Report and Consolidated Financial Statements

for the year ended
31 December 2019

WestKent

Places to live. Space to grow.

Report and Consolidated Financial Statements for the year ended 31 December 2019

Highlights

Operating social housing margin **38%**

Achieved **99% OCCUPANCY**

Voids turnaround at **28 DAYS**

Governance **RATING G1/V1**

16,000 residents

280 NEW HOMES delivered

£43.4M INVESTED in new homes in 2019

Achieved **ARREARS 1.9%**

384 HOMES in construction

Delivered **1.1 NEW HOMES** into management every day

Average rent for General Needs of **£104.57** (52 weeks)

£55M LOANS available for future drawdown

Rehoused **2.4 NEW TENANCIES** every day

85% achieving 'right first time'

Gearing **39%**

Increased homes in management to **7,583** (2018:7,308)

93% delivering on our repairs promise

Interest cover **230%**

Contents

Foreword

This has been a significant year for West Kent. We celebrated our 30th anniversary, we built the highest number of new homes ever and now have over 7,500 in management.

We said farewell to Frank Czarnowski who retired, having carefully steered West Kent through the last nine years, and welcomed Tracy Allison in November who formally took over as our new Chief Executive in December 2019.

Our vision is to deliver places to live and space to grow for our current and future residents

Our priority is to deliver excellent services to our customers and to invest in maintaining our existing homes. But we are challenging ourselves to do more:

- to increase our homes in management.
- to continue to invest to support thriving communities.
- to both modernise our service offer and ready ourselves to reflect changing needs for an ageing society.

West Kent has an outstanding 30-year track-record and an exceptional reputation for providing quality homes and excellent community services across Kent. We are highly successful, deliver on our promises, are committed to Kent and our communities and we want to do even more.

As we are finalising this report we find ourselves adapting to the challenges faced by many from the COVID-19 pandemic. Our management team moved swiftly to implement our business continuity plans, with the majority of staff able to work from home ahead of the stringent lockdown measures introduced by Government in March 2020. Alongside continuing to deliver essential services to our residents, we immediately provided guidance to any resident who might now face financial difficulties. By week two we were contacting older residents to check on their wellbeing.

West Kent is known for its positive culture of working in partnership and we thank our staff, our local authority partners, our key suppliers and development partners for working with us to take a proactive response in such uncertain times.

Our vision is to deliver places to live and space to grow for our current and future residents. As we enter our fourth decade there has never been a more important role for us.

Colin Wilby
Chair

Tracy Allison
Chief executive

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 founding ambition in 1989 remains as relevant today as we move into our fourth decade.

Simply, we want to be the best in Kent. West Kent is a vibrant, community-based organisation providing much needed affordable homes and services to people living in the towns and villages throughout Kent.

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

We invest in our communities and work to understand need, and shape services, that increase opportunities, build resilience and promote wellbeing.

In 2019 we focused on delivering the following **six strategic objectives:**

Customers
our residents will enjoy exceptional tailored services and choice.

Community
somewhere to live, something to do and someone to love.

Growth
build new homes to meet housing need in Kent and Medway.

Older people
be a leader in meeting the accommodation needs of older people in Kent.

Homes
ensure our homes are warm, safe, well maintained and affordable.

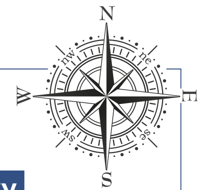
Viability
ensure West Kent stays a vibrant, sustainable organisation.

Our Values

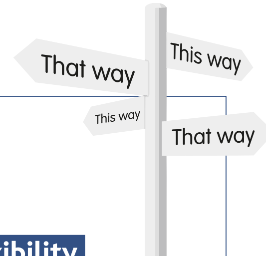
West Kent is known for its positive culture of working in partnership with customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

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.

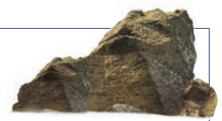
Delivering on our promises
doing what we say, when we say we'll do it



Integrity
letting your moral compass keep you on the right track



Flexibility
doing the right thing so you get the right result



Honesty
saying and doing the right thing, even when it's hard

Compassion
putting yourself in the other person's place

Self-awareness
knowing yourself and the impact you have

Learning
improving by exploring what's there beyond what you know

Working hard and having fun
choosing to enjoy the people and the job

Customers

our residents will enjoy exceptional tailored services and choice.

Our performance:

WE ACHIEVED 85%, AGAINST A TARGET OF 88%
for 'right first time'
(an improvement on last year's 82%)

WE HOUSED 604 HOUSEHOLDS,
a record number and up 9% from last year.

OUR ARREARS WERE 1.9%
against a 3% target (1.58% 2018)

OUR OCCUPANCY WAS 99%
against a 99% target

Fast facts:

- We have seen an uplift in claimants for universal credit to 941 and of these 75% are in arrears compared to 31% for our other tenancies.
- We introduced an online form to book repairs, resulting in 19% of repairs being booked online. Our development of an online portal was slower than anticipated but launched in early 2020.
- We achieved delivering successful starter tenancies at 98.3% (98% target) for the 296 starter tenancies.
- We completed our first customer journey mapping looking at allocations and further work is currently underway on the mutual exchange process. Customer alerts to enable tailoring of service in relation to disability and vulnerability will be implemented by March 2020.
- A group of residents attended an all-day scrutiny 'boot-camp' to have an in-depth look at the West Kent complaints procedure. The boot camp was run as a pilot that was facilitated by a tenant participation organisation so that we could decide, with residents, how best to do scrutiny at West Kent. Letters and processes were reviewed and a number of recommendations for change were made. We are setting up a scrutiny panel in 2020 using the learning from this exercise.

- We retendered our Building and Electrical contract in 2019, Brenwards will continue to provide these services for our tenants after being awarded the contract for a further ten years from I January 2020. Two tenant representatives, Linda and Alan, worked with us throughout the six-month process. Their involvement helped to ensure that the process was fair but also brought a different perspective to the discussions.

  Linda said, "Brenwards came across very well in the meetings we had with them. They want to grow with West Kent. The other bidders appeared to view West Kent as 'business as usual'. I got the feeling, with the others, that West Kent was just a small housing association to them".

  Alan added, 'The system and process has been fair. It was all handled properly and above board. External consultants helped to keep the process on track. If anything, I think Brenwards were scored more harshly. It was interesting to see that'.

- We launched a new intranet site and introduced a residents' only discussion group on Facebook which has over 100 members already. It is being used for consultations and works well alongside our workshop where we post the same discussions so that those that can't attend can still contribute.

For 2020

- We have performed well on arrears but the underlying analysis shows a large increase in those on Universal Credit and a general increase in households with arrears exceeding £200 (with 223 in arrears above £1k and 312 in arrears between £500 to £1k).
- We are increasing the number of staff able to support residents and looking at how we can use predictive analytics to flag tenancies most likely to face arrears and contact them earlier.
- We will establish customer insight requirements and gather baseline satisfaction data.

Older people

be a leader in meeting the accommodation needs of older people in Kent.

Our performance:

Kent Excellent Homes for All contract KPIs **100% MET**

Annual survey satisfaction at **97% FOR HOUSING MANAGEMENT SERVICE**

and **100% FOR COMMUNAL ACTIVITIES**

Fast facts:

- We have 46 older persons' schemes (including seven Extra Care).
- We have an active Age, a Positive Experience programme, opportunities such as buddying are increasing our pool of volunteers. The larger extra care schemes have many activities often run by resident social committees.
- We are also working with the youth teams, local churches and others including Age UK and Citizens Advice to deliver sessions within other Emerald Communities.
- Queens Court, Edenbridge is being developed as a hub by 2021 and is progressing to plan. We have completed Phase 2 of the planned remodelling, this saw replacement of the communal windows and the laundry and kitchen were swapped and refurbished.

For 2020

- We will deliver plans for remodelling and introduce a wellbeing pilot at Queens Court, Edenbridge.
- We will assess our portfolio against designated older persons' criteria.

Community

somewhere to live, something to do and someone to love.

Our performance:

We are running
21 CONTRACTS

We supported
709 PEOPLE

We secured
£1.3M EXTERNAL FUNDING against a target of £1.5m

We supported
37 SMALL RESIDENT AND COMMUNITY GROUPS
across Kent

Support 32 community organisations and small groups across the county through the Linda Hogan Community Fund

Fast facts:

- We focussed on consolidating services and being very deliberate about pre-qualifying opportunities.
- We continued to deliver unmet needs by supporting community organisations, and increasing our partnership working on training and employment.
- We increased partnership delivery working with the Citizens Advice Bureau, the RBLI, Job Centre Plus, Bluewater, North Kent College, Golding and Clarion. We can now refer our residents into job clubs, job brokering services and accredited training opportunities in Tonbridge, Maidstone, Ebbsfleet and Dartford as well as running our new Job Hub in Swanley.
- We have been working with Medway Council for over 10 years, and understand the needs for our services in this area well. Working with them and other local partners we developed four new service elements: a new referral pathway and support service for clients entering temporary accommodation; two new open clinics; and a family mediation service pilot.

  We delivered a new rough sleeper navigation service for Medway Council from August 2019, we worked with 37 people to signpost them to services, help them apply for benefits and helped them access a GP. We are exploring how we might help meet an identified need for support with life skills across our housing related support services.

- Thirty-eight people attended and benefited from the West Kent Works weekly pop up job club in Swanley.

  Our two-person training and employment team provide support and advice to people looking to increase their hours, change jobs, find training or get into paid employment. They work closely with each person on an individual basis to identify what they want and how they can achieve their goals. Anyone is welcome to attend one or multiple sessions to give them the best chance.

For 2020

- Introduce a starter home pack to complement successful starter tenancies.
- Establish a resident scrutiny panel.
- Pilot three anchor areas for community investment
- Establish a regular job club in Sevenoaks.

Homes

ensure our homes are warm, safe, well maintained and affordable.

Our performance:

93% DELIVERY against our responsive repairs promise (target 94%), (2018 was 90%)

96% OF OUR REPAIRS COMPLETED ON TIME (target 96%), (2018 was 96%)

Voids turnaround: **28 DAYS** against a target of 20 days (2018 was 31 days)

Decent homes: **100%**

NO OVERDUE GAS CHECKS OR FIRE RISK ASSESSMENTS

in 2019 we replaced:

21 WINDOWS and 1 full scheme communal window upgrade (Queens Court)

368 BOILERS

51 AIR SOURCE HEATING SYSTEMS

42 ELECTRICAL HEATING SYSTEMS

154 KITCHENS

138 BATHROOMS

4 ROOFS

28 SCHEME DOOR ENTRY SYSTEMS

We undertook: 5 ELECTRICAL REWIRES

Fast facts:

- We took steps to improve void turnaround and simplify the void process.
- We reviewed our void lettable standard and this saw improvements in the second half of the year.
- New homes handovers were at an all-time high, extra staff were recruited to support the increase The housing register was successfully transferred to Sevenoaks District Council in January 2020.

- The re-procurement of our building and electrical services contract through 2019 was delivered successfully with the award being made to Brenwards. This re-procurement was a major risk to the business to ensure we had good continuity of service delivery. The contract will provide an improved and efficient service, an expanded supply chain means they are less likely to run out of materials. Closer communication will further align culture and policy and strategic direction between West Kent and Brenwards. Continuous improvement will be the outstanding theme of the new contract, and we will work together to grow and improve the service.

For 2020

- We will review why residents are failing affordability checks for Affordable rents and work with local authorities on potential solutions.
- We will review our lettable standard.
- Deliver the contract mobilisation for repairs and maintenance.
- Review our data and compliance assurance framework.

Growth

build new homes to meet housing need in Kent and Medway.

Our performance:

WE BUILT 280 NEW HOMES
against a target of 286
(103 in 2018)

WE SOLD 81 SHARED OWNERSHIP HOMES
our target was 147 target
(we sold 43 in 2018)

22% SALES MARGIN
on shared
ownership sales
(the target was 15%)

Fast facts:

- We have contracted 384 homes and have 248 homes at pre-contract stage. 54% are for rent and 46% for shared ownership.
- We negotiated a stock transfer of 106 homes from Stonewater which completed in March 2020.
- At 31 December we had 55 shared ownership units unsold and of these 22 were unsold for over 6 months. At 31 March 32 remained unsold and 22 of these for more than six months.

