West Kent Housing Association Report and Consolidated Financial Statements

for the year ended
31 December 2021

WestKent

Places to live. Space to grow.

Report and Consolidated Financial Statements
for the year ended 31 December 2021

Highlights

Operating social housing margin **25.1%**

Governance **RATING G1/V1**

£30M INVESTED in new homes in 2021

Delivered **3.6 NEW HOMES** into management every week

Started **2.4 NEW TENANCIES** every week

Increased homes in management to **8,065 (2020:7,886)**

Achieved **99% OCCUPANCY**

Achieved **ARREARS 1.98%**

Average rent for General Needs of **£108.55** (52 weeks)

89.4% achieving 'right first time'

94.6% delivering on our repairs promise

Voids turnaround at **40 DAYS**

185 NEW HOMES DELIVERED

246 NEW HOMES in construction or in contract

£101M LOANS available for future drawdown

Gearing **39.4%**

Interest cover **220%**

Contents

Highlights from 2021 include:

The launch of our new customer experience strategy with the introduction of a dedicated customer resolution team, a call back service to improve response time for customers and new customer satisfaction surveys. Achieving 89.4% on our right first time promise (compared to 88% last year and 88% target) and delivering on our Kent Excellent Homes for All contract key performance indicators.

Increasing our support for residents as we see the continuation of increased mental health issues and community safety cases, the launch of our domestic violence policy, achieving arrears of 1.98% (compared with 2.07% last year and against a 3% target). Continuing to adapt our work in communities with ongoing covid restrictions and doubling our impact in 2021 by helping 75 people into work, delivering youth sessions with 1,653 engagements, bringing in £1.5m of third party investment for our communities and supporting residents to deliver the first tenant scrutiny panel review.

Achieving 94.6% delivery on our repairs promise (compared to 95.9% last year and 94% target), maintaining good building safety compliance performance, initiating an improvement plan for our voids management to further improve on our days to re-let of 40 days (compared to 52 last year and 32 days target).

Increasing our homes in management by 185 new build, achieving £12.4m through the sale of 100 shared ownership homes (against the target of £13.7m for 109 homes due to handovers slipping into 2022 reflecting delays in both completions of development works and legals). This includes the new over 55s scheme, Repton Court in Ashford.

Effectively manage our services, ensuring no backlog for repairs or properties to let as the country faced the third covid lockdown. At the same time progressing the 'design phase' for implementing our new housing system and remodelling our head office in Sevenoaks to better support a more flexible way of working for staff and we modernise our services and how we work.

Foreword

2021 has been a year of consolidation for West Kent and laying firm foundations for delivering the planned changes for how we provide our services.

Our adapted ways of working introduced in 2020 in response to the covid pandemic have been invaluable throughout 2021, helping us again to deliver strong performance across our key service measures. It was a testament to our staff and partners that we were a finalist at the 2021 UK Housing Awards in recognition of the range and pace of digital initiatives we introduced that led to improved outcomes for our customers.

The last two years has brought much change for us all and this in turn is changing what we want from a home and what we value within our immediate community. It is timely that we have launched our Customer Experience Strategy with the introduction of a dedicated customer resolution team, a call back service to improve response time for customers and new customer satisfaction surveys. The insight we are gaining from this, combined with our enhanced resident engagement approach is shaping our priorities for 2022 and will inform our wider service improvement plans. This year we also began a review of our community investment offer to ensure it will meet the future needs of our residents.

Supporting thriving communities is very much at the heart of West Kent and we intend to pilot our new neighbourhood approach in 2022.

The board has been keen to understand the implications for our housing portfolio of the emerging new legislation on decent homes, building safety requirements and Net Zero Carbon legislation. This year we completed a detailed analysis of our stock condition data and the first indication of future investment needs for our properties. Our conclusion is that our stock is serviceable and notwithstanding that 97% meets the decent homes standard, some is 'tired'.

We are in good shape compared to many in the housing sector in that we have already allocated £6.5m to improve our homes to the SAP30 standard by 2030 and we have no pressing building safety issues. Furthermore, we have agreed to move from a 'just in time' approach to a more planned programme of investment and to link our energy efficiency investment to alleviate areas with higher fuel poverty risk.

Our development of new homes continued successfully throughout 2021 with a heightened focus on the quality of build as nationwide housebuilders reported increasing costs combined with material and staff shortages. We are delighted to see the opening of Repton Court in Ashford, our new over 55's scheme and excited that our regeneration of former garage sites in Swanley incorporates low carbon design.

As we enter year three of our strategic plan the board have approved investments in a new housing system and finance system that will make our services easier to access by customers and importantly improve the efficiency of how we deliver our services.

We recently welcomed Anabel Palmer (Sept 2021) as Interim Communities Director and Maria Organ (March 2022) as Finance Director to the Executive Team each bringing expertise from the private and housing sectors. We also completed a board effectiveness review (supported by external consultants) and this will inform our succession planning as we recruit to board vacancies arising in 2023 when three of our board members reach their maximum years of service.

> "In 2021 we completed a great piece of work to find our what matters most to our customers. We will use this to shape our service improvement plans and how we invest in our current properties. Our priority in 2022 is to provide homes and communities our customers are proud to live in."

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 strategic objectives

In March 2020 the board approved our strategic plan to 2025 which was supported by a three year plan and the annual plan for 2021.

Our strategic plan has the **following four strategic objectives:**

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

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

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

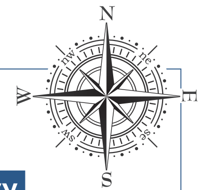
Best in Kent
We want to be known as Kent's housing provider of choice.

Our Values

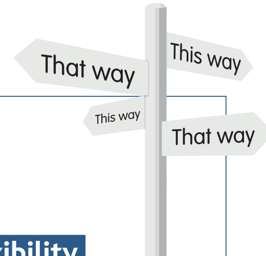
West Kent is known for its positive culture of working in partnership with customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

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.

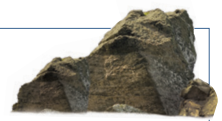
Delivering on our promises
doing what we say, when we say we'll do it



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

Excellent services

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

Our performance:

Customer contact: 89,254 customer queries. Telephone remains the most popular method of contact, accounting for 59% of customer contact, followed by email (37%), web forms (3%) and web chat (1%).

Achieved Arears **1.98%**

(which compares favourably to sector benchmarking of 3.1%) 89.4% achieving 'right first time' 94.6% delivering on our repairs promise

89.4% ACHIEVING 'RIGHT FIRST TIME'

94.6% DELIVERING ON OUR REPAIRS PROMISE

Fast Facts:

Call back service introduced

Most customer contact continues to be by telephone and during 2021 we introduced a call back service. Customers are offered the alternative of waiting in a queued call or being called back. This has meant a reduction in abandoned calls and gives choice to tenants to not sit in the queue. Since introducing call backs they have been 22% of telephone contacts for the customer service team.

Customer complaints

We had a 27% increase in complaints which has been a feature across the sector. This is partly due to impacts from Covid and also linked to the nationwide publicity about the poor housing conditions some residents have experienced. For West Kent, our new customer resolution team means we are capturing and resolving more complaints early. 58% of complaints were upheld at the first stage. Most complaints (52%) remain about repairs.

Customer insight and data

We partnered with Rant & Rave to get monthly customer feedback, starting in September 2021. Our measures cover; repairs, antisocial behaviour, making a complaint, calling our customer services team, moving into a home and buying a shared ownership home. Our overall feedback score for Q4 was 4.3 out of 5. We also undertook a census with our residents and a STAR perception survey. This will help us ensure we have the right information about our residents needs and priorities which will shape our service.

Priorities for 2021 raised in last year's report:

- We said we would complete the regeneration of Queens Court in Edenbridge.

  Despite Covid halting some works during 2021 we replaced the door entry system, completed communal lighting and heating upgrades as well as increased parking provision and provided a new garden room. These new and improved facilities will help turn Queens Court into a mini hub for older people in the local community, supported by our community initiatives delivering digital skills sessions and forming a popular singing group.
- We said we would improve the customer journey, including accessing our enablement service (home adaptations) and for information for service charges.

  We reviewed the service provided by our Enablement team and increased resources in the team and as Covid restrictions eased we saw delivered an increase of 44%, providing 53 adaptations. The most common adaptation is a flush floor shower closely followed by a stair lift.

  We were hoping to review access to information for service charges. This has been postponed until 2022 and is linked to the new finance system implementation.
- We said we would plan, design and begin the first phase of implementing a new housing management system:

  We selected our new housing system provider and kicked off our project in June. We now have a dedicated project team including operational experts seconded into the team. The implementation is going well, and we are on track to deliver to our project timescales.
- We said we would sign off a new resident engagement strategy to give our residents influence in the development of our customer facing policies and introduce a way for their feedback to continuously improve services.
- This was approved in March. Our involved residents coproduced our Domestic Abuse policy, which received the TPAS award for Excellence in Tenant Communications. Our Residents Scrutiny panel completed its first deep dive scrutiny exercise into our Employment and Training services and made recommendations on how we can extend the reach of the service to benefit more residents.

We were also delighted that our campaign 'don't make tough times tougher' coproduced with involved residents in 2020 was a finalist at the UK Housing Awards for campaign of the year.

In 2022

- We will improve the customer experience for the four areas our residents have told us are most important to them; customer contact and communication, our responsive repairs and voids service in particular the condition of doors and windows, how we manage anti-social behaviour and improving complaints resolution.
- We will relaunch our customer experience training with our partner MGI Learning.
- We will continue our voids improvement project to improve our relet times and reduce void loss with a focus on improving the quality of homes that residents are moving into.
- We will start work on understanding the demand for our Emerald (older people's) housing as part of a wider long term project to ensure our homes are fit for the future.
- We will progress the implementation of our new housing system and customer portal, linking our work to improving our business processes with a focus on making things easy for our residents. We are on track for a launch in mid 2023.

Successful communities

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

Our performance:

- **£1.5m external funding secured in 2021** for services that benefit residents across Kent and Medway by promoting wellbeing and preventing crisis, building resilient communities and strengthening employability and enterprise.
- **Handled 398 referrals, supported 75 people into employment and another 62 in training.**
- **Awarded £15,000 of grant funding** to community groups and organisations across Kent to deliver their own community activities.
- **Delivered both on line and in person youth services**, with a significant increase in the number of young people attending our dedicated youth provision at HOUSE in Edenbridge. We achieved 1653 attendances at HOUSE to complement the 396 young person online engagements.
- Abacus stores **provided furniture to 500 tenants and 1300 local customers, hosted 719 volunteer hours and diverted 61,700 kilos of waste from landfill.**

Fast facts:

Youth services -
As Covid restriction eased we were able to re-start in person sessions. We also continued with on-line session and in 2021 reached a record number of youngsters. Grants fund our detached youth work across Sevenoaks, the 8-12's Young Adventurers. We also the delivered the Hildenborough schools project supporting 18 young people to reengage with school services. Two residential trips attended by 58 young people, 39 of which were away from their parents for the first time making these exciting and valuable development opportunities, as well as providing a holiday for some young people who may not otherwise have a break. 2 day London stay for 12 young people from HOUSE in Edenbridge.

Community Investment initiatives -
Working with partners, such as Involve and with funding through Connecting Older People in Edenbridge (COPIE) we recommenced activities in our schemes – including a singing group as a way of supporting wellbeing and tackling loneliness and isolation amongst our older residents. Our work with COMPAID to tackle digital exclusion and upskill our older residents which has been key during Covid.

Wellbeing services –
Outline review undertaken and decision to not re-tender.

Priorities for 2021 raised in last year's report:

- We said we would deliver community development pilots to enhance our role as an 'anchor' organisation. Progress was delayed by the pandemic restrictions with reconnect events planned for Swanley in early 2022.
- We said we will continue to expand our employability and our youth services, making sure we reach more people across our areas of operation. This was achieved.
- We said we will deliver wellbeing activities for older residents across the West Kent area, as well as our range of housing related support services. Activities were delivered but hampered by the pandemic.
- We said we will continue to improve our offer to new tenants and those in financial difficulties. We piloted an early intervention approach for vulnerable new tenants to ensure they had the best opportunity to sustain their tenancy , recognising the challenges and complexities this can bring. The pilot has led to the embedding of this approach as a new way of working moving forward.

In 2022

- We will establish a community development pilot to form the basis of our new thriving communities neighbourhood offer.
- Drive value for money by reviewing our tenancy sustainment offer and our community investment offer. Develop clear metrics to measure the impact of our work in communities.
- We will support our Residents Scrutiny panel to deliver three reviews with the aim of improving our customer services.

Grow and re-shape

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

Our performance:

The average time to let our homes was **40 DAYS**

97.3% OF OUR HOMES MET DECENT HOMES STANDARD – and we had a plan for all those homes that do not currently meet it

AT THE END OF THE YEAR THERE WAS ONLY 1 OVERDUE GAS SAFETY CHECKS (where we are seeking an injunction)

ZERO FIRE RISK ASSESSMENTS OVERDUE

Fast facts:

- Tennyson Lodge – in collaboration with Kent County Council and Bouygues UK Ltd we are replacing the cladding. Work is due to complete by the end of 2022, we will remove the waking watch at this block of flats as soon as safe to do so. We now have a dedicated building safety role ensuring we remain compliant, keeping our homes and residents safe across our property portfolio.
- We surveyed homes previously fitted with cavity wall insulation to ensure it was still providing the correct amount of heat retention. This led to 260 properties having the cavity wall insulation removed and reinstated or fully installed. All of this work was carried out via funding achieved by the asset team.
- We also started a trial with humidity sensors to understand causes of damp in some of our temporary accommodation properties and how we can improve the situation for residents.

