West Kent Housing Association Report and Consolidated Financial Statements

for the year ended
31 December 2020

WestKent

Places to live. Space to grow.

Report and Consolidated Financial Statements
for the year ended 31 December 2020

Highlights

Operating social housing margin **36%**

Governance **RATING G1/V1**

£39M INVESTED in new homes in 2020

Delivered **1 NEW HOME** into management every weekday

Started **2.1 NEW TENANCIES** every weekday

Increased homes in management to **7,886** (2019:7,583)

Achieved **99% OCCUPANCY**

1,200 welfare calls made to residents at the start of pandemic

Achieved **ARREARS 2.1%**

Average rent for General Needs of **£107.01** (52 weeks)

88% achieving 'right first time'

96% delivering on our repairs promise

Voids turnaround at **52 DAYS**

159 NEW HOMES delivered and 107 homes acquired through stock transfer

471 HOMES in construction

£120M LOANS available for future drawdown

Gearing **39%**

Interest cover **277%**

Contents

Highlights from 2020 include:

- Providing our services in our Emerald (over 55s) and supported housing schemes in a Covid safe way and delivering our Kent Excellent Homes For All contract key performance indicators
- Supporting our residents through a challenging year which saw a significant increase in mental health issues and community safety cases, achieving arrears of 2.07% (compared with 1.9% last year and against 3% target)
- Achieving 95.9% delivery on our repairs promise (compared with 93% last year and 94% target), completing a review of building safety compliance, delivering great performance on our gas servicing
- Successfully taking our resident engagement online, bringing in £1.3m of third party investment for our communities (compared to £1.3m last year and £1.3m target), helping 28 people into work, delivering 358 youth sessions online
- Retaining the top awards of G1 and V1 by the Regulator
- Increasing our homes in management with acquisitions from Stonewater and 159 newly developed homes, achieving £12.5m through the sale of 112 shared ownership homes (against the target of £15.2m for 133 homes)

Foreword

2020 was a remarkable year. In March the Board approved the new Strategic Plan to 2025, this set out our ambition to challenge ourselves to do more:

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

This groundwork proved invaluable as we found ourselves having to rapidly respond to the Covid pandemic. Our immediate priority was to ensure we kept our homes, our residents and our staff safe.

In March 2020 we took the decision to prioritise resident safety, focussing our teams on completing vital gas servicing and emergency repairs. Credit must go to our iNHomes team who re-organised immediately and kept working every day through the lockdowns. The only pause to service was on 'day one' to rethink how best to keep staff and residents safe while delivering essential services.

We anticipated rising unemployment and increased the number of staff to support residents concerned about being able to meet their rent payments with their jobs at risk. Looking ahead we increased support to residents around employment and job training. It is a reflection of the proactive approach taken by our income team that we ended the year at only 2.07% arrears (compared to 1.9% in 2019) with no significant increase to resident bad debts. This is a remarkable achievement given the HouseMark median level of arrears was reported as 3.53% for the whole sector and 3.06% for our relevant peer group (contributing housing providers based in the South East) at the end of December.

Within the first few weeks of lockdown we made efforts to contact all residents over 70 years old. The majority confirmed that they had support and had made arrangements for those who needed further help. At our older people's schemes, we kept in daily contact with all residents by phone and arranged delivery of meals from our restaurants to those that needed them. In June we launched a new service called West Kent Together to help residents stay connected and continues to provide support to 23 residents. The service helps to link internal and external support services, whether it's needing delivery of food or medication, employment or money advice or just someone to talk to.

As some restrictions were lifted, we set ourselves a challenging target to catch up on repairs and lettings by the end of September 2020. Our teams worked hard with our partners to clear the three month backlog in routine repairs and re-let empty properties handed back during the first lockdown. A huge effort by the teams saw the 3,300 backlog repairs largely cleared by the end of August and 98% of our voids re-let by the same time.

Over the last twelve months we have reimagined how we can deliver our services. We fast- tracked some of our existing plans for investing in technology and improving customer experience as part of our Covid response. We have delivered our new-build development programme, largely on time, with 159 new homes developed. We sold 112 shared ownership homes and raised £12.5 million in sales against our £15.2 million budget. We also acquired 107 homes from a stock transfer from another housing association.

Cashflow was monitored closely throughout last year, as our early scenario modelling highlighted the level of voids, rent bad debt and poor performance with our new shared ownership sales could potentially have impacted our loan covenant performance. In the event these worst-case scenarios did not materialise and so we have progressed with work to secure our five-year development pipeline and plans to catch up delayed planned works in 2021. In support of these plans we secured an additional £60m in loans and loan covenant flexibility.

In September we were pleased to be confirmed at the highest rating of G1/V1 from the Regulator of Social Housing.

As we finalise this report our working environment remains uncertain. Our priorities continue to be keeping our homes, our residents and our staff safe, but we are also in a position to look forward.

We have recruited new skills into the executive team. Kate Flaherty joined us as Director of Property Development and Partnerships and Neil Diddams as Director of Property and Assets, each bringing a wealth of skills from both the private and housing sectors. In autumn 2020 we planned the recruitment of three new Board Members to replace three exiting members who will come to the end of their terms of appointment in 2021. This was a very successful exercise and we were pleased to appoint Janet Eilbeck as Chair of the Audit and Risk Committee; Akintoye Durowoju as Board Member with development experience and Kevin Corbett as Board Member with IT/digital experience.

2021 sees us continuing to progress plans for modernising services and undertaking further work on how we will meet the zero carbon challenges. We are keen to strengthen our relationships in Kent and Medway. With the funding and expertise in place we are ready to work in partnership to deliver more new homes across the county.

Looking back, we are very proud of what we have achieved in 2020 and we thank our staff, local authority partners, key suppliers and development partners for working with us to take a proactive response in such uncertain times.

> "When I started the position of CEO at West Kent, I never imagined that steering the organisation through a period of change would include managing it through a worldwide pandemic! But here we are, and I am proud to be leading this organisation at such an unprecedented time. I continue to be awed and inspired by our staff and the efforts they continue to make to provide the best service we can to our residents."

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

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.

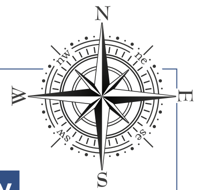
Best in Kent
We want to be known as Kent's housing provider of choice.

Our Values

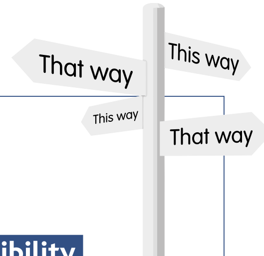
West Kent is known for its positive culture of working in partnership with customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

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: 80,651 customer queries. Telephone remains the most popular method of contact, accounting for 67% of customer contact, followed by email (26%), web forms (3%), web chat (2%) and face-to-face (1%).

Achieved Arears
2.07%

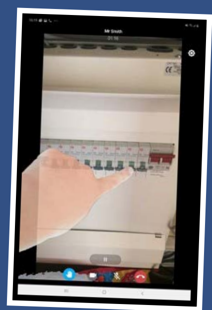
88% ACHIEVING 'RIGHT FIRST TIME'

95.9% DELIVERING ON OUR REPAIRS PROMISE

Fast Facts:

Digital communications and engagement with residents

We have a growing online discussion forum with 200 members. This has been used to consult on our response to Covid, during a pilot our residents assisted in testing the use of an augmented reality tool that enables our staff to remotely view repairs and lettings via a mobile phone link, and the income collection campaign messages. We worked with 63 residents who tested the accessibility of information on our website to make sure that the core information that our residents needed during and coming out of Covid could be found easily.



Example of Augmented reality for repairs.

Fast Facts:

Customer complaints

Despite a challenging year we saw a 34% reduction in complaints compared with 2019. 63% of complaints received were upheld. Most upheld complaints (91%) were upheld at the first stage. Most complaints (53%) remain about repairs; we have seen an increase in complaints about staff, but these tend to relate to a resident being unhappy with the messages they are being given, particularly around rent arrears and antisocial behaviour. Where appropriate staff have received additional training around communication.

We reviewed our approach in readiness for the new Code of Practice issued by the Housing Ombudsman Service that came into effect in March 2021.

Priorities for 2020 raised in last year's report:

- We were concerned by arrears and those tenants moving onto Universal Credit. We saw a 56% increase in Universal Credit claimants in 2020. We increased income support staff, communicated early with those moving on to Universal Credit and sent out text messages about the importance of paying rent. This led to lower levels of arrears for those on Universal Credit and only a small increase in arrears from 2019. The focus was on getting residents talking to us as we can give support and advice to help their situation and prevent action being taken against their tenancy; to stop 'tough times from getting tougher'.
- We said we would establish customer insight requirements and gather baseline satisfaction data. In 2021 we will collect satisfaction data to understand how our customers feel about West Kent as a landlord, how they feel about the services they receive from us and to identify service failure and drive improvements. In 2021 we will undertake a West Kent census with our residents.
- We said we would be remodelling and introducing a wellbeing pilot at Queens Court, Edenbridge. This was affected by the pandemic, but we were able to upgrade the communal heating and changed the emergency lighting to a smart system - allowing us to remotely test and diagnose issues arising in the future. In 2021 we will be completing the works that were delayed, including the new garden room and front entrance, as well as landscaping the gardens for our residents to enjoy.

During the pandemic our priority was keeping residents, their homes and our staff safe.

- In March we identified the key performance measures and began tracking these weekly, regularly engaging the business to understand what the key issues were and how staff and residents were feeling. We measured our staff sickness, building safety (including no access), how many empty homes we had.
- Income recovery – there was a risk that residents lost their job, or had their hours cut and would struggle to pay their rent. We set ourselves stretching targets to maintain arrears at below 3% and support residents so new claimants did not go into arrears, and those with debt did not fall into further arrears. Support was given to assist the move to Universal Credit. Our average arrears for a Universal Credit claimant reduced from the year before. We managed this by texting Universal Credit claimants in advance of payments to remind them to pay housing element, we told residents to pay what they could and to make sure they were claiming.
- We have seen an increase in antisocial behaviour during lockdown. To help us manage it effectively, we have recruited additional resources and where necessary taken out injunctions.
- By the beginning of April, we had contacted 75% of our older people. We assessed what we could do for them and where we could signpost them to other agencies for assistance. It was clear that we needed to protect our residents in our older people's schemes against the effects of Covid. We closed communal lounges and where we had an outbreak, we instigated protocols to contain and report. For our Kent Excellent Homes for All schemes there were potential penalties for reducing our service, but having already established a good working relationship with Kent County Council we were able to demonstrate our ability to maintain the service while protecting our residents and staff.

In 2021

- We will complete our regeneration of Queens Court, Edenbridge
- We will improve the customer journey, including accessing our enablement service and information for service charges.
- We will plan, design and begin phase one implementation (of a two year project) of a new housing management system
- We will sign off a new Resident Engagement Strategy which builds on our previous work to make sure our residents influence the development of our customer facing policies and services, and continuously improve them through their feedback.