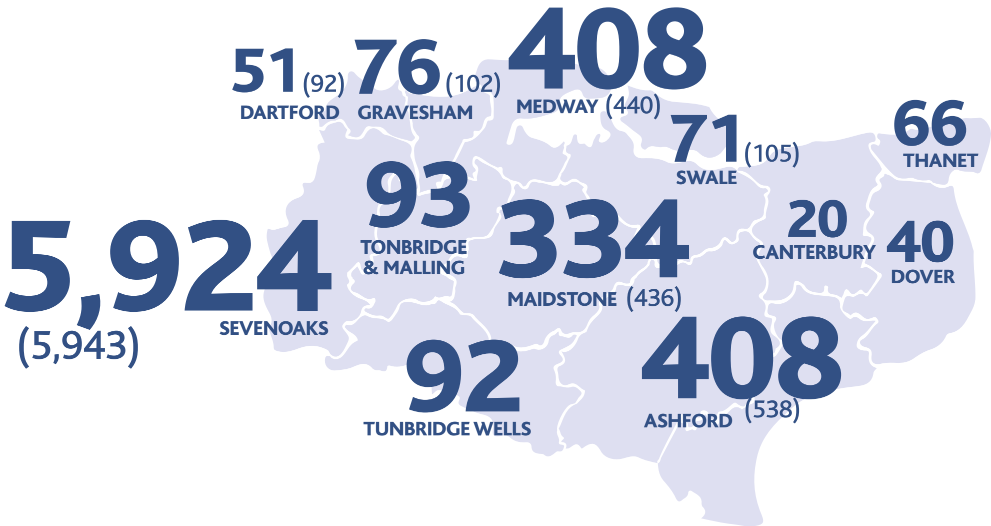
"I like that when I called you I got direct contact and not just an organisation in Bournemouth like before. I like the more personal approach that West Kent has. I feel very comfortable and am grateful that you kept in touch with me at this difficult time. I am quite happy with West Kent and will certainly let my views be known if I wasn't!"

Mr G,
Stonewater resident.

For 2020

- We will provide 300 more homes.
- We will secure one care-ready older persons' scheme opportunity.
- We will deliver one modular homes scheme pilot

Our stock and development plans



Housing by local authority – numbers in brackets () include homes currently under construction.

	2019	2018
Rented	5,650	5,504
Rented – older people	1,119	1,119
Low cost home ownership	629	507
Total social housing homes	7,398	7,130
Homes managed by others	3	3
Leaseholders	182	175
Total owned and managed accommodation	7,583	7,308
Homes under construction	384	425

	2019 Less than 6 months unsold	2019 Over 6 months unsold	Total
For homes unsold at 31 December:			
Unsold with no offers	15	5	20
Unsold under offer	18	17	35
	33	22	55
For homes unsold at 31 December position as at 31 March 2020:			
Unsold with no offers	1	8	9
Unsold with offers	9	14	23
	10	22	32

We had nine homes unsold with no offers as at 31 March 2020 that were unsold at the end of the financial year. Five of these homes were expected to take 12 months to sell so are within our expected timescales, two homes had a change of tenure from handover and the final home is the last one on a large development. We have no reason to believe these cannot be sold, however the impact of the COVID-19 pandemic may increase sales time on homes unsold as at 31 March 2020. We do not require these homes to be sold to maintain liquidity.

Viability

ensure West Kent stays a vibrant, sustainable organisation.

Our performance:

Operating social housing margin
(Target: 35%) (2018: 39%)
2019: 38%

Governance rating
G1/V1

Liquidity target met
100%

£55M LOANS AVAILABLE
to build new affordable housing

Fast facts:

- We completed two loan transactions in 2019 increasing our borrowing facility by £53m. We have developed a set of liquidity rules and do not need to seek further funding for 21 months. Good progress is being made in negotiating a further £60m with the expectation this is concluded by June 2020.
- We prepared a business case for the replacement of our housing system and further work to develop plans will happen in 2020.
- We introduced our new values behaviour framework and developed the management standard to support colleagues to understand expected behaviours.
- Our staff survey found 95% share the organisation's values.

For 2020

- Deliver plan of business improvement reviews.
- Implement phase one to procure and begin implementation of new Housing System.
- The effects of COVID-19 may affect much of our plans for 2020 and, whilst our intention is to carry on with this work as much as we can, plans are continually reviewed and changed as circumstances dictate.

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 reconciles our intentions for the future, with the risks we think we will face in trying to achieve these and our appetite for facing 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 common with most organisations the uncertainty around Brexit was high on the board agenda throughout 2019 and work was completed to provide clear plans to maintain our services and protect liquidity in the event of the potential disruptions of a 'no deal' Brexit.

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

Strategic risk	Appetite	Mitigation
Macro-economic situation: leads to increased inflation and cost of capital.	Balanced	Stress testing covers a range of interest rate, housing market and inflation conditions over the next three years. Set of liquidity rules introduced in 2019 to allow development pipeline of £60m per year. Funding in place ensuring we have sufficient liquidity. The current risks around COVID-19 are an example of why West Kent has undrawn loan facility and these will be used accordingly to ensure West Kent remains a going concern.
Sales income: income from sales of properties (shared ownership, existing assets and open market sales) are lower and later than we have budgeted.	Balanced	We monitor local market, track a range of indicators and consider switch of market sale or shared ownership to different tenure such as rent.
Health and safety: harm, that we should have prevented, is caused to our residents, staff, contractors or the public.	Minimal	Our compliance assurance provides oversight of our legal obligations and is reported annually to Board. Our compliance for gas safety, Fire Risk Assessments and fire actions is reported quarterly. Where issues are identified we will ensure resources are found to ensure we go over and above what the legislation says and is reasonably practicable for Gas and Fire safety. Our fire risk assessments are up to date and we are working closely with our partners, local authority and the fire and rescue service on a specific high-rise property.
Universal credit: restrictions on benefit entitlement lead to loss of rent, tenant debt and eviction.	Balanced	Our financial wellbeing strategy looks to ensure we collect our rent and offer support to our tenants to pay. We will use the Universal Credit portal to seek direct payment when tenants fall into arrears.

At the time of finalising this report the economic environment is uncertain as the worldwide impact from the COVID-19 virus remains unclear. The Board has considered and reviewed all our key risks in light of COVID-19 and applied various stress testing scenarios on our financial plan for three years 2020-2022. In these stressed assumptions and most likely scenario West Kent is comfortably within available borrowing limits and covenants and therefore remains a going concern. We have limited sales exposure and we may pursue opportunities to switch new shared ownership homes to different tenures, should there be a long-term impact on the housing market. Our stress testing demonstrates West Kent is able to withstand and manage a severe cash impact and remain within our loan covenants.

The principal uncertainty currently facing the organisation is the impact of the ongoing global COVID-19 outbreak. The board and executive team continue to monitor the outbreak, including UK Government advice, and acknowledge that the organisation faces a prolonged period of uncertainty. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the organisation is in a good financial position to help manage this risk. Steps are being taken, on an ongoing basis, to minimise the impact on West Kent's activities and the effect this may have on the organisation's residents and stakeholders. Infrastructure is in place to allow staff to work remotely and our key priority is to ensure, as far as possible, that our housing services are still available when needed.

Value for Money

Value for Money looks at the 'efficiency, economy and effectiveness' of how you do things. Put simply, it's a way to challenge 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, less effort.

At West Kent we deliver value for money by:

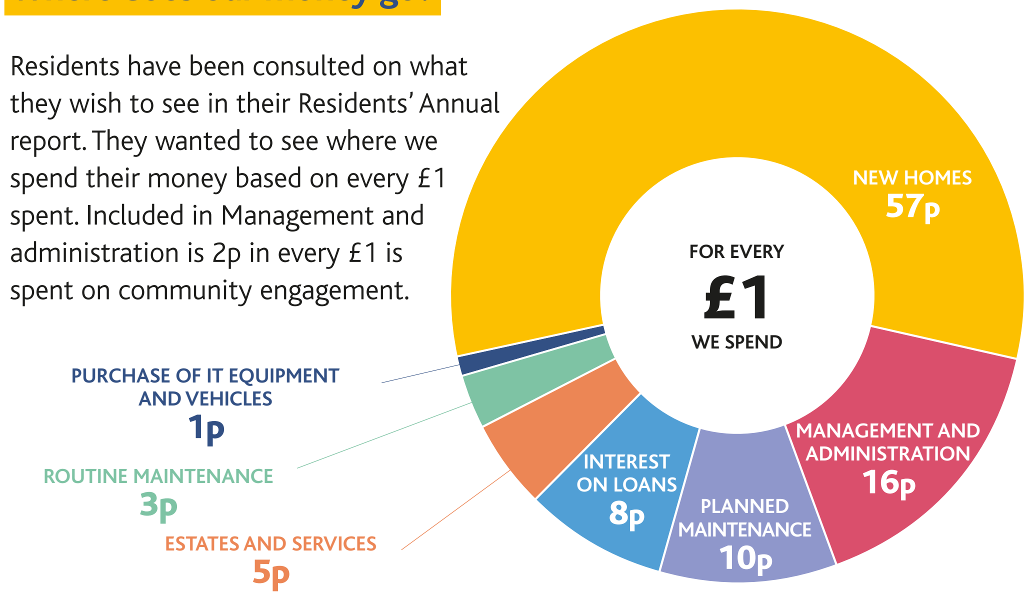
- Having a well-run business with our homes safe, fully occupied, collecting all income due and managing our business to plans and within budget
- Generating a surplus for purpose enabling us to invest in communities and new homes
- Delivering on targets for supporting tenants in successful tenancies and our 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 tenancy sustainment and community investment and publish this in our annual social impact report.

Where does our money go?

Residents have been consulted on what they wish to see in their Residents' Annual report. They wanted to see where we spend their money based on every £1 spent. Included in Management and administration is 2p in every £1 is spent on community engagement.

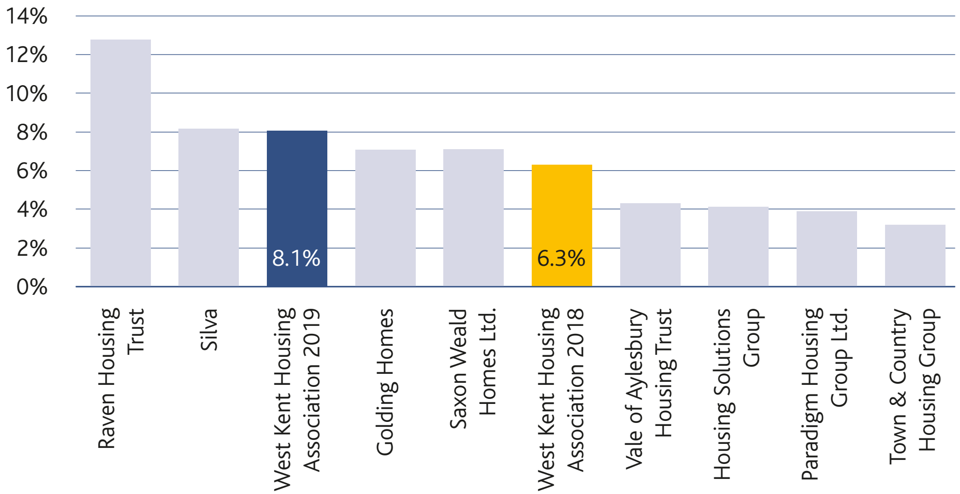


For every £1 we spend	2019 (pence)	2018 (pence)
NEW HOMES	57	49
MANAGEMENT AND ADMINISTRATION	16	19
PLANNED MAINTENANCE	10	11
INTEREST ON LOANS	8	10
ESTATES AND SERVICES	5	6
ROUTINE MAINTENANCE	3	4
PURCHASE OF IT EQUIPMENT AND VEHICLES	1	1

In recent years we have compared our performance to the broad group of Placeshapers and the Consortium of Associations in South East (CASE). In 2019 West Kent has completed a review to identify a closer 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 feel are similar to West Kent. The following tables compare our performance (2019 and 2018) to this group (2018/19). We will continue to monitor ourselves against our own performance, that of these peers and the sector as a whole.

