West Kent Housing Association is the parent company of the group which is branded as 'West Kent'. West Kent Housing Association is a registered provider of social housing, which is regulated by the Regulator of Social Housing. Our most recent annual review in December 2022 confirmed the highest rating of G1 and a regrading from V1 to V2 to reflect the inflationary and interest rate pressures in the current economic environment on our business plan and level of investment contained within it. The activities of West Kent Housing Association and its subsidiaries (see note 33) have been detailed in the Strategic Report.

Our Board, three of whom are residents is supported by specialist committees; Housing and Communities, Audit and Risk, Investment and Finance and Remuneration and Appointments. We will continue to develop our resident involvement model in line with emerging good practice.

Going Concern

The board reviewed our business plan in May 2022, as part of their normal annual review, as well as our principal financial risks and mitigation plans. The budget was set with the knowledge that there would be increased investment to reflect the move from 'Just in Time' to a planned asset management approach, Net Zero Carbon expenditure and our transformation programme; reduced rental income from the implementation of a Government cap and efficiencies identified to help manage the financial pressure from the rental cap and the wider inflation and market context.

At that time, they were satisfied that West Kent had sufficient resources to continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that West Kent is a financially viable organisation.

Since then, in April and May 2023 we have reviewed our five year budget and 30-year business plan and we have undertaken and reviewed sensitivity and scenario testing and our financial mitigation plans. All have been updated to reflect the current market conditions, the updated 2023 budget reflecting the change in financial year, current interest rate and inflation assumptions and the rent cap legislation. The impact of the changes in our external operating environment has meant that to meet financial covenants, asset management investment has had to be re-phased and planned development activity has had to be reduced. The refinance exercise underway in 2023 is seeking to secure £105m of additional loan finance and to renegotiate our financial covenants. Once the exercise is complete the original timing for asset management investment and the original development plans can be reinstated. The plan meets all Golden Rules and financial covenants and shows that we are viable. We have assessed our most considerable contingent liabilities with stress tests in relation to our DB pension and PFI contract. We have reviewed the inflation risk on financial viability through our stress testing and the mitigations we have in place by way of fixed price contracts and our ability to delay works. Since the year end the 2023 budget has been restated to incorporate the additional 3 months' January to March 2024 due to the planned change in financial year, the 7% rent cap and movement in salaries and interest. None of the key areas of risk most notably; bad debts, sales value, inflation and interest rates have had a further detrimental effect from that assumed in the budget restatement.

As a key provider of affordable housing in Kent, we will continue to ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works, whilst also working with our residents in paying their rent.

The board will continue to review plans with the executive team to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way. West Kent has a strong balance sheet, with undrawn loans of £75m, secured against our homes on an Existing Use Value – Social Housing basis, along with capacity to borrow more, and plans to move security to Market Value Subject to Tenancy over the next few years, which would increase our borrowing capacity by an additional £380m and so the board are of the opinion that West Kent will have sufficient resources to meet its liabilities as they fall due.

Effects of material estimates and judgements upon performance

Critical judgements

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

Impairment

A review of the carrying value of housing properties is carried out annually to determine whether there are any indicators of impairment.

- Rented properties

  All properties empty at year end were reviewed to ensure they were still lettable. All let properties are reviewed by way of reviewing rent arrears and maintenance projections for each home to ensure it can continue to be let. There were no indicators of impairment on rented properties.

- Low-cost home ownership properties

  The need for an impairment review of the fixed asset portion of shared ownership properties is indicated if there have been losses on staircasings during the year or if there were losses made on the original first tranche sales on the scheme. There were no losses in first tranche sales or staircasings during the year to indicate the need for impairment. There were two unsold shared ownerships at the year-end these were all sold before the signing of the accounts. We have assessed these homes and considered whether an impairment is needed. There were no indicators of impairment on low-cost home ownership properties.

- Schemes in development

  All development schemes are assessed using an investment appraisal model, which is approved annually by the Board, to ensure the appropriateness of assumptions. During development, schemes are reviewed against the investment appraisal and up-to-date valuations, for any fluctuations in costs or anticipated sales values which adversely affect the net present value of the scheme, highlighting any schemes which need to be assessed for impairment. At the time of signing the accounts all schemes in the contract were in progress as usual. We have assessed each scheme, the contractor's solvency, the proportion of work complete, the original appraisal and the proportion of homes expected to be sold. There were no schemes that indicated impairment at year end.

- Fire precaution and other health and safety works

  Any works required to be carried out to meet our health and safety requirements are not significant, therefore no impairment is deemed necessary.

Kent Excellent Homes for All – Private Finance Initiative – Finance lease and depreciation

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) contract with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period (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 due to the arrangements in place and the risks West Kent takes on in this arrangement. West Kent have control and therefore the assets and liabilities are included in the accounts. To calculate the finance lease, we used a qualified valuer to arrive at an existing use value of these assets.

The valuation was estimated at £21.55m in 2016.

The assets are held on our balance sheet and depreciated over the lease term rather than the term of the private finance initiative contract. There is reasonable certainty that West Kent will own the homes after the term of the private finance initiative has expired. The assets are classified as land and structure as West Kent is not responsible for the replacement of components.

Significant estimates

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.

Kent Excellent Homes for All – Private Finance Initiative – Finance Lease

The effective interest rate for the finance lease is based on the fair value of the properties at the start of the arrangement and the cashflows over the life of the arrangement. At the start of the lease inflation was applied to future payments with an estimate of 3% per annum.

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 £6.5m (2021: £7.1m).

Defined benefit obligations

Management's estimate of the defined benefit obligation is based on several 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. Some of these sensitivities are illustrated below. The net benefit at 31 December 2022 was valued at £22.4m asset. This has not been recorded as an asset in the balance sheet as we cannot yet say with reasonable assurance that this would be recoverable by West Kent (2021: £6.7m liability).

Sensitivity analysis	£'000	£'000	£'000
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	32,256	32,917	33,591
Project service cost	427	445	464
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	32,977	32,917	32,857
Project service cost	446	445	445
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	33,544	32,917	32,303
Project service cost	464	445	427
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	33,944	32,917	31,922
Project service cost	462	445	429

Qualifying third party indemnity provisions

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

Governance

In March 2022 the Board adopted the 2020 version of the National Housing Federation governance code. A review of our compliance with this code was undertaken during 2022 and compliance was confirmed as part of our annual assessment of compliance with the Economic Standards, undertaken by the Investment and Finance Committee in February 2023.

The Regulator of Social Housing'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 Regulator of Social Housing:

- 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 March 2023. The standard states that governance arrangements shall ensure registered providers adhere to all relevant law.