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:

- **£1.3m external funding secured in 2020** for services that benefit residents across Kent and Medway by promoting wellbeing and preventing crisis, building resilient communities and strengthening employability and enterprise
- **Increased our employment support**, with 28 residents helped into work and improved their employment situation
- **Awarded £15,000** of grant funding to community groups and organisations to deliver their own community activities
- Continued to deliver our successful youth services with **320 online sessions, 125 in person outreach sessions and 134 sports and skills sessions in 2020.**

Fast Facts:

West Kent's youth services team has changed the way they deliver their services during Covid, adapting to meet the needs of young people and delivering more sessions in 2020 than we've ever delivered in a year, due to adding an online programme to our street-based youth work and the regular clubs we deliver around the Sevenoaks District.

The employability team supported 200 people through the year to identify available jobs, improve their CVS and prepare for interviews, with 343 attending a range of events including job fairs, job hubs and training run in partnership with Clarion, Golding Homes and the Department of Work and Pensions.

Wellbeing Services – we expanded our support for those who have experienced homelessness with a new Rough Sleeper Initiative supporting 51 people in Medway, with a further 870 clients supported across our housing related floating support and social support services, ensuring those who need additional support to live independently or have faced challenges with their mental health, substance abuse can thrive.

Priorities for 2020 raised in last year's report:

- We were hoping to introduce starter home packs to complement successful starter tenancies. We have carried out some research into what might be needed and will pilot this in 2021.
- We planned to establish a resident scrutiny panel, which was done following National Scrutiny Week in October with nine residents initially appointed. The panel are now going through their training and induction process, supported by West Kent and TPAS, preparing for their first official review in 2021.
- We were hoping to deliver three community development pilots in areas where we have a role to play as an 'anchor' organisation. The impact of Covid interrupted this work; we identified our first pilot area in Edenbridge but this won't be delivered until 2021. Information on how we supported our communities through the year can be seen in the Covid-19 Response and Recovery section below.
- We intended to establish a regular job club in Sevenoaks and through 2020 had job clubs running in Sevenoaks and Swanley, with online and telephone support available when national restrictions meant our hubs could not offer in person support, and for our customers in other areas.

Covid our response and recovery

Community Support

During the first lockdown we carried out welfare calls to our older and more vulnerable tenants and we also checked in with all the young people we work with and our support clients. We researched and pulled together a live, internal database of local services that were currently available to individuals, which our staff used to better support customers who were unsure around how to access food or medicine, or who needed help with their mental health or financial wellbeing, including sources of crisis funding such as emergency help with utilities. We worked with partners such as the Hygiene Bank to deliver 268 personal care packages and activity packs to families we were working with.

Linda Hogan Community Fund

by May 2020 there were over 380 Covid specific funds available to organisations and charities in Kent – so the sector was well supported. It was also fantastic to see communities coming together to help themselves. We focussed on promoting our funding to small and emerging groups, and offered phone support from our Funding Coordinator to help any new group who weren't sure what funding and support was available. We awarded £15,000 to 44 different groups and organisations in Kent in 2020.

West Kent Together

is a service we developed to help residents stay connected and supported through difficult times. We know that many residents have been affected by Covid, whether through health issues, job and money worries, or feelings of loneliness and isolation. Some of them needed more ongoing support and help than the initial signposting we were able to offer through our normal tenancy support, and we knew that some of the services we may have referred to were not able to run as a result of the pandemic. Through West Kent Together, which started in June 2020, we've been in regular contact with 20 residents who were facing significant personal challenges; many of whom would not have met the criteria for other support services.

Employability Support

we increased our capacity to help those made redundant or facing redundancy as a result of Covid through a £35k grant from the National Lottery Community Fund, which meant that for the end of 2021 and into 2022 we can offer specialised support in a changing job market.

In 2021

- We will deliver community development pilots' listening to what local people want and building on what is already there to shape how we can best support the communities where we operate as an 'anchor' organisation
- We will continue to expand our employability and our youth services, making sure we can reach more people across our areas of operation
- We will deliver wellbeing activities for older residents across the West Kent area, as well as our range of housing related support services
- We will continue to improve our offer to new tenants and those in financial difficulties, making sure they can access both the support and practical assistance they need, building on what we deliver through our Abacus Furniture Projects

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 **52 DAYS**

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

AT THE END OF THE YEAR THERE WERE 9 OVERDUE GAS SAFETY CHECKS (6 in empty properties, 2 where tenants were impacted by Covid and one 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 improving the cladding and aim to remove the waking watch at this block of flats.
- The average time to let our homes was 52 days. The letting of our homes in 2020 has been significantly impacted by Covid. It has taken us longer to get homes ready to let, to shortlist applicants and enable them to view the home. With the advent of augmented reality to do virtual viewings, electronic documents for electronic signing of tenancy agreements and partnership working with our contractor Brenwards we are improving the time it is taking to let our homes.

Priorities for 2020 raised in last year's report:

- We said we would review our lettable standard. A full review of how we let our homes started in 2021.
- We successfully completed the mobilisation of our Building and Electrical contract to Brenwards for a further ten years from 1 January 2020 and during Covid the strong partnership meant we could respond quickly to changing conditions.
- We planned to review our data and compliance assurance framework for property health and safety in the year. In 2020 we worked with a building safety Health and Safety specialist to check our data and review our policies to ensure we are following best practice. They assured us that we have the right information to be confident that we are protecting our residents in their homes. This gave us confidence in our underlying data and we have strengthened our reporting in this area further.

Covid our response and recovery

- During the first lockdown, we built up a backlog of repair jobs. When the restrictions were eased and we were able to carry out routine repairs again, we caught up with the backlog by September 2020, ensuring normal service could be resumed and residents didn't have to wait long for their appointment.
- Maintaining social distancing whilst still letting our homes was a key priority in meeting housing need. We introduced paperless sign up of tenancies during the summer of 2020 and we introduced Augmented Reality software which enabled viewings of homes remotely, as well as enabling residents to show us issues in their home without needing someone to visit.
- Our charitable subsidiary, West Kent Extra, supplied new tenants with furniture from our Abacus stores when the shops were closed. We also used Abacus to kit out some of our recently vacated homes, so we could move people safely and quickly in the event of an emergency. We also worked with the local authority to prioritise housing the homeless.

In 2021

- We will ensure we achieve the best value for money from Brenwards our maintenance partnering contractor
- We will improve the time taken to re let our empty homes
- We will develop our new Asset Management Strategy and understand how we will meet the zero carbon challenge for our homes

Growth in homes

Our performance:

WE BUILT 159 NEW HOMES and completed a stock purchase of 107 rented homes (280 new homes in 2019)

WE SOLD 112 SHARED OWNERSHIP HOMES our target was 133 (we sold 81 in 2019)

23% SALES MARGIN on shared ownership sales (the target was 22%)

Fast facts:

- We have contracted 471 homes and have 110 homes at pre-contract stage. 60% are for rent and 40% for shared ownership.
- We negotiated a stock transfer of 107 rented homes from Stonewater which completed in March 2020.
- At 31 December we had 29 shared ownership units unsold and three of these were unsold for over six months. At 31 March 10 remained unsold and two of these for more than six months.

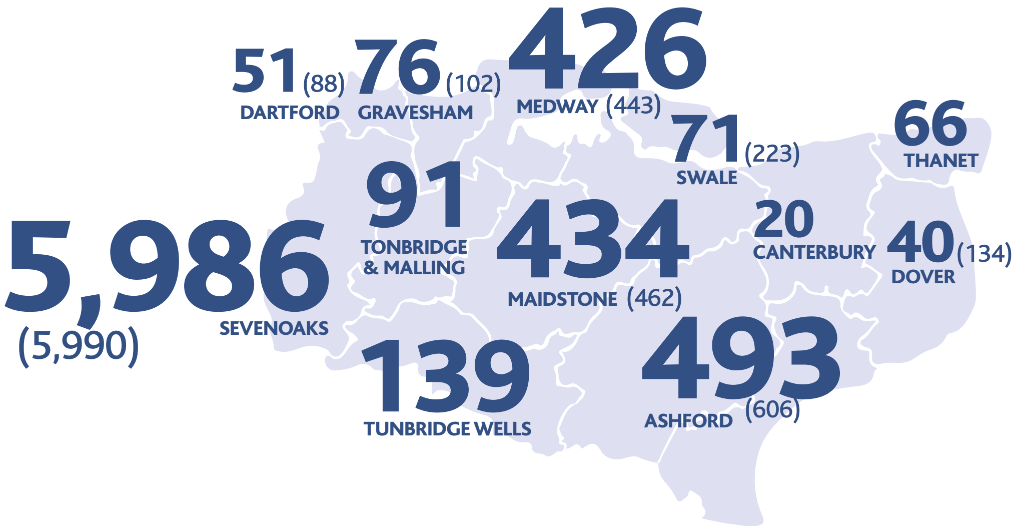
Priorities for 2020 raised in last year's report:

- We said we would provide 300 more homes, we built and acquired 266 homes and we have 471 homes being built.
- We said we would secure one care - ready older people's' scheme opportunity. We have been looking at several opportunities during 2020 and will be completing a 40-home semi-independent scheme in 2021.
- We wanted to deliver one modular homes scheme pilot. This is still an aspiration. We successfully began our pilot to build zero carbon homes in Mills Crescent, Sevenoaks.

Covid our response and recovery

- The construction industry quickly adapted to Covid safe working practices and we experienced only minor delays. The sites were Covid safe and when a case was identified developers were quick to respond. We have seen a slight delay in the completion of some of our homes which has impacted the planned handover and sale of some homes. We appreciate the hard work our contractors have done to achieve what they have in these difficult times.
- We saw an increase in demand during lockdown for our homes and we were able to maintain social distancing to show to prospective buyers. Selling our low cost home ownership in lockdown meant doing things slightly differently with solicitors and banks adapting their processes, this meant some homes took longer to sell than usual.

Our stock and development plans



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

	2020	2019
Rented	5,878	5,650
Rented – older people	1,070*	1,119
Low cost home ownership	706	629
Total social housing homes	7,654	7,398
Homes managed by others	7	3
Leaseholders	232	182
Total owned and managed accommodation	7,893	7,583
Homes under construction	471	384

* Reduction in homes for older people due to redesignating some homes as general needs.

	2020 Less than 6 months unsold	2020 Over 6 months unsold	Total
For homes unsold at 31 December:			
Unsold with no offers	3	0	3
Unsold under offer	23	3	26
	26	3	29
For homes unsold at 31 December position as at 31 March 2021:			
Unsold with no offers	0	1	1
Unsold with offers	8	1	9
	8	2	10

We had one home unsold with no offers at 31 March 2021 that was unsold at the end of the financial year. This home has been affected by a change of tenure, Covid delays in sales and the need for a EW1S (External Wall Fire Review process in valuing high-rise buildings) form, even though this flat is not in a high-rise building. New guidance on EWS1 form has been issued which would exclude this property requiring it, we have no reason to believe this home cannot be sold. We do not require homes to be sold to maintain liquidity.

In 2021

- We will work towards securing our pipeline of new homes in development to 2025.
- We will secure one older persons scheme
- We will develop opportunities for working in partnership with local authorities to deliver affordable local homes.