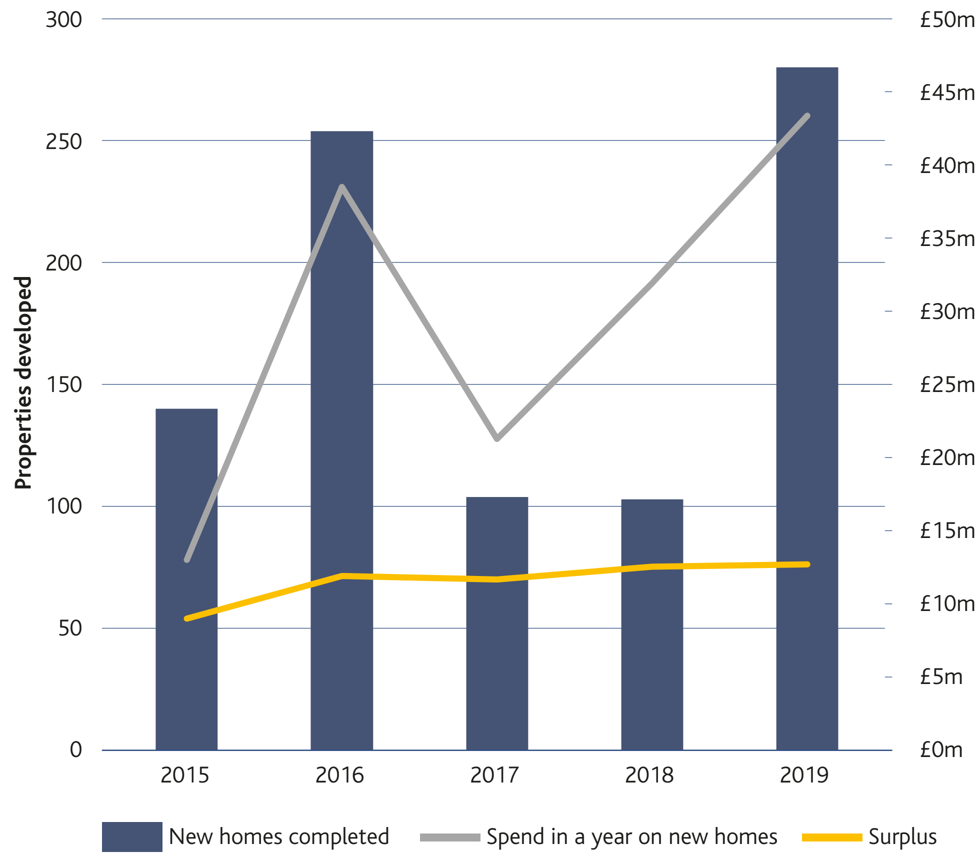
Regulatory Metric 1
Reinvestment %

Global accounts median by size (5k-10k) 2018	6.9%	
Global accounts top quartile 2018	8.7%	
West Kent Housing Association 2018	6.3%	
West Kent Housing Association 2019	8.1%	↑
West Kent target	8.0%	



This metric is key to our ability to meet our growth objective of delivering 300 homes per year. West Kent invested £32m in 2018 and £43m in 2019, we expect to invest £40-£50m for the next three 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.

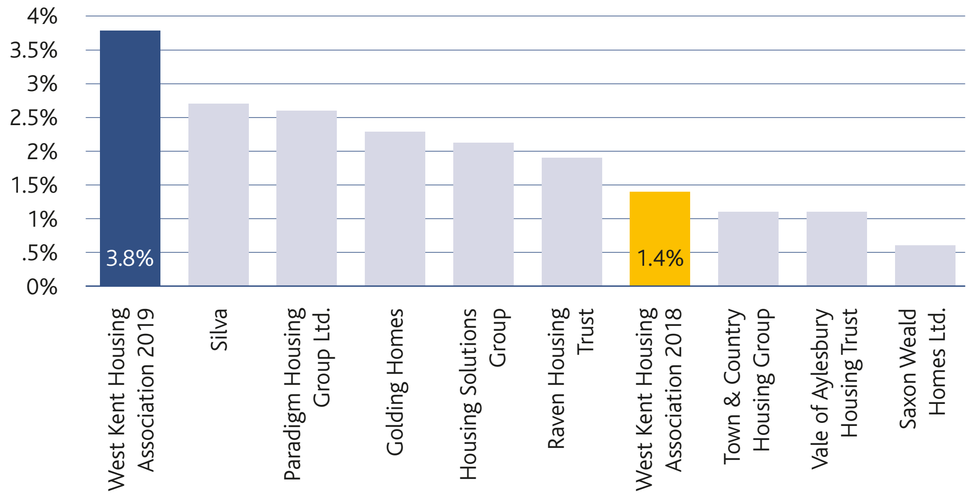
Raven invested £39m in 2018 with asset value of £308m, compared to West Kent's asset value of £605m. This would also show Raven having higher gearing than West Kent (see metric 3 below). We delivered above our target and better than 2018.



Over the past five years we have spent £148m in building or acquiring new homes, we have completed 881 homes in this time and have 384 homes being built. We received £4.4m of Homes England grant. In the same period, we made surpluses of £58m. For every £1 generated in surpluses we spent £2.56 on building new homes.

Regulatory Metric 2a
New supply delivered % (social housing units)

Global accounts median by size (5k-10k) 2018	1.4%	
Global accounts top quartile 2018	2.5%	
West Kent 2018	1.4%	
West Kent 2019	3.8%	↑
West Kent target	3.5%	

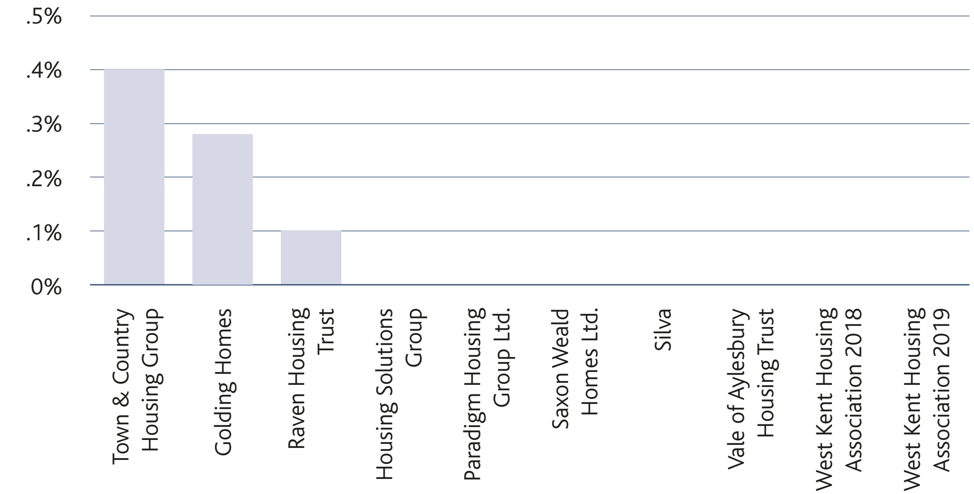


The chart shows the percentage of properties developed for social housing. We built 280 homes in 2019 representing 3.8% of our total homes owned. This included two for social rent, 149 for Affordable rent and 129 for shared ownership. Our aim is to deliver 3.5% new homes every year, of which 40% will be for social rent.

2019 was the first year in the last five years that we have built for social rent. Many housing associations are actively building new homes and it is expected that our peer group will also be showing an improved position when they publish their 2019/20 metrics.

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

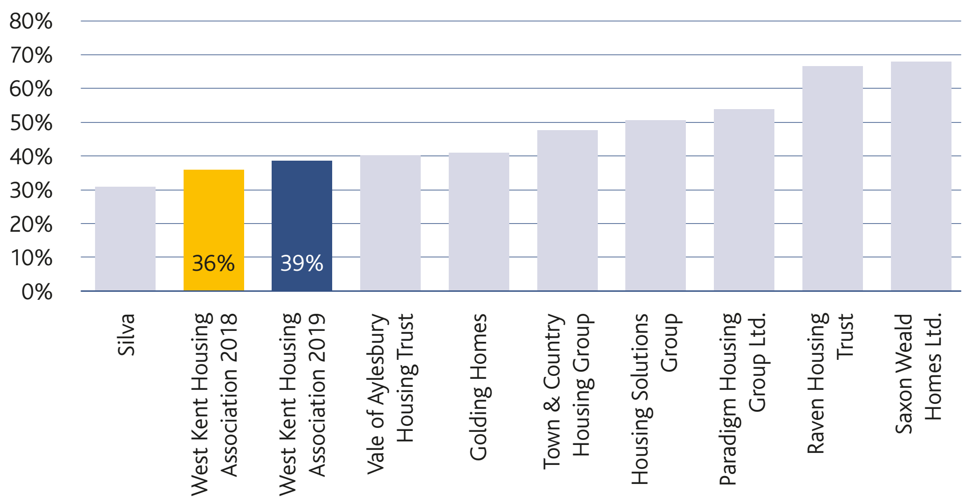
Global accounts median by size (5k-10k) 2018	0.0%	
Global accounts top quartile 2018	0.1%	
West Kent 2018	0.0%	
West Kent 2019	0.0%	↔
West Kent target	0.0%	



Our development strategy is not predicated on delivering non-social housing homes. However, we are looking at development opportunities that may include outright sale and open market rent, this is only to assist in delivering our social housing homes. We did have a scheme which completed in 2019 that included private sale but as the housing market retracted slightly we switched these homes to shared ownership.

Regulatory Metric 3
Gearing %

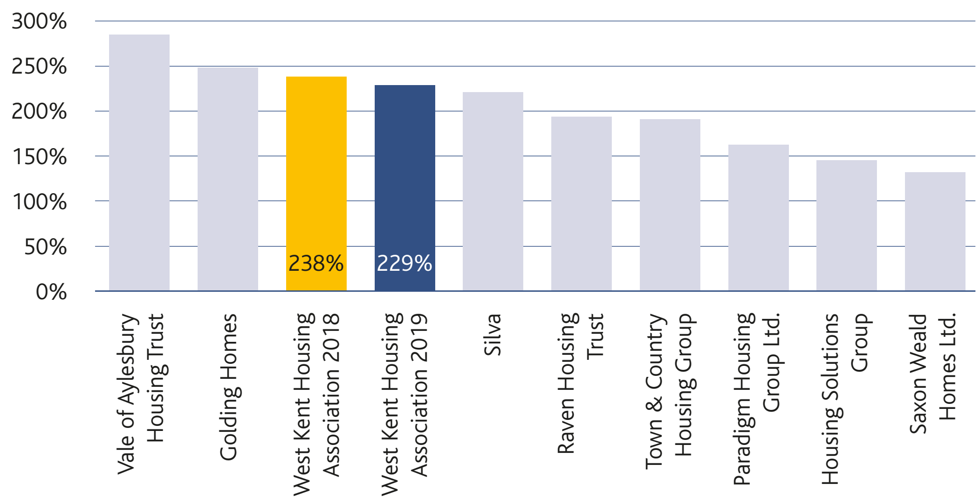
Global accounts median by size (5k-10k) 2018	46%	
Global accounts top quartile 2018	54%	
West Kent 2018	36%	
West Kent 2019	39%	↑
West Kent target	<60%	



The gearing indicator measures our net debt against our housing asset value. Net debt has increased by £29m to build new homes, although a proportion of our development programme is funded from surpluses. This measure is expected to rise slightly each year in line with our strategic plan and within our covenants agreed with our funders. We remain significantly below our peers, which means we have room to grow our number of homes. This metric is key to our ability to meet our growth objective of delivering 300 homes per year.