In all respects we have complied with the Governance and Financial Viability 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 is comprised of eleven non- executive members, three of whom are tenants, plus one executive member. It normally meets with the executive directors six 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 74.

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 Strategy and underlying 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 and regulatory compliance, quality assurance, business continuity and insurance, security and social, ethical and environmental risks.

The key elements of internal control include:

- Corporate Governance arrangements the adoption of the National Housing Federation's 2020 Code of Governance, and an annual assessment of compliance with that code
- The implementation of a dedicated governance function, led by the Head of Risk and Governance, who has responsibility for promoting robust controls and compliance activity across the organisation
- An annual planning process within which the Board approves strategy and business plan objectives supported by long-term financial projections and detailed procurement and value for money plans
- 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 and reported to the Board 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 which are regularly reviewed for appropriateness
- A dedicated Treasury Management Policy and Strategy which is reviewed on at least an annual basis (or more frequently as required) and reported to the Board
- 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, including appropriate training
- All major investments in existing properties, new properties, plant, equipment and software are subject to appraisal and individual approval by the Executive Team, Investment and Finance Committee or Board, according to appropriately documented delegations
- An internal audit function structured to deliver the Audit and Risk Committee's risk-based audit plan. West Kent uses the services of RSM 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 Risk Committee overview
- External audit opinion of the financial statements
- Assurances from management
- Specialist external advice and assurance covering a number of areas, including cyber security, insurance, business continuity, fraud, tax compliance and treasury 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 Risk Committee. The Audit and Risk 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). 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 2018 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to 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 2022. 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 2018.

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

Disclosure of information to auditors

All 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 14 June 2023.

By order of the board

Colin Wilby, Chair
Date: 22 May 2023

Executives and advisors

West Kent Housing Association Board members

Colin Wilby
Chair

Tracy Allison
Chief Executive

Judith Collings

Ben Cooper

Kevin Corbett

Akin Durowoju

Janet Eilbeck

Angela George

Peter Kasch

Megan Morvan

Dr Joanne Simpson

Executive team

Tracy Allison
Chief Executive

Anabel Palmer
Interim Executive Director
of Communities
(with effect until 6 March 2023)

Anabel Palmer
Executive Director of Property
Development and Partnerships
(with effect from 6 March 2023)

Neil Diddams
Executive Director of Property
and Asset Management

Kate Flaherty
Executive Director of Property
Development and Partnerships
(resigned 31 December 2022)

Cathy McCarthy
Executive Director of Housing

Maria Organ
Executive Director of Finance

Barbara Home
Executive Director of
Strategic Programmes

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**
  Towers & Hamlins LLP
  55 Princess Street
  Manchester M2 4EW
- **Banker**
  National Westminster Bank plc
  67 High Street, Sevenoaks
  Kent TN13 1LA
- **Funders**
  Bank of Scotland plc
  25 Gresham Street
  London EC2V 7HN

  National Westminster Bank plc
  250 Bishopsgate
  London EC2M 4AA

  The Housing Finance Corporation Ltd
  3rd Floor, 17 St. Swithin's Lane
  London EC4N 8AL

  Affordable Housing Finance plc.
  3rd Floor, 17 St. Swithin's Lane
  London EC4N 8AL

Legal Status

Registered under the Co-operative and Community Benefit Societies Act 2014 number 26278R.

Registered by the Regulator of Social Housing, number LH3827.

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 December 2022 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of West Kent Housing Association ("the Association") and its subsidiary ("the Group") for the year ended 31 December 2022 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association balance sheet, the consolidated and Association statement of changes in reserve, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report and Directors' Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 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.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 72, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties developed for sale, the defined benefit pension liability and finance lease liabilities;
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end;
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Paula Willock

BDO LLP
Statutory Auditor
Gatwick
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 2022

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Turnover	4	64,525	65,957	64,174	65,001
Cost of sales	4	(6,398)	(9,149)	(6,398)	(9,149)
Operating costs	4	(43,433)	(41,605)	(43,082)	(40,649)
Surplus on disposal of housing properties	4, 11	2,667	1,405	2,667	1,405
Operating surplus	4,7	17,361	16,608	17,361	16,608
Movement in fair value of investment properties	18	-	1,565	-	1,565
Operating surplus after fair value adjustment		17,361	18,173	17,361	18,173
Surplus on disposal of other fixed assets	11	(9)	83	(9)	83
Other interest receivable and similar income	12	66	30	66	30
Interest and financing costs	13	(8,259)	(7,151)	(8,259)	(7,151)
Surplus before taxation		9,159	11,135	9,159	11,135
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		9,159	11,135	9,159	11,135
Actuarial gain on defined benefit pension scheme	28	7,509	7,474	7,509	7,474
Total comprehensive income for year		16,668	18,609	16,668	18,609

The notes on pages 92 to 173 form part of these financial statements.
All activities relate to continuing operations.

Consolidated and Association balance sheets at 31 December 2022

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	699,186	667,115	699,186	667,115
Tangible fixed assets – other	16a	4,407	4,557	4,407	4,557
Intangible assets	16b	2,485	-	2,485	-
Investment properties	18	7,748	7,748	7,748	7,748
		713,826	679,420	713,826	679,420
Current assets					
Properties for sale	19	5,751	5,584	5,751	5,584
Stock		102	88	95	74
Debtors – receivable within one year	20	2,765	2,070	2,940	2,144
Debtors – receivable after one year	20	4,224	4,503	4,224	4,503
Cash and cash equivalents	21	6,321	8,149	5,669	7,765
		19,163	20,394	18,679	20,070
Creditors: amounts falling due within one year	22	(15,180)	(14,316)	(14,922)	(14,218)
Net current assets		3,983	6,078	3,757	5,852
Total assets less current liabilities		717,809	685,498	717,583	685,272
Creditors: amounts falling due after more than one year	23	(379,099)	(356,741)	(379,099)	(356,741)
Net assets excluding pension liability		338,710	328,757	338,484	328,531
Pension liability	28	-	(6,715)	-	(6,715)
Net assets		338,710	322,042	338,484	321,816
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		175,315	158,380	175,109	158,164
Revaluation reserve		163,375	163,652	163,375	163,652
Restricted reserve		20	10	-	-
		338,710	322,042	338,484	321,816

The financial statements were approved by the board of directors and authorised for issue on 22 May 2023 and signed on their behalf by:

C Wilby, Chair of Board

T Allison, Chief Executive

The notes on pages 92 to 173 form part of these financial statements.