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 is greater than **35% 2020: 36%**
- **Highest rating from the Regulator on governance and financial viability** (G1 V1)
- **Employee engagement of 70%**
- **£120m loans available** to build new affordable housing

Fast facts:

- We are challenging ourselves to do more, to invest and improve in our systems and deliver efficiencies in the way we work to continue to achieve a healthy operating margin on our social housing activities. In 2020 we completed the procurement of a new housing management system to be implemented over the next two years.
- 82% of staff completed a staff survey in October. Our employee net promoter score was +26, a huge improvement on previous survey by +24. Pleasingly 91% of staff said they were proud to work for West Kent and we had an overall staff engagement score of 70%.
- Following discussions prompted by the Black Lives Matter movement, we have been working to review our current approach to Equality, Diversity and Inclusion.
- We completed one loan transaction in 2020 increasing our borrowing facility by £60m. We have a set of liquidity rules which demonstrates that we do not need to seek further funding for two years. Our loans now give us the ability to enter Joint Ventures and partnerships for local authorities and developers.
- In 2020 we shifted our recruitment, induction and our learning and development offer on line. We recorded an average of two days learning per employee in 2020.

'West Kent's mission is to create in Kent a prosperous, strong and sustainable society; a place of opportunity for all; where people can plan for their futures. Our commitment to equality, diversity and inclusion is critical to achieving this.

We aim to do more than meet the legal and regulatory requirements that relate to equality, diversity and inclusion. We will work with our staff, residents, customers and partners to better understand the issues that matter to them, and how we can work together to improve.

To deliver excellent services and build successful communities we aspire to design and deliver inclusive and accessible services that meet the needs of the diverse communities we serve, promoting opportunities and tackling discrimination.

To be successful we believe we should have a diverse and skilled group of staff, Board members and volunteers who feel valued for the different experiences and views they bring.

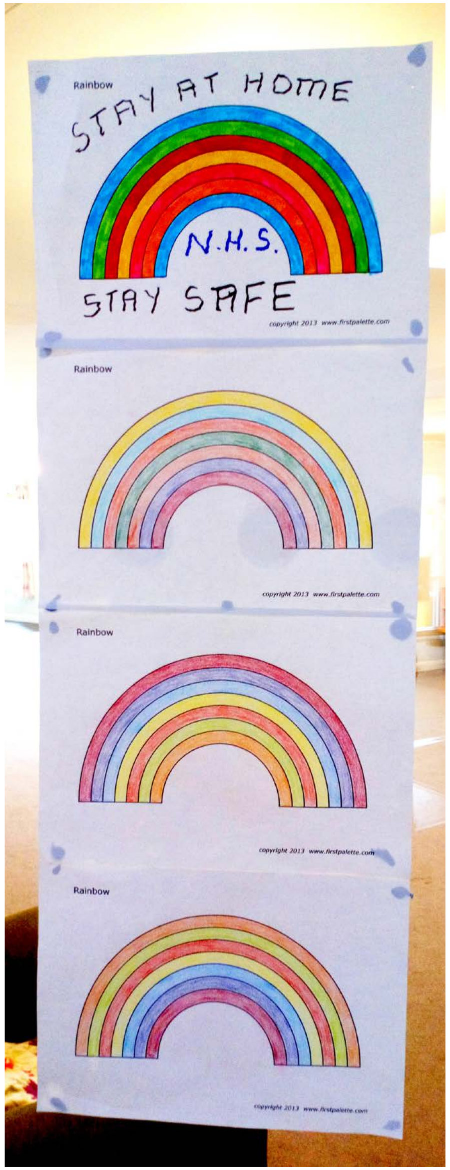
We will work with our staff, residents, customers and partners to build a culture where people feel respected, included and heard, where prejudice and discrimination can be recognised and addressed.'

Priorities for 2020 raised in last year's report:

- We said we would deliver a plan of business improvements. We completed a detailed review on our property data and compliance assurance and a number of smaller reviews to adapt our processes as part of our Covid response.
- We said we would implement phase one to procure and begin implementation of a new Housing System. This started later than planned as we prioritised our Covid response, but in early 2021 we selected a partner and started implementation planning.

Covid- our response and recovery

- From day one of the first lockdown all staff could work from home or remotely, safely. We provided additional IT kit and training where needed and successfully moved Board meetings online.
- We achieved a significant shift towards a paperless office. In the first week of lockdown we introduced robust processes that replaced old paper-based systems such as invoicing.
- The facilities team introduced working practices to ensure a safe office environment and performed brilliantly in sourcing and distributing Protective Personal Equipment for all staff and schemes with clear guidance on their use and replacement.
- We maintained a focus on staff wellbeing as we all adapted to working from home and as remote teams, the highlight was the November wellbeing week that supported staff to 'Stay Well over Winter'. In the staff survey 82% of respondents (256 employees) agreed with the statement 'my manager makes an effort to keep in touch with me'.



In 2021

- We will deliver our Equality, Diversity and Inclusion action plan
- We will agree our new People Strategy
- We will undertake a stakeholder survey and develop a response plan.
- We will be adapting new ways of working.

Risk

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

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

In common with most organisations the uncertainty around the global pandemic and the end of the transition period of Brexit was high on the board agenda throughout 2020 and work was completed to provide clear plans to maintain our services and protect liquidity as lockdown continued throughout 2020.

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

2020 saw an unprecedented level of potential risk. West Kent responded effectively, ensuring our staff could continue to work safely and we prioritised the safety of our homes and financial wellbeing of our residents. The Board continued to assess the impact on our business throughout 2020 and has considered and reviewed all our key risks considering Covid and applied various stress testing scenarios on our financial plan for three years 2021-2023. In these stressed assumptions and most likely scenario West Kent is comfortably within available borrowing limits and covenants and therefore the board is of the opinion that West Kent remains a going concern.

We have limited sales exposure and we may pursue opportunities to switch new shared ownership homes to different tenures, should there be a long-term impact on the housing market. Our stress testing demonstrates West Kent can withstand and manage a severe cash impact and remain within our loan covenants.

Strategic risk	Appetite	Mitigation
Covid – keeping our homes, residents and staff safe, while maintaining our services and delivering new homes.	Minimal	Board approved changes to key policies, such as complaints response times, maintenance scope during lockdown and repairs response times. Quarterly updates on going concern, reforecasting our budgets and scenario planning for tighter restrictions, such as the impact of furlough ending and delivering a Covid safe environment to our staff and residents. Maintaining our liquidity rules and monitoring new commitments to development programme. Funding in place ensuring we have sufficient liquidity.
Health and safety: harm, that we should have prevented, is caused to our residents, staff, contractors or the public.	Minimal	Our compliance assurance provides oversight of our legal obligations and is reported quarterly to Board. Our property compliance scorecard monitored gas safety, electrical, fire risk assessments and fire actions, asbestos, water and lifts are reported quarterly. Monitoring overdue gas safety checks where tenants were self-isolating, we ensured we accessed their home as soon as was practicable. This was a slight change to our usual process as some of our self-isolating or shielding tenants could not give access for periods of time. At the end of December 2020, we had nine non-compliant gas servicing properties, of which six were in voids being brought back into letting, one was following our access procedure and seeking court action and two were due to Covid self-isolation. Our fire risk assessments are up to date.
Sales income: income from sales of properties (shared ownership, existing assets and open market sales) are lower and later than we have budgeted.	Balanced	We monitor local market, track a range of indicators and consider switch to market sale or shared ownership to different tenure such as rent.
Universal credit: restrictions on benefit entitlement lead to loss of rent, tenant debt and eviction.	Balanced	Our financial wellbeing strategy ensured we collect our rent and offer support to our tenants to pay. The Universal Credit portal is actively used to seek direct payment when tenants fall into arrears. Resources were prioritized in this area for 2020 to speak with customers going onto to Universal Credit for the first time and working with them to understand their responsibilities. This resulted in arrears of 2.07% at year-end (2019: 1.9%).

The principal uncertainty facing the organisation is the impact on the economy and therefore on our residents' ability to pay their rent. The Board and executive team continue to monitor how the easing of restrictions will impact the organisation. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the organisation is in a good financial position to help manage this risk. Steps are being taken, on an ongoing basis, to minimise the impact on West Kent's activities and the effect this may have on the organisation's residents and stakeholders. Infrastructure is in place to allow staff to work remotely and continue to deliver excellent services to our residents.

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. Put simply, it's a way to challenge ourselves to do things differently so we can achieve more for the same money or effort, achieve something better for the same money or effort, or even achieve the same benefit for less money and less effort.

At West Kent we deliver value for money by:

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

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

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

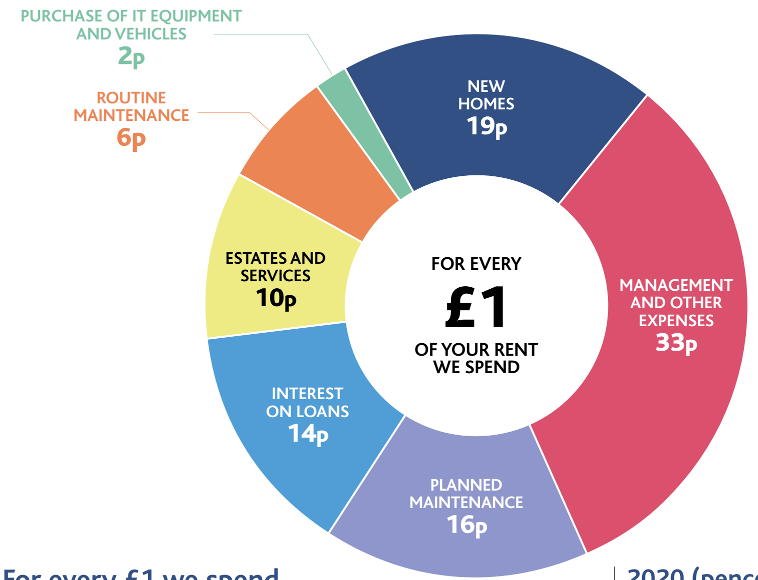
In 2021:

- We will identify benefits expected from our new housing management system, identifying cashable savings, reducing costs, improving efficiency and service delivery to our residents. This will enable future capacity to do more. This will be basis of three year improvement plan which will be tracked through our financial plans.
- We will recruit a procurement manager with the aim to deliver cashable savings either through improved contract costs, cost avoidance or added value through corporate social value from suppliers.

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 19p of rent invested in building new homes was then supplemented with a further 80p from bank loans, government grant and shared ownership sales income to build 159 new homes in 2020.



For every £1 we spend	2020 (pence)	2019 (pence)
MANAGEMENT AND OTHER EXPENSES	33	32
PLANNED MAINTENANCE	16	20
INTEREST ON LOANS	14	15
ESTATES AND SERVICES	10	10
ROUTINE MAINTENANCE	6	6
PURCHASE OF IT EQUIPMENT AND VEHICLES	2	1
NEW HOMES	19	16

Our planned maintenance programme was significantly impacted by the Covid lockdown restrictions and it was not possible to complete all catch up works in year.