Priorities for 2021 raised in last year's report:

We wanted to ensure we achieved the best value for money from Brenwards, our maintenance partnering contractor. During 2021 we have strengthened our cost and performance monitoring. Moving towards a more planned programme of works is helping us secure a better supply chain and Brenwards pricing. For 2022 we have secured a Partnering Advisor to support delivery of the Term Alliance Contract developing a full value for money plan.

We said we would improve the time taken to re-let our empty homes. We have reviewed and made some changes to our processes. Importantly we created a new dedicated role to oversee the entire void process from start to finish.

We said we would develop our new asset management strategy and understand how we will meet the zero carbon challenge for our homes. This was agreed in December 2021. We are taking a fabric first approach to properties using the detailed analysis of our stock (using DREam software) to model the work required to meet EPC C by 2030. We estimate investment of c£6.5m. We have also assessed potential funding sources to help mitigate the costs and are preparing data for future funding rounds. As we progress in 2022 we will publish clearer plans to get to EPC C rating by 2030 and net zero work will continue.

In 2022

- We will move our planned maintenance approach from 'just in time' to a blended approach. Prioritising our investment to improve the fuel efficiency of our homes and target localities at greatest risk of fuel poverty.
- Drive value for money by improve the component costs and iNHomes productivity (our in house service) and increase satisfaction with our services.
- Re-procure our estate services.

Growth in homes

Our performance:

WE BUILT 185 NEW HOMES
(159 in 2020)

WE SOLD 100 SHARED OWNERSHIP HOMES
Our target was 127
(112 in 2020)

25% SALES MARGIN
on shared ownership sales
(the target was 23%)

Fast facts:

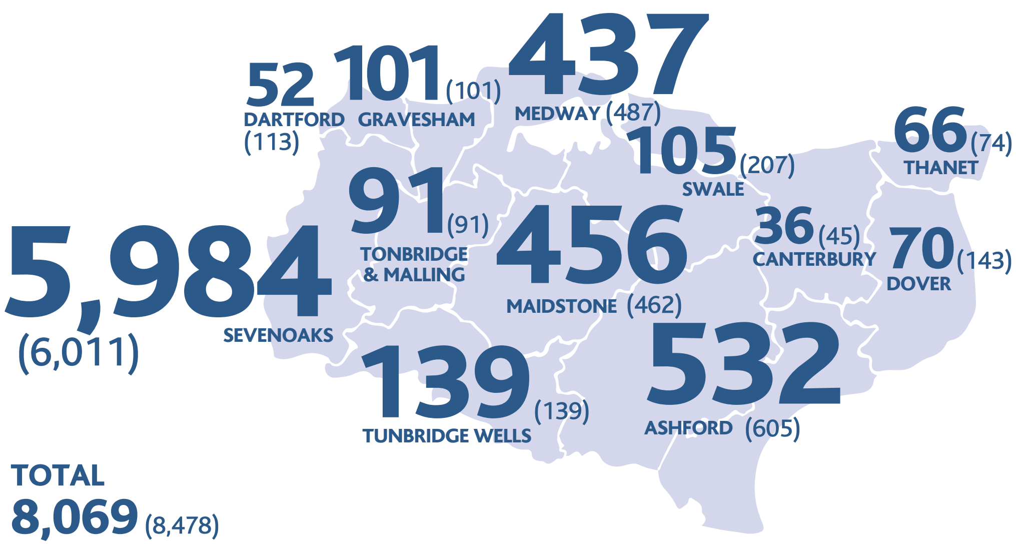
- We have contracted on 246 homes with a further 165 at pre-contract stage. Across all, 55% are for rent and 45% for shared ownership.
- At 31 December we had nine shared ownership units unsold, all of which were under offer.

Priorities for 2021 raised in last year's report:

- We said we would work towards securing our pipeline of new homes in development to 2025, including one older persons scheme. We continue to secure sites in an increasingly competitive market, as shown below.
- We delivered Repton Court, our new over 55's scheme of 40 homes in Ashford.
- We said we would develop opportunities for working in partnership with local authorities. We are in discussion to work in partnership with Sevenoaks District Council to regenerate co-joining sites at Bevan Place in Swanley.

Our stock and development plans

Our current stock by local authority (in brackets includes homes under construction)



	2021	2020
Rented	5,944	5,878
Rented – older people	1,110	1,070
Low cost home ownership	771	706
Total social housing homes	7,825	7,654
Homes managed by others	7	7
Leaseholders	237	232
Total owned and managed accommodation	8,069	7,893
Homes under construction	409	471

	2021 Less than 6 months unsold	2021 Over 6 months unsold	Total
For homes unsold at 31 December:			
Unsold with no offers	–	–	–
Unsold under offer	9	–	9
	9	–	9
For homes unsold at 31 December position as at 31 March 2022:			
Unsold with no offers	–	–	–
Unsold with offers	–	–	–
	–	–	–

All unsold shared ownership properties at the 31 December have been sold within the first quarter of 2022.

In 2022

- We will work to improve customer satisfaction with our new homes.
- Deliver the re-modelling of our existing stock at Vines Court Road, the Orchard Close and Heath Close options appraisals.
- Identify potential stock acquisition opportunities.
- Commence construction of our 'nearly zero' low-carbon pilot in the Sevenoaks area.

Best in Kent

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

To be the Best in Kent we must ensure the long- term financial viability of West Kent with a well- run business delivering to plans and within budget.

Our performance:

- Social housing operations margin **25% (budget 27%)**
- **Highest rating from the Regulator on governance and financial viability** (G1 V1)
- **Employee engagement 72%** (70% last year)
- **£101m loans available** to build new affordable housing

Fast facts:

- We are updating our finance and housing management systems and expect to complete these in 2022 and 2023 respectively.
- A pulse survey was conducted in June 2021 to gauge how our staff felt about returning to the offices and the measures in place throughout the pandemic. Over 94% of staff felt they had received timely communications and 95% felt appropriate precautions had been taken to make staff feel safe.
- We remodelled our Sevenoaks head office, introducing more open plan, covid safe work spaces.
- We introduced a hybrid model of working giving staff the equipment and training to use new technology, including car parking and desk space booking apps.

Priorities for 2021 raised in last year's report:

- We said we will deliver our equality, diversity and inclusion action plan. We worked with Housing Diversity Network to complete a health check and supported staff focus groups. West Kent celebrated Pride and Black History month for the first time and workshops were held with residents to inform our approach to racial discrimination.
- We said we would agree our new people strategy. This was agreed in March 2021.
- We said we would undertake a stakeholder survey. This was completed with Lake Market Research. This has shaped our communications strategy.
- We said we would be adopting new ways of working. We have delivered successfully our technical roadmap for 2021, investing in our infrastructure and telephony, remodelling our head office and moving to more flexible working methods.

In 2022

- We will work towards obtaining Equality Diversity and Inclusion accreditation in 2023.
- We will have our IiP Gold accreditation reconfirmed.
- We will update our IT Strategy.
- We will review our treasury plans for the next three to five years reflecting the increasing investment to meet net zero carbon requirements.

Risk

The board is responsible for setting the overall direction of the organisation. In doing this, it ensures that West Kent has an appropriate, robust and prudent business planning, risk and control framework. The strategic plan sets out our intentions for the future, informed by the risks we think we will face in trying to achieve them, and our appetite for those risks.

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

In 2021 the board agreed risk appetite statements across six key risk areas which guide us in how we respond to emerging issues and approach opportunities.

Risk category	Risk appetite
Legal and Regulatory Compliance: averse	Compliance with the law and regulatory requirements is a key organisational objective.
How we deliver our services: opportunistic	We actively pursue innovation to challenge and improve on current working practices.
Financial, Treasury and Liquidity: balanced	We seek safe delivery options and will consider small residual financial loss if outweighed by opportunities.
Technology, data and information security: cautious	Maintaining the security and resilience of our systems is very important to us.
Growth and diversification: eager	We actively seek expansion beyond our traditional products and footprint (geography) in pursuit of reward and we accept the risks that come with this.
Brand and reputation: balanced	We prefer not to draw attention to the organisation unless we are sure that what we say or do will have little chance of any significant repercussions for the organisation.

Emerging issues, mitigations and governance

We regularly review our control framework and consider emerging risks and take steps to actively manage potential impacts on our services or strategic plans. The Audit and Risk Committee review the effectiveness of our risk identification and management twice a year. The Board consider the external environment, emerging themes and issues quarterly and review the strategic risks in detail annually to align with setting the annual plan.

Top risks from our strategic risk register

There were no ‘red’ rated risks. The following were the high scoring ‘amber’ rated risks. This year we have developed our operational risks assurance framework and this is shaping our risk-based internal audit workplan.

Strategic risk	Mitigation
SR3 Failure to meet our H&S responsibilities leading to the harm of residents or staff	Our Health & Safety policy is supported with clear responsibilities for staff, an annual workplan with evidence based monitoring of key performance indicators.
SR4 Failure in data capture, integrity and management leading to poor decision making or a breach in GDPR guidelines resulting in ICO or Regulatory scrutiny	We have a data protection officer with a data information governance group delivering our data protection improvement plan. They also monitor staff completion of mandatory training. The new systems implementation planned for 2022-23 will support a single source of data and management reporting. Our property compliance data was independently validated by external advisors in 2021 and our tenant data updated through the West Kent census late 2021.
SR5 Failure to collect rental income leading to a reduction in our income/ increasing bad debt which impacts on our ability to deliver our plans	Our proactive approach to rent collection with supportive tenancy sustainment, financial heathchecks and advice aims to limit the number of tenancies falling into arrears and maximise the direct payment of benefits to us.
SR6 Failure in building safety compliance leading to a serious incident with the risk of regulatory action, legal action and reputational damage	We have comprehensive property schedules for our compliance programmes which have been independently validated against our core data. We have evidenced based monitoring of key performance measures and dedicated contract manager overseeing delivery.
SR14 Failure to ensure reliable, secure and robust IT services leading to the risk we are unable to meet our service offer to customers and suffer the business impact of not meeting our commitments, incurring financial or data loss.	We complete independent checks on the resilience and security of our systems and monitor daily performance. We have comprehensive plans to invest and update our core systems and a programme to simplify and replace our legacy systems.

2021 continued to be a challenging and uncertain operating environment, however as this report sets out West Kent continued to perform well in delivering our services, meeting our building safety obligations and largely achieving the shared ownership sales planned. In our 2021 budget we made a provision for increased rental arrears and bad debt in light of the continuing pandemic challenges and the end of government initiatives such as furlough, however this did not materialise and we ended the year in a strong position.

Value for money

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

Our strategic plan 2020-25 sets out our approach to Value for Money (VFM), how we aim to achieve it and how we will measure it. The strategic ambition is to deliver our objectives and to maintain a 35% operating margin on our social housing operations by 2025. The strategic plan recognises this is challenging ourselves, and states that over the life of the plan we will:

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

At West Kent we deliver value for money by:

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

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

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

In 2021 we delivered value for money through:

- Our response to the Covid pandemic, how we are assessing our ways of working and how we use our resources to achieve better outcomes for our residents. For example:
- Improvements to our customer portal to allow booking of repairs facilitating a shift in customer contact from calls to online
- The creation of a dedicated customer resolution team leading to improved response and resolution times for complaints
- A dedicated role was created to manage voids, to improve quality at the time of let and to improve the time it takes to let
- An additional role was created to support training and employment work to meet increasing demand from residents in 2021
- Partnership working with our Contractors enabled us to clear our backlog of repairs and voids from the first lockdown largely by August 2020, putting West Kent in a good position for the second and third waves of lockdowns during 2020 and 2021.

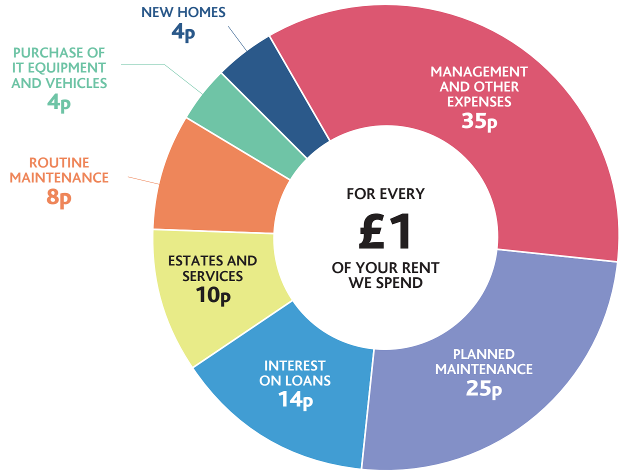
In 2022

- We have identified benefits expected from our new housing management and Finance systems, identifying cashable savings, reducing costs, improving efficiency and service delivery to our residents. This will enable future capacity to do more. This has formed the basis of a three year improvement plan which is being tracked through our financial plans.
- We will use STAR survey responses to drive actions to improve our Customers' experience by focusing on the areas most important to them. Responsive repairs and voids, customer contacts and communications, how we manage anti-social behaviour and improving our complaints process.
- We will redesign our processes and system for managing service charges to optimise the recovery of service charge costs
- We will recruit a dedicated Procurement role to optimise savings through our procurement of contracts
- We will move from Just in Time to a blended approach to property management improving the quality of our homes for our residents. Driving value for money by improving our component costs and improving the productivity of our iNHomes team.
- We will revise our tenancy sustainment and community investment offer to ensure value for money for our tenants
- We will review our approach to management of Defined Benefit pension liabilities

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. Community engagement is included in the Management and administration line in the table.