Consolidated statement of changes in reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 January 2022	158,380	163,652	10	322,042
Surplus for the year	9,149	-	10	9,159
Actuarial gain on defined benefit pension scheme	7,509	-	-	7,509
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	277	(277)	-	-
Balance at 31 December 2022	175,315	163,375	20	338,710
Balance at 1 January 2021	139,722	163,701	10	303,433
Surplus for the year	11,135	-	-	11,135
Actuarial losses on defined benefit pension scheme	7,474	-	-	7,474
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-	-
Balance at 31 December 2021	158,380	163,652	10	322,042

The notes on pages 92 to 173 form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 1 January 2022	158,164	163,652	321,816
Surplus for the year	9,159	-	9,159
Actuarial gain on defined benefit pension scheme	7,509	-	7,509
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	277	(277)	-
Balance at 31 December 2022	175,109	163,375	338,484
Balance at 1 January 2021	139,506	163,701	303,207
Surplus for the year	11,135	-	11,135
Actuarial gain on defined benefit pension scheme	7,474	-	7,474
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-
Balance at 31 December 2021	158,164	163,652	321,816

The notes on pages 92 to 173 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities **Surplus for the financial year**		9,159	11,135
Adjustments for:			
Depreciation of fixed assets – housing properties	15	6,521	6,494
Depreciation of other fixed assets	16	603	440
Impairment of other fixed assets	16	(18)	18
Amortised grant	5	(1,018)	(1,010)
Difference in fair value of investment properties	18	-	(1,530)
Interest payable and finance costs	13	8,259	7,151
Interest received	12	(66)	(30)
Difference between net pension expense and cash contribution	28	794	1,058
Disposal cost of sales – housing properties		3,232	1,776
Surplus on the sale of other fixed assets	11	9	(83)
Increase in trade and other debtors		(416)	(761)
Increase in properties for sale and stock		(181)	2,638
Decrease/(Increase) in trade and other creditors		104	1,295
Cash from operations		26,982	28,591
Taxation paid		-	-
Net cash generated from operating activities		26,982	28,591

The notes on pages 92 to 173 form part of these financial statements.

	Note	2022 £'000	2021 £'000
Cash flows from investing activities			
Proceeds from sale of other fixed assets	11	13	144
Purchase of fixed assets – housing properties	15	(40,234)	(33,769)
Purchases of tangible fixed assets – other	16a	(1,227)	(2,162)
Purchase of Intangible assets	16b	(1,715)	-
Receipt of grant	24	1,100	1,027
Interest received	12	66	30
Loans redeemed	20	-	-
Net cash from investing activities		(41,997)	(34,730)
Cash flows from financing activities			
Interest paid	13	(8,904)	(8,124)
Capital element of lease revalued/(repaid)		(168)	103
New loans – bank	26	26,000	19,000
Debt issue costs incurred	26	(241)	(231)
Repayment of bank loans	26	(3,500)	(2,000)
Net cash used in financing activities		13,187	8,748
Net (decrease)/increase in cash and cash equivalents		(1,828)	2,609
Cash and cash equivalents at beginning of year		8,149	5,540
Cash and cash equivalents at end of year		6,321	8,149

Consolidated statement of cash flows for the year ended 31 December 2022

Net debt reconciliation	At 1 January 2022 £'000	Cashflows £'000	Other Non Cash changes £'000	At 31 December 2022 £'000
Cash and cash equivalents				
Cash and cash equivalents	8,149	(1,828)	-	6,321
Finance Leases	(21,793)	168	-	(21,625)
Loans	(248,994)	(22,500)	241	(271,253)
Net debt reconciliation	(262,638)	(24,160)	241	(286,557)

The notes on pages 92 to 173 form part of these financial statements.

Notes forming part of the financial statements

for the year ended 31 December 2022

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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 Regulator of Social Housing as a social housing provider. The association is a public benefit entity.

West Kent Extra Limited is a registered charity that runs community development and social enterprise projects to help to create more inclusive neighbourhoods. West Kent Housing Association financially supports West Kent Extra Limited 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 Housing Association controls the board of West Kent Extra Limited it is classified as a subsidiary undertaking. The Trustees of West Kent Extra have taken the decision to wind-up West Kent Extra during 2023. The activities of the subsidiary will pass to the parent West Kent Housing during 2023.

West Kent Ventures Limited 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 2018 'Accounting by registered social housing providers' 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for investment properties.

The group's board determined that the functional and presentational currency of all its entities is pound sterling.

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
- 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 has the right to remove the board of West Kent Extra Limited and West Kent Ventures Limited and therefore exercises control.

2.3 Going concern

The board reviewed West Kent's plans at two Strategy sessions during 2022 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

The impact of the volatile financial operating environment and the impact of the Government legislation on the rent cap has meant that the executive team and the board have reviewed plans regularly during the later half of 2022 and the first half of 2023 to ensure West Kent can continue to deliver plans and remains a going concern.

The 2023 budget has been updated for the financial year change to reflect a 2023/24 budget position in Q1 2023. This update has included known changes including programme timings, interest and rents, following on from clarification on the application of the rent cap from Government in Q1 2023. This exercise confirms that West Kent continues to be a going concern.

A refinance exercise was started in 2022, targeted to complete in Q2 2023, which includes £105m of additional loan finance. This exercise will see our loan covenant interest cover definitions, the definition of surplus that our lenders assess us against, changed to provide us with additional headroom in our plans.

Given the strength of the balance sheet, the availability of undrawn loan facilities totalling around £75m and the refinance exercise underway which will provide access to around £105m of additional loan finance, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on West Kent's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

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 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 association's 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
- 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 fixed method for calculating and charging service charges to its tenants and variable for 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 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 (currently dormant) profit is subject 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.

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 housing properties are held within fixed assets 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 , right to buy, right to acquire and voluntary 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 took the transition option under FRS102 to elect to measure some items of housing properties at fair value and use that fair value as the deemed cost of those assets at that date.

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

Properties initially purchased by West Kent as part of the large scale voluntary transfer from Sevenoaks District Council are recognised in tangible fixed assets – housing properties at deemed cost. All other housing properties will be recognised in tangible fixed assets – housing properties at historic 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	100
Windows	35
Doors (Timber)	38
Doors (Other Types)	25
Boilers	16
Central Heating System	15
Kitchens	20
Bathrooms	30
Electrical Systems	30
Other Heating – ASHP	16
Other Heating – Storage Heaters	22
Lifts	25
Electrical Consumer Unit	25
CO and Smoke Detectors	15
Lightening Conductor System	10
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 historic 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 homes 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 Other tangible fixed assets

Other tangible fixed assets, other than investment properties, are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historic 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 and intangible 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
Office Lifts	25
Computer equipment	5
Housing Database Software	10
Finance Database Software	7
Motor vehicles	3-5

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 2018. 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 2018. 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 2018 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, Homes England 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 Homes England 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 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 biennially 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 Statement of comprehensive income. Rental income from these properties is taken to revenue.