In 2020 we replaced:

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

281 BOILERS
and 7 Central Heating Installs

20 AIR SOURCE HEATING SYSTEMS

39 ELECTRICAL HEATING SYSTEMS

78 KITCHENS

58 BATHROOMS

6 ROOFS

3 SCHEME DOOR ENTRY SYSTEMS

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 feel are similar to West Kent. The following tables compare our performance (2020 and 2019) to this group (2019/20).

We will continue to monitor ourselves against our own performance, that of these peers and the sector. The comparators for West Kent 2020 financial year were directly affected by the pandemic, whereas the comparators with peers are for 2019/20 when the pandemic would have had little impact on the financial performance. Our target for 2021 considers the continuing impact of Covid on our services.

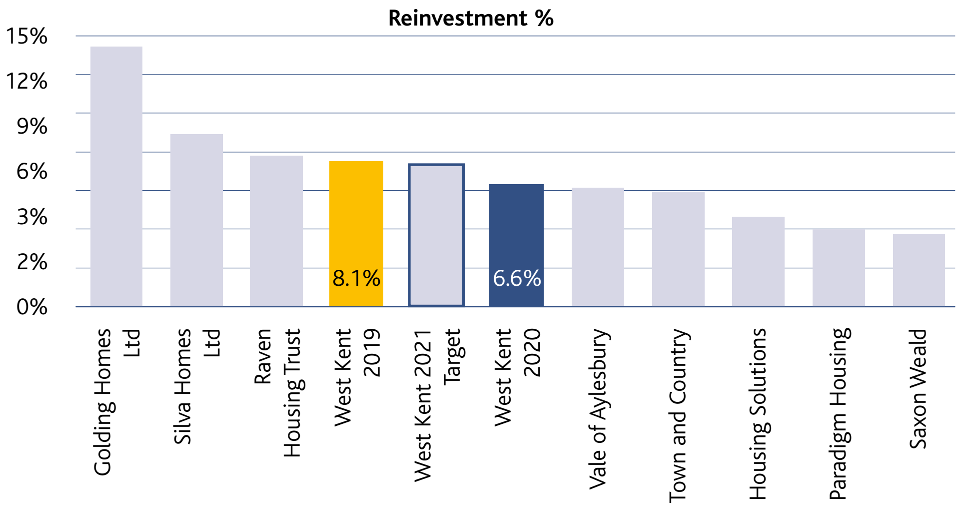
Regulatory Value for Money Metrics

At the time of publishing the Regulator had not published comparable VFM metrics in their global accounts, so for this year we have used the data provided by Vantage Business Solutions. Vantage only shows the overall average whereas the global accounts can be broken down by size and quartile performance.

Regulatory Metric 1
Reinvestment %

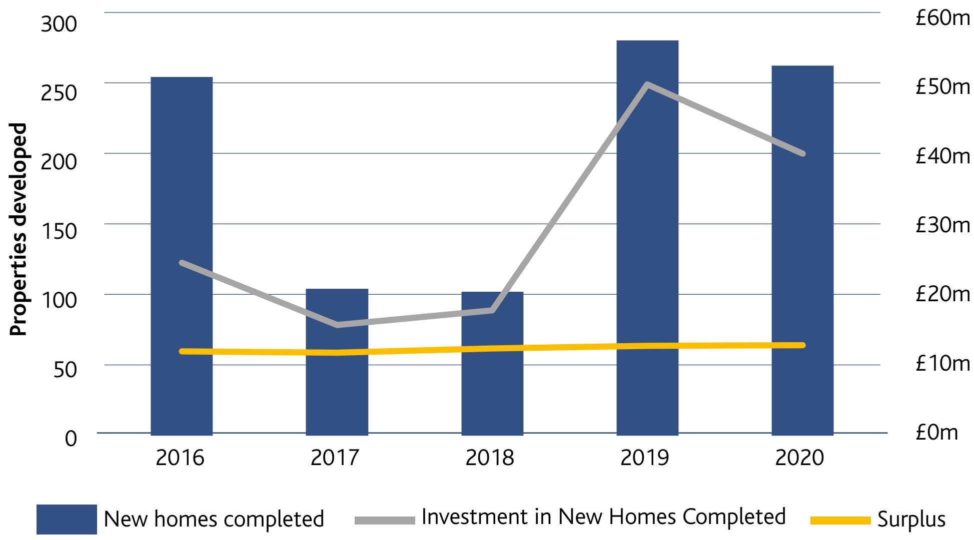
This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total housing properties held. This metric is key to our ability to meet our growth objective of delivering 3.5% new homes per year.

Global accounts median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - Overall average – 2019/20	8.3%	
West Kent Housing Association 2019	8.1%	
West Kent Housing Association 2020	6.6%	8.0% Target
West Kent target 2021	7.9%	



West Kent invested £49m in 2019 and £42m in 2020, against an asset value of £605m and £640m respectively. We expect to invest c£55m 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 Golding who invested £75m in 2019 with an asset value of £444m, compared with West Kent's asset value of £640m. We decreased our investment in 2020 as a result of lower component replacements of existing homes and a temporary reduction in investing in new homes, as a result of a slow down on construction sites due to Covid. We have a clear plan for continued sustained growth for the next five years.



Over the past five years we have spent £148m in building or acquiring new homes, we have completed 1,007 homes in this time and have 471 homes being built. We received £5m over the last five years in Homes England grants. In the same period, we made surpluses of £62m. For every £1 generated in surpluses we spent £2.30 on building new homes.

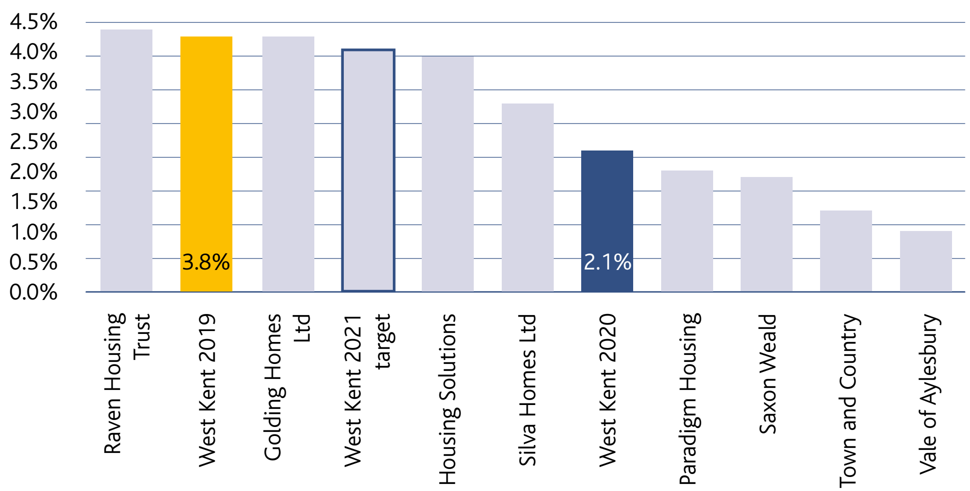
In 2020 we purchased 107 rented homes from Stonewater including 27 homes for older people. This brings our total homes in management designated for older people to 1,070. We have an ambition to have 1,300 housing for older people homes.

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

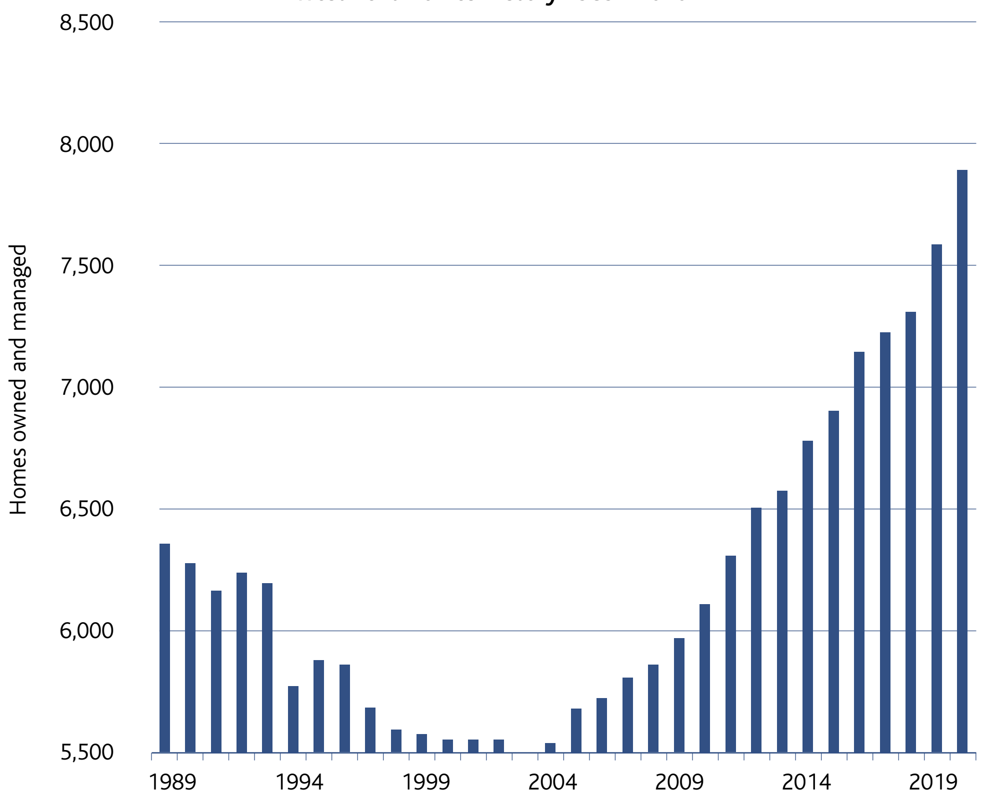
This metric is linked to investment. It records the number of new social housing homes as a proportion of homes owned. Our growth objective is to deliver 3.5% new homes per year.

Global accounts median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - Overall average – 2019/20	1.8%	
West Kent Housing Association 2019	3.8%	
West Kent Housing Association 2020	2.1%	Target 3.5%
West Kent Housing Association 2020 including stock acquisitions	3.4%	Target 3.5%
West Kent target 2021	3.6%	

New Supply Delivered Social Units %



West Kent Homes History 1989 - 2020



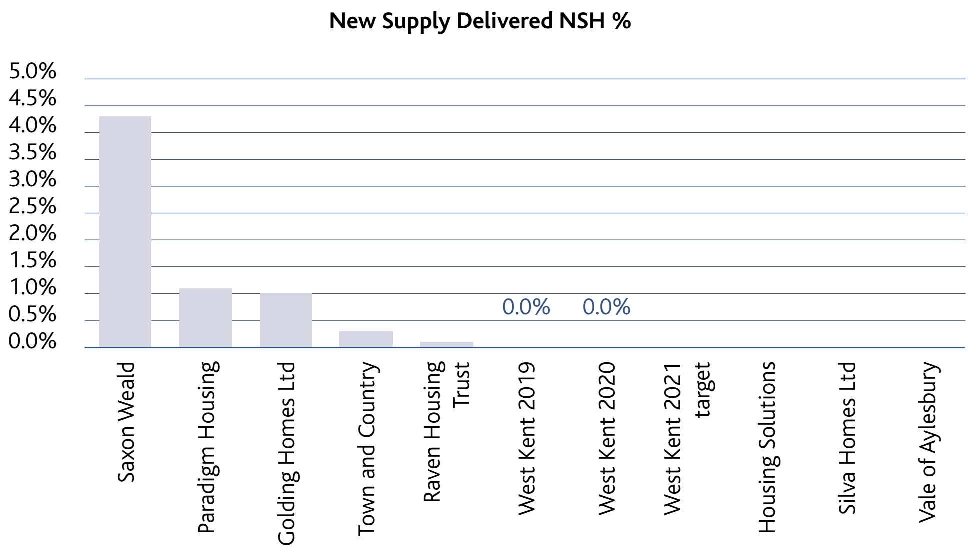
We built 159 (2019: 280) homes in 2020 representing 2.1% of our total homes owned. This included two for Social rent, 71 for Affordable rent and 86 for shared ownership. Our aim is to deliver 3.5% new homes every year, of which 40% will be for social rent. In 2020 we also completed a stock acquisition from Stonewater, this is included in our internal target of 3.5%. Including the 107 homes acquired, our new supply delivered to West Kent is 3.4%.