For every 4p of rent invested in building new homes an additional 73p is funded from bank loans, government grant and shared ownership sales income to build 185 new homes in 2021.



For every £1 we spend	2021 (pence)	2020 (pence)
MANAGEMENT AND OTHER EXPENSES	35	33
PLANNED MAINTENANCE	25	16
INTEREST ON LOANS	14	14
ESTATES AND SERVICES	10	10
ROUTINE MAINTENANCE	8	6
PURCHASE OF IT EQUIPMENT AND VEHICLES	4	2
NEW HOMES	4	19

In 2021 we replaced:

25 WINDOWS

366 BOILERS

35 AIR SOURCE HEATING SYSTEMS

17 ELECTRICAL HEATING SYSTEMS

113 KITCHENS

123 BATHROOMS

10 ROOFS

213 DOORS

We undertook:
2 ELECTRICAL REWIRES

West Kent compares our performance with our closely aligned comparator group based on geography (south-east), number of homes in management (5k to 20k) and similar profile of types of homes (70% similarity across tenures). This identified eight peers who we believe are similar to West Kent. The following tables compare our performance (2021 and 2020) to this group (2020/21).

We will continue to monitor ourselves against our own performance, that of these peers and the sector. Our target for 2022 reflects the strategic plan 2020-2025.

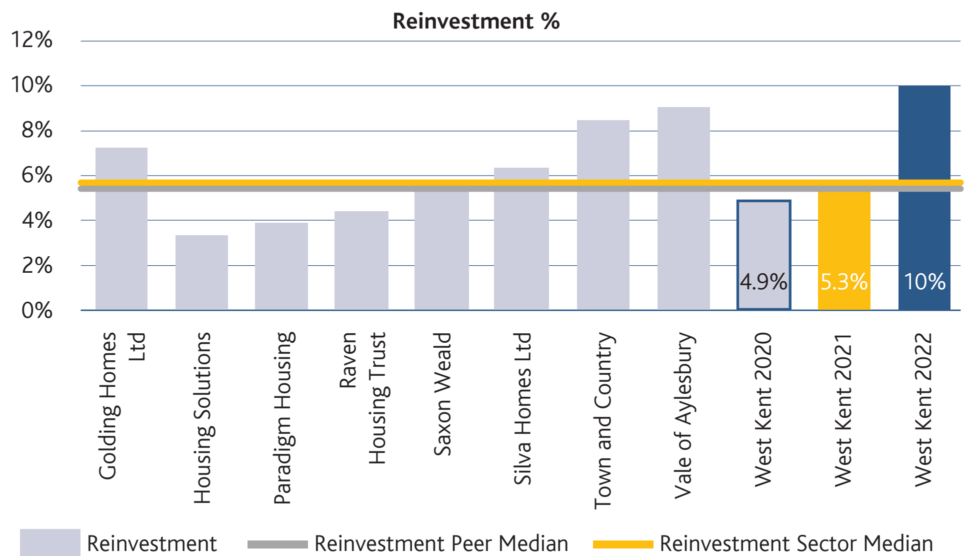
Regulatory value for money metrics

Comparator information is taken from the VFM metrics published by the Regulator alongside the Global Accounts. Comparator year ends are March 2021.

Regulatory Metric 1
Reinvestment %

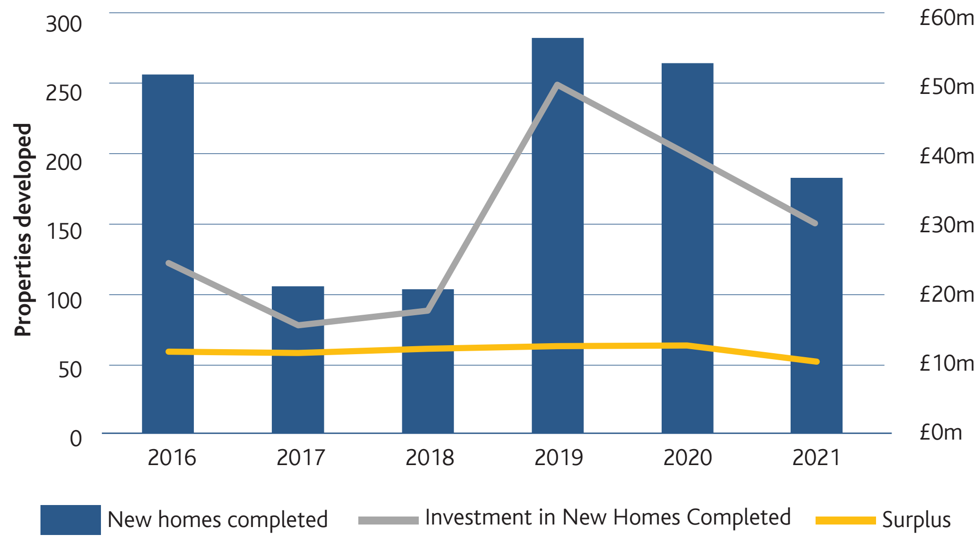
This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total housing properties held. This metric is key to our ability to meet our growth objective of delivering 3.5% new homes per year.

Global accounts Sector Median – 20/21	5.7%	
Global Accounts Peer Median – 20/21	5.4%	
West Kent Housing Association 2020	4.9%	
West Kent Housing Association 2021	5.3%	10% Target
West Kent Housing Association 2022 budget	10%	



West Kent invested £31m in 2020 and £35m in 2021, against an asset value of £640m and £667m respectively. We expect to invest c£237m in our Development programme 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.

The highest re-investment from our peer group was Vale of Aylesbury who invested £30m in 2020 with an asset value of £335m, 9% reinvestment rate, compared with West Kent's reinvestment of 4.9% against an asset value of £640m in that same year. With 2021 seeing lower restrictions due to the pandemic has meant that we have been able to increase our Development and planned maintenance activity in 2021. The removal of restrictions in 2022 will support our plans to increase our investment in both these areas.

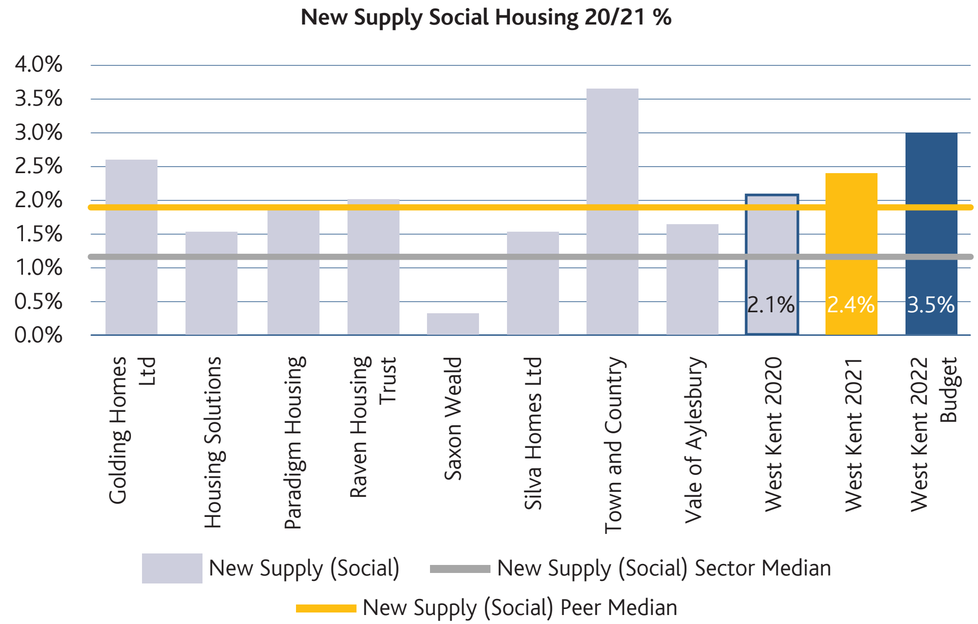


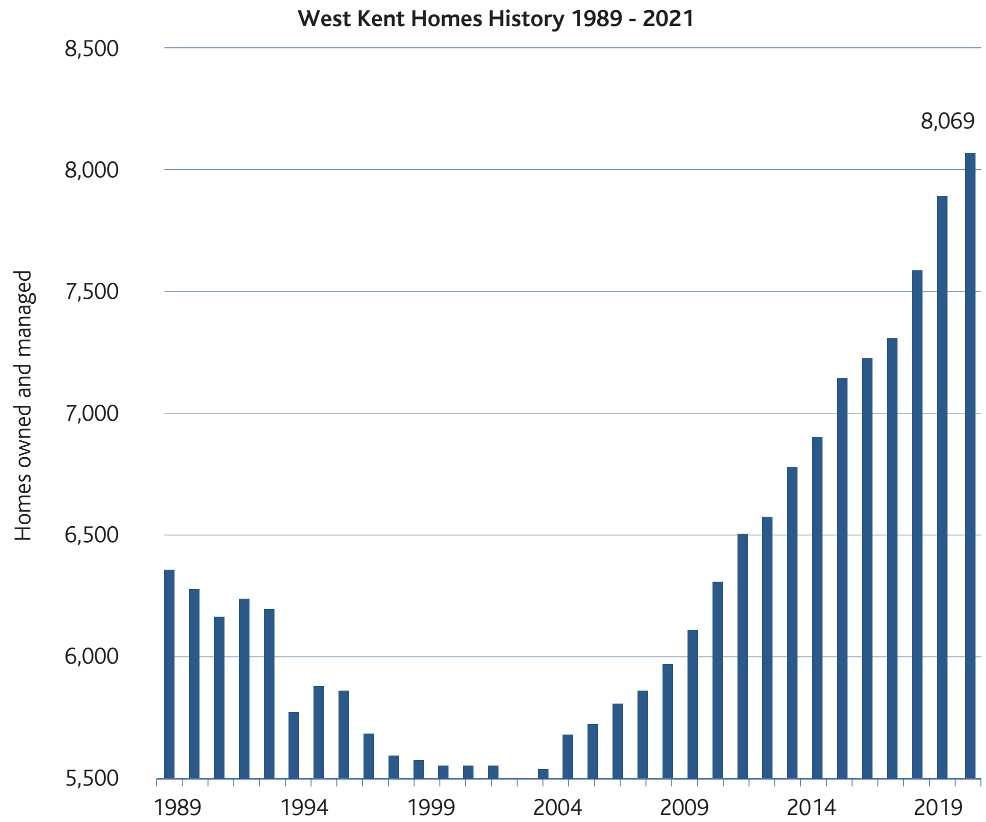
Over the past five years we have spent £153m in building or acquiring new homes, we have completed 935 homes in this time and have 409 homes being built. We received £5.3m over the last five years in Homes England grants. In the same period, we made surpluses of £61m. For every £1 generated in surpluses we spent £2.24 on building new homes.

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

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

Global accounts sector median 20/21	1.2%	
Global accounts peer group median 20/21	1.8%	
West Kent Housing Association 2020	2.1%	
West Kent Housing Association 2021	2.4%	
West Kent Housing Association 2021 including stock acquisitions	2.4%	Target 3.5%
West Kent Housing Association 2022 budget	3.5%	Target 3.5%





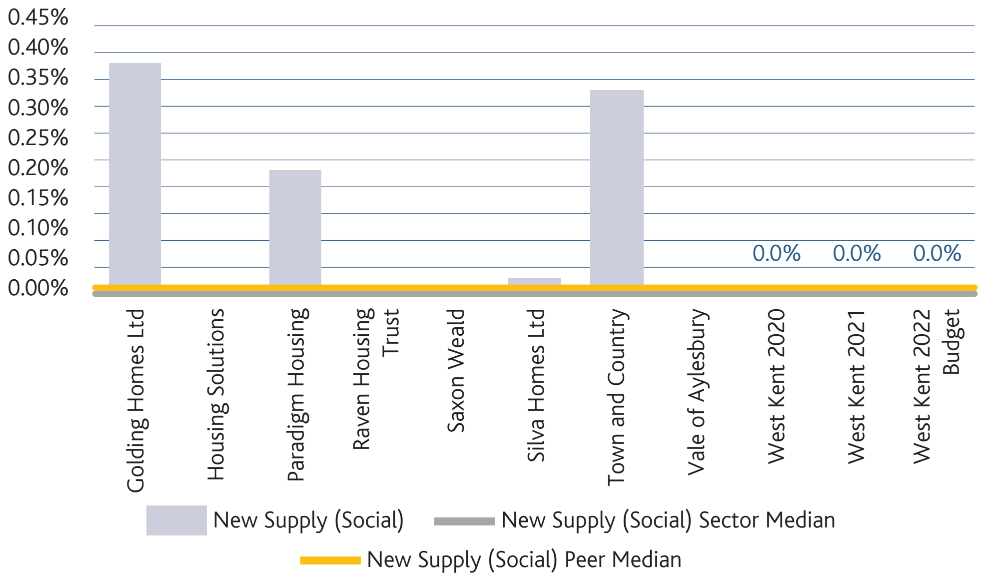
We built 185 (2020: 159) homes in 2021 representing 2.4% of our total homes owned. This included 46 for Social rent, 58 for Affordable rent and 81 for shared ownership. Our aim is to deliver 3.5% new homes every year, of which 40% will be for social rent.

In 2021 West Kent sold 1 home through Right to Buy. In the last 30 years this has resulted in the loss of over 1,300 homes from West Kent's original transferred homes from Sevenoaks District Council. We now own and/or manage 8,069 homes and have plans to reach 10,000 by 2025.