2.26 Impairment of fixed assets

The housing property portfolio for the group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value impairment is recorded through a charge to income and expenditure.

2.27 Properties for sale

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

2.28 Stock

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

2.29 Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded 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.

2.30 Recoverable amount of rental and other trade receivables

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts.

2.31 Rent and service charge agreements

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

2.32 Rent received in advance

Rental debtors accounts which have a credit balance are recorded as rent received in advance, within creditors less than one year as. Any credit balances remaining on former debtor accounts are investigated and where attempts to trace the former tenant prove unsuccessful, these will be written off and will offset against bad debts.

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. Each facility within a loan agreement will be treated as a single financial instrument. 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 approximate 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:

- 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 Existing Use Value – Social Housing (EUVSH) 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 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

- 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 have been judged 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 have control and therefore the assets and liabilities are included in the accounts
- Whether the Kent Excellent Homes for All – Private Finance Initiative should be depreciated over the lease term rather than the term of the private finance initiative contract. There is reasonable certainty that West Kent will own the homes after the term of the private finance initiative has expired. The assets are classified as land and structure as West Kent is not responsible for the replacement of components
- 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 estimate has been made on the valuation
- 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 recoverable amount, should there be an indicator of 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.

Properties built under the 'Private Finance Initiative – Kent Excellent Homes for All' are depreciated over their useful economic life.

- 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.

- Future payments under the Kent Excellent Homes for All – finance lease

The finance lease sees West Kent making regular payments to the Special Purpose Vehicle to operate and maintain the assets for the period to 31 December 2040. Management's estimate of the future payments is based on critical underlying assumptions on inflation. Variation in these assumptions may significantly impact the obligations in the finance lease payments.

- Defined benefit pension obligations

Defined benefit obligation is based on several 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.

4 Particulars of turnover, cost of sales, operating expenditure, surplus on disposal of fixed assets and operating surplus – Group

	Turnover 2022 £'000	Cost of sales 2022 £'000	Operating costs 2022 £'000	Surplus on disposal of fixed assets 2022 £'000	Operating surplus/ (deficit) 2022 £'000	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Surplus on disposal of fixed assets 2021 £'000	Operating surplus/ (deficit) 2021 £'000
Social housing lettings (Note 5)	53,857	-	(40,247)	-	**13,610**	50,921	-	(38,117)	-	**12,804**
Other social housing activities										
First tranche low cost home ownership sales	9,109	(6,398)	-	-	**2,711**	12,457	(9,149)	-	-	**3,308**
Staircasing activity on low cost home ownership (Note 11)	-	-	-	1,018	**1,018**	-	-	-	1,250	**1,250**
Sales of other housing properties (Note 11)	-	-	-	1,649	**1,649**	-	-	-	155	**155**
Charges for support services	96	-	(274)	-	**(178)**	112	-	(303)	-	**(191)**
Supporting people	175	-	(344)	-	**(169)**	603	-	(751)	-	**(148)**
Community engagement	351	-	(1,276)	-	**(925)**	956	-	(1,746)	-	**(790)**
Development costs not capitalised	-	-	(868)	-	**(868)**	-	-	(255)	-	**(255)**
Other	307	-	(133)	-	**174**	218	-	(140)	-	**78**
	63,895	(6,398)	(43,142)	2,667	**17,022**	65,267	(9,149)	(41,312)	1,405	**16,211**
Activities other than social housing activities										
Lettings – Garages	630	-	(291)	-	**339**	663	-	(293)	-	**370**
Other	-	-	-	-	**-**	27	-	-	-	**27**
	630	-	(291)	-	**339**	690	-	(293)	-	**397**
	64,525	(6,398)	(43,433)	2,667	**17,361**	65,957	(9,149)	(41,605)	1,405	**16,608**

4 Particulars of turnover, cost of sales, operating expenditure, surplus on disposal of fixed assets and operating surplus – Association

	Turnover 2022 £'000	Cost of sales 2022 £'000	Operating costs 2022 £'000	Surplus on disposal of fixed assets 2022 £'000	Operating surplus/ (deficit) 2022 £'000	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Surplus on disposal of fixed assets 2021 £'000	Operating surplus/ (deficit) 2021 £'000
Social housing lettings (Note 5)	53,857	-	(40,247)	-	**13,610**	50,921	-	(38,117)	-	**12,804**
Other social housing activities										
First tranche low cost home ownership sales	9,109	(6,398)	-	-	**2,711**	12,457	(9,149)	-	-	**3,308**
Staircasing activity on low cost home ownership (Note 11)	-	-	-	1,018	**1,018**	-	-	-	1,250	**1,250**
Sales of other housing properties (Note 11)	-	-	-	1,649	**1,649**	-	-	-	155	**155**
Charges for support services	96	-	(274)	-	**(178)**	112	-	(303)	-	**(191)**
Supporting people	175	-	(344)	-	**(169)**	603	-	(751)	-	**(148)**
Community engagement	-	-	(925)	-	**(925)**	-	-	(790)	-	**(790)**
Development costs not capitalised	-	-	(868)	-	**(868)**	-	-	(255)	-	**(255)**
Other	307	-	(133)	-	**174**	218	-	(140)	-	**78**
	63,544	(6,398)	(42,791)	2,667	**17,022**	64,311	(9,149)	(40,356)	1,405	**16,211**
Activities other than social housing activities										
Lettings – Garages	630	-	(291)	-	**339**	663	-	(293)	-	**370**
Other	-	-	-	-	**-**	27	-	-	-	**27**
	630	-	(291)	-	**339**	690	-	(293)	-	**397**
	64,174	(6,398)	(43,082)	2,667	**17,361**	65,001	(9,149)	(40,649)	1,405	**16,608**