Regulatory Metric 4
Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

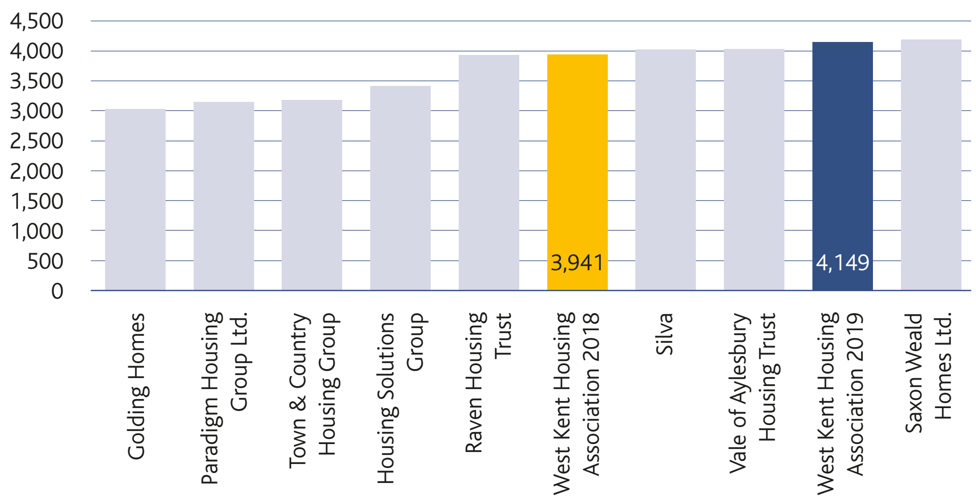
Global accounts median by size (5k-10k) 2018	203%	
Global accounts top quartile 2018	238%	
West Kent 2018	238%	
West Kent 2019	229%	↓
West Kent target	>130%	



This indicator measures our earnings over the interest paid. As West Kent grows, we borrow to fund the 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. This metric is key to our ability to finance our loans and our internal target of 130% means we have sufficient contingency to respond to unforeseen circumstance.

Regulatory Metric 5
Headline social housing cost per unit

Global accounts median by size (5k-10k) 2018	£3,550	
Global accounts top quartile 2018	£3,183	
West Kent 2018	£3,941	
West Kent 2019	£4,149	↑
West Kent target	<5% variation to budget	



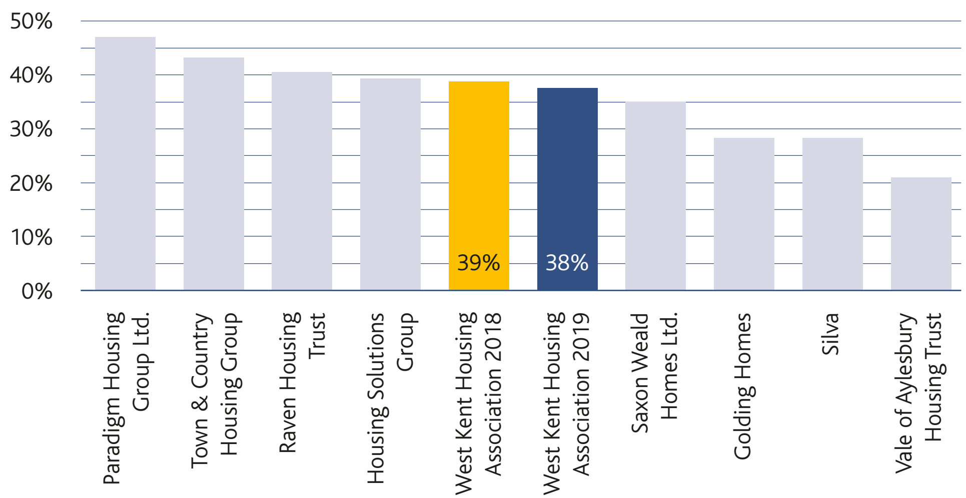
Costs have increased by 5% (see breakdown below) whilst homes have only increased by 4%. Our costs are higher than the peer groups. The three largest costs are management, service charges and maintenance. Service charge costs include £279 per unit relating to operating payments on Kent Excellent Homes 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 £3,870 in 2019. The significant increase from 2018 was on maintaining our existing homes.

We had a larger volume of programmed works than 2018. We regularly check our costs on repairs and maintenance to ensure they represent value for money. The recent tender for our building and electrical services contract involved a thorough review of our cost base. We have plans to review our costs on service charges in 2020. West Kent is proud to spend 5% of our operating costs on Community and neighbourhood services. We get grants to carry out some of these services as well as generating income from our social enterprise.

	West Kent Group		
Breakdown of social housing cost per unit	**2019**	**2018**	**% change**
Management costs	£594	£579	3%
Service charge costs	£860	£887	-3%
Maintenance	£2,351	£2,096	12%
Other (social housing letting) costs	£6	£6	0%
Development services	£10	£15	-33%
Community / neighbourhood services	£201	£219	-8%
Other social housing activities: other (operating expenditure)	£0	£8	100%
Other social housing activities: charges for support services (operating expenditure)	£127	£131	-3%
Total social housing costs	**£4,149**	**£3,941**	**5%**
Total social housing units owned and / or managed at period end	**7,401**	**7,133**	**4%**

Regulatory Metric 6A
Operating Margin % (social housing)

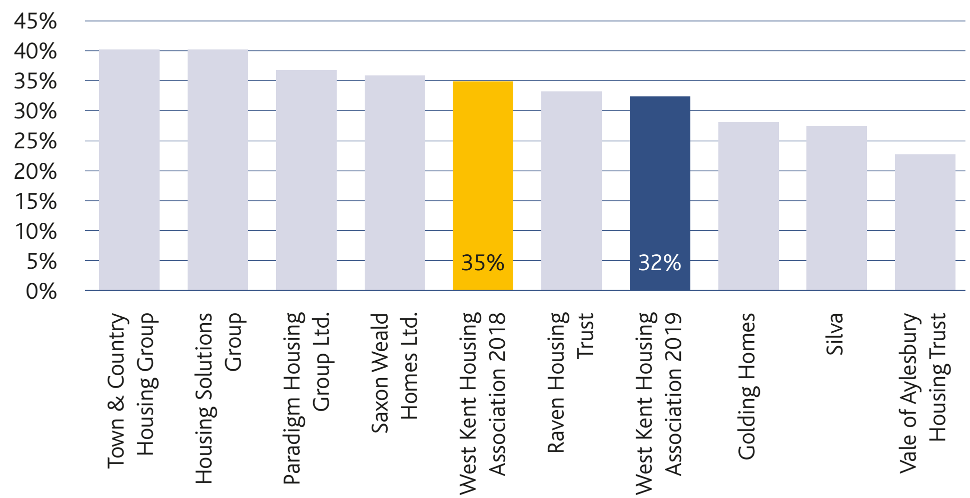
Global accounts median by size (5k-10k) 2018	30%	
Global accounts top quartile 2018	35%	
West Kent 2018	39%	
West Kent 2019	38%	↓
West Kent target	>35%	



Social housing lettings margin reduced by 1%. Turnover from social housing lettings went up by 1.0%, costs went up by 2.9%. The reduction is due to an increase in maintenance spend in the year and the impact of the final year of the 1% rent reduction. We have a key strategic metric to achieve above 35% social housing margin.

Regulatory Metric 6B
Operating Margin % (overall)

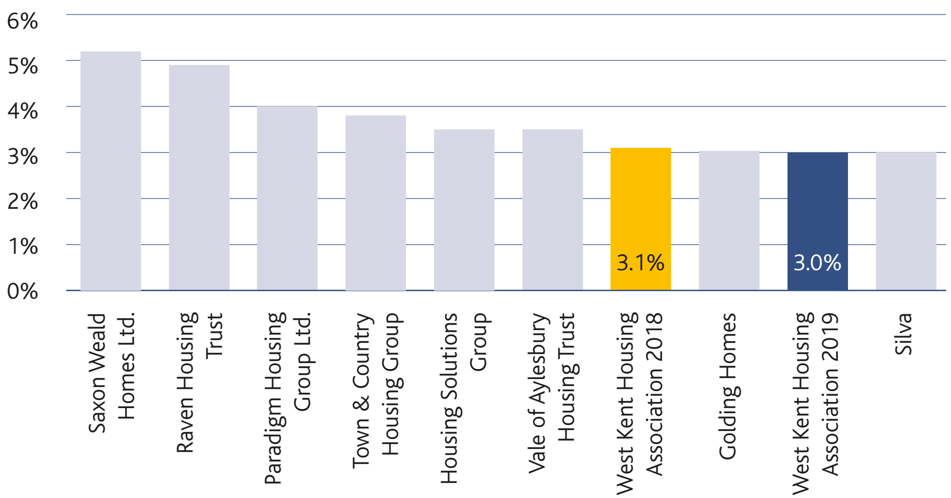
Global accounts median by size (5k-10k) 2018	29%	
Global accounts top quartile 2018	31%	
West Kent 2018	35%	
West Kent 2019	32%	↓
West Kent target	>30%	



When we look at our business as a whole, the operating margin reduces to 32%. 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 seeks 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 have a key strategic metric to achieve above 35% social housing margin, we understand some services we offer do not generate this level of margin so we accept a lower margin of 30% on overall activities.

Regulatory Metric 7
Return on Capital Employed (ROCE)

Global accounts median by size (5k-10k) 2018	4.1%	
Global accounts top quartile 2018	4.7%	
West Kent 2018	3.1%	
West Kent 2019	3.0%	↓
West Kent target	3.0%	



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 £28m 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. The social return of providing homes for those in need is a key objective.

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

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Consolidated statement of comprehensive income					
Turnover	57.3	52.7	50.3	46.7	46.0
Turnover before housing sales	48.2	47.9	46.6	44.2	42.6
Income from lettings	46.0	45.6	44.4	41.8	40.0
Property depreciation	5.7	5.4	5.3	5.0	5.6
Operating surplus before housing sales	16.5	17.0	16.9	17.0	13.8
Operating surplus for social housing lettings	17.3	17.7	18.1	17.5	14.9
Operating surplus	19.4	19.7	19.2	18.4	15.2
Surplus for the financial year	12.7	12.5	11.7	11.9	9.0

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Consolidated balance sheets					
Housing properties	605.2	563.1	534.4	517.3	483.1
Net current assets	35.9	54.7	71.4	19.7	23.8
Indebtedness	262.0	251.9	253.5	197.8	179.2
Total reserves	296.7	281.9	266.2	251.1	247.0

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Statistics					
Operating margin	34%	37%	38%	39%	33%
Operating margin excluding sales on disposals (VfM metric 6b)	32%	35%	36%	38%	32%
Operating margin excluding sales	34%	36%	36%	38%	32%
Operating margin social housing lettings (VfM metric 6a)	38%	39%	41%	42%	37%
Surplus as a % of turnover	22%	24%	23%	26%	20%
Rent losses	1.0%	0.7%	0.8%	1.1%	0.9%
Gearing (VfM metric 3)	39%	36%	41%	34%	32%
EBITDA - MRI interest cover (VfM metric 4)	229%	238%	237%	280%	243%

Accommodation owned and managed	homes	homes	homes	homes	homes
Total rented	6,772	6,626	6,565	6,532	6,305
Total shared ownership	629	507	480	442	431
Total leasehold	182	175	174	170	163
Total housing	7,583	7,308	7,219	7,144	6,899

Statement of comprehensive income

The Group financial results for 2019 report a surplus of £12.7m (2018: £11.7m) after spending £12m to maintain our existing housing stock. This is broadly in line with the previous year, however we have spent a further £5.4m on capitalised maintenance, £2.1m more than in 2018. This is the primary reason for this year's increase in the headline social housing cost per unit.

The Group accounts consolidate the results of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of £8,591 (2018: deficit £92,955) during the year.