Regulatory Metric 2b
New Supply Delivered (non social housing) %

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

Global accounts sector median 20/21	0.0%	
Global accounts peer median 20/21	0.0%	
West Kent Housing Association 2020	0.0%	
West Kent Housing Association 2021	0.0%	Target 0.0%
West Kent Housing Association 2022 budget	0.0%	

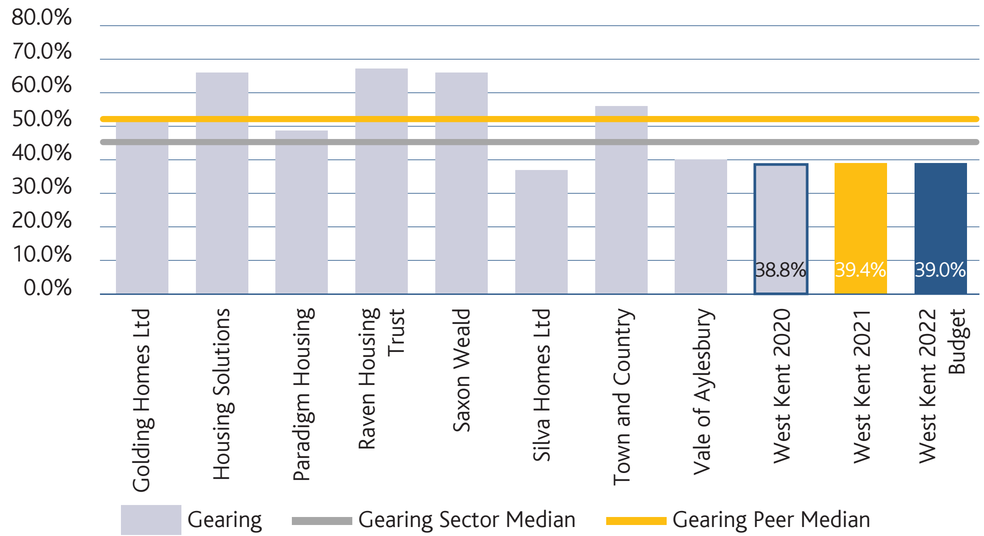


Our development strategy is not predicated on delivering non-social housing homes. However, we are looking at development opportunities that may include outright sale and open market rent, this is only to assist in delivering our social housing homes.

Regulatory Metric 3
Gearing

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

Global accounts sector median 20/21	44.8%	
Global accounts peer median 20/21	51.9%	
West Kent Housing Association 2020	38.8%	
West Kent Housing Association 2021	39.4%	<55% Target
West Kent Housing Association 2022 budget	39.0%	

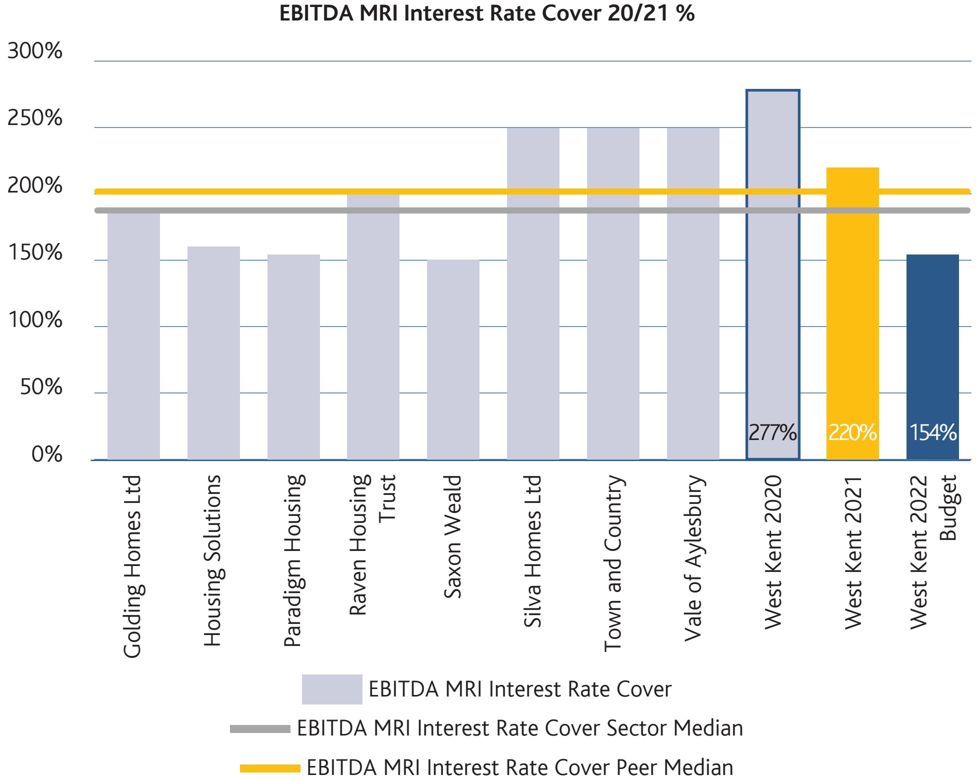


This is a key metric for our funders and demonstrates our capacity to borrow more against the assets we own. West Kent has sufficient debt and available loan facility to meet our capital commitments. We also have sufficient undrawn loans to continue to commit to more new homes. Our development programme is funded from surpluses and loan finance £343m (2020: £348m). This measure is expected to rise slightly each year in line with our strategic plan and within our covenants agreed with our funders.

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

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

Global accounts sector median 20/21	186%	
Global accounts peer median 20/21	204%	
West Kent Housing Association 2020	277%	
West Kent Housing Association 2021	220%	>130% Target
West Kent Housing Association 2022 budget	154%	

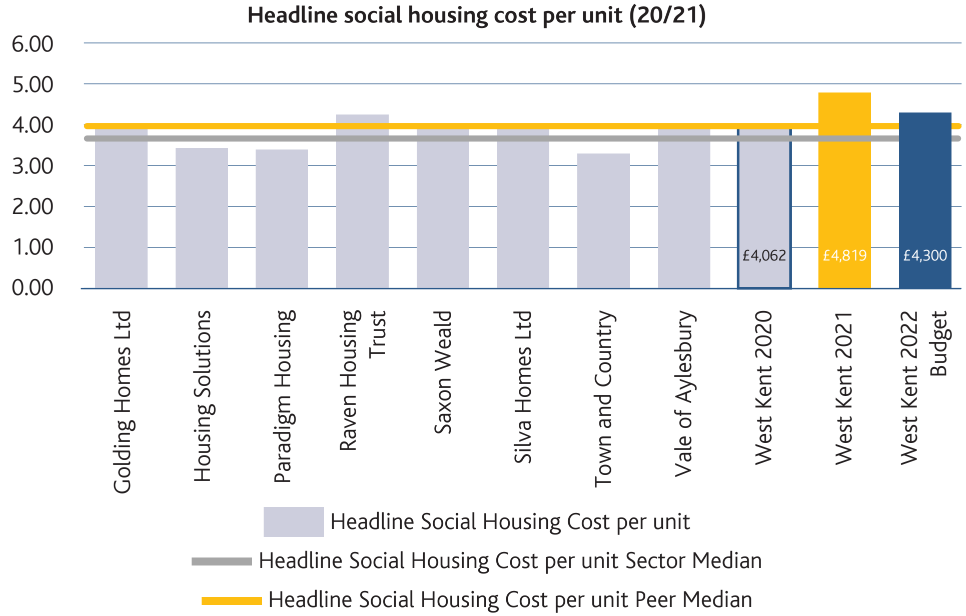


As West Kent grows, we borrow to fund our development programme. Over time we expect our interest cover to reduce, this represents the social value we bring to the sector. We are looking at ways to limit this decline by driving efficiencies in our operations, at the same time we are looking at how we can build more homes for social rent or reduce the level we peg our Affordable rent to. This metric is key to our ability to finance our loans and our internal target of 130% means we have sufficient contingency to respond to unforeseen circumstances, such as Covid. As discussed in "Best in Kent" above the benefits we expect to realise from our IT investment over the next five years will have a direct impact on our interest cover and our operating margins. The improved position in 2020 is a result of delays to maintenance works in 2020 as a result of Covid. The reduction in interest cover in 2021 reflects the increased costs driven from catch up work driven from these earlier delays.

Regulatory Metric 5
Headline social housing cost per home

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

Global accounts sector median 20/21	£3,675	
Global accounts peer median 20/21	£3,974	
West Kent Housing Association 2020	£4,062	
West Kent Housing Association 2021	£4,819	<5% variation from budget Target
West Kent Housing Association budget 2022	£4,300	



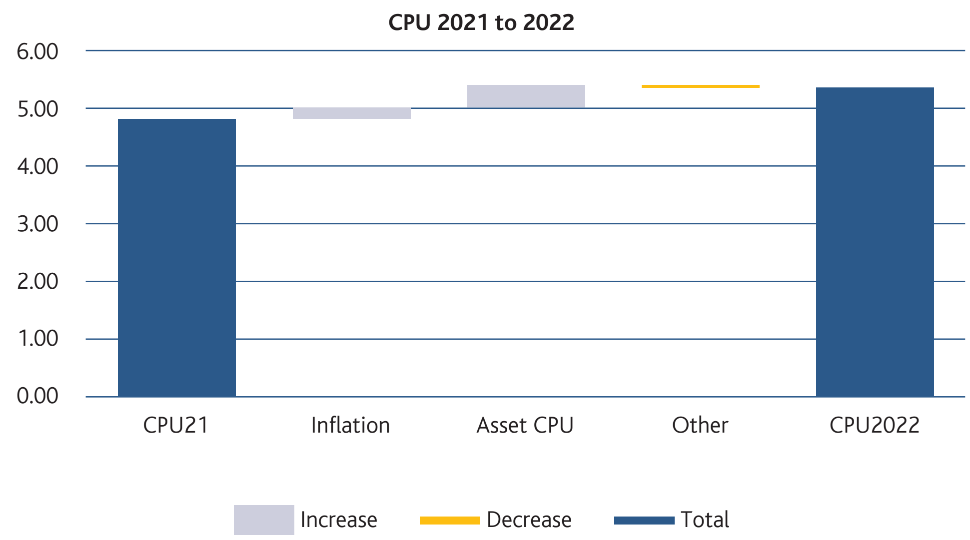
The bar chart above compares West Kent Housing Association as an entity against our peers on an entity basis, so excludes West Kent Extra's activities as a subsidiary of West Kent and excludes any subsidiary activities our peers undertake, to give a true comparison of our costs for landlord services.

Costs have increased by 22% (see breakdown below) while homes have increased by 2%. Increased costs in 2021 are predominantly driven by catch up work from delays due to Covid in 2020. Our three largest costs are management, service charges and maintenance. Services include £275 per home relating to operating payments on Kent Excellent Homes for All, a Private Finance Initiative which generates a low margin for the period of the contract. Excluding this headline social housing cost per unit would be £4,544 in 2021.

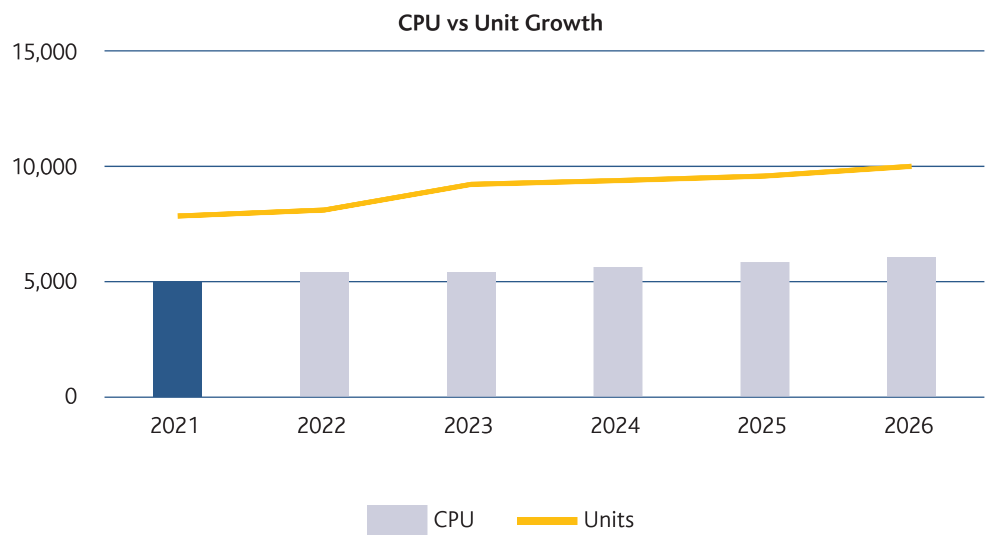
The table below shows how our Group costs, which include West Kent Extra, our subsidiary, compare to the previous year.

Breakdown of social housing cost per home	**West Kent Group**		
	2021	2020	% change
Management costs	£676	£624	+8%
Services	£924	£896	+3%
Maintenance	£2,805	£2,126	+32%
Other (social housing letting) costs	£8	£4	+100%
Development services	£33	£51	-35%
Community / neighbourhood services	£223	£215	+4%
Other social housing activities: other (operating expenditure)	£18	£13	+38%
Other social housing activities: charges for support services (operating expenditure)	£135	£133	+2%
Group total social housing costs	£4,819	£4,062	+19%
Total social housing homes owned and / or managed at period end	7,832	7,661	**+2%**

The chart below shows how our unit cost will rise in 2022, due to the increased investment planned in our asset management programme, along with assumed cost inflation.