5 Particulars of turnover and operating expenditure from social housing lettings

Group and Association	General needs housing 2022 £'000	Supported housing (inc. housing for older people) 2022 £'000	Kent Excellent Homes for All 2022 £'000	Low cost home ownership 2022 £'000	Leasehold 2022 £'000	Total 2022 £'000	Total 2021 £'000
Income							
Rents net of identifiable service charges	35,458	5,007	3,309	4,112	1	47,887	45,427
Service charge income	1,442	1,653	742	480	78	4,395	4,100
Net rental income	36,900	6,660	4,051	4,592	79	52,282	49,527
Amortised government grants	800	117	-	101	-	1,018	1,010
Other grants	421	136	-	-	-	557	384
Turnover from social housing lettings	38,121	6,913	4,051	4,693	79	53,857	50,921
Operating expenditure							
Management	(3,865)	(636)	(419)	(499)	(153)	(5,572)	(5,290)
Services	(3,306)	(1,753)	(160)	(639)	(130)	(5,988)	(5,078)
Routine maintenance	(5,161)	(795)	(109)	-	-	(6,065)	(5,881)
Planned maintenance	(11,633)	(1,422)	-	-	-	(13,055)	(12,608)
Major repairs expenditure	(302)	(44)	-	-	-	(346)	(186)
Kent Excellent Homes for All operating service agreement	-	-	(2,238)	-	-	(2,238)	(2,153)
Bad debts	(130)	(27)	(60)	5	2	(210)	(186)
Depreciation of housing properties:							
- annual charge	(5,526)	(869)	(126)	-	-	(6,521)	(6,494)
- accelerated on disposal of components	(172)	(27)	-	-	-	(199)	(180)
Other costs	(23)	(30)	-	-	-	(53)	(61)
Operating expenditure on social housing lettings	(30,118)	(5,603)	(3,112)	(1,133)	(281)	(40,247)	(38,117)
Operating surplus/(deficit) on social housing lettings	8,003	1,310	939	3,560	(202)	13,610	12,804
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(509)	(241)	(112)	(24)	-	(886)	(654)

6 Residential accommodation owned and / or managed
Group and Association

	Opening 1 January 2022 Number	**Additions Newly Built 2022** Number	**Disposed 2022** Number	**Staircased to 100% 2022** Number	**Transfers / Reclassified 2022** Number	**Closing 31 December 2022** Number
General needs housing:						
- social	5,040	11	(6)	-	-	5,045
- affordable	806	75	-	-	-	881
Housing for older people:						
- social	787	-	-	-	-	787
- affordable	105	-	-	-	-	105
- Kent Excellent Homes for All	218	-	-	-	-	218
Supported housing:						
- social	41	-	-	-	7	48
- affordable	8	-	-	-	-	8
- Kent Excellent Homes for All	20	-	-	-	-	20
Intermediate rent	29	-	-	-	-	29
Low cost home ownership	771	62	-	(20)	-	813
Total owned and managed accommodation	7,825	148	(6)	(20)	7	7,954
Residential accommodation managed by others	7	-	-	-	(7)	-
Total owned and/or managed social housing	7,832	148	(6)	(20)	-	7,954
Leaseholders	237	–	-	10	-	247
Total all	8,069	148	(6)	(10)	-	8,201
Homes under construction	389	-	-	-	-	389

7 Operating surplus

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	6,521	6,086	6,521	6,494
- accelerated depreciation on replaced components	199	93	199	180
- Impairment	-	-	-	-
Depreciation of other tangible fixed assets	603	452	603	437
Operating lease charges – land & building	130	91	108	112
Leasing income	(4,053)	(2,259)	(4,053)	(3,491)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	71	55	71	47
- fees for audit of accounts of subsidiary entities	7	7	-	-
- fees for other non-audit services	-	-	-	-
Defined benefit pension cost (Note 28)	1,458	1,743	1,458	1,743
Defined contribution pension cost (Note 8)	559	439	559	439

8 Employees

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Staff costs (including executive management team) consist of:				
Wages and salaries	11,812	10,422	11,812	10,422
Social security costs	1,222	1,049	1,222	1,049
Cost of defined benefit pension scheme (Note 28)	1,458	1,743	1,458	1,743
Cost of defined contribution scheme	559	439	559	439
Less amounts recharged to group entities	-	-	(637)	(670)
	15,051	13,653	14,414	12,983

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 2022 FTE	Group 2021 FTE	Association 2022 FTE	Association 2021 FTE
Administration	73	59	73	59
Development	22	21	22	21
Housing, Support and Care	196	207	196	207
	291	287	291	287

A defined contribution pension scheme is operated by the group on behalf of 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 £599k (2021 – £439k). No contributions (2021 – £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 29.

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Executive directors' emoluments	917	840	917	840
Amounts paid to non-executive directors	78	86	78	86
	995	926	995	926

The total amount payable to the chief executive, who was also the highest paid director in respect of emoluments excluding pension was £164k (2021 – £155k). The pension entitlement of the chief executive is identical to those of other members in the defined contribution pension scheme. No enhanced or special terms apply.

There are no directors in the KCC LGPS scheme during the year, and eight directors in the group's defined contribution pension scheme (2021 – Eight).

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

	Group 2022 Number	Group 2021 Number	Association 2022 Number	Association 2021 Number
£60,000 – £69,999	15	15	15	15
£70,000 – £79,999	6	7	6	7
£80,000 – £89,999	3	2	3	2
£90,000 – £99,999	3	2	3	2
£100,000 – £109,999	3	-	3	-
£110,000 – £119,999	2	2	2	2
£120,000 – £129,999	2	-	2	-
£160,000 – £169,999	-	1	-	1
£170,000 – £179,999	1	-	1	-
	35	29	35	29

10 Board members

Board members	Remuneration £	Group Board	Member of: Remuneration & Appointments Committee	Audit and Risk	Investment and Finance	Communities and housing
Tracy Allison – Chief Executive		🔵				🔵
Judith Collings	6,780	🔵		🔵	🔵	
Ben Cooper	6,780	🔵	🔵			🔵
Kevin Corbett	6,780	🔵			🔵	
Akin Durowoju	6,780	🔵			🔵	
Janet Eilbeck	7,814	🔵	🟡	🟡		
Angela George	6,780	🔵				🔵
Peter Kasch	7,814	🔵		🔵	🟡	
Megan Morvan	6,780	🔵				🔵
Dr Joanne Simpson	7,804	🔵				🟡
Colin Wilby – Chair	14,117	🟡	🔵			

🟡 Chair 🔵 Member

11 Surplus on disposal of fixed assets

Group and Association	Shared ownership 2022 £'000	Other housing properties 2022 £'000	Surplus on disposal of housing properties 2022 £'000	Surplus on Disposal of other fixed assets 2022 £'000	Total 2022 £'000
Housing properties:					
Disposal proceeds	3,696	2,051	**5,747**	13	**5,760**
Cost of disposals	(2,605)	(357)	**(2,962)**	(22)	**(2,984)**
Grant recycled on disposal	(33)	(40)	**(73)**	-	**(73)**
Selling costs	(40)	(5)	**(45)**	-	**(45)**
Surplus on disposal of fixed assets	1,018	1,649	**2,667**	(9)	**2,658**