The development programme saw a significant increase in handovers in the year with double the sales achieved in shared ownership. The volume of first tranche shared ownership increased from 43 to 81, we have experienced lower margins, decreasing from 28% in 2018 to 24% in 2019. 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 £6.9m (2018: £7.5m) reduced compared to 2018 although we increased indebtedness. This reflects changes to interest rates in the year. There were two interest rate fixes of 4-5% that ended and were replaced with a floating rate of interest of below 3%. In January 2019 we secured additional drawn loans from The Housing Finance Corporation £10m. The undrawn revolving credit facility increased from £12m to £55m by increasing the facility with Lloyds by £43m, all remains undrawn.

Balance sheet

The strong surpluses enable delivery of our development programme. We completed our first social rented homes in five years and took handover of 280 new homes. By the year end we had increased our housing properties assets by £42m, with 384 homes currently in construction.

Our cash has decreased in 2019 to £27.8m (2018: £47.1m), this is due to utilising cash to fund new build homes offset by generating cash from operating activities and drawing down of £10m loans from The Housing Finance Corporation. The cash is being invested on the money markets and we have a clear plan to use it through building new affordable homes. We have contracted capital commitments of £52.1m, this can be financed from cash and available loan facilities.

Approval

This Strategic Report was approved by order of the board on 6 May 2020.

Craig Reynolds
Company Secretary

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 November 2019 confirmed the highest ratings G1/V1. The activities of West Kent Housing Association and its subsidiaries (see note 33) have been detailed in the Strategic Report.

Our Board includes independent board members, three of these are residents. Our Board is supported by specialist committees; Housing and Communities, Audit and Finance and Remuneration.

We will continue to develop our resident involvement model in line with emerging good practice.

We will continue to strengthen our risk, performance management and financial planning frameworks with the introduction of in-house specialist staff to oversee and provide assurance.

Post balance sheet events

Going Concern

The board reviewed the financial plans in December 2019, as part of their normal annual review, as well as our principal financial risks. 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, the effect of COVID-19 has also been assessed by the board on 6 May 2020, reviewing the organisation's ongoing forecasts and projections to ensure that the organisation remains financially viable. We have assessed the next three years with particular attention to the next accounting period, the year ending 31 December 2020. The most significant areas that are likely to affect the association's net assets are rental income, duration of properties empty, sales programme and an increase in the liabilities of the defined benefit pension scheme. Since the year-end, as a result of the effects of COVID-19, all these areas have either deteriorated or are expected to. Turnover is expected to reduce by £4.3m from a reduction in first tranche sales expected £3.9m and an increase in homes being empty with no rental income being received £0.4m. Operating costs is expected to reduce by £1.9m. Operating costs are expected to change as follows-increased doubtful debts £2.4m, increased maintenance & other costs £0.8m, increased impairment £0.6m and decreased planned maintenance £1.9m. Cost of sales from reduced by £2.6m due to reduced sales. Surplus on disposal of fixed assets assumed to reduce by £0.5m. This gives an overall impact in operating surplus of £4.1m.

As a result, the board have made some difficult decisions to delay some planned maintenance work for 2020 and delay entering into new agreements to build affordable housing. As a key provider of affordable housing in Kent, we will 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. We will continue to operate as normal, as much as we can. However, with the social distancing measures, we have decided to postpone major component replacements such as kitchens and bathrooms and stop non emergency repairs for the foreseeable future. We have concentrated on business-critical activities only. As a result, 23 staff have been put on furlough and we will be availing ourselves of Government support as much as possible in these difficult circumstances.

Even with these measures, the most recent forecasts show a potential surplus reduction of £4.1m, this will not cause West Kent to breach our bank covenants. We are investigating how we can work with our residents to provide welfare benefit advice and requesting direct payments from Universal Credit where possible and changes to automated messages during this period. 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 £55m, secured against our homes on an Existing Use Value –

Social Housing basis, along with capacity to borrow more, and so the board are of the opinion that West Kent will have sufficient resources to meet its liabilities as they fall due.

As such, the board conclude that West Kent remains a going concern and remains satisfied that West Kent can continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that West Kent is a financially viable organisation.

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 3 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. Indicators considered included those in paragraph 27.9 of FRS102 and paragraph 14.6 of Housing SORP 2018. In the review, schemes (groups of properties in the same location where the same services are provided) were taken to be cash-generating units. If a different level of cash generating units had been used (e.g. individual properties within a particular scheme) the conclusion on impairment may have been different.

- Rented properties

All properties empty at year end were reviewed to ensure they were still expected to be a cash generating unit. All let properties are reviewed by way of reviewing rent arrears and maintenance projections for each home to ensure it can continue to be a cash generating unit. 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 on first tranche sales or staircasings during the year to indicate the need for impairment. There were 55 unsold shared ownerships at year end of which 27 have been sold, 20 are under offer, leaving potentially 8 unsold with no offers at the date of signing the accounts. We have assessed these homes and considered whether an impairment is needed. These 8 unsold have an average cost to value of 77%, values would need to fall considerably for them to be impaired. No impairment has been applied.

- 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. There was an indication for a review of impairment on development schemes in progress due to the COVID-19 pandemic. At the time of signing the accounts the majority of schemes in contract had recommenced work. We have assessed each scheme, the contractors solvency, the proportion of work complete, the original appraisal and the proportion of homes expected to be sold. There were no schemes that indicated an 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 material, therefore no impairment.

Capitalisation of property development costs

Every live development scheme is assessed to distinguish the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £43.4m (2018: £31.9m).

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) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (concession period). The operator is paid for its services over the period of the arrangement. A common feature of a service concession arrangement is the public service nature of the obligation undertaken by the operator, whereby the arrangement contractually obliges the operator to provide services to, or on behalf of, the grantor for the benefit of the public. A significant judgement has been made that due to the arrangements in place and the risks West Kent takes on in this arrangement West Kent is the grantor in this relationship. To calculate the finance lease, we 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

In 2019, we maintained future inflation assumptions in line with our long-term financial forecast. We decreased our estimate of future payments under the finance lease for 2020 as these costs are known at year end based on retail price index inflation for September. Inflation applied to 2020 is 2.43%. This change has been reflected in the accounts and has decreased the finance lease interest payable for 2019 from £777k to £610k.

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 £6.1m (2018: £5.9m).

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 have been illustrated below. The liability at 31 December 2019 was £6.1m (2018: £7.3m).

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	53,885	54,986	56,110
Projected service cost	1,408	1,444	1,481
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	55,111	54,986	54,862
Projected service cost	1,445	1,444	1,443
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	55,982	54,986	54,010
Projected service cost	1,481	1,444	1,408
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	57,344	54,986	52,729
Projected service cost	1,496	1,444	1,393

Pension sensitivity analysis

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 2019, the board reviewed the agreement to adopt the National Housing Federation voluntary code on 'Mergers, Group Structures and Partnerships - A voluntary code for housing associations'. Members agreed criteria that would be applied in assessing a merger or partnership approach. No merger proposals have been reviewed or submitted in the year.

In December 2015, the board agreed to adopt the latest (2015) version of the National Housing Federation governance code. The association complies in full with the code. However the board noted that the chair of Audit and Finance Committee will continue as chair of Audit and Finance Committee for one year after stepping down as a board member in June 2020, while a review of the committee takes place.

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 May 2020. 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 comprises 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 60.

Assessment of the effectiveness of internal control

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

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

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

The key elements of internal control include:

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

The internal control framework, the risk management process and the fraud register are subject to regular review by internal audit, which has responsibility for providing independent assurance to the board via its Audit and Finance Committee. The Audit and Finance Committee considers internal controls and risk at each of its meetings during the year. Further enhancements are planned for 2020 on our risk management framework to ensure a consistent approach to risk management throughout the organisation.

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 the 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 2019. 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 on- going 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 17 June 2020.

By order of the board

Colin Wilby, Chair Date: 6 May 2020

Executives and advisors

West Kent Housing Association Board members

Colin Wilby, Chair

Tracy Allison, Chief Executive (Appointed 1 January 2020)

Judith Collings

Ben Cooper (Appointed 19 June 2019)

Frank Czarnowski, Chief Executive (Resigned 31 December 2019)

Helen Edwards

Joanne Frawley (Resigned 19 June 2019)

Angela George

Dave Hill

Brian Horton

Peter Kasch

Megan Morvan (Appointed 19 June 2019)

Caroline Phillips

Dr Joanne Simpson

Executive team

Tracy Allison, Chief Executive (appointed 4 November 2019)

Heather Brightwell, Communities Director (appointed 2 January 2019)

Frank Czarnowski, Chief Executive (resigned 31 December 2019)

Will Campbell-Wroe, Communities Director (resigned 2 January 2019)

Mark Leader, Property Director

Cathy McCarthy, Housing Director (appointed 11 November 2019)

Craig Reynolds, Finance Director and Company Secretary

Deborah White, Housing Director (resigned 31 October 2019)

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**

  NatWest Bank, 67 High Street, Sevenoaks, Kent TN13 1LA

- **Funders**

  Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN

  The Royal Bank of Scotland plc, 280 Bishopsgate, London EC2M 4AA

The Housing Finance Corporation Ltd, 4th Floor, 107 Cannon Street, London EC4N 5AF Affordable Housing Finance plc., 4th Floor, 107 Cannon Street, London EC4N 5AF

Legal Status

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

We have audited the financial statements of West Kent Housing Association ("the Association") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association balance sheets, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement 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).

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 2019 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic report and the 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 58, 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.

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

Elizabeth Kulczycki,
Senior statutory auditor,
BDO LLP,
Statutory Auditor
Gatwick

Date: 2 June 2020

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 2019

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Turnover	4	57,255	52,677	56,476	51,903
Cost of sales	4	(7,134)	(3,398)	(7,134)	(3,398)
Operating costs	4	(31,678)	(30,900)	(30,908)	(30,033)
Surplus on disposal of housing properties	4, 11	975	1,319	975	1,319
Operating surplus	4,7	19,418	19,698	19,409	19,791
Movement in fair value of investment properties	18	(110)	-	(110)	-
Operating surplus after fair value adjustment		19,308	19,698	19,299	19,791
Surplus on disposal of other fixed assets	11	6	3	6	3
Other interest receivable and similar income	12	333	211	333	211
Interest and financing costs	13	(6,935)	(7,461)	(6,935)	(7,461)
Surplus before taxation		12,712	12,451	12,703	12,544
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		12,712	12,451	12,703	12,544
Actuarial gain on defined benefit pension scheme	28	2,094	3,279	2,094	3,279
Total comprehensive income for year		14,806	15,730	14,797	15,823

The notes on page 78 to 148 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets at 31 December 2019

	Note	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	605,187	563,083	605,187	563,083
Tangible fixed assets – other	16	2,550	2,595	2,526	2,578
Investment properties	18	6,390	6,500	6,390	6,500
		614,127	572,178	614,103	572,161
Current assets					
Properties for sale	19	12,092	10,292	12,092	10,292
Stock		92	82	77	71
Debtors – receivable within one year	20	2,024	1,887	1,939	1,786
Debtors – receivable after one year	20	3,714	3,350	3,714	3,350
Cash and cash equivalents	21	27,802	47,130	27,662	46,979
		45,724	62,741	45,484	62,478
Creditors: amounts falling due within one year	22	(9,861)	(8,077)	(9,810)	(8,001)
Net current assets		35,863	54,664	35,674	54,477
Total assets less current liabilities		649,990	626,842	649,777	626,638
Creditors: amounts falling due after more than one year	23	(347,153)	(337,582)	(347,153)	(337,582)
Net assets excluding pension liability		302,837	289,260	302,624	289,056
Pension liability	28	(6,087)	(7,316)	(6,087)	(7,316)
Net assets		296,750	281,944	296,537	281,740
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		132,966	118,109	132,787	117,946
Revaluation reserve		163,750	163,794	163,750	163,794
Restricted reserve		34	41	-	-
		296,750	281,944	296,537	281,740

The financial statements were approved by the board of directors and authorised for issue on 6 May 2020 and signed on their behalf by:

C Wilby, Chair of Board

Tracy Allison, Chief Executive

The notes on page 78 to 148 form part of these financial statements.