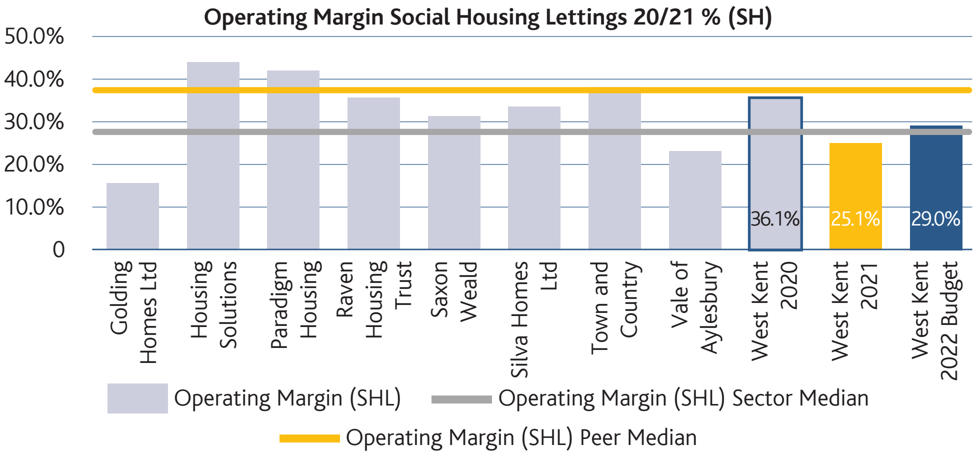
Our financial plan assumes cost per unit will grow, over the next 5 years, reflecting our transition from Just In Time to a planned approach to maintenance, investment in Net Zero Carbon, investment in our IT infrastructure, unit growth from our Development and Stock transfer programme and inflation.



Regulatory Metric 6a
Operating Margin (social housing lettings only)

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

Global accounts sector median 20/21	26.9%	
Global accounts peer median 20/21	36%	
West Kent Housing Association 2020	36.1%	
West Kent Housing Association 2021	25.1%	35% Target
West Kent Housing Association budget 2022	29.0%	

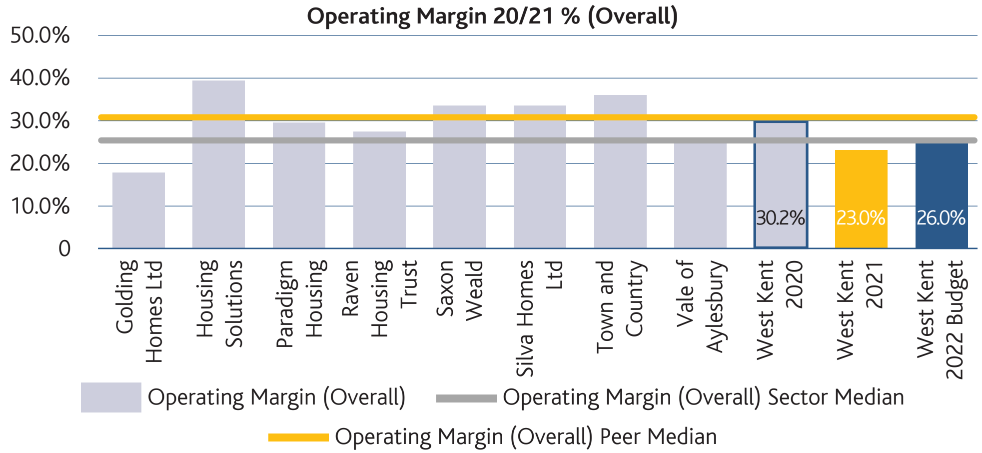


Costs in 2021 increased due to catch up work from delays in 2020 due to Covid, and the start of our transformation project HAWK. We have a key strategic metric to achieve above 35% social housing margin. The 2022 budget of 29% includes an increase in maintenance and IT infrastructure spend, our 2021 Financial Forecast Return demonstrates how we expect to return to an overall operating margin of greater than 35% by 2024.

Regulatory Metric 6b
Operating Margin (overall)

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

Global accounts sector median 20/21	25.0%	
Global accounts peer group 20/21	30.5%	
West Kent Housing Association 2020	30.2%	
West Kent Housing Association 2021	23.0%	>30% Target
West Kent Housing Association 2022 budget	26%	

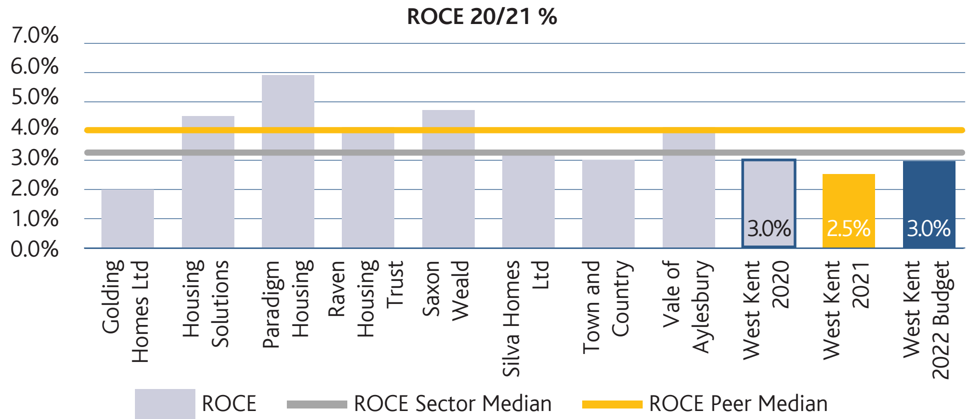


When we look at our overall business, the operating margin reduces to 23.0%. The dilution on the margin is a conscious one. We have built a strong community brand that identifies unmet needs of Kent communities and works with partners and residents who share our ethos to directly tackle those needs or 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. We generate a margin of 25% on first tranche sales (Vantage average 2019/20: 19.6%) and 56% on garage investments, we use this to support our communities and support services that do not generate a margin. Please see our Social Impact report to see the great work we do in our communities.

Regulatory Metric 7
Return on capital employed (ROCE)

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

Global accounts sector median 20/21	3.3%	
Global accounts peer median 20/21	4.1%	
West Kent Housing Association 2020	3.0%	
West Kent Housing Association 2021	2.5%	3.0% Target
West Kent Housing Association 2022 budget	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 £7m sitting on our balance sheet as cash into increased earnings we will see our Return on Capital employed grow, but we will not see a significant improvement on this measure against our peers as we build more homes for social rent or equivalent. The social return of providing homes for those in need is a key objective. The target for 2022 is impacted by a reduction in our overall surplus predicted, while we are investing more in building new homes, improving the standards of our current homes and transforming our IT systems.

Financial review

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

Group financial results

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Consolidated statement of comprehensive income					
Turnover	66.0	63.2	57.3	52.7	50.3
Turnover before housing sales	53.5	50.7	48.2	47.9	46.6
Income from lettings	50.9	48.5	46.0	45.6	44.4
Property depreciation	6.7	6.2	5.7	5.4	5.3
Operating surplus before housing sales	11.9	16.2	16.5	17.0	16.9
Operating surplus for social housing lettings	12.8	17.5	17.3	17.7	18.1
Operating surplus	16.6	20.0	19.4	19.7	19.2
Surplus for the financial year	11.1	13.2	12.7	12.5	11.7

Consolidated balance sheets					
Housing properties	667.1	640.3	605.2	563.1	534.4
Net current assets	6.1	8.7	35.9	54.7	71.4
Indebtedness	270.8	253.9	262.0	251.9	253.5
Total reserves	322.0	303.4	296.7	281.9	266.2

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Statistics					
Operating margin	25%	32%	34%	37%	38%
Operating margin excluding sales on disposal[1]	23%	30%	32%	35%	36%
Operating margin excluding all sales	22%	32%	34%	36%	36%
Operating margin social housing lettings[2]	25%	36%	38%	39%	41%
Surplus as a % of turnover	17%	21%	22%	24%	23%
Rent losses	1.3%	1.2%	1.0%	0.7%	0.8%
Gearing[3]	39%	39%	39%	36%	41%
EBITDA - MRI interest cover[4]	220%	277%	229%	238%	237%

Accommodation owned and managed	homes	homes	homes	homes	homes
Total rented	7,061	6,955	6,772	6,626	6,565
Total shared ownership	771	706	629	507	480
Total leasehold	237	232	182	175	174
Total housing	8,069	7,893	7,583	7,308	7,219

[1] VFM metric 6b [2] VFM metric 6a [3] VFM metric 3 [4] VFM metric 4

Statement of comprehensive income

The Group financial results for 2021 report a surplus of £11.1m (2020: £13.2m) after spending £13.0m (2020: £13.0m) to maintain our existing housing stock.

The Group accounts consolidate the results of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of Nil (2020: £13.8k) during the year.

The development programme saw 185 homes handed over in the year. The volume of first tranche shared ownership sales decreased slightly from 112 to 100, with 27 planned for 2021 delayed into 2022. Shared ownership sales have seen a slight increase in margins, from 23.5% in 2020 to 25% in 2021. 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 £7.1m (2020: £6.9m) increased from 2020 to reflect increased drawings to fund the activity on the Development programme.

Balance sheet

The strong surpluses enable delivery of our development programme. By the year end we had increased our housing properties assets by £35m and had 409 homes in construction.

Our liquidity position is strong, with £7m available cash and £101m of undrawn loan facilities that we can draw on for future planned and unplanned expenditure . We have contracted capital commitments of £64m, this can be financed from cash and available loan facilities.

Approval

This Strategic Report was approved by order of the board on 19 May 2022.

Maria Organ
Director of Finance

Directors' report
Principal activities

West Kent Housing Association is the parent company of the group which is branded as 'West Kent'. West Kent Housing Association is a registered provider of social housing which is regulated by the Regulator of Social Housing. Our most recent annual review in November 2021 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, three of whom are residents. Our Board is supported by specialist committees; Housing and Communities, Audit and Risk, Investment and Finance and Remuneration and Appointments.

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

Going Concern

The board reviewed the financial plans in December 2021, as part of their normal annual review, as well as our principal financial risks. The budget was set with the knowledge that there would be increased asset management costs due to the catch up works after delays due to Covid, the move from Just in Time to a planned asset management approach and our transformation programme.

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

Since then, in April 2022 we have reviewed our five year budget and 30 year business plan and undertaken sensitivity and scenario testing. We have changed our approach to business planning, moving away from a cost per unit approach to one that aligns with how the business is financially managed, enabling improved analysis and comparisons. We have increased our investment in our assets, to reflect the move away from Just in Time to planned asset management, our need to meet EPC C 2030 and Net Zero Carbon 2050. This has increased the cost base of our organisation reducing our projected margin and interest cover but the plan meets all Golden Rules and financial covenants and shows that we are viable. We have assessed our most considerable contingent liabilities with stress tests in relation to our DB pension and PFI contract. We have reviewed the inflation risk on financial viability through our stress testing and the mitigations we have in place by way of fixed price contracts and our ability to delay works. Since the year-end, none of the key areas of risk most notably; bad debt, sales values and inflation have had a further detrimental effect from that assumed in the budget in December 2021.

As a key provider of affordable housing in Kent, we will continue to ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works, whilst also working with our residents in paying their rent. During 2021 we continued to operate as normal, as much as we could, with certain activities paused during lockdown, in line with government guidance now taking place in 2022. With the social distancing measures still in place for much of 2021, we continued to postpone major component replacements such as kitchens and bathrooms and stop non emergency repairs until government restrictions eased. We have concentrated on business-critical activities only during 2021.

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 £101m, 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.

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.

- Rented properties

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

- Low cost home ownership properties

The need for an impairment review of the fixed asset portion of shared ownership properties is indicated if there have been losses on staircasings during the year or if there were losses made on the original first tranche sales on the scheme. There were no losses on first tranche sales or staircasings during the year to indicate the need for impairment. There were 9 unsold shared ownerships at the year end these have all been sold before the signing the accounts. We have assessed these homes and considered whether an impairment is needed. There were no indicators of impairment on low cost home ownership properties.

- Schemes in development

All development schemes are assessed using an investment appraisal model, which is approved annually by the Board, to ensure the appropriateness of assumptions. During development, schemes are reviewed against the investment appraisal and up-to-date valuations, for any fluctuations in costs or anticipated sales values which adversely affect the net present value of the scheme, highlighting any schemes which need to be assessed for impairment. At the time of signing the accounts all schemes in contract were in progress as usual. 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 impairment at year end.

- Fire precaution and other health and safety works

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

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 £30m (2020: £39m).

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 have control and therefore the assets and liabilities are included in the accounts. To calculate the finance lease, we used a qualified valuer to arrive at an existing use value of these assets. The valuation was estimated at £21.55m in 2016.

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

Significant estimates

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

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

In 2021, 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 2022 as these costs are known at year end based on retail price index inflation for September. Inflation applied to 2022 is 4.86%. This change has been reflected in the accounts and has increased the finance lease interest payable for 2021 from £704k to £1m.

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 £7.1m (2020: £6.6m).

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 net liability at 31 December 2021 was £6.7m (2020: £13.1m).

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	61,429	62,724	64,048
Projected service cost	1,514	1,564	1,616
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	62,857	62,724	62,592
Projected service cost	1,565	1,564	1,563
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	63,901	62,724	61,573
Projected service cost	1,616	1,564	1,514
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	65,556	62,724	60,018
Projected service cost	1,638	1,564	1,494

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 2015 version of the National Housing Federation governance code, a 2020 version has been released and was adopted by the Board in March 2022.