2020 was the first year in West Kent's history that we did not sell a single home through the 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 7,893 homes and in 2021 this will be more than 8,000.

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 median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - overall average – 2019/20	0.2%	
West Kent Housing Association 2019	0.0%	
West Kent Housing Association 2020	0.0%	Target 0.0%
West Kent target 2021	0.0%	

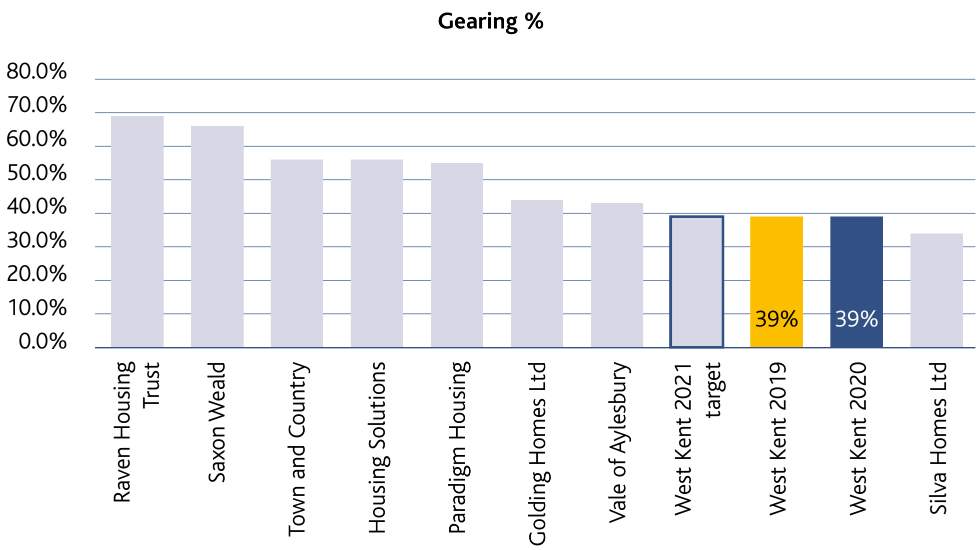


Our development strategy is not predicated on delivering non-social housing homes. However, we are looking at development opportunities that may include outright sale and open market rent, this is only to assist in delivering our social housing homes.

Regulatory Metric 3
Gearing

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

Global accounts median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - Overall average – 2019/20	45.9%	
West Kent Housing Association 2019	38.7%	
West Kent Housing Association 2020	38.8%	<60% Target
West Kent target 2021	39.3%	

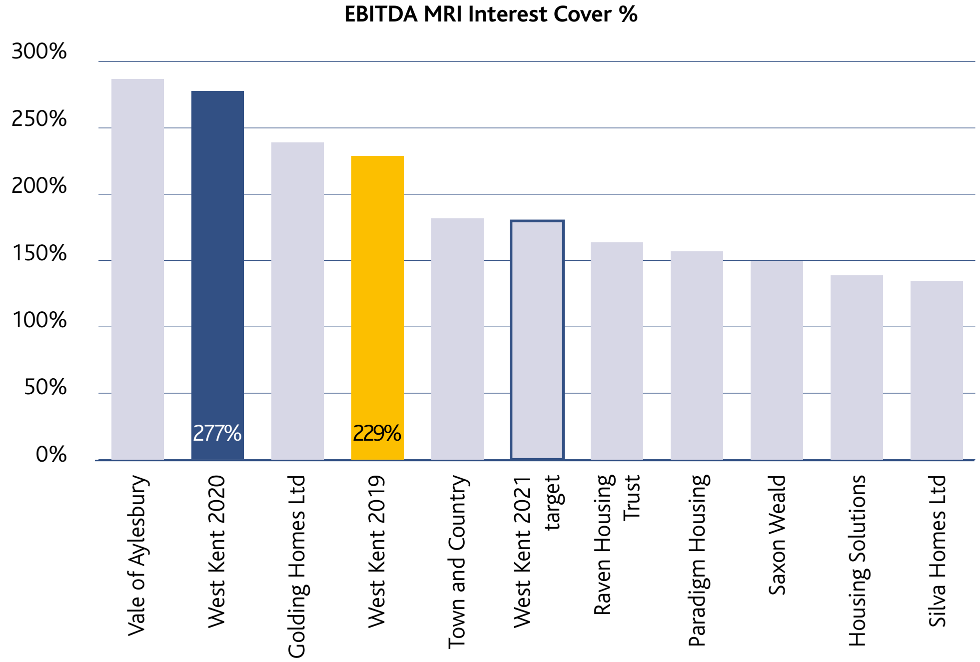


This is a key metric for our funders and demonstrates our capacity to borrow more against the assets we own. West Kent has sufficient debt and available loan facility to meet our capital commitments. We also have sufficient undrawn loans to continue to commit to more new homes. Net debt has increased by £14m to build new homes. A proportion of our development programme is funded from surpluses. This measure is expected to rise slightly each year in line with our strategic plan and within our covenants agreed with our funders.

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 median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - overall average – 2019/20	171%	
West Kent Housing Association 2019	229%	
West Kent Housing Association 2020	277%	>130% Target
West Kent target 2021	180%	

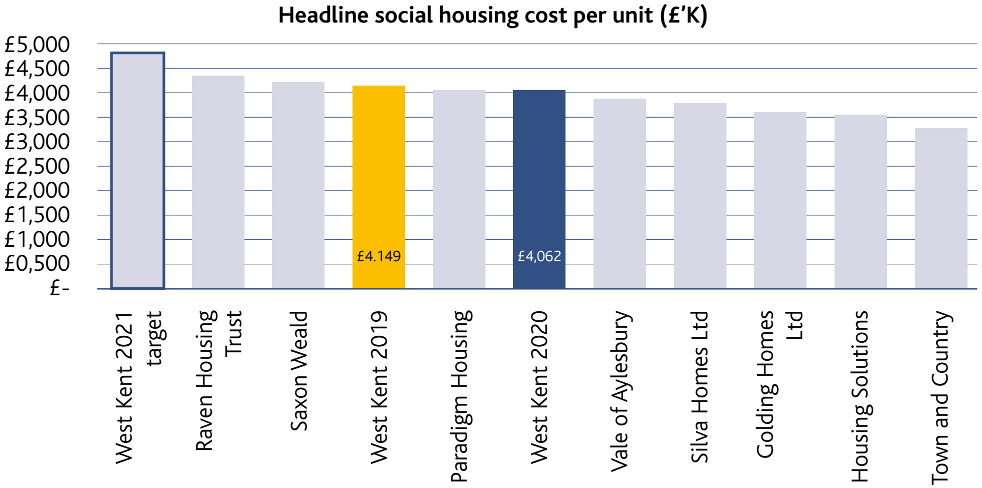


As West Kent grows, we borrow to fund our development programme. Over time we expect our interest cover to reduce, this represents the social value we bring to the sector. We are looking at ways to limit this decline by driving efficiencies in our operations, at the same time we are looking at how we 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 from 2019 is a result of delays to maintenance works in 2020 as a result of Covid. As can be seen from the target for 2021, our plan is to catch up on these works resulting in a far lower interest cover in 2021.

Regulatory Metric 5
Headline social housing cost per home

This metric assesses the headline social housing cost per home.

Global accounts median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - overall average – 2019/20	£4,213	
West Kent Housing Association 2019	£4,149	
West Kent Housing Association 2020	£4,062	<5% variation from budget Target
West Kent target 2021	£4,814	



Costs have decreased by 2.1% (see breakdown below) while homes have increased by 3.5%. Our costs are expected to rise in 2021 with catch up maintenance works due to Covid. The three largest costs are management, service charges and maintenance. Services include £270 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 £3,787 in 2020. There were more development schemes aborted in 2020 than in 2019, this was based on a decision that the schemes are unlikely to progress.

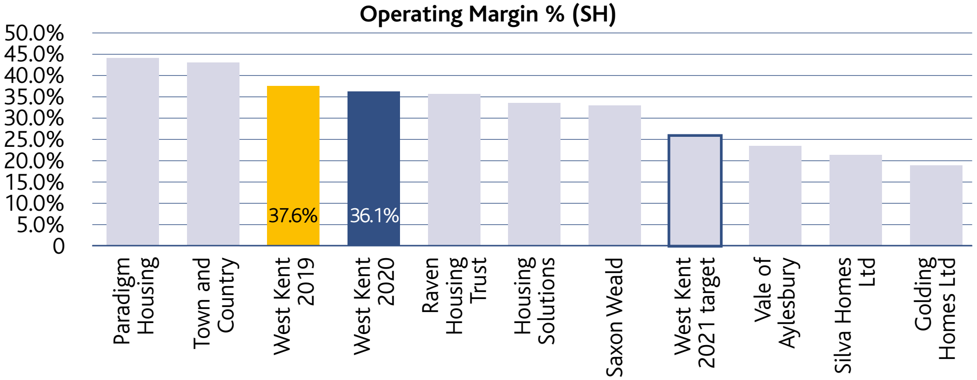
Breakdown of social housing cost per home	West Kent Group		
	2020	2019	% change
Management costs	£624	£594	+5.1%
Services	£896	£860	+4.2%
Maintenance	£2,126	£2,351	-9.6%
Other (social housing letting) costs	£4	£6	-33.3%
Development services	£51	£10	+410.0%
Community / neighbourhood services	£215	£201	+7.0%
Other social housing activities: other (operating expenditure)	£13	£0	+100%
Other social housing activities: charges for support services (operating expenditure)	£133	£127	+4.7%
Total social housing costs	£4,062	£4,149	-2.1%
Total social housing homes owned and / or managed at period end	7,661	7,401	+3.5%

We delivered a reduced programme of component replacements in 2020 due to Covid. We regularly check our costs on repairs and maintenance to ensure they represent value for money. The 2019 tender and selection for our building and electrical services contract involved a thorough review of our cost base. We have plans to review our costs on services in 2021. West Kent is proud to spend 5% of our operating costs on community and neighbourhood services. We get grants to carry out some of these services as well as generating income from our social enterprise, however this reduces our overall margin, see metric 6b.