Consolidated statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	118,109	163,794	41	281,944
Surplus for the year	12,719	-	(7)	12,712
Actuarial gain on defined benefit pension scheme	2,094	-	-	2,094
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	44	(44)	-	-
Balance at 31 December 2019	132,966	163,750	34	296,750
Balance at 1 January 2018	101,550	164,608	56	266,214
Surplus for the year	12,466	-	(15)	12,451
Actuarial gain on defined benefit pension scheme	3,279	-	-	3,279
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	814	(814)	-	-
Balance at 31 December 2018	118,109	163,794	41	281,944

The notes on page 78 to 148 form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	**£'000**	**£'000**
Balance at 1 January 2019	117,946	163,794	281,740
Surplus for the year	12,703	-	12,703
Actuarial gain on defined benefit pension scheme	2,094	-	2,094
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	44	(44)	-
Balance at 31 December 2019	132,787	163,750	296,537
Balance at 1 January 2018	101,309	164,608	265,917
Surplus for the year	12,544	-	12,544
Actuarial gain on defined benefit pension scheme	3,279	-	3,279
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	814	(814)	-
Balance at 31 December 2018	117,946	163,794	281,740

The notes on page 78 to 148 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

	Note	2019	2018
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		12,712	12,451
Adjustments for:			
Depreciation of fixed assets - housing properties	15	5,690	5,387
Depreciation of other fixed assets	16	413	540
Impairment of other fixed assets	16	(9)	9
Amortised grant	5	(961)	(958)
Difference in fair value of investment properties	18	110	-
Interest payable and finance costs	13	6,935	7,461
Interest received	12	(333)	(211)
Difference between net pension expense and cash contribution	28	865	773
Disposal cost of sales - housing properties	11	1,166	1,273
Surplus on the sale of other fixed assets	11	(6)	(3)
Increase in trade and other debtors		(500)	(1,120)
Increase in stocks		(1,810)	(3,330)
Decrease/Increase in trade and other creditors		2,055	(916)
Cash from operations		26,327	21,356
Taxation paid		-	-

	Note	2019	2018
		£'000	£'000
Net cash generated from operating activities		26,327	21,356
Cash flows from investing activities			
Proceeds from sale of other fixed assets	11	25	7
Purchase of fixed assets – housing properties	15	(48,505)	(34,260)
Purchases of other fixed assets	16	(378)	(284)
Receipt of grant	24	651	1,159
Interest received	12	333	211
Loans redeemed	20	(1)	-
Net cash from investing activities		(47,875)	(33,167)
Cash flows from financing activities			
Interest paid	13	(7,889)	(8,086)
Capital element of lease revalued/(repaid)		(251)	(55)
New loans - bank	27	12,899	36,000
Debt issue costs incurred	26	(1,039)	(128)
Repayment of bank loans	26	(1,500)	(1,500)
Net cash used in financing activities		2,220	26,231
Net increase in cash and cash equivalents		(19,328)	14,420
Cash and cash equivalents at beginning of year		47,130	32,710
Cash and cash equivalents at end of year		27,802	47,130

The notes on page 78 to 148 form part of these financial statements.

Net debt reconciliation	At 1 January 2019	Cashflows	Other Non Cash changes	At 31 December 2019
	£'000	£'000	£'000	£'001
Cash and cash equivalents				
Cash and cash equivalents	47,130	(19,328)	-	27,802
Finance Leases	(22,412)	251		(22,161)
Loans	(229,453)	(11,399)	1,039	(239,813)
Net debt reconciliation	(204,735)	(30,476)	1,039	(234,172)

The notes on page 78 to 148 form part of these financial statements.

Notes forming part of the financial statements

Index of Notes

1 Legal status

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

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the 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.

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 2019.

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.
- Disclosures in respect of the parent's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of West Kent Housing Association and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The group 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 in December 2019 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the recent COVID-19 outbreak and its financial effect has meant that the executive team and board have been reviewing financial plans for the next 3 years to ensure West Kent can continue its business-critical activities and remain a going concern.

The Government's decisions on social distancing is expected to have a significant effect on West Kent's financial situation and an estimated £4.1m reduction in operating surplus for 2020. This is across all areas of income, with much of this from income collection and sales as we see difficulties for residents to pay their rent and difficulties for homebuyers to complete mortgage transactions, as well as an increases in operating costs offset by some delays in planned maintenance.

The board have made some difficult decisions to delay some planned maintenance work for 2020 and delay entering into new agreements to build affordable housing. As a key provider of affordable housing in Kent, we will 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. We will continue to operate as normal, as much as we can. However, with the social distancing measures, we have decided to postpone major component replacements such as kitchens and bathrooms and stop non-emergency repairs for the foreseeable future. We have concentrated on business-critical activities only. This includes the furlough of staff who are not involved in business-critical work or are unable to carry out their duties due to social distancing measures.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a daily basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totaling around £55m, 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.

The potential effect on the balance sheet for 2020 is explained further in Note 34.

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

2.9 Management of units owned by others

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

2.10 Schemes managed by agents

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

2.11 Current and deferred taxation

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

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

Deferred 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.

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

2.13 Finance costs

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

2.14 Pension costs

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

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

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

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

2.15 Holiday pay accrual

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

2.16 Termination benefits

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

2.17 Tangible fixed assets - housing properties

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

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

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

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

Mixed developments 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 and right to buy disposals of fixed assets are included in operating surplus/deficit as they are part of West Kent's normal operating activities. Other disposals of fixed assets are included after operating surplus.

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

2.18 Deemed cost on transition to FRS 102

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

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

Properties initially purchased by West

Kent as part of the large scale voluntary transfer from Sevenoaks District Council are recognised in tangible fixed assets – housing properties at fair value using existing use value – social housing (EUV-SH) valuation. 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	50
Windows	30
Doors	25
Boilers	15
Central Heating System	15
Kitchens	20
Bathrooms	30
Systems / Electrics	30
Other Heating	15
Lifts	20
Other scheme fixed assets	5-30

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

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

Leasehold properties are depreciated over the term of the lease.

Any difference between the 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 Tangible fixed assets - other

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 fixed assets

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

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

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. An option appraisal is carried out to determine the option that produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

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

2.27 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 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.

2.33 Financial liabilities and equity

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

2.34 Cash and cash equivalents

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

2.35 Leased assets: Lessee

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

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

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

2.36 Leasehold sinking funds

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

2.37 Provision for liabilities

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

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

2.38 Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

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

2.39 Reserves

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

The revaluation reserve is created from surpluses on asset revaluation.

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

3.1 Key judgements

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

- 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 (EUV-SH) or depreciated replacement cost. The members have also considered impairment on the basis of their assumptions of cash or asset generating units. Had management assessed cash generating units at different levels (e.g. as individual properties within a particular scheme) the conclusion on impairment may have been different. Management considered possible alternatives and determined the possible impacts to be immaterial to the financial statements.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, management then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the group either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Whether the Kent Excellent Homes for All – Private Finance Initiative should be treated as a finance lease. In considering this project an assessment of Section 34 'Service concessions' of FRS 102 was conducted. A service concession arrangement is an arrangement whereby a public sector body, or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (concession period).

The operator is paid for its services over the period of the arrangement. Kent County Council and West Kent could be deemed to be the public sector body and public benefit entity respectively. The agreement sees West Kent making regular payments to the Special Purpose Vehicle to operate and maintain the assets for the period to 31 December 2040. A significant judgement has been made that due to the arrangements in place and the risks West Kent takes on in this arrangement West Kent is the grantor in this relationship.

- 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 judgement 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 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 a critical underlying assumptions on inflation. Variation in these assumptions may significantly impact the obligations in the finance lease payments.

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

- 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	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)
	2019	**2019**	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2018**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	46,040	-	(28,731)	-	17,309	45,582	-	(27,916)	-	17,666
Other social housing activities										
First tranche low cost home ownership sales	9,037	(7,134)	-	-	1,903	4,746	(3,398)	-	-	1,348
Staircasing activity on low cost home ownership (Note 11)	-	-	-	489	489	-	-	-	805	805
Sales of other housing properties (Note 11)	-	-	-	486	486	-	-	-	514	514
Charges for support services	104	-	(277)	-	(173)	159	-	(274)	-	(115)
Supporting people	442	-	(666)	-	(224)	644	-	(660)	-	(16)
Community engagement	779	-	(1,490)	-	(711)	774	-	(1,562)	-	(788)
Development costs not capitalised	-	-	(71)	-	(71)	-	-	(106)	-	(106)
Other	194	-	-	-	194	20	-	(60)	-	(40)
	56,596	(7,134)	(31,235)	975	19,202	51,925	(3,398)	(30,578)	1,319	19,268
Activities other than social housing activities										
Lettings – Garages	646	-	(328)	-	318	667	-	(322)	-	345
Other	13	-	(115)	-	(102)	85	-	-	-	85
	659	-	(443)	-	216	752	-	(322)	-	430
	57,255	(7,134)	(31,678)	975	19,418	52,677	(3,398)	(30,900)	1,319	19,698

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

	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Surplus on disposal of fixed assets	Operating surplus/ (deficit)
	2019	**2019**	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2018**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	46,040	-	(28,731)	-	17,309	45,582	-	(27,916)	-	17,666
Other social housing activities										
First tranche low cost home ownership sales	9,037	(7,134)	-	-	1,903	4,746	(3,398)	-	-	1,348
Staircasing activity on low cost home ownership (Note 11)	-	-	-	489	489	-	-	-	805	805
Sales of other housing properties (Note 11)	-	-	-	486	486	-	-	-	514	514
Charges for support services	104	-	(277)	-	(173)	159	-	(274)	-	(115)
Supporting people	442	-	(666)	-	(224)	644	-	(660)	-	(16)
Community engagement	-	-	(720)	-	(720)	-	-	(695)	-	(695)
Development costs not capitalised	-	-	(71)	-	(71)	-	-	(106)	-	(106)
Other	194	-	-	-	194	20	-	(60)	-	(40)
	55,817	(7,134)	(30,465)	975	19,193	51,151	(3,398)	(29,711)	1,319	19,361
Activities other than social housing activities										
Lettings – Garages	646	-	(328)	-	318	667	-	(322)	-	345
Other	13	-	(115)	-	(102)	85	-	-	-	85
	659	-	(443)	-	216	752	-	(322)	-	430
	56,476	(7,134)	(30,908)	975	19,409	51,903	(3,398)	(30,033)	1,319	19,791

5 Particulars of turnover and operating expenditure from social housing lettings - Group and Association

	General needs housing	Supported housing (including housing for older people)	Kent Excellent Homes for All	Low cost home ownership	Leasehold	Total	Total
	2019	**2019**	**2019**	**2019**	**2019**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income							
Rents net of identifiable service charges	30,588	4,777	3,095	2,387	1	40,848	40,617
Service charge income	1,132	1,529	773	315	88	3,837	3,782
Net rental income	31,720	6,306	3,868	2,702	89	44,685	44,399
Amortised government grants	768	117	-	76	-	961	958
Other grants	364	30	-	-	-	394	225
Turnover from social housing lettings	32,852	6,453	3,868	2,778	89	46,040	45,582
Operating expenditure							
Management	(3,054)	(498)	(376)	(379)	(94)	(4,401)	(4,125)
Service charge costs	(2,113)	(1,593)	(116)	(397)	(77)	(4,296)	(4,328)
Routine maintenance	(3,510)	(610)	(91)	-	-	(4,211)	(4,033)
Planned maintenance	(6,471)	(1,059)	(10)	-	-	(7,540)	(7,212)
Major repairs expenditure	(181)	(30)	-	-	-	(211)	(429)
Kent Excellent Homes for All operating service agreement	-	-	(2,068)	-	-	(2,068)	(2,000)
Bad debts	(159)	(41)	(51)	(20)	1	(270)	(358)
Depreciation of housing properties:							
- annual charge	(4,619)	(775)	(126)	-	-	(5,520)	(5,278)
- accelerated on disposal of components	(153)	(17)	-	-	-	(170)	(109)
Other costs	(13)	(31)	-	-	-	(44)	(44)
Operating expenditure on social housing lettings	(20,273)	(4,654)	(2,838)	(796)	(170)	(28,731)	(27,916)
Operating surplus/(deficit) on social housing lettings	12,579	1,799	1,030	1,982	(81)	17,309	17,666
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(314)	(76)	(44)	(16)	-	(450)	(324)