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 2021. 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 70.

Assessment of the effectiveness of internal control

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

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

To assess the effectiveness of the control systems the board considers the major risks facing West Kent and the appropriate procedures to manage them. These include health and safety, legal 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. In 2021 we operated under the 2015 code, in 2022 we will move to the Code of Governance 2020.
- 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 Risk Committee's risk based audit plan. West Kent uses the services of RSM to provide internal audit services.

The effectiveness of the controls is assured by:

- Independent assurance by internal auditors as to the existence and effectiveness of the risk management activities described by management
- Board / Audit and Risk Committee overview
- External audit review of the preparation of the financial statements
- 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 Risk Committee. The Audit and Risk Committee considers internal controls and risk at each of its meetings during the year.

The operating environment has changed significantly in particular because of the mandatory working from home in response to the Covid pandemic. In 2021 the Audit and Risk Committee sought assurance that our key controls remained adequate over this extended timeframe. The Audit and Risk Committee requested a supplementary review of all high priority recommendations and have satisfied itself that they have been completed or are being actively advanced and that any remaining identified risks are well managed.

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

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

Board member responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulation 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 15 June 2022.

By order of the board

Colin Wilby, Chair

Date: 19 May 2022

Executives and advisors

West Kent Housing Association Board members

Colin Wilby, Chair

Tracy Allison, Chief Executive

Judith Collings

Ben Cooper

Kevin Corbett
(appointed 16 June 2021)

Akin Durowoju
(appointed 16 June 2021)

Helen Edwards
(resigned 16 June 2021)

Janet Eilbeck
(appointed 16 June 2021)

Angela George

Dave Hill
(resigned 16 June 2021)

Brian Horton
(resigned 16 June 2021)

Peter Kasch

Megan Morvan

Dr Joanne Simpson

Executive team

Tracy Allison, Chief Executive

Richard Barwick, Interim Property Development and Partnerships Director (appointed 1 June 2021 – 1 April 2022)

Heather Brightwell, Communities Director (resigned 7 September 2021)

Anabel Palmer, Interim Communities Director
(appointed 27 September 2021)

Neil Diddams, Property and Asset Management Director

Kate Flaherty, Property Development and Partnerships Director
(maternity leave)

Paul Hackett, Interim Finance Director
(appointed 8 September 2021 – 1 April 2022)

Cathy McCarthy, Housing Director

Maria Organ, Finance Director
(appointed 14 March 2022)

Craig Reynolds, Finance Director and Company Secretary
(resigned 24 September 2021)

Barbara Home, Strategic Programme Director

Registered office and advisors:

- **Registered office**

  101 London Road, Sevenoaks
  TN13 1AX

- **Statutory auditor**

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

- **Principal solicitor**

  Towers & Hamlins LLP, 55 Princess Street, Manchester M2 4EW

- **Banker**

  National Westminster Bank plc,
  67 High Street, Sevenoaks, Kent
  TN13 1LA

- **Funders**

  Bank of Scotland plc, 25 Gresham Street, London EC2V 7HN

  National Westminster Bank plc,
  250 Bishopsgate, London EC2M 4AA

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

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

Legal Status

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

Registered by the Regulator of Social Housing, number LH3827.

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 December 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of West Kent Housing Association ("the Association") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association balance sheet, the consolidated and Association statement of changes in reserve, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 68, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

The audit procedures to address the risks identified included:

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

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

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

Paula Willock

BDO LLP
Statutory Auditor
Gatwick
Date: **07 June 2022**

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 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Turnover	4	65,957	63,150	65,001	62,476
Cost of sales	4	(9,149)	(9,531)	(9,149)	(9,531)
Operating costs	4	(41,605)	(34,537)	(40,649)	(33,876)
Surplus on disposal of housing properties	4,11	1,405	882	1,405	882
Operating surplus	4,7	16,608	19,964	16,608	19,951
Movement in fair value of investment properties	18	1,565	-	1,565	-
Operating surplus after fair value adjustment		18,173	19,964	18,173	19,951
Surplus on disposal of other fixed assets	11	83	-	83	-
Other interest receivable and similar income	12	30	112	30	112
Interest and financing costs	13	(7,151)	(6,866)	(7,151)	(6,866)
Surplus before taxation		11,135	13,210	11,135	13,197
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		11,135	13,210	11,135	13,197
Actuarial gain/(loss) on defined benefit pension scheme	28	7,474	(6,527)	7,474	(6,527)
Total comprehensive income for year		18,609	6,683	18,609	6,670

The notes on pages 88 to 157 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets at 31 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	667,115	640,295	667,115	640,295
Tangible fixed assets - other	16	4,557	2,949	4,557	2,928
Investment properties	18	7,748	6,418	7,748	6,418
		679,420	649,662	679,420	649,641
Current assets					
Properties for sale	19	5,584	8,220	5,584	8,220
Stock		88	90	74	78
Debtors – receivable within one year	20	2,070	1,891	2,144	1,969
Debtors – receivable after one year	20	4,503	3,921	4,503	3,921
Cash and cash equivalents	21	8,149	5,540	7,765	5,182
		20,394	19,662	20,070	19,370
Creditors: amounts falling due within one year	22	(14,316)	(10,967)	(14,218)	(10,880)
Net current assets		6,078	8,695	5,852	8,490
Total assets less current liabilities		685,498	658,357	685,272	658,131
Creditors: amounts falling due after more than one year	23	(356,741)	(341,793)	(356,741)	(341,793)
Net assets excluding pension liability		328,757	316,564	328,531	316,338
Pension liability	28	(6,715)	(13,131)	(6,715)	(13,131)
Net assets		322,042	303,433	321,816	303,207
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		158,380	139,722	158,164	139,506
Revaluation reserve		163,652	163,701	163,652	163,701
Restricted reserve		10	10	-	-
		322,042	303,433	321,816	303,207

The financial statements were approved by the board of directors and authorised for issue on 19 May 2022 and signed on their behalf by:

C Wilby, Chair of Board

Tracy Allison, Chief Executive

The notes on pages 88 to 157 form part of these financial statements.

Group statement of changes in reserves for the year ending 31 December 2021

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	139,722	163,701	10	303,433
Surplus for the year	11,135	-	-	11,135
Actuarial gain on defined benefit pension scheme	7,474	-	-	7,474
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-	-
Balance at 31 December 2021	158,380	163,652	10	322,042
Balance at 1 January 2020	132,966	163,750	34	296,750
Surplus/(loss) for the year	13,234	-	(24)	13,210
Actuarial loss on defined benefit pension scheme	(6,527)	-	-	(6,527)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-	-
Balance at 31 December 2020	139,722	163,701	10	303,433

The notes on page 88 to 157 form part of these financial statements.

Association statement of changes in reserves for the year ending 31 December 2021

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 January 2021	139,506	163,701	303,207
Surplus for the year	11,135	-	11,135
Actuarial gain on defined benefit pension scheme	7,474	-	7,474
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-
Balance at 31 December 2021	158,164	163,652	321,816
Balance at 1 January 2020	132,787	163,750	296,537
Surplus/(loss) for the year	13,197	-	13,197
Actuarial loss on defined benefit pension scheme	(6,527)	-	(6,527)
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	49	(49)	-
Balance at 31 December 2020	139,506	163,701	303,207

The notes on pages 88 to 157 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

	Note	2021	2020
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		11,135	13,210
Adjustments for:			
Depreciation of fixed assets - housing properties	15	6,494	6,087
Depreciation of other fixed assets	16	440	452
Impairment of other fixed assets	16	18	-
Amortised grant	5	(1,010)	(973)
Revaluation of investment properties	18	(1,530)	-
Interest payable and finance costs	13	7,151	6,866
Interest received	12	(30)	(112)
Difference between net pension expense and cash contribution	28	1,058	517
Disposal cost of sales - housing properties	11	1,776	1,240
Surplus on the sale of other fixed assets	11	(83)	-
Increase in trade and other debtors		(761)	(77)
Decrease in properties for sale and stock		2,638	3,874
Increase in trade and other creditors		1,295	1,139
Cash from operations		28,591	32,223
Taxation paid		-	-

	Note	2021	2020
		£'000	£'000
Net cash generated from operating activities		28,591	32,223
Cash flows from investing activities			
Proceeds from sale of other fixed assets	11	144	-
Purchase of fixed assets – housing properties	15	(33,769)	(41,383)
Purchases of other fixed assets	16	(2,162)	(879)
Receipt of grant	24	1,027	3,463
Interest received	12	30	112
Loans redeemed	20	-	3
Net cash from investing activities		(34,730)	(38,684)
Cash flows from financing activities			
Interest paid	13	(8,124)	(7,742)
Capital element of lease revalued/(repaid)		103	(471)
New loans - bank	26	19,000	-
Debt issue costs incurred	26	(231)	(1,088)
Repayment of bank loans	26	(2,000)	(6,500)
Net cash used in financing activities		8,748	(15,801)
Net Increase/(decrease) in cash and cash equivalents		2,609	(22,262)
Cash and cash equivalents at beginning of year		5,540	27,802
Cash and cash equivalents at end of year		8,149	5,540

The notes on page 88 to 157 form part of these financial statements..

Consolidated statement of cash flows for the year ended 31 December 2021

Net debt reconciliation	At 1 January 2021	Cashflows	Other Non Cash changes	At 31 December 2021
	£'000	£'000	£'000	£'001
Cash and cash equivalents				
Cash and cash equivalents	5,540	2,609	-	8,149
Finance Leases	(21,690)	(103)	-	(21,793)
Loans	(232,225)	(17,000)	231	(248,994)
Net debt reconciliation	(248,375)	(14,494)	231	(262,638)

The notes on page 88 to 157 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 budget West Kent's plans in December 2021 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

Five year budget and 30 year financial plan presented to the Board on 18 May 2022 show that the organisation is financially viable with all covenants and golden rules met for the 30 year timeframe.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling £101m, 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 decision was taken after the year end to wind down West Kent Extra. The decision to wind down the activities of West Kent Extra has been taken into consideration by the Board of the group when making their assessment of going concern. Further information is provided in the accounts of West Kent Extra.

2.4 Joint ventures

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

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

2.5 Investment in subsidiaries

Investment in subsidiaries is accounted for at cost less impairment in the association's financial statements.

2.6 Income

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

Rental income receivable (after deducting lost rent from void properties available for letting).

- First tranche sales of Low Cost Home Ownership housing properties developed for sale.
- Service charges receivable.
- Proceeds from the sale of land and property.

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

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

2.7 Support grant income

The group receives support grants from Kent County Council and Medway Unitary Authority. The grants received in the period, as well as costs incurred by the group in the provision of support services, have been included in the Statement of comprehensive income.

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

2.8 Service charges

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

2.9 Management of units owned by others

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

2.10 Schemes managed by agents

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

2.11 Current and deferred taxation

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

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

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

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

West Kent Ventures Limited's (currently dormant) profit is subject to Corporation Tax.

2.12 Value Added Tax

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

2.13 Finance costs

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

2.14 Pension costs

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

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

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

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

2.15 Holiday pay accrual

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

2.16 Termination benefits

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

2.17 Tangible fixed assets – housing properties

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

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

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

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

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

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

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

2.18 Deemed cost on transition to FRS 102

West Kent changed its accounting policy from the 1 April 2014 from recording housing properties at valuation to 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 recognised the difference between historical cost and deemed cost, with the difference between historic cost depreciation and depreciation calculated on deemed cost transferred between the revaluation reserve and income and expenditure reserve on an annual basis.

Properties initially purchased by West Kent as part of the large scale voluntary transfer from Sevenoaks District Council are recognised in tangible fixed assets – housing properties at deemed cost. All other housing properties are 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 Other tangible fixed assets

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

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

2.22 Depreciation of other tangible 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

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. 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.
- Whether leases entered into by the group either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Whether the Kent Excellent Homes for All – Private Finance Initiative should be treated as a finance lease. In considering this project an assessment of Section 34 'Service concessions' of FRS 102 was conducted. A service concession

arrangement is an arrangement whereby a public sector body, or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (concession period). The operator is paid for its services over the period of the arrangement. Kent County Council and West Kent have been judged to be the public sector body and public benefit entity respectively. The agreement sees West Kent making regular payments to the Special Purpose Vehicle to operate and maintain the assets for the period to 31 December 2040. A significant judgement has been made that due to the arrangements in place and the risks West Kent takes on in this arrangement West Kent have control and therefore the assets and liabilities are included in the accounts.