Group and Association	Shared ownership 2021 £'000	Other housing properties 2021 £'000	Surplus on disposal of housing properties 2021 £'000	Surplus on Disposal of other fixed assets 2021 £'000	Total 2021 £'000
Housing properties:					
Disposal proceeds	2,788	227	**3,015**	83	**3,098**
Cost of disposals	(1,493)	(69)	**(1,562)**	-	**(1,562)**
Grant recycled on disposal	(31)	(1)	**(32)**	-	**(32)**
Selling costs	(14)	(2)	**(16)**	-	**(16)**
Surplus on disposal of fixed assets	1,250	155	**1,405**	83	**1,488**

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 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest receivable and similar income	66	30	66	30

13 Interest payable and similar charges

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Bank loans and overdrafts	8,409	7,041	8,409	7,041
Finance leases	763	1,000	763	1,000
Net interest on net defined benefit liability	118	166	118	166
	9,290	8,207	9,290	8,207
Interest capitalised in construction costs of housing properties	(1,031)	(1,056)	(1,031)	(1,056)
	8,259	7,151	8,259	7,151

14 Taxation on surplus on ordinary activities

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
UK corporation tax	-	-	-	-
Current tax on surplus 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 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Surplus on ordinary activities before tax	9,113	11,135	9,113	11,135
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021 – 19%)	1,731	2,116	1,731	2,116
Effects of:				
Charitable income	(1,731)	(2,116)	(1,731)	(2,116)
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2021: £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 was sold without it being possible to claim rollover relief. The total un-provided amount is £Nil (2021 – £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	Low cost home ownership completed £'000	Low cost home ownership under construction £'000	Total £'000
Cost:					
At 1 January 2022	611,106	20,243	101,285	8,912	741,546
Additions:					
construction costs	-	23,009	-	9,629	32,638
replaced components	9,113	-	-	-	9,113
Completed schemes	17,034	(£17,034)	8,047	(8,047)	-
Disposals:					
staircasing sales to 100%	-	-	(1,923)	-	(1,923)
staircasing sales partial	-	-	(682)	-	(682)
other sales	(420)	-	-	-	(420)
replaced components	(1,232)	-	-	-	(1,232)
At 31 December 2022	635,601	26,218	106,727	10,494	779,040
Depreciation:					
At 1 January 2022	(74,431)	-	-	-	(74,431)
Charge for the year	(6,521)	-	-	-	(6,521)
Eliminated on disposals:					
other sales	63	-	-	-	63
replaced components	1,035	-	-	-	1,035
At 31 December 2022	(79,854)	-	-	-	(79,854)
Net book value at 31 December 2022	555,747	26,218	106,727	10,494	699,186
Net book value at 31 December 2021	536,675	20,243	101,285	8,912	667,115

15 Tangible fixed assets – housing properties (continued)

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
The net book value of housing properties may be further analysed as:				
Freehold	661,119	629,049	661,119	629,049
Long leasehold	38,067	38,066	38,067	38,066
	699,186	667,115	699,186	667,115
Interest capitalisation				
Interest capitalised in the year	1,031	1,056	1,031	1,056
Rate used for capitalisation	3.3%	3.1%	3.3%	3.1%
Works to properties				
Improvements to existing properties capitalised	-	-	-	-
Major components replacement capitalised	9,113	5,003	9,113	5,003
Major repairs expenditure to income and expenditure account	346	186	346	186
	9,459	5,189	9,459	5,189
Total Social Housing Grant received or receivable to date is as follows:				
Deferred capital grant – Housing properties – general needs	80,202	79,663	80,202	79,663
Deferred capital grant – Housing properties – shared ownerships	8,690	8,827	8,690	8,827
Recycled capital grant fund	930	1,175	930	1,175
Revenue grant – income and expenditure	1,018	1,010	1,018	1,010
Revenue grant – reserves	38,303	37,293	38,303	37,293
	129,143	127,968	129,143	127,968

15 Tangible fixed assets – housing properties (continued)

Finance leases

The net book value of housing properties for the group includes an amount of £20.8m (2021 – £20.9m) 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 £350m pledged as security at 31 December 2022 (2021 – £350m).

16a 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 2022	2,423	7,728	1,626	11,777
Transfer to Intangible fixed assets	-	(770)	-	(770)
Additions	-	1,207	20	1,227
Disposals	-	(4,454)	(1,086)	(5,540)
At 31 December 2022	2,423	3,711	560	6,694
Depreciation				
At 1 January 2022	(921)	(4,998)	(1,283)	(7,202)
Charge for year	(35)	(509)	(59)	(603)
Disposals	-	4,449	1,069	5,518
At 31 December 2022	(956)	(1,058)	(273)	(2,287)
Impairment				
At 1 January 2022	-	-	(18)	(18)
Charge for year	-	-	-	-
Released	-	-	18	18
At 31 December 2022				
Net book value				
At 31 December 2022	1,467	2,653	287	4,407
At 31 December 2021	1,502	2,730	325	4,557

In preparation for the transfer of data as part of project Falcon (new finance system implementation), the asset register was reviewed and assets written off which were no longer used in the business.

16a Other tangible fixed assets (continued)

Association	Office buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2022	2,423	7,703	1,588	11,714
Transfer to Intangible fixed assets	-	(770)	-	(770)
Additions	-	1,207	20	1,227
Disposals	-	(4,436)	(1,048)	(5,484)
At 31 December 2022	2,423	3,704	560	6,687
Depreciation				
At 1 January 2022	(921)	(4,974)	(1,262)	(7,157)
Charge for year	(35)	(509)	(59)	(603)
Disposals	-	4,432	1,048	5,480
At 31 December 2022	(956)	(1,051)	(273)	(2,280)
Net book value				
At 31 December 2022	1,467	2,653	287	4,407
At 31 December 2021	1,502	2,729	326	4,557

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
The net book value of office buildings may be further analysed as:				
Freehold	1,454	1,488	1,454	1,488
Short leasehold	13	14	13	14
	1,467	1,502	1,467	1,502

Finance leases

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

16b Intangible fixed assets

Group and Association	Computer Software £'000	Total £'000
Cost		
At 1 January 2022	-	-
Transfer from other tangible fixed assets	770	770
Additions	1,715	1,715
Disposals	-	-
At 31 December 2022	-	-
Depreciation		
At 1 January 2022	-	-
Charge for year	-	-
Disposals	-	-
At 31 December 2022	-	-
Net book value		
At 31 December 2022	2,485	2,485
At 31 December 2021	-	-

17 Fixed asset investments

Details of subsidiary undertakings, associated undertakings and other investments

The principal undertakings 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 commercial 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 Southern Housing Group and West Kent. The equity method of accounting has been adopted. West Kent's equity investment was £1. The profits of Ink Development Company Limited as at 31 December 2022 is calculated to be £45,821 (2021: £57,318). West Kent's share of the profits to date would be £22,909 (2021: £28,659). 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
Fair Value	
At 1 January 2022	7,748
Additions	-
Disposals	-
Movements in fair value of investment	-
At 31 December 2022	7,748

The association owns garages which are classified as investment properties and an external valuation was performed in December 2021. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. 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 2021 has been used, and the Board consider there are no material changes to that valuation.