6 Residential accommodation owned and / or managed (Group and Association)

	Opening 1 January	Additions	Disposed	Staircased	Transfers	Closing 31 December
	2019	2019	2019	2019	2019	2019
	Number	Number	Number	Number	Number	Number
General needs housing:						
- social	4,876	2	(4)	-	-	4,874
- affordable	532	149	-	-	-	681
Housing for older people:						-
- social	832	-	-	-	-	832
- affordable	69	-	-	-	-	69
- Kent Excellent Homes for All	218	-	-	-	-	218
Supported housing:						-
- social	38	-	-	-	-	38
- affordable	8	-	-	-	-	8
- Kent Excellent Homes for All	20	-	-			20
Intermediate rent	30	-	-	-	(1)	29
Low cost home ownership	507	129	-	(8)	1	629
Total owned and managed accommodation	7,130	280	(4)	(8)	-	7,398
Residential accommodation managed by others	3	-	-		-	3
Total owned and/or managed social housing	7,133	280	(4)	(8)	-	7,401
Leaseholders	175	3	-	4	-	182
Homes under construction	425					384

7 Operating surplus

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	5,520	5,278	5,520	5,278
- accelerated depreciation on replaced components	170	109	170	109
- Impairment	-	9	-	-
Depreciation of other tangible fixed assets	413	540	412	525
Operating lease charges – land & building	96	96	90	90
Leasing income	(2,259)	(1,882)	(2,259)	(1,882)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	52	52	52	52
- fees for audit of accounts of subsidiary entities	9	11	-	-
- fees for other non-audit services	-	-	-	-
Defined benefit pension cost (Note 28)	1,718	1,635	1,718	1,635
Defined contribution pension cost (Note 8)	243	177	243	177

8 Employees

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs (including executive management team) consist of:				
Wages and salaries	8,326	7,743	8,326	7,743
Social security costs	802	738	802	738
Cost of defined benefit pension scheme (Note 28)	1,718	1,635	1,718	1,635
Cost of defined contribution scheme	243	177	243	177
Less amounts recharged to group entities	-	-	(739)	(754)
	11,089	10,293	10,350	9,539

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		Association	
	2019	2018	2019	2018
	FTE	FTE	FTE	FTE
Administration	34	40	34	40
Development	12	9	12	9
Housing, Support and Care	194	190	194	190
	240	239	240	239

A defined contribution pension scheme is operated by the group on behalf of the employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £243,250 (2018 - £176,774). No contributions (2018 - £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 61.

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Executive directors' emoluments	665	630	665	630
Amounts paid to non-executive directors	81	68	81	68
	746	698	746	698

The total amount payable to the chief executive, who was also the highest paid director in respect of emoluments excluding pension was £135,460 (2018 - £125,646). As a member of the Kent County Council local government pension scheme (KCC LGPS), the pension entitlement of the chief executive is identical to those of other members. No enhanced or special terms apply.

There were five directors in the KCC LGPS scheme (2018 - four) and one director is in the group's defined contribution pension scheme (2018 - Nil).

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

	Group		Association	
	2019	2018	2019	2018
	Number	Number	Number	Number
£60,000 - £69,999	9	7	9	7
£70,000 - £79,999	5	5	5	5
£80,000 - £89,999	1	-	1	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	2	-	2	-
£110,000 - £119,999	1	2	1	2
£120,000 - £129,999	1	1	1	1
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	1	-	1
£160,000 - £169,999	-	-	-	-
£170,000 - £179,999	1	-	1	-

10 Board members

		Remuneration £	Member of: Group Board	Audit and Finance	Communities and housing	Remuneration
Tracy Allison - Chief Executive	(Appointed 1 January 2020)	-	Member		Member	
Judith Collings		6,361	Member	Member		
Ben Cooper	(Appointed 19 June 2019)	6,361	Member		Member	Member
Frank Czarnowski - Chief Executive	(Resigned 31 December 2019)	-	Member		Member	
Helen Edwards		6,361	Member		Member	
Joanne Frawley	(Resigned 19 June 2019)	2,974	Member		Chair	Member
Angela George		6,361	Member		Member	
Dave Hill		6,361	Member	Member		Chair
Brian Horton		6,361	Member		Chair	
Peter Kasch		6,361	Member	Member		
Megan Morvan	(Appointed 19 June 2019)	6,361	Member		Member	
Caroline Phillips		7,641	Member	Chair		
Dr Joanne Simpson		6,361	Member		Member	
Colin Wilby - Chair		12,244	Chair	*Member	Member	Member

Chair Member

** No voting rights as a member of Audit & Finance*

11 Surplus on disposal of fixed assets

Group and Association	Shared ownership 2019 £'000	Other housing properties 2019 £'000	Surplus on disposal of housing properties 2019 £'000	Surplus On Disposal of Other fixed assets 2019 £'000	Total 2019 £'000
Housing properties:					
Disposal proceeds	1,407	628	2,035	6	2,041
Cost of disposals	(903)	(119)	(1,022)	-	(1,022)
Grant recycled on disposal	(13)	(11)	(24)	-	(24)
Selling costs	(2)	(12)	(14)	-	(14)
Surplus on disposal of fixed assets	489	486	975	6	981

Group and Association	Shared ownership 2018 £'000	Other housing properties 2018 £'000	Surplus On Disposal of Housing Properties 2018 £'000	Surplus On Disposal of Other fixed assets 2018 £'000	Total 2018 £'000
Housing properties:					
Disposal proceeds	1,783	726	2,509	3	2,512
Cost of disposals	(948)	(180)	(1,128)	-	(1,128)
Grant recycled on disposal	(23)	(30)	(53)	-	(53)
Selling costs	(7)	(2)	(9)	-	(9)
Surplus on disposal of fixed assets	805	514	1,319	3	1,322

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		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest receivable and similar income	333	211	333	211
	333	211	333	211

13 Interest payable and similar charges

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	7,269	7,504	7,269	7,504
Finance leases	610	777	610	777
Net interest on net defined benefit liability	195	241	195	241
	8,074	8,522	8,074	8,522
Interest capitalised in construction costs of housing				
properties	(1,139)	(1,061)	(1,139)	(1,061)
	6,935	7,461	6,935	7,461

14 Taxation on surplus on ordinary activities

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'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		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before tax	12,712	12,451	12,703	12,544
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%) Effects of:	2,415	2,366	2,414	2,383
Charitable income	(2,415)	(2,366)	(2,414)	(2,383)
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2018: £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 (2018 - £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	General needs under construction	Low cost home ownership completed	Low cost home ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2019	527,963	18,080	56,445	19,099	621,587
Additions:					
construction costs	-	28,171	-	15,209	43,380
replaced components	5,435	-	-	-	5,435
Completed schemes	28,824	(28,824)	21,359	(21,359)	-
Disposals:					
staircasing sales to 100%	-	-	(621)	-	(621)
staircasing sales partial	-	-	(275)	-	(275)
other sales	(150)	-	-	-	(150)
replaced components	(986)	-	-	-	(986)
At 31 December 2019	561,086	17,427	76,908	12,949	668,370
Depreciation:					
At 1 January 2019	(58,504)	-	-	-	(58,504)
Charge for the year	(5,690)	-	-	-	(5,690)
Eliminated on disposals:					
other sales	25	-	-	-	25
replaced components	986	-	-	-	986
At 31 December 2019	(63,183)	-	-	-	(63,183)
Net book value at 31 December 2019	497,903	17,427	76,908	12,949	605,187
Net book value at 31 December 2018	469,459	18,080	56,445	19,099	563,083

15 Tangible fixed assets - housing properties (continued)

	Group	Group	Association	Association
	2019	**2018**	**2019**	**2018**
The net book value of housing properties may be further analysed as:				
Freehold	566,669	524,228	566,669	524,228
Long leasehold	38,518	38,855	38,518	38,855
	605,187	563,083	605,187	563,083
Interest capitalisation				
Interest capitalised in the year	1,138	1,061	1,138	1,061
Rate used for capitalisation	3.1%	3.1%	3.1%	3.1%
Works to properties				
Improvements to existing properties capitalised	-	-	-	-
Major components replacement capitalised	5,435	3,276	5,435	3,276
Major repairs expenditure to income and expenditure account	211	429	211	429
	5,646	3,705	5,646	3,705
Total Social Housing Grant received or receivable to date is as follows:				
Deferred capital grant – Housing properties - general needs	77,844	78,598	77,844	78,598
Deferred capital grant – Housing properties - shared ownerships	7,983	7,214	7,983	7,214
Recycled capital grant fund	1,156	1,337	1,156	1,337
Revenue grant – income and expenditure	961	958	961	958
Revenue grant – reserves	35,359	34,401	35,359	34,401
	123,303	122,508	123,303	122,508

Finance leases

The net book value of housing properties for the group includes an amount of £21,173k (2018 - £21,299k) 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 £352m pledged as security at 31 December 2019 (2018 - £355m).

16 Other tangible fixed assets

Group	Office buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	2,423	5,072	1,373	8,868
Additions	-	307	71	378
Disposals	-	(64)	(31)	(95)
At 31 December 2019	2,423	5,315	1,413	9,151
Depreciation				
At 1 January 2019	(803)	(4,303)	(1,158)	(6,264)
Charge for year	(39)	(321)	(53)	(413)
Disposals	-	55	21	76
At 31 December 2019	(842)	(4,569)	(1,190)	(6,601)
Impairment				
At 1 January 2019	-	-	(9)	(9)
Charge for year	-	-	-	-
Released	-	-	9	9
At 31 December 2019	-	-	-	-
Net book value				
At 31 December 2019	1,581	746	223	2,550
At 31 December 2018	1,620	769	206	2,595

16 Other tangible fixed assets (continued)

Association	Office buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	2,423	5,031	1,313	8,767
Additions	-	307	62	369
Disposals	-	(48)	-	(48)
At 31 December 2019	2,423	5,290	1,375	9,088
Depreciation				
At 1 January 2019	(803)	(4,263)	(1,123)	(6,189)
Charge for year	(39)	(321)	(52)	(412)
Disposals	-	39	-	39
At 31 December 2019	(842)	(4,545)	(1,175)	(6,562)
Net book value				
At 31 December 2019	**1,581**	**745**	**200**	**2,526**
At 31 December 2018	**1,620**	**768**	**190**	**2,578**

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
The net book value of office buildings may be further analysed as:				
Freehold	1,562	1,601	1,562	1,601
Short leasehold	19	19	19	19
	1,581	1,620	1,581	1,620

Finance leases

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

17 Fixed asset investments

Details of subsidiary undertakings, associated undertakings and other investments

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

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

Ink Development Company Limited is a jointly controlled entity between Optivo 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 2019 is calculated to be £47,079 (2018: £47,640). West Kent's share of the profits to date would be £23,540 (2018: £23,820). 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 2019	6,500
Movements in fair value of investment	(110)
At 31 December 2019	6,390

The association owns garages which are classified as investment properties and a valuation was performed in December 2019. 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 2019 has been used.

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

Discount rate	9.0%
Catch up repairs	£235k 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	25%

Based on the valuation assumptions outlined above, the valuers are of the opinion that the Market Value of the 1,849 properties is £6,390k.

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

19 Properties for sale

Group and Association	2019 £'000	2018 £'000
First tranche shared ownership properties:		
Work in progress (Properties under construction)	7,029	9,633
Completed properties (Properties completed and unsold)	5,063	659
	12,092	10,292

Properties developed for sale include capitalised interest of £337,768 (2018 - £350,741).