- Whether the Kent Excellent Homes for All – Private Finance Initiative should be depreciated over the lease term rather than the term of the private finance initiative contract. There is reasonable certainty that West Kent will own the homes after the term of the private finance initiative has expired. The assets are classified as land and structure as West Kent is not responsible for the replacement of components.
- The extent to which garages owned by West Kent are treated as investment properties. These assets are let on a commercial basis, both in terms of price and customer base. They are valued in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual, using a widely recognised specialist valuer and property advisor in the social housing sector. A key estimate has been made on the valuation.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

3.2 Other key sources of estimation uncertainty

- Tangible fixed assets (see note 15 and 16)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as major repairs profile, ability to let the property and alternative options for the site are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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

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

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

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

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

- Rental and other trade receivables (debtors) (see note 20)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

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

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

- Defined benefit pension obligations

Defined benefit obligation is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

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

	Turnover	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)
	2021	**2021**	**2021**	**2021**	**2021**	**2020**	**2020**	**2020**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	50,921	-	(38,117)	-	12,804	48,523	-	(30,994)	-	17,529
Other social housing activities										
First tranche low cost home ownership sales	12,457	(9,149)	-	-	3,308	12,454	(9,531)	-	-	2,923
Staircasing activity on low cost home ownership (Note 11)	-	-	-	1,250	1,250	-	-	-	659	659
Sales of other housing properties (Note 11)	-	-	-	155	155	-	-	-	223	223
Charges for support services	112	-	(303)	-	(191)	111	-	(288)	-	(177)
Supporting people	603	-	(751)	-	(148)	532	-	(733)	-	(201)
Community engagement	956	-	(1,746)	-	(790)	674	-	(1,644)	-	(970)
Development costs not capitalised	-	-	(255)	-	(255)	-	-	(392)	-	(392)
Other	218	-	(140)	-	78	143	-	(103)	-	40
	65,267	(9,149)	(41,312)	1,405	16,211	62,437	(9,531)	(34,154)	882	19,634
Activities other than social housing activities										
Lettings – Garages	663	-	(293)	-	370	702	-	(383)	-	319
Other	27	-	-	-	27	11	-	-	-	11
	690	-	(293)	-	397	713	-	(383)	-	330
	65,957	(9,149)	(41,605)	1,405	16,608	63,150	(9,531)	(34,537)	882	19,964

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)
	2021	**2021**	**2021**	**2021**	**2021**	**2020**	**2020**	**2020**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	50,921	-	(38,117)	-	12,804	48,523	-	(30,994)	-	17,529
Other social housing activities										
First tranche low cost home ownership sales	12,457	(9,149)	-	-	3,308	12,454	(9,531)	-	-	2,923
Staircasing activity on low cost home ownership (Note 11)	-	-	-	1,250	1,250	-	-	-	659	659
Sales of other housing properties (Note 11)	-	-	-	155	155	-	-	-	223	223
Charges for support services	112	-	(303)	-	(191)	111	-	(288)	-	(177)
Supporting people	603	-	(751)	-	(148)	532	-	(733)	-	(201)
Community engagement	-	-	(790)	-	(790)		-	(983)	-	(983)
Development costs not capitalised	-	-	(255)	-	(255)	-	-	(392)	-	(392)
Other	218	-	(140)	-	78	143	-	(103)	-	40
	64,311	(9,149)	(40,356)	1,405	16,211	61,763	(9,531)	(33,493)	882	19,621
Activities other than social housing activities										
Lettings – Garages	663	-	(293)	-	370	702	-	(383)	-	319
Other	27	-	-	-	27	11	-	-	-	11
	690	-	(293)	-	397	713	-	(383)	-	330
	65,001	(9,149)	(40,649)	1,405	16,608	62,476	(9,531)	(33,876)	882	19,951

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
	2021	**2021**	**2021**	**2021**	**2021**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income							
Rents net of identifiable service charges	33,780	4,845	3,215	3,586	1	45,427	43,401
Service charge income	1,283	1,582	756	409	70	4,100	3,931
Net rental income	35,063	6,427	3,971	3,995	71	49,527	47,332
Amortised government grants	799	117	-	94	-	1,010	973
Other grants	340	44	-	-	-	384	218
Turnover from social housing lettings	36,202	6,588	3,971	4,089	71	50,921	48,523
Operating expenditure							
Management	(3,641)	(623)	(415)	(472)	(139)	(5,290)	(4,780)
Services	(2,591)	(1,682)	(157)	(524)	(124)	(5,078)	(4,793)
Routine maintenance	(5,039)	(792)	(50)	-	-	(5,881)	(5,057)
Planned maintenance	(10,730)	(1,880)	2	-	-	(12,608)	(7,670)
Major repairs expenditure	(160)	(26)	-	-	-	(186)	(268)
Kent Excellent Homes for All operating service agreement	-	-	(2,153)	-	-	(2,153)	(2,068)
Bad debts	(89)	(41)	(70)	14	-	(186)	(146)
Depreciation of housing properties:							
- annual charge	(5,501)	(867)	(126)	-	-	6,494	(6,087)
- accelerated on disposal of components	(162)	(18)	-	-	-	(180)	(93)
Other costs	(15)	(46)	-	-	-	(61)	(32)
Operating expenditure on social housing lettings	(27,928)	(5,975)	(2,969)	(982)	(263)	(38,117)	(30,994)
Operating surplus/(deficit) on social housing lettings	8,274	613	1,002	3,107	(192)	12,804	17,529
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(322)	(212)	(92)	(28)	-	(654)	(599)

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

	Opening 1 January	Additions Newly Built	Disposed	Staircased to 100%	Transfers / Reclassified	Closing 31 December	Closing 31 December
	2021	2021	2021	2021	2021	2021	2020
	Number	Number	Number	Number	Number	Number	Number
General needs housing:							
- social	5,020	18	(1)	-	3	5,040	5,020
- affordable	760	46	-	-	-	806	760
Housing for older people:							
- social	787	-	-	-	-	787	787
- affordable	65	40	-	-	-	105	65
- Kent Excellent Homes for All	218	-	-	-	-	218	218
Supported housing:							
- social	41	-	-	-	-	41	41
- affordable	8	-	-	-	-	8	8
- Kent Excellent Homes for All	20	-	-	-	-	20	20
Intermediate rent	29	-	-	-	-	29	29
Low cost home ownership	706	81	-	(15)	(1)	771	706
Total owned and managed accommodation	7,654	185	(1)	(15)	2	7,825	7,654
Residential accommodation managed by others	7	-	-	-	-	7	7
Total owned and/or managed social housing	7,661	185	(1)	(15)	2	7,832	7,661
Leaseholders	232	5	-	-	-	237	232
Homes under construction	471					409	471

7 Operating surplus

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	6,494	6,086	6,494	6,086
- accelerated depreciation on replaced components	180	93	180	93
- Impairment	18	-	-	-
Depreciation of other tangible fixed assets	440	452	437	449
Operating lease charges – land & building	134	91	112	85
Leasing income	(3,491)	(2,885)	(3,491)	(2,885)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	47	55	47	55
- fees for audit of accounts of subsidiary entities	8	7	-	-
Defined benefit pension cost (Note 28)	1,743	1,317	1,743	1,317
Defined contribution pension cost (Note 8)	439	331	439	331

8 Employees

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Staff costs (including executive management team) consist of:				
Wages and salaries	10,422	9,240	10,422	9,240
Social security costs	1,049	901	1,049	901
Cost of defined benefit pension scheme (Note 28)	1,743	1,317	1,743	1,317
Cost of defined contribution scheme	439	331	439	331
Less amounts recharged to group entities	-	-	(670)	(693)
	13,653	11,789	12,983	11,096

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	
	2021	**2020**	**2021**	**2020**
	FTE	**FTE**	**FTE**	**FTE**
Administration	59	42	59	42
Development	21	17	21	17
Housing, Support and Care	207	206	207	206
	287	265	287	265

A defined contribution pension scheme is operated by the group on behalf of employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £438,628 (2020 - £331,089). No contributions (2020 - £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 70.

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Executive directors' emoluments	840	721	840	721
Amounts paid to non-executive directors	86	76	86	76
	926	797	926	797

The total amount payable to the chief executive, who was also the highest paid director in respect of emoluments excluding pension was £155,172 (2020 - £149,928). The pension entitlement of the chief executive is identical to those of other members in the defined contribution pension scheme. No enhanced or special terms apply.

There were two directors in the KCC LGPS scheme during the year but none at year end, (2020 - three) during the year and eight directors in the group's defined contribution pension scheme (2020 - four).

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

	Group		Association	
	2021	2020	2021	2020
	Number	Number	Number	Number
£60,000 - £69,999	15	13	15	13
£70,000 - £79,999	7	5	7	5
£80,000 - £89,999	2	4	2	4
£90,000 - £99,999	2	-	2	-
£100,000 - £109,999	-	1	-	1
£110,000 - £119,999	2	1	2	1
£120,000 - £129,999	-	1	-	1
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	1	-	1
£160,000 - £169,999	1	-	1	-

10 Board members

			Member of:				
		Remuneration £	Group Board	Audit and Risk	Investment and Finance	Communities and housing	Remuneration and Appointments
Tracy Allison – Chief Executive			Member			Member	
Judith Collings		6,626	Member	Member	Member		
Ben Cooper		6,626	Member			Member	Member
Kevin Corbett	Appointed 16 June 2021	6,626	Member		Member		
Akin Durowoju	Appointed 16 June 2021	6,626	Member		Member		
Helen Edwards	Resigned 16 June 2021	6,626	Member			Member	
Janet Eilbeck	Appointed 16 June 2021	7,636	Member	Chair			Chair
Angela George		6,626	Member			Member	
Dave Hilll	Resigned 16 June 2021	6,626	Member	Member			Chair
Brian Horton	Resigned 16 June 2021	6,626	Member	Member		Chair	
Peter Kasch		7,636	Member	Member	Chair		
Megan Morvan		6,626	Member			Member	
Dr Joanne Simpson		7,636	Member			Chair	
Colin Wilby – Chair		13,796	Chair				Member
Independent Chair of Audit and Finance							
Caroline Phillips	Resigned 16 June 2021	4,237		Chair			

Chair Member

11 Surplus on disposal of fixed assets

	Shared ownership	Other housing properties	Surplus on disposal of housing properties	Surplus On Disposal of Other fixed assets	Total
	2021	2021	2021	2021	2021
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing properties:					
Disposal proceeds	2,788	227	3,015	83	3,098
Cost of disposals	(1,493)	(71)	(1,562)	-	(1,562)
Grant recycled on disposal	(31)	(1)	(32)	-	(32)
Selling costs	(14)	-	(16)	-	(16)
Surplus on disposal of fixed assets	1,250	155	1,405	83	1,488

	Shared ownership	Other housing properties	Surplus On Disposal of Housing Properties	Surplus On Disposal of Other fixed assets	Total
	2020	2020	2020	2020	2020
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Housing properties:					
Disposal proceeds	1,627	408	2,035	-	2,035
Cost of disposals	(946)	(167)	(1,113)	-	(1,113)
Grant recycled on disposal	(13)	(11)	(24)	-	(24)
Selling costs	(9)	(7)	(16)	-	(16)
Surplus on disposal of fixed assets	659	223	882	-	882

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest receivable and similar income	30	112	30	112
	30	112	30	112

13 Interest payable and similar charges

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	7,041	7,248	7,041	7,248
Finance leases	1,000	412	1,000	412
Net interest on net defined benefit liability	166	118	166	118
	8,207	7,778	8,207	7,778
Interest capitalised in construction costs of housing properties	(1,056)	(912)	(1,056)	(912)
	7,151	6,866	7,151	6,866

14 Taxation on surplus on ordinary activities

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
UK corporation tax				
Current tax on surplus for the year	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Changes to tax rates	-	-	-	-
	-	-	-	-
Taxation on surplus 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	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before tax	11,135	13,210	11,135	13,197
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,116	2,510	2,116	2,507
Effects of:				
Charitable income	(2,116)	(2,510)	(2,116)	(2,507)
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2020 - £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 (2020 - £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 2021	588,967	19,043	90,871	10,174	709,055
Additions:					
construction costs (including transfer from investment properties)	-	19,410	-	10,645	30,055
replaced components	5,003	-	-	-	5,003
Completed schemes	18,210	(18,210)	11,907	(11,907)	-
Disposals:					
staircasing sales to 100%	-	-	(1,348)	-	(1,348)
staircasing sales partial	-	-	(145)	-	(145)
other sales	(80)	-	-	-	(80)
replaced components	(994)	-	-	-	(994)
At 31 December 2021	611,106	20,243	101,285	8,912	741,546
Depreciation:					
At 1 January 2021	(68,760)	-	-	-	(68,760)
Charge for the year	(6,494)	-	-	-	(6,494)
Eliminated on disposals:					
other sales	9	-	-	-	9
replaced components	814	-	-	-	814
At 31 December 2021	(74,431)	-	-	-	(74,431)
Net book value at 31 December 2021	536,675	20,243	101,285	8,912	667,115
Net book value at 31 December 2020	520,207	19,043	90,871	10,174	640,295

15 Tangible fixed assets - housing properties (continued)

	Group	Group	Association	Association
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
The net book value of housing properties may be further analysed as:				
Freehold	629,049	601,968	629,049	601,968
Long leasehold	38,066	38,327	38,066	38,327
	667,115	640,295	667,115	640,295
Interest capitalisation				
Interest capitalised in the year	1,056	907	1,056	907
Rate used for capitalisation	3.1%	3.1%	3.1%	3.1%
Works to properties				
Major components replacement capitalised	5,003	3,290	5,003	3,290
Major repairs expenditure to income and expenditure account	186	268	186	268
	5,189	3,558	5,189	3,558
Total Social Housing Grant received or receivable to date is as follows:				
Deferred capital grant – Housing properties - general needs	79,663	79,770	79,663	79,770
Deferred capital grant – Housing properties - shared ownerships	8,827	8,895	8,827	8,895
Recycled capital grant fund	1,175	953	1,175	953
Revenue grant – income and expenditure	1,010	973	1,010	973
Revenue grant – reserves	37,293	36,320	37,293	36,320
	127,968	126,911	127,968	126,911

Finance leases

The net book value of housing properties for the group includes an amount of £20,922k (2020 - £21,047k) in respect of assets held under finance leases and hire purchase contracts.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The finance lease is from a Private Finance Initiative called Kent Excellent Homes for All. This is a contract between Kent County Council and Kent EHFA ProjectCo Limited. West Kent has concluded that it is the grantor due to the conditions it fulfills within the contracts. West Kent collects rents and service charges from its tenants. It pays the Kent EHFA ProjectCo an operating and construction services payments over the life of the contract. At the end of the contract West Kent is likely to purchase the assets outright.