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

Discount rate	8.0%
Catch up repairs	£320k per annum (Years 1-5)
Future maintenance	£25 per unit per annum (Year 6 onwards)
Management cost	£10 per unit per annum (All years)
Rent loss through voids	22%

Based on the valuation assumptions outlined above, the valuers are of the opinion that the Market Value of the 1,793 properties is £7,748k.

19 Properties for sale

Group and Association	2022 £'000	2021 £'000
First tranche shared ownership properties:		
Work in progress (Properties under construction)	5,623	4,799
Completed properties (Properties completed and unsold)	128	785
	5,751	5,584

Properties developed for sale include capitalised interest of £191k (2021- £115k).

20 Debtors

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Due within one year				
Rent and service charge arrears	1,337	1,193	1,337	1,193
Less: Provision for doubtful debts	(735)	(626)	(735)	(626)
	602	567	602	567
Amounts owed by group undertakings	-	-	231	225
Other debtors	1,068	616	1,062	604
Prepayments and accrued income	1,095	887	1,045	748
	2,765	2,070	2,940	2,144
Due after one year				
Amounts held on trust	3,642	3,637	3,642	3,637
Prepayments and accrued income	582	866	582	866
	4,224	4,503	4,224	4,503
	6,989	6,573	7,164	6,647

The amounts held in trust relate to interest servicing reserve held on loans of £3.6m (2021 – £3.6m) held by The Housing Finance Corporation and Affordable Housing Finance Plc. Amounts held on trust for the loan principal where security is to be provided Nil (2020 – Nil).

21 Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Cash at bank and in hand	5,411	7,315	4,759	6,931
Leaseholder accounts	910	834	910	834
	6,321	8,149	5,669	7,765

22 Creditors: amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and borrowings (Note 26)	4,179	3,818	4,179	3,818
Trade creditors	1,250	2,055	1,250	2,053
Rent and service charges received in advance	1,496	1,565	1,496	1,565
Amounts owed to group undertakings	-	-	-	-
Obligations under finance leases (Note 26)	263	223	263	223
Other creditors	2,038	1,836	2,038	1,836
Recycled capital grant fund (Note 25)	179	588	179	588
Accruals and deferred income	3,716	2,558	3,458	2,462
Accrued interest	2,059	1,673	2,059	1,673
	15,180	14,316	14,922	14,218

23 Creditors: amounts falling due after more than one year

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and borrowings (Note 26)	267,074	245,176	267,074	245,176
Obligations under finance leases (Note 26)	21,362	21,570	21,362	21,570
Deferred capital grant (Note 24)	88,892	88,492	88,892	88,492
Recycled capital grant fund (Note 25)	751	587	751	587
Sinking fund balances	1,020	916	1,020	916
	379,099	356,741	379,099	356,741

24 Deferred capital grant

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
At 1 January	88,492	88,665	88,492	88,665
Grants received during the year	1,087	1,027	1,087	1,027
Grants recycled from the recycled capital grant fund	588	-	588	-
Released to income during the year	(1,018)	(1,010)	(1,018)	(1,010)
Grants on disposed properties	(257)	(190)	(257)	(190)
At 31 December	88,892	88,492	88,892	88,492

25 Recycled capital grant fund

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
At 1 January	1,175	953	1,175	953
Inputs to Recycled capital grant fund:				
- grants recycled from deferred capital grants	257	190	257	190
- grants recycled from statement of comprehensive income	73	32	73	32
- interest accrued	13	-	13	-
Recycling of grant:				
- new build	(588)	-	(588)	-
At 31 December	930	1,175	930	1,175

Amounts three years or older where repayment may be required	-	303	-	303

Withdrawals from the recycled capital grant fund are used for the purchase and development of new housing schemes for letting and for approved works to existing housing properties. All funds pertain to activities within areas covered by Homes England.

26 Loans and borrowings

Group and Association	Loans 2022 £'000	Finance Lease 2022 £'000	Total 2022 £'000	Loans 2021 £'000	Finance Lease 2021 £'000	Total 2021 £'000
No later than one year	4,179	263	4,442	3,818	223	4,041
Later than one year and not later than two years	49,859	301	50,160	27,989	263	28,252
Later than two years and not later than five years	17,538	1,150	18,688	17,544	1,021	18,565
Later than five years	199,677	19,911	219,588	199,643	20,286	219,929
	271,253	21,625	292,878	248,994	21,793	270,787

All loans are in the form of bank loans or aggregated bonds. All historic loans accrue interest at a variable or fixed rate equivalent to Sonia 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 1.78% to 5.43% or at variable rates calculated at a margin above the Sterling over night index average.

At 31 December 2022 the group had undrawn loan facilities of £75m (2021 – £101m).

Loans principal excluding fees	Facility 2022 £'000	Drawn 2022 £'000	Available 2022 £'000	Facility 2021 £'000	Drawn 2021 £'000	Available 2021 £'000
National Westminster Bank	108,750	38,750	70,000	110,000	40,000	70,000
Bank of Scotland	134,750	129,750	5,000	137,000	106,000	31,000
The Housing Finance Corporation	45,000	45,000	-	45,000	45,000	-
Affordable Housing Finance	54,000	54,000	-	54,000	54,000	-
	342,500	267,500	75,000	346,000	245,000	101,000

27 Financial instruments

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Financial assets measured at historic cost				
Trade receivables	602	567	602	567
Other receivables	6,387	6,006	6,562	6,080
Cash and cash equivalents	6,321	8,149	5,669	7,765
Total financial assets	13,310	14,722	12,833	14,412
Financial liabilities measured at historic cost				
Loans payable	271,253	248,994	271,253	248,994
Trade creditors	1,250	2,055	1,250	2,053
Other creditors	100,151	98,215	99,893	98,119
Finance leases	21,625	21,793	21,625	21,793
Total financial liabilities	394,279	371,057	394,021	370,959

The group's financial assets consist 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 consist of loans payable measured at historic cost as an approximation 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.