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 median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - overall average – 2019/20	27.7%	
West Kent Housing Association 2019	37.6%	
West Kent Housing Association 2020	36.1%	32% Target as budgeted
West Kent target 2021	26.0%	



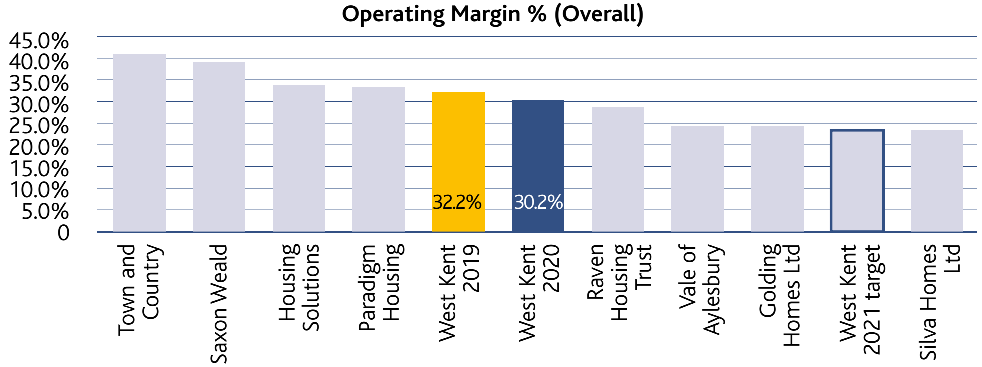
Social housing lettings margin reduced by 1.5%. Turnover from social housing lettings went up by 5.4%, costs went up by 7.9%. The budget for 2020 predicted a margin of 32% - with a greater level of maintenance planned we have delayed this into 2021. After four years of 1% reduction in rent, 2020 saw a rent increase, we also benefitted from a full year of income from homes delivered in 2019. We have a key strategic metric to achieve above 35% social housing margin.

The 2021 target of 26% includes a large increase in maintenance spend, we expect to return to 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 median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - Overall average – 2019/20	24.2%	
West Kent Housing Association 2019	32.2%	
West Kent Housing Association 2020	30.2%	>30% Target
West Kent target 2021	23.4%	

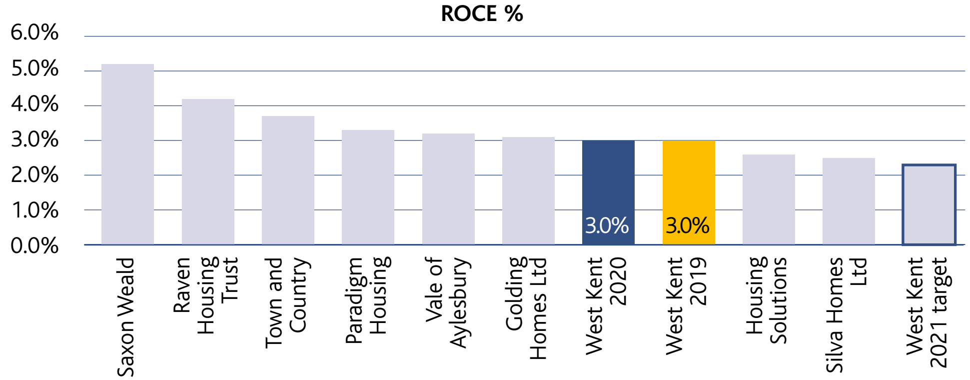


When we look at our overall business, the operating margin reduces to 30.2%. The dilution on the margin is a conscious one. We have built a strong community brand that identifies unmet needs of Kent communities and works with partners and residents who share our ethos to directly tackle those needs or 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, which we have achieved in 2020. We generate a margin of 23.5% on first tranche sales (Vantage average 2019/20: 19.6%) and 45.3% 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 median by size (5k-10k) 2019/20	N/a	
Global accounts top quartile 2019/20	N/a	
Vantage - Overall average – 2019/20	3.7%	
West Kent Housing Association 2019	3.0%	
West Kent Housing Association 2020	3.0%	3.0% Target
West Kent target 2021	2.3%	



Having a large asset value makes our gearing look lower than our peers. When this high asset value is applied to re-investment or return on capital employed, we come out worse than our peers. As we continue to build new homes and convert the £5m sitting on our balance sheet as cash into increased earnings we will see our Return on Capital employed grow, but we will not see a significant improvement on this measure against our peers as we build more homes for social rent or equivalent. The social return of providing homes for those in need is a key objective. The target for 2021 is impacted by a reduction in our overall surplus predicted, while we are investing more in building new homes.

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

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Consolidated statement of comprehensive income					
Turnover	63.2	57.3	52.7	50.3	46.7
Turnover before housing sales	50.7	48.2	47.9	46.6	44.2
Income from lettings	48.5	46.0	45.6	44.4	41.8
Property depreciation	6.2	5.7	5.4	5.3	5.0
Operating surplus before housing sales	16.2	16.5	17.0	16.9	17.0
Operating surplus for social housing lettings	17.5	17.3	17.7	18.1	17.5
Operating surplus	20.0	19.4	19.7	19.2	18.4
Surplus for the financial year	13.2	12.7	12.5	11.7	11.9

Consolidated balance sheets					
Housing properties	640.3	605.2	563.1	534.4	517.3
Net current assets	8.7	35.9	54.7	71.4	19.7
Indebtedness	253.9	262.0	251.9	253.5	197.8
Total reserves	303.4	296.8	281.9	266.2	251.1

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Statistics					
Operating margin	32%	34%	37%	38%	39%
Operating margin excluding sales on disposal[1]	30%	32%	35%	36%	38%
Operating margin excluding all sales	32%	34%	36%	36%	38%
Operating margin social housing lettings[2]	36%	38%	39%	41%	42%
Surplus as a % of turnover	21%	22%	24%	23%	26%
Rent losses	1.2%	1.0%	0.7%	0.8%	1.1%
Gearing[3]	39%	39%	36%	41%	34%
EBITDA - MRI interest cover[4]	277%	229%	238%	237%	280%

Accommodation owned and managed	homes	homes	homes	homes	homes
Total rented	6,955	6,772	6,626	6,565	6,532
Total shared ownership	706	629	507	480	442
Total leasehold	232	182	175	174	170
Total housing	7,893	7,583	7,308	7,219	7,144

[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 2020 report a surplus of £13.2m (2019:12.7m) after spending £13.0m (2019: £12.0m) to maintain our existing housing stock. This is higher than in 2019, however we spent less on components being replaced in the homes £3.3m (2019: 5.4m) that are capitalised.

The Group accounts consolidate the results of West Kent and 100% of West Kent Extra Limited. West Kent Extra made a surplus of £13,787 (2019: £8,591) during the year.

The development programme saw a significant increase in acquisitions of stock transfers with 107 rented units being acquired and 159 homes handed over in the year. The volume of first tranche shared ownership sales increased from 81 to 112, with a slight increase in margins, from 21.1% in 2019 to 23.5% in 2020. We have continued to achieve margins above expectations. The sales team provides monthly updates for the executive team to monitor the sales risk.

Interest payable and similar charges of £6.9m (2019: £6.9m) remained the same as 2019, we reduced our debt at the end of 2020. The undrawn revolving credit facility increased from £55m to £120m by accessing a new facility with NatWest for £60m.

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 471 homes in construction.

Our cash has decreased in 2020 to £5.5m (2019: £27.8m), this is due to utilising cash to fund new build homes offset by generating cash from operating activities and repaying £5m loans from NatWest. Any cash is invested on the money markets and we have a clear plan to use it through building new affordable homes. We have contracted capital commitments of £68m, this can be financed from cash and available loan facilities.

Approval

This Strategic Report was approved by order of the board on 20 May 2021.

Craig Reynolds
Company Secretary

Directors' report Principal activities

West Kent Housing Association is the parent company of the group which is branded as 'West Kent'. West Kent Housing Association is a registered provider of social housing which is regulated by the Regulator of Social Housing. Our most recent annual review in January 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 includes independent board members, three of these 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 2020, as part of their normal annual review, as well as our principal financial risks. The budget was set with a prudent view to the ongoing impact of Covid. We assumed in the budget a higher than usual provision for bad debts, an increase in void loss due to it taking longer to let our homes and an expectation of increased maintenance as we catch up on maintenance delayed from 2020. At that time, they were satisfied that the 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 February 2021 we have re-affirmed our going concern statement with a review of current impact of Covid, reviewing the organisation's ongoing forecasts and projections to ensure that the organisation remains financially viable. We have assessed the next three years with particular attention to the next accounting period, the year ending 31 December 2021. The most significant areas that are likely to affect the association's net assets continue to be as assessed in setting the budget in December 2020 namely rental income, duration of properties empty, sales programme and an increase in the liabilities of the defined benefit pension scheme. Since the year-end, none of these areas have deteriorated further from that assumed in the budget in December 2020.

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

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 £120m, secured against our homes on an Existing Use Value – Social Housing basis, along with capacity to borrow more, and so the board are of the opinion that West Kent will have sufficient resources to meet its liabilities as they fall due.

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

Effects of material estimates and judgements upon performance

Critical judgements

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

Impairment

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

- 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 29 unsold shared ownerships at year end of which 19 have been sold, 9 are under offer, leaving potentially 1 unsold with no offers at the date of signing the accounts. We have assessed these homes and considered whether an impairment is needed. The 1 unsold has an average cost to value of 100%. 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.

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 2020, 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 2021 as these costs are known at year end based on retail price index inflation for September. Inflation applied to 2021 is 1.13%. This change has been reflected in the accounts and has decreased the finance lease interest payable for 2020 from £720k to £412k.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards that may require more frequent replacement of key components and changes to the ability to let the property may reduce the economic life of the property. Total depreciation charged in year was £6.6m (2019: £6.1m).

Defined benefit obligations

Management's estimate of the defined benefit obligation is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses. Some of these sensitivities have been illustrated below. The liability at 31 December 2020 was £13.1m (2019: £6.1m).

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	65,253	66,636	68,050
Projected service cost	1,802	1,856	1,912
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	66,779	66,636	66,495
Projected service cost	1,857	1,856	1,855
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	67,890	66,636	65,409
Projected service cost	1,910	1,856	1,804
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	69,556	66,636	63,843
Projected service cost	1,928	1,856	1,787

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 we will be reviewing this in 2021. The association complies in full with the 2015 code. The board agreed to appoint an Independent Chair of Audit and Finance Committee for 2020 and review the structure and terms of reference for each committee. This review was completed and a chair of Audit and Risk has been successfully recruited to and is being proposed at the West Kent AGM in June 2021.

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 66.