20 Debtors

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	1,190	1,270	1,190	1,270
Less: Provision for doubtful debts	(723)	(709)	(723)	(709)
	467	561	467	561
Amounts owed by group undertakings	-	-	-	25
Staff loans	3	2	3	2
Other debtors	648	388	596	330
Prepayments and accrued income	906	936	873	868
	2,024	1,887	1,939	1,786
Due after one year				
Staff loans	-	-	-	-
Amounts held on trust	3,568	3,017	3,568	3,017
Prepayments and accrued income	146	333	146	333
	3,714	3,350	3,714	3,350
	5,738	5,237	5,653	5,136

The amounts held in trust relate to interest servicing reserve held on loans of £3,568 (2018 - £3,017k) held by Affordable Housing Finance Plc. Amounts held on trust for the loan principle where security is to be provided Nil (2018 - Nil).

21 Cash and cash equivalents

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	27,070	46,462	26,930	46,311
Leaseholder accounts	732	668	732	668
	27,802	47,130	27,662	46,979

22 Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 26)	1,973	1,635	1,973	1,635
Trade creditors	1,501	384	1,483	384
Rent and service charges received in advance	1,189	864	1,189	864
Amounts owed to group undertakings	-	-	-	-
Obligations under finance leases (Note 26)	163	133	163	133
Other creditors	1,451	976	1,451	976
Recycled capital grant fund (Note 25)	405	354	405	354
Accruals and deferred income	1,618	2,354	1,585	2,278
Accrued interest	1,561	1,377	1,561	1,377
	9,861	8,077	9,810	8,001

23 Creditors: amounts falling due after more than one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 26)	237,840	227,818	237,840	227,818
Obligations under finance leases (Note 26)	21,998	22,279	21,998	22,279
Deferred capital grant (Note 24)	85,827	85,811	85,827	85,811
Recycled capital grant fund (Note 25)	751	983	751	983
Sinking fund balances	737	691	737	691
	347,153	337,582	347,153	337,582

24 Deferred capital grant

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 January	85,811	85,798	85,811	85,798
Grants received during the year	757	1,251	757	1,251
Grants recycled from the recycled capital grant fund and disposal proceeds fund	354	-	354	-
Released to income during the year	(961)	(958)	(961)	(958)
Grants on disposed properties	(134)	(280)	(134)	(280)
At 31 December	85,827	85,811	85,827	85,811

25 Recycled capital grant fund

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 January	1,337	1,004	1,337	1,004
Inputs to Recycled capital grant fund:				
• grants recycled from deferred capital grants	134	280	134	280
• grants recycled from statement of comprehensive income	24	53	24	53
• interest accrued	15	-	15	-
Recycling of grant:				
• new build	(354)	-	(354)	-
At 31 December	1,156	1,337	1,156	1,337
Amounts three years or older where repayment may be required	-	275	-	275

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

26 Loans and borrowings

	Loans	Finance Lease	Total	Loans	Finance Lease	Total
	2019	2019	2019	2018	2018	2018
Group and Assocation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	1,973	163	2,136	1,635	133	1,768
Later than one year and not later than two years	3,472	194	3,666	1,885	163	2,048
Later than two years and not later than five years	12,667	790	13,457	11,157	688	11,845
Later than five years	221,701	21,014	242,715	214,776	21,428	236,204
	239,813	22,161	261,974	229,453	22,412	251,865

All borrowings are in the form of bank loans. All historic loans accrue interest at a variable or fixed rate equivalent to LIBOR plus margin. Issue costs incurred, have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the amortised cost method.

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 1.78% to 5.40% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 December 2019 the group had undrawn loan facilities of £55m (2018 - £12m).

	Facility	Drawn	Available	Facility	Drawn	Available
	2019	2019	2019	2018	2018	2018
Loans principle excluding fees	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
The Royal Bank of Scotland	50,000	45,000	5,000	50,000	45,000	5,000
Lloyds Bank	140,750	90,750	50,000	99,250	92,250	7,000
The Housing Finance Corporation	45,000	45,000	-	35,000	35,000	-
Affordable Housing Finance	54,000	54,000	-	54,000	54,000	-
	289,750	234,750	55,000	238,250	226,250	12,000

27 Financial instruments

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Financial assets measured at historic cost				
Trade receivables	467	561	467	561
Other receivables	5,271	4,676	5,186	4,575
Cash and cash equivalents	27,802	47,130	27,662	46,979
Total financial assets	33,540	52,367	33,315	52,115
Financial liabilities measured at historic cost				
Loans payable	239,813	229,453	239,813	229,453
Trade creditors	1,502	384	1,484	384
Other creditors	93,539	93,410	93,506	93,334
Finance leases	22,161	22,412	22,161	22,412
Total financial liabilities	357,015	345,659	356,964	345,583

The group's financial assets comprise of trade receivables, other receivables and cash and cash equivalents measured at historic cost. There are a limited number of agreements in place with customers to pay debts owed to West Kent, the value of the payment plans are small and have been included and continue to be held at transaction price.

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

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. 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 2019 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.

	2019	2018
Reconciliation of present value of plan liabilities	**£'000**	**£'000**
At the beginning of the year	50,607	54,445
Current service cost	1,283	1,615
Interest cost	1,422	1,404
Actuarial (gains) / losses:		
-Change in financial assumptions	6,669	(5,953)
-Change in demographic assumptions	(3,905)	-
-Experience gains on curtailments	-	-
Estimated benefits paid	(1,743)	(1,160)
Past service costs, including curtailments	414	-
Contributions by scheme participants	264	280
Unfunded pension payments	(25)	(24)
At the end of the year	54,986	50,607
Composition of plan liabilities		
Schemes wholly or partly funded	Partly	Partly

	2019	2018
Reconciliation of fair value of plan assets	**£'000**	**£'000**
At the beginning of the year	43,291	44,623
Interest income on plan assets	1,227	1,163
Return on assets less interest	4,858	(2,674)
Other actuarial gains/(losses)	-	-
Administration expenses	(21)	(20)
Contributions by employer including unfunded	1,048	1,103
Contributions by fund participants	264	280
Estimated benefits paid	(1,768)	(1,184)
At the end of the year	48,899	43,291
Fair value of plan assets	48,899	43,291
Present value of the defined benefit obligation	(54,764)	(50,356)
Present value of unfunded obligation	(222)	(251)
Net pension scheme liability	(6,087)	(7,316)
Amounts recognised in income and expense are as follows:		
Current service cost	1,697	1,615
Administrative expenses	21	20
Interest cost	1,422	1,404
Interest on assets	(1,227)	(1,163)
	1,913	1,876
Analysis of actuarial gain recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	4,858	(2,674)
Other actuarial gains/(losses) on assets	3,905	-
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(6,669)	5,953
	2,094	3,279

	2019	2018
Composition of plan assets	**£'000**	**£'000**
Equities	32,764	29,739
Gilts	356	314
Other bonds	4,289	3,842
Property	5,745	5,191
Cash	1,952	845
Target return portfolio	3,793	3,360
Total plan assets	48,899	43,291
Actual return on plan assets	6,085	(1,511)

Principal actuarial assumptions used at the balance sheet date		
Discount rates	2.1%	2.9%
Future salary increases	3.8%	3.9%
Future pension increases	2.3%	2.4%
Mortality rates		
for a male aged 65 now	21.8	23.1
at 65 for a male member aged 45 now	23.2	25.4
for a female aged 65 now	23.7	25.2
at 65 for a female member aged 45 now	25.2	27.6

Defined contribution scheme

A defined contribution pension scheme is operated by the group on behalf of the employees. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £243k (2018 - £177k). Contributions totalling £Nil (2018 - £Nil) were payable to the fund at the year end and are included in creditors.

29 Share capital

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
At 1 January	28	29	28	29
Shares issued in the year	2	1	2	1
Shares cancelled in the year	(1)	(2)	(1)	(2)
At 31 December	29	28	29	28

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 there 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:

	Group		Association	
	2019	2018	2019	2018
Amounts payable as lessee	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	135	135	114	114
Later than one year and not later than five years	508	508	422	422
Later than five years	2,317	2,456	2,266	2,384
	2,960	3,099	2,802	2,920

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

	Group		Association	
	2019	2018	2019	2018
Amounts receivable as lessor	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	2,498	1,996	2,498	1,996
Later than one year and not later than five years	9,990	7,982	9,990	7,982
Later than five years	278,840	221,389	278,840	221,389
	291,328	231,367	291,328	231,367

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		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Commitments contracted but not provided for:				
Construction	50,328	49,644	50,328	49,644
Construction - Ink Development Company Limited	1,732	4,678	1,732	4,678
Commitments approved by the Board but not contracted for:				
Construction	28,227	9,447	28,227	9,447
Construction - Ink Development Company Limited	-	-	-	-
	80,287	63,769	80,287	63,769

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

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Social Housing Grant	1,876	4,809	1,876	4,809
New loans	-	-	-	-
Sales of properties	39,930	26,453	39,930	26,453
Existing reserves	38,481	32,507	38,481	32,507
	80,287	63,769	80,287	63,769

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 (2018 - two) who hold tenancy agreements on normal terms and cannot use their position to their advantage. There were eleven shareholders (2018 - eleven), 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:

	2019	**2018**
	£'000	**£'000**
Payment due from previous year	(1)	(1)
Charges in year	67	74
Payments in year	(66)	(74)
Payments due at end of year	-	(1)

Joint venture

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

	2019	**2018**
	£'000	**£'000**
Net sales and purchases of goods and services	4,666	10,809
Debtors due to Ink Development Company Limited	527	486
Creditor due from Ink Development Company Limited	255	255
Administration fees received by West Kent	9	8

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 also donates management and other charge to its subsidiaries. The quantum and basis of those charges is set out below.

	Management charges		Staff recharged		Other charges	
	2019	2018	2019	2018	2019	2018
Payable to association by subsidiaries:	£'000	£'000	£'000	£'000	£'000	£'000
West Kent Extra Limited	450	402	290	352	117	106
	450	402	290	352	117	106

	Management charges		Staff recharged		Other charges	
	2019	2018	2019	2018	2019	2018
Donation by association to subsidiaries:	£'000	£'000	£'000	£'000	£'000	£'000
West Kent Extra Limited	450	402	-	-	117	106
	450	402	-	-	117	106

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.

34 Post balance sheet events

Events after the end of the reporting period:

Since the 31 December 2019 to the date of signing these financial statements the outbreak of the pandemic COVID-19 has had an economic effect across all sectors and West Kent has considered the effect on the organisation as a going concern, its resilience through this period and the effect on the assets and funds of West Kent. The board have reviewed the revised financial plans for the next 3 years and agreed a series of activities that should ensure financial stability in these difficult times. There are sufficient undrawn loans available if necessary and the board have made some difficult decisions to delay some planned maintenance work for 2020 and delay entering into new agreements to build affordable housing.

Turnover is expected to reduce by £4.3 from a reduction in first tranche sales expected £3.9m and an increase in homes being empty with no rental income being received £0.4m. Operating costs is expected to reduce by £1.9m. A provision for doubtful debts has been assessed at £2.4m shown in operating costs, increased maintenance and other costs of £0.8m, offset by a reduction in planned works in 2020 of £1.9m and an assumed impairment of £0.6m. Cost of sales from reduced by £2.6m due to reduced sales. Surplus on disposal of fixed assets assumed to reduce by £0.5m. This gives an overall impact in operating surplus of £4.1m. This does not affect our business-critical activities.

If the situation were to worsen then the board may decide to delay planned maintenance expenditure further, though there are no plans to do so at this present time. On review of the financial plans for the next 3 years the board have concluded that this will not affect the ability of West Kent to continue as a going concern. We remain resilient through having a considered treasury management strategy, avoiding undue risk, and sound financial planning and management.

West Kent Housing Association
101 London Road, Sevenoaks Kent TN13 1AX

visit westkent.org
or call 01732 749400

@west_kent WestKentHA
@westkenthousingassociation