28 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 in 2015. 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 2019 and updated to 31 December 2022 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.

The net benefit at 31 December 2022 was valued as assets of £22.4m. This has not been recorded as an asset in the balance sheet as we cannot say with reasonable assurance that this would be recoverable by West Kent.

Reconciliation of present value of plan liabilities	**2022** £'000	**2021** £'000
At the beginning of the year	62,724	66,636
Current service cost	1,415	1,709
Interest cost	1,149	860
Actuarial (gains) / losses:		
- Change in financial assumptions	(30,064)	(3,208)
- Change in demographic assumptions	(1,143)	(867)
- Experience gains on curtailments	116	(1,384)
Estimated benefits paid	(1,464)	(1,233)
Past service costs, including curtailments	11	-
Contributions by scheme participants	194	234
Unfunded pension payments	(21)	(23)
At the end of the year	32,917	62,724
Composition of plan liabilities		
Schemes wholly or partly funded	Partly	Partly

28 Pensions (continued)

Reconciliation of fair value of plan assets	2022 £'000	2021 £'000
At the beginning of the year	56,009	53,505
Interest income on plan assets	1,031	694
Return on assets less interest	(1,203)	2,015
Administration expenses	(32)	(34)
Contributions by employer including unfunded	782	851
Contributions by fund participants	194	234
Estimated benefits paid	(1,485)	(1,256)
At the end of the year	55,296	56,009
Fair value of plan assets	55,296	56,009
Present value of the defined benefit obligation	(32,756)	(62,517)
Present value of unfunded obligation	(161)	(207)
Application of asset ceiling	(22,379)	-
Net pension scheme liability	-	(6,715)
Amounts recognised in income and expense are as follows:		
Current service cost	1,426	1,709
Administrative expenses	32	34
Interest cost	1,149	860
Interest on assets	(1,031)	(694)
	1,576	1,909
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	(1,203)	2,015
Other actuarial gains on assets	-	-
Changes in demographic assumptions	30,064	867
Experience gains and losses arising on the scheme liabilities	1,143	1,384
Changes in assumptions underlying the present value of the scheme liabilities	(116)	3,208
Application of asset ceiling	(22,379)	-
	7,509	7,474

Composition of plan assets	2022 £'000	2021 £'000
Equities	37,181	36,250
Gilts	335	383
Other bonds	7,282	7,778
Property	5,584	6,153
Cash	833	1,444
Target return portfolio(Absolute return fund)	4,081	4,001
Total plan assets	55,296	56,009
Actual return on plan assets	(172)	2,709
Principal actuarial assumptions used at the balance sheet date		
Discount rates	4.85%	1.85%
Future salary increases	2.80%	2.85%
Future pension increases	3.80%	3.85%
Mortality rates		
for a male aged 65 now	21.0	21.6
at 65 for a male member aged 45 now	23.5	23.7
for a female aged 65 now	22.3	22.9
at 65 for a female member aged 45 now	25.0	25.1

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 £559k (2021 – £439k). Contributions totalling £Nil (2021 – £Nil) were payable to the fund at the year end and are included in creditors.

29 Share capital

	Group 2022 £	Group 2021 £	Association 2022 £	Association 2021 £
At 1 January	24	27	24	27
Shares issued in the year	-	3	-	3
Shares cancelled in the year	(1)	(6)	(1)	(6)
At 31 December	23	24	23	24

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.

30 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 payable if the Existing Use Valuation – Social Housing at the end of the contract exceeds £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.

31 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 2022** £'000	**Group 2021** £'000	**Association 2022** £'000	**Association 2021** £'000
No later than one year	116	117	108	109
Later than one year and not later than five years	433	324	433	324
Later than five years	2,085	2,161	2,085	2,161
	2,634	2,602	2,626	2,594

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

Amounts receivable as lessor	**Group 2022** £'000	**Group 2021** £'000	**Association 2022** £'000	**Association 2021** £'000
No later than one year	4,226	3,464	4,226	3,464
Later than one year and not later than five years	16,905	13,855	16,905	13,855
Later than five years	610,358	425,623	610,358	425,623
	631,489	442,942	631,489	442,942

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

32 Capital commitments

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Commitments contracted but not provided for:				
Construction	39,055	59,416	39,055	59,416
Construction – Ink Development Company Limited	-	1,450	-	1,450
Commitments approved by the Board but not contracted for:				
Construction	-	20,837	-	20,837
Construction – Ink Development Company Limited	-	-	-	-
	39,055	81,703	39,055	81,703

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

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Social Housing Grant	578	4,469	578	4,469
Approved loan facility	23,559	52,989	23,559	52,989
Sales of properties	14,918	24,245	14,918	24,245
Existing reserves	-	-	-	-
	39,055	81,703	39,055	81,703

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

33 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, the Kent County Council defined benefit pension scheme (closed for new entrants) and The Royal London defined contribution scheme. The transactions with these pension schemes are set out in note 28.

The board includes three tenant members (2021 – Three) who hold tenancy agreements on normal terms and cannot use their position to their advantage. There were eight shareholders (2021 – 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:

	2022 £'000	**2021** £'000
Payment due from previous year	(2)	(1)
Charges in year	80	82
Payments in year	(80)	(83)
Payments due at end of year	(2)	(2)

Joint venture

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

	2022 £'000	**2021** £'000
Net sales and purchases of goods and services	1,813	1,178
Debtors due to Ink Development Company Limited	783	772
Creditor due from Ink Development Company Limited	546	558
Administration fees received by West Kent	10	9

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

33 Related party disclosures (continued)

Transactions with non regulated entities

The association provides management services, staff and other services to its subsidiaries. The association makes a donation towards these to its subsidiaries. The quantum and basis of those charges is set out below.

	Management costs recharged		Other charges		Total	
Payable to association by subsidiaries:	**2022** £'000	**2021** £'000	**2022** £'000	**2021** £'000	**2022** £'000	**2021** £'000
West Kent Extra Limited	637	670	106	107	743	777
	637	670	106	107	743	777

	Staff and Management costs		Other charges		Total	
Donation by association to subsidiaries:	**2022** £'000	**2021** £'000	**2022** £'000	**2021** £'000	**2022** £'000	**2021** £'000
West Kent Extra Limited	441	440	106	107	547	547
	441	440	106	107	547	547

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 Limited activities. Other charges are finance and administration costs that have been apportioned on staff costs.

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