Assessment of the effectiveness of internal control

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

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

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

The key elements of internal control include:

- Corporate Governance arrangements including the adoption of the National Housing Federation's Code of Governance 2015
- An annual planning process within which the board approves strategy and business plan objectives supported by long-term financial projections
- The preparation and review of annual budgets which are approved by the board; monthly review of actual results against the approved budget, and revised forecasts prepared at three monthly intervals
- Performance indicators to identify trends in current financial and non-financial data to monitor progress towards objectives and to identify changes that require intervention
- Written financial regulations and delegated authorities
- Board approved policies to control exposures in connection with treasury management activities
- Financial control procedures to ensure accurate accounting for financial transactions including authorisation procedures, physical controls, segregation of duties and procedures to ensure compliance with laws and regulations
- A fraud policy, fraud response plan and whistle blowing policy that have been communicated to all staff
- All major investments in existing properties, new properties, plant, equipment and software are subject to appraisal and individual approval by the executive team or the board
- An internal audit function structured to deliver the Audit and Finance Committee's risk based audit plan. West Kent uses the services of RSM to provide internal audit services.

The effectiveness of the controls is assured by:

- Independent assurance by internal auditors as to the existence and effectiveness of the risk management activities described by management
  - Further enhancements are planned for 2021 on our contract management framework to ensure a consistent approach to contract management throughout the organisation.
  - We will continue to strengthen our risk, performance management and financial planning frameworks with the introduction of in-house specialist staff to oversee and provide assurance.
- Board / Audit and Finance Committee overview
- External audit

- Assurances from management
- External regulatory and other reports.

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

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

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

Board member responsibilities

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

Co-operative and Community Benefit Society law and social housing legislation requires the board members to prepare financial statements for each financial year. In accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 16 June 2021.

By order of the board

Colin Wilby, Chair, Date: 20 May 2021

Executives and advisors

West Kent Housing Association Board members

Colin Wilby, Chair

Tracy Allison, Chief Executive (Appointed 1 January 2020)

Judith Collings

Ben Cooper

Helen Edwards

Angela George

Dave Hill

Brian Horton

Peter Kasch

Megan Morvan

Caroline Phillips (resigned 17 June 2020)

Dr Joanne Simpson

Executive team

Tracy Allison, Chief Executive

Heather Brightwell, Communities Director

Neil Diddams, Property and Asset Management Director (appointed 19 October 2020)

Kate Flaherty, Property Development and Partnerships Director (appointed 1 December 2020)

Mark Leader, Property Director (resigned 14 August 2020)

Cathy McCarthy, Housing Director

Craig Reynolds, Finance Director and Company Secretary

Barbara Home, Strategic Programme Director (appointed 3 February 2020)

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, 280 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 2020 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 2020 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 are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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; or
- 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 pages 64-65, 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:

- 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.
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing

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.

BDO LLP
Statutory Auditor
Gatwick

9 June 2021

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 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Turnover	4	63,150	57,255	62,476	56,476
Cost of sales	4	(9,531)	(7,134)	(9,531)	(7,134)
Operating costs	4	(34,537)	(31,678)	(33,876)	(30,908)
Surplus on disposal of housing properties	4, 11	882	975	882	975
Operating surplus	4,7	19,964	19,418	19,951	19,409
Movement in fair value of investment properties	18	-	(110)	-	(110)
Operating surplus after fair value adjustment		19,964	19,308	19,951	19,299
Surplus on disposal of other fixed assets	11	-	6	-	6
Other interest receivable and similar income	12	112	333	112	333
Interest and financing costs	13	(6,866)	(6,935)	(6,866)	(6,935)
Surplus before taxation		13,210	12,712	13,197	12,703
Taxation on surplus	14	-	-	-	-
Surplus for the financial year		13,210	12,712	13,197	12,703
Actuarial (loss)/gain on defined benefit pension scheme	28	(6,527)	2,094	(6,527)	2,094
Total comprehensive income for year		6,683	14,806	6,670	14,797

The notes on page 84 to 153 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets at 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	640,295	605,187	640,295	605,187
Tangible fixed assets – other	16	2,949	2,550	2,928	2,526
Investment properties	18	6,418	6,390	6,418	6,390
		649,662	614,127	649,641	614,103
Current assets					
Properties for sale	19	8,220	12,092	8,220	12,092
Stock		90	92	78	77
Debtors – receivable within one year	20	1,891	2,024	1,969	1,939
Debtors – receivable after one year	20	3,921	3,714	3,921	3,714
Cash and cash equivalents	21	5,540	27,802	5,182	27,662
		19,662	45,724	19,370	45,484
Creditors: amounts falling due within one year	22	(10,967)	(9,861)	(10,880)	(9,810)
Net current assets		8,695	35,863	8,490	35,674
Total assets less current liabilities		658,357	649,990	658,131	649,777
Creditors: amounts falling due after more than one year	23	(341,793)	(347,153)	(341,793)	(347,153)
Net assets excluding pension liability		316,564	302,837	316,338	302,624
Pension liability	28	(13,131)	(6,087)	(13,131)	(6,087)
Net assets		303,433	296,750	303,207	296,537
Capital and reserves					
Called up share capital	29	-	-	-	-
Income and expenditure reserve		139,722	132,966	139,506	132,787
Revaluation reserve		163,701	163,750	163,701	163,750
Restricted reserve		10	34	-	-
		303,433	296,750	303,207	296,537

The financial statements were approved by the board of directors and authorised for issue on 20 May 2021 and signed on their behalf by:

C Wilby, Chair of Board

Tracy Allison, Chief Executive

The notes on page 84 to 153 form part of these financial statements.

Consolidated statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	132,966	163,750	34	296,750
Surplus for the year	13,234	-	(24)	13,210
Actuarial losses 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
Balance at 1 January 2019	118,109	163,794	41	281,944
Surplus for the year	12,719	-	(7)	12,712
Actuarial gain on defined benefit pension scheme	2,094	-	-	2,094
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	44	(44)	-	-
Balance at 31 December 2019	132,966	163,750	34	296,750

The notes on page 84 to 153 form part of these financial statements.

Association statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 January 2020	132,787	163,750	296,537
Surplus for the year	13,197	-	13,197
Actuarial losses 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
Balance at 1 January 2019	117,946	163,794	281,740
Surplus for the year	12,703	-	12,703
Actuarial gain on defined benefit pension scheme	2,094	-	2,094
Reserves transfers:			
Transfer from revaluation reserve to income and expenditure reserve	44	(44)	-
Balance at 31 December 2019	132,787	163,750	296,537

The notes on page 84 to 153 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December

	Note	2020	2019
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		13,210	12,712
Adjustments for:			
Depreciation of fixed assets - housing properties	15	6,087	5,690
Depreciation of other fixed assets	16	452	413
Impairment of other fixed assets	16	-	(9)
Amortised grant	5	(973)	(961)
Difference in fair value of investment properties	18	-	110
Interest payable and finance costs	13	6,866	6,935
Interest received	12	(112)	(333)
Difference between net pension expense and cash contribution	28	517	865
Disposal cost of sales - housing properties	11	1,240	1,166
Surplus on the sale of other fixed assets	11	-	(6)
Increase in trade and other debtors		(77)	(500)
Decrease/(Increase) in stocks		3,874	(1,810)
Increase in trade and other creditors		1,139	2,055
Cash from operations		32,223	26,327
Taxation paid		-	-

	Note	2020	2019
		£'000	£'000
Net cash generated from operating activities		32,223	26,327
Cash flows from investing activities			
Proceeds from sale of other fixed assets	11	-	25
Purchase of fixed assets – housing properties	15	(41,383)	(48,505)
Purchases of other fixed assets	16	(879)	(378)
Receipt of grant	24	3,463	651
Interest received	12	112	333
Loans redeemed	20	3	(1)
Net cash from investing activities		(38,684)	(47,875)
Cash flows from financing activities			
Interest paid	13	(7,742)	(7,889)
Capital element of lease repaid		(471)	(251)
New loans - bank	27	-	12,899
Debt issue costs incurred	26	(1,088)	(1,039)
Repayment of bank loans	26	(6,500)	(1,500)
Net cash (used in)/generated from in financing activities		(15,801)	2,220
Net decrease in cash and cash equivalents		(22,262)	(19,328)
Cash and cash equivalents at beginning of year		27,802	47,130
Cash and cash equivalents at end of year		5,540	27,802

The notes on page 84 to 153 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

Net debt reconciliation	At 1 January 2020	Cashflows	Other Non Cash changes	At 31 December 2020
	£'000	£'000	£'000	£'001
Cash and cash equivalents				
Cash and cash equivalents	27,802	(22,262)	-	5,540
Finance Leases	(22,161)	471	-	(21,690)
Loans	(239,813)	6,500	1,088	(232,225)
Net debt reconciliation	(234,172)	(15,291)	1,088	(248,375)

The notes on page 84 to 153 form part of these financial statements.

Notes forming part of the financial statements

Index of Notes

1 Legal status

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

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The association is a public benefit entity.

West Kent Extra Limited is a registered charity that runs community development and social enterprise projects to help to create more inclusive neighbourhoods. West Kent Housing Association financially supports West Kent Extra Limited to ensure that people living in the areas where we work have a voice that is heard and to which we respond. Since West Kent Housing Association controls the board of West Kent Extra Limited it is classified as a subsidiary undertaking.

West Kent Ventures Limited is a wholly owned commercial subsidiary that is currently dormant.

All group entities are incorporated in the United Kingdom.

2 Accounting policies

2.1 Basis of accounting

The financial statements of the group and association have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice), which for West Kent Housing Association includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 'Accounting by registered social housing providers' 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

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

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

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

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of West Kent Housing Association and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The group has the right to remove the board of West Kent Extra Limited and West Kent Ventures Limited and therefore exercises control.

2.3 Going concern

The board reviewed West Kent's plans in December 2020 and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

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

The Government's decisions to slowly come out of lockdown during the summer of 2021 will have limited impact on West Kent's financial situation as we are able to continue the majority of our activities. The impact the ending of the furlough scheme is unknown however a significant budget has been agreed as a provision for bad debts in the budget approved in December 2020.

The board have made the decision to catch up on some component replacements and planned maintenance work in 2021. As a key provider of affordable housing in Kent, we will ensure that we keep our residents safe by maintaining their homes and completing necessary health and safety works, whilst also working with our residents in paying their rent. We will continue to operate as normal, as much as we can.

The length of the Covid outbreak and the measures taken by the Government to contain this are outside of our control but we have put processes in place to manage cashflow on a daily basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totaling around £120m, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on West Kent's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

2.4 Joint ventures

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

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

2.5 Investment in subsidiaries

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

2.6 Income

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

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

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

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

2.7 Support grant income

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

2.8 Service charges

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

2.9 Management of units owned by others

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

2.10 Schemes managed by agents

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

2.11 Current and deferred taxation

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

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

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

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

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

2.12 Value Added Tax

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

2.13 Finance costs

Finance costs are charged to income or expense over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Pension costs

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

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

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

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

2.15 Holiday pay accrual

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

2.16 Termination benefits

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

2.17 Tangible fixed assets - housing properties

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

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

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

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

Mixed developments housing properties are held within fixed assets and accounted for at cost less depreciation; commercial elements of mixed developments are held as investment properties.