Properties held for security

West Kent Housing Association had property with a net book value of £350m pledged as security at 31 December 2021 (2020 - £351m).

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 2021	2,423	6,155	1,424	10,002
Additions	-	1,925	202	2,127
Disposals	-	(352)	-	(352)
At 31 December 2021	2,423	7,728	1,626	11,777
Depreciation				
At 1 January 2021	(880)	(4,928)	(1,245)	(7,053)
Charge for year	(41)	(361)	(38)	(440)
Disposals	-	291	-	291
At 31 December 2021	(921)	(4,998)	(1,283)	(7,202)
Impairment				
At 1 January 2021	-	-	-	-
Charge for year	-	-	(18)	(18)
Released	-	-	-	-
At 31 December 2021	-	-	(18)	(18)
Net book value				
At 31 December 2021	**1,502**	**2,730**	**325**	**4,557**
At 31 December 2020	**1,543**	**1,227**	**179**	**2,949**

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 2021	2,423	6,130	1,386	9,939
Additions	-	1,925	202	2,127
Disposals	-	(352)	-	(352)
At 31 December 2021	2,423	7,703	1,588	11,714
Depreciation				
At 1 January 2021	(880)	(4,904)	(1,227)	(7,011)
Charge for year	(41)	(361)	(35)	(437)
Disposals	-	291	-	291
At 31 December 2021	(921)	(4,974)	(1,262)	(7,157)
Net book value				
At 31 December 2021	**1,502**	**2,729**	**326**	**4,557**
At 31 December 2020	**1,543**	**1,226**	**159**	**2,928**

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
The net book value of office buildings may be further analysed as:				
Freehold	1,488	1,527	1,488	1,527
Short leasehold	14	16	14	16
	1,502	1,543	1,502	1,543

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 which the association has an interest in are as follows:

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

Ink Development Company Limited is a jointly controlled entity between 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 2021 is calculated to be £57,318 (2020: £57,189). West Kent's share of the profits to date would be £28,659 (2020: £28,595). This has not been presented in the accounts as it is not deemed to be material.

18 Investment properties

	Garage land
Group and Association	**£'000**
Fair Value	
At 1 January 2021	6,418
Additions	35
Transfer to Housing Properties	(235)
Movements in fair value of investment	1,530
At 31 December 2021	**7,748**

The association owns garages which are classified as investment properties and a valuation was performed in December 2021. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. This valuation has been undertaken by Savill's Affordable Housing Division, a widely recognised specialist valuer and property advisor in the social housing sector.

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

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

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

19 Properties for sale

	2021	2020
Group and Association	**£'000**	**£'000**
First tranche shared ownership properties:		
Work in progress (Properties under construction)	4,799	5,478
Completed properties (Properties completed and unsold)	785	2,742
	5,584	8,220

Properties developed for sale include capitalised interest of £114,702 (2020 - £215,425).

20 Debtors

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	1,193	1,267	1,193	1,267
Less: Provision for doubtful debts	(626)	(705)	(626)	(705)
	567	562	567	562
Amounts owed by group undertakings	-	-	225	157
Other debtors	616	620	604	583
Prepayments and accrued income	887	709	748	667
	2,070	1,891	2,144	1,969
Due after one year				
Amounts held on trust	3,637	3,611	3,637	3,611
Prepayments and accrued income	866	310	866	310
	4,503	3,921	4,503	3,921
	6,573	5,812	6,647	5,890

The amounts held in trust relate to interest servicing reserve held on loans of £3,637k (2020 - £3,611k) held by The Housing Finance Corporation and Affordable Housing Finance Plc. Amounts held on trust for the loan principal where security is to be provided Nil (2020 - Nil).

21 Cash and cash equivalents

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,315	4,790	6,931	4,432
Leaseholder accounts	834	750	834	750
	8,149	5,540	7,765	5,182

22 Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 26)	3,818	2,067	3,818	2,067
Trade creditors	2,055	685	2,053	676
Rent and service charges received in advance	1,565	1,411	1,565	1,411
Obligations under finance leases (Note 26)	223	191	223	191
Other creditors	1,836	1,286	1,836	1,286
Recycled capital grant fund (Note 25)	588	303	588	303
Accruals and deferred income	2,558	3,432	2,462	3,354
Accrued interest	1,673	1,592	1,673	1,592
	14,316	**10,967**	**14,218**	**10,880**

23 Creditors: amounts falling due after more than one year

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Loans and borrowings (Note 26)	245,176	230,158	245,176	230,158
Obligations under finance leases (Note 26)	21,570	21,499	21,570	21,499
Deferred capital grant (Note 24)	88,492	88,665	88,492	88,665
Recycled capital grant fund (Note 25)	587	650	587	650
Sinking fund balances	916	821	916	821
	356,741	341,793	356,741	341,793

24 Deferred capital grant

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January	88,665	85,827	88,665	85,827
Grants received during the year	1,027	943	1,027	943
Grants from stock acquisitions	-	2,588	-	2,588
Grants recycled from the recycled capital grant fund	-	405	-	405
Released to income during the year	(1,010)	(973)	(1,010)	(973)
Grants on disposed properties transferred to recycled capital grant fund	(190)	(125)	(190)	(125)
At 31 December	88,492	88,665	88,492	88,665

25 Recycled capital grant fund

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January	953	1,156	953	1,156
Inputs to Recycled capital grant fund:				
• grants recycled from deferred capital grants	190	125	190	125
• grants recycled from statement of comprehensive income	32	75	32	75
• interest accrued	-	2	-	2
Recycling of grant:				
• new build	-	(405)	-	(405)
At 31 December	1,175	953	1,175	953
Amounts three years or older where repayment may be required	303	-	303	-

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

26 Loans and borrowings

	Loans	Finance Lease	Total	Loans	Finance Lease	Total
	2021	**2021**	**2021**	**2020**	**2020**	**2020**
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	3,818	223	4,041	2,067	191	2,258
Later than one year and not later than two years	27,989	263	28,252	5,681	220	5,901
Later than two years and not later than five years	17,544	1,021	18,565	19,544	877	20,421
Later than five years	199,643	20,286	219,929	204,933	20,402	225,335
	248,994	21,793	270,787	232,225	21,690	253,915

All loans are in the form of bank loans or aggregated bonds. All historic loans accrue interest at a variable or fixed rate equivalent to 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 2021 the group had undrawn loan facilities of £101m (2020 - £120m).

	Facility	Drawn	Available	Facility	Drawn	Available
	2021	**2021**	**2021**	**2020**	**2020**	**2020**
Loans principal excluding fees	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
National Westminster Bank	110,000	40,000	70,000	110,000	40,000	70,000
Bank of Scotland	137,000	106,000	31,000	139,000	89,000	50,000
The Housing Finance Corporation	45,000	45,000	-	45,000	45,000	-
Affordable Housing Finance	54,000	54,000	-	54,000	54,000	-
	346,000	245,000	101,000	348,000	228,000	120,000

27 Financial instruments

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets measured at amortised cost				
Trade receivables	567	562	567	562
Other receivables	6,006	5,250	6,080	5,328
Cash and cash equivalents	8,149	5,540	7,765	5,182
Total financial assets	14,722	11,352	14,412	11,072

Financial liabilities measured at amortised cost				
Loans payable	248,994	232,225	248,994	232,225
Trade creditors	2,055	685	2,053	676
Other creditors	98,215	98,160	98,119	98,082
Finance leases	21,793	21,690	21,793	21,690
Total financial liabilities	371,057	352,760	370,959	352,673

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

The group's financial liabilities consist of loans payable measured at historic cost as an approximation for amortised cost as the difference between them is not deemed material, and trade creditors, other creditors and finance leases are measured at amortised 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 2021 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.

	2021	2020
Reconciliation of present value of plan liabilities	**£'000**	**£'000**
At the beginning of the year	66,636	54,986
Current service cost	1,709	1,291
Interest cost	860	1,139
Actuarial (gains) / losses:		
- Change in financial assumptions	(3,208)	12,338
- Change in demographic assumptions	(867)	-
- Experience gains on curtailments	(1,384)	(1,660)
Estimated benefits paid	(1,233)	(1,666)
Past service costs, including curtailments	-	-
Contributions by scheme participants	234	233
Unfunded pension payments	(23)	(25)
At the end of the year	62,724	66,636
Composition of plan liabilities		
Schemes wholly or partly funded	Partly	Partly

Reconciliation of fair value of plan assets	2021 £'000	2020 £'000
At the beginning of the year	53,505	48,899
Interest income on plan assets	694	1,021
Return on assets less interest	2,015	4,119
Other actuarial gains	-	32
Administration expenses	(34)	(26)
Contributions by employer including unfunded	851	918
Contributions by fund participants	234	233
Estimated benefits paid	(1,256)	(1,691)
At the end of the year	56,009	53,505
Fair value of plan assets	56,009	53,505
Present value of the defined benefit obligation	(62,517)	(66,395)
Present value of unfunded obligation	(207)	(241)
Net pension scheme liability	(6,715)	(13,131)
Amounts recognised in income and expense are as follows:		
Current service cost	1,709	1,291
Administrative expenses	34	26
Interest cost	860	1,139
Interest on assets	(694)	(1,021)
	1,909	1,435
Analysis of actuarial gain/(loss) recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	2,015	4,119
Other actuarial gains on assets	-	32
Changes in demographic assumptions	867	-
Experience gains and losses arising on the scheme liabilities	1,384	1,660
Changes in assumptions underlying the present value of the scheme liabilities	3,208	(12,338)
	7,474	(6,527)

Composition of plan assets	2021 £'000	2020 £'000
Equities	36,250	33,350
Gilts	384	334
Other bonds	7,779	7,406
Property	6,154	5,432
Cash	1,445	3,087
Target return portfolio(Absolute return fund)	3,997	3,896
Total plan assets	56,009	53,505
Actual return on plan assets	2,709	5,140

Principal actuarial assumptions used at the balance sheet date	2021	2020
Discount rate	1.85%	1.30%
Future salary increases	2.85%	3.50%
Future pension increases	3.85%	2.50%
Mortality rates		
for a male aged 65 now	21.6	21.9
at 65 for a male member aged 45 now	23.7	23.3
for a female aged 65 now	22.9	23.8
at 65 for a female member aged 45 now	25.1	25.3

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 £439k (2020 - £331k). Contributions totalling £Nil (2020 - £Nil) were payable to the fund at the year end and are included in creditors.

29 Share capital

	Group		Association	
	2021	2020	2021	2020
	£	£	£	£
At 1 January	27	29	27	29
Shares issued in the year	3	-	3	-
Shares cancelled in the year	(6)	(2)	(5)	(2)
At 31 December	24	27	25	27

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

30 Contingent liabilities

The association has entered into a residual value deed with Kent EHFA ProjectCo Limited as part of the Kent Excellent Homes For All Private Finance Initiative. The amount outstanding under the Residual Value Facility, and at any relevant time shall not exceed, £9m save with the prior written consent of West Kent Housing Association. An overage payment is potentially payable if the Existing Use Valuation - Social Housing at the end of the contract exceeds £9m. No existing security has currently been provided by West Kent Housing Association in connection with this liability. The homes built under the contract are held as security. If this is not sufficient further security will be used from West Kent Housing Association's unencumbered stock.

31 Operating leases

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

	Group		Association	
	2021	2020	2021	2020
Amounts payable as lessee	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	117	131	109	109
Later than one year and not later than five years	324	410	324	324
Later than five years	2,161	2,298	2,161	2,269
	2,602	2,839	2,594	2,702

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

	Group		Association	
	2021	2020	2021	2020
Amounts receivable as lessor	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	3,464	2,896	3,464	2,896
Later than one year and not later than five years	13,855	11,584	13,855	11,584
Later than five years	425,623	328,245	425,623	328,245
	442,942	342,725	442,942	342,725

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Commitments contracted but not provided for:				
Construction	59,416	66,371	59,416	66,371
Construction - Ink Development Company Limited	1,450	1,429	1,450	1,429
Commitments approved by the Board but not contracted for:				
Construction	20,837	20,473	20,837	20,473
Construction - Ink Development Company Limited	-	3,253	-	3,253
	81,703	**91,526**	**81,703**	**91,526**

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

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Social Housing Grant	4,469	5,355	4,469	5,355
Approved loan facility	52,989	57,956	52,989	57,956
Sales of properties	24,245	28,215	24,245	28,215
Existing reserves	-	-	-	-
	81,703	91,526	81,703	91,526

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 (2020 - three) who hold tenancy agreements on normal terms and cannot use their position to their advantage. There were ten shareholders (2020 - 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:

	2021	2020
	£'000	£'000
Payment due from previous year	(1)	-
Charges in year	82	88
Payments in year	(83)	(89)
Payments due at end of year	(2)	(1)

Joint venture

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

	2021	2020
	£'000	£'000
Net sales and purchases of goods and services	1,178	3,000
Debtors due to Ink Development Company Limited	772	705
Creditor due from Ink Development Company Limited	558	487
Administration fees received by West Kent	9	9

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

33 Related party disclosures (continued)

Transactions with non regulated entities

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

	Staff and Management charges		Other charges		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Payable to association by subsidiaries:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
West Kent Extra Limited	670	693	107	107	777	800
	670	693	107	107	777	800

	Staff and Management charges		Other charges		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Donation by association to subsidiaries:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
West Kent Extra Limited	440	541	107	107	547	648
	440	541	107	107	547	648

Intra-group charges

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

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