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

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

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

2.18 Deemed cost on transition to FRS 102

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

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

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

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

2.19 Depreciation of housing properties

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

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

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

Description	Economic useful life (years)
Structure	100
Roof	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

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

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grants received in relation to assets that are presented at historic cost at the date of transition and grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of economic useful lives above).

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

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

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

2.24 Recycled capital grant fund

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

2.25 Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. They are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined biennially by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in Statement of comprehensive income. Rental income from these properties is taken to revenue.

2.26 Impairment of fixed assets

The housing property portfolio for the group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option that produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

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

2.27 Properties for sale

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

2.28 Stock

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

2.29 Debtors and creditors

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

2.30 Recoverable amount of rental and other trade receivables

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

2.31 Rent and service charge agreements

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

2.32 Loans, Investments and short-term deposits

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

2.33 Financial liabilities and equity

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

2.34 Cash and cash equivalents

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

2.35 Leased assets: Lessee

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

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

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

2.36 Leasehold sinking funds

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

2.37 Provision for liabilities

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

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

2.38 Contingent liabilities

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

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

2.39 Reserves

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

The revaluation reserve is created from surpluses on asset revaluation.

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

3.1 Key judgements

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

- The extent to which there have been indicators of impairment triggering the performance of an impairment review of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost. The members have also considered impairment on the basis of their assumptions of cash or asset generating units. Had management assessed cash generating units at different levels (e.g. as individual properties within a particular scheme) the conclusion on impairment may have been different. Management considered possible alternatives and determined the possible impacts to be immaterial to the financial statements.
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, management then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- 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)
	2020	**2020**	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	48,523	-	(30,994)	-	17,529	46,040	-	(28,731)	-	17,309
Other social housing activities										
First tranche low cost home ownership sales	12,454	(9,531)	-	-	2,923	9,037	(7,134)	-	-	1,903
Staircasing activity on low cost home ownership (Note 11)	-	-	-	659	659	-	-	-	489	489
Sales of other housing properties (Note 11)	-	-	-	223	223	-	-	-	486	486
Charges for support services	111	-	(288)	-	(177)	104	-	(277)	-	(173)
Supporting people	532	-	(733)	-	(201)	442	-	(666)	-	(224)
Community engagement	674	-	(1,644)	-	(970)	779	-	(1,490)	-	(711)
Development costs not capitalised	-	-	(392)	-	(392)	-	-	(71)	-	(71)
Other	143	-	(103)	-	40	194	-	-	-	194
Activities other than social housing activities										
Lettings – Garages	702	-	(383)	-	319	646	-	(328)	-	318
Other	11	-	-	-	11	13	-	(115)	-	(102)
	713	-	(383)	-	330	659	-	(443)	-	216
	63,150	(9,531)	(34,537)	882	19,964	57,255	(7,134)	(31,678)	975	19,418

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)
	2020	**2020**	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 5)	48,523	-	(30,994)	-	17,529	46,040	-	(28,731)	-	17,309
Other social housing activities										
First tranche low cost home ownership sales	12,454	(9,531)	-	-	2,923	9,037	(7,134)	-	-	1,903
Staircasing activity on low cost home ownership (Note 11)	-	-	-	659	659	-	-	-	489	489
Sales of other housing properties (Note 11)	-	-	-	223	223	-	-	-	486	486
Charges for support services	111	-	(288)	-	(177)	104	-	(277)	-	(173)
Supporting people	532	-	(733)	-	(201)	442	-	(666)	-	(224)
Community engagement	-	-	(983)	-	(983)	-	-	(720)	-	(720)
Development costs not capitalised	-	-	(392)	-	(392)	-	-	(71)	-	(71)
Other	143	-	(103)	-	40	194	-	-	-	194
Activities other than social housing activities										
Lettings – Garages	702	-	(383)	-	319	646	-	(328)	-	318
Other	11	-	-	-	11	13	-	(115)	-	(102)
	713	-	(383)	-	330	659	-	(443)	-	216
	62,476	(9,531)	(33,876)	882	19,951	56,476	(7,134)	(30,908)	975	19,409

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
	2020	**2020**	**2020**	**2020**	**2020**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income							
Rents net of identifiable service charges	32,409	4,823	3,158	3,010	1	43,401	40,848
Service charge income	1,227	1,545	721	363	75	3,931	3,837
Net rental income	33,636	6,368	3,879	3,373	76	47,332	44,685
Amortised government grants	770	117	-	86	-	973	961
Other grants	186	32	-	-	-	218	394
Turnover from social housing lettings	34,592	6,517	3,879	3,459	76	48,523	46,040
Operating expenditure							
Management	(3,273)	(524)	(416)	(441)	(126)	(4,780)	(4,401)
Service charge costs	(2,319)	(1,709)	(220)	(441)	(104)	(4,793)	(4,296)
Routine maintenance	(4,201)	(762)	(94)	-	-	(5,057)	(4,211)
Planned maintenance	(6,617)	(1,048)	(5)	-	-	(7,670)	(7,540)
Major repairs expenditure	(224)	(44)	-	-	-	(268)	(211)
Kent Excellent Homes for All operating service agreement	-	-	(2,068)	-	-	(2,068)	(2,068)
Bad debts	(47)	(25)	(44)	(30)	-	(146)	(270)
Depreciation of housing properties:							
- annual charge	(5,128)	(833)	(126)	-	-	(6,087)	(5,520)
- accelerated on disposal of components	(79)	(14)	-	-	-	(93)	(170)
Other costs	(11)	(21)	-	-	-	(32)	(44)
Operating expenditure on social housing lettings	(21,899)	(4,980)	(2,973)	(912)	(230)	(30,994)	(28,731)
Operating surplus on social housing lettings	12,693	1,537	906	2,547	(154)	17,529	17,309
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(338)	(144)	(87)	(30)	-	(599)	(450)

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

	Opening 1 January	Additions Newly Built	Additions Stock Transfer	Disposed	Staircased to 100%	Transfers Reclassified	Closing 31 December
	2020	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**
	Number	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
General needs housing:							
- social	4,874	2	80	(1)	-	65	5,020
- affordable	681	71	-	-	-	8	760
Housing for older people:							
- social	832	-	27	-	-	(72)	787
- affordable	69	-	-	-	-	(4)	65
- Kent Excellent Homes for All	218	-	-	-	-	-	218
Supported housing:							
- social	38	-	-	-	-	3	41
- affordable	8	-	-	-	-	-	8
- Kent Excellent Homes for All	20	-	-	-	-	-	20
Intermediate rent	29	-	-	-	-	-	29
Low cost home ownership	629	86	-	-	(9)	-	706
Total owned and managed accommodation	7,398	159	107	(1)	(9)	-	7,654
Residential accommodation managed by others	3	-	-	-	-	4	7
Total owned and/or managed social housing	7,401	159	107	(1)	(9)	4	7,661
Leaseholders	182	-	48	-	2	-	232
Homes under construction	384						471

7 Operating surplus

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
This is arrived at after charging/(crediting):				
Depreciation of housing properties:				
- annual charge	6,086	5,520	6,086	5,520
- accelerated depreciation on replaced components	93	170	93	170
- Impairment	-	-	-	-
Depreciation of other tangible fixed assets	452	413	449	412
Operating lease charges – land & building	91	96	85	90
Leasing income	(2,259)	(2,259)	(2,259)	(2,259)
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	55	52	55	52
- fees for audit of accounts of subsidiary entities	7	9	-	-
- fees for other non-audit services	-	-	-	-
Defined benefit pension cost (Note 28)	1,317	1,718	1,317	1,718
Defined contribution pension cost (Note 8)	331	243	331	243

8 Employees

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Staff costs (including executive management team) consist of:				
Wages and salaries	9,240	8,326	9,240	8,326
Social security costs	901	802	901	802
Cost of defined benefit pension scheme (Note 28)	1,317	1,718	1,317	1,718
Cost of defined contribution scheme	331	243	331	243
Less amounts recharged to group entities	-	-	(693)	(739)
	11,789	11,089	11,096	10,350

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	
	2020	2019	2020	2019
	FTE	FTE	FTE	FTE
Administration	42	34	42	34
Development	17	12	17	12
Housing, Support and Care	206	194	206	194
	265	240	265	240

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 £331,089 (2019 - £243,250). No contributions (2019 - £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 66.

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Executive directors' emoluments	721	665	721	665
Amounts paid to non-executive directors	76	81	76	81
	797	746	797	746

The total amount payable to the chief executive, who was also the highest paid director in respect of emoluments excluding pension was £149,928 (2019 - £135,460 former chief executive). 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 three directors in the KCC LGPS scheme (2019 - five) during the year and four directors in the group's defined contribution pension scheme (2019 - One).

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

	Group		Association	
	2020	2019	2020	2019
	Number	Number	Number	Number
£60,000 - £69,999	13	9	13	9
£70,000 - £79,999	5	5	5	5
£80,000 - £89,999	4	1	4	1
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	1	2	1	2
£110,000 - £119,999	1	1	1	1
£120,000 - £129,999	1	1	1	1
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	1	-	1	-
£160,000 - £169,999	-	-	-	-
£170,000 - £179,999	-	1	-	1

10 Board members

		Remuneration £	Member of: Group Board	Audit and Finance	Communities and housing	Remuneration
Tracy Allison - Chief Executive	(Appointed 1 January 2020)	-	🔵		🔵	
Judith Collings		6,520	🔵	🔵		
Ben Cooper		6,520	🔵		🔵	🔵
Helen Edwards		6,520	🔵		🔵	
Angela George		6,520	🔵		🔵	
Dave Hill		6,520	🔵	🔵		🟡
Brian Horton		6,520	🔵		🟡	
Peter Kasch		6,520	🔵	🔵		
Megan Morvan		6,520	🔵		🔵	
Caroline Phillips	(Resigned 17 June 2020)	3,596	🔵	🟡		
Dr Joanne Simpson		6,520	🔵		🔵	
Colin Wilby - Chair		13,576	🟡	🔵*	🔵	🔵
Independent Chair of Audit and Finance						
Caroline Phillips	(Appointed for one year on 17 June 2020)	4,237		🟡		

🟡 Chair 🔵 Member

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

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
	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

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

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	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income	112	333	112	333
	112	333	112	333

13 Interest payable and similar charges

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	7,248	7,269	7,248	7,269
Finance leases	412	610	412	610
Net interest on net defined benefit liability	118	195	118	195
	7,778	8,074	7,778	8,074
Interest capitalised in construction costs of housing				
properties	(912)	(1,139)	(912)	(1,139)
	6,866	6,935	6,866	6,935

14 Taxation on surplus on ordinary activities

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
UK corporation tax				
Current tax on surplus for the year	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Tax on disposals of discontinued operations	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Changes to tax rates	-	-	-	-
	-	-	-	-
Taxation on surplus/(deficit) on ordinary activities	-	-	-	-

14 Taxation on surplus on ordinary activities (continued)

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before tax	13,210	12,712	13,197	12,703
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019 - 19%) Effects of:	2,510	2,415	2,507	2,414
Charitable income	(2,510)	(2,415)	(2,507)	(2,414)
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £Nil (2019: £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 (2019 - £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 2020	561,086	17,427	76,908	12,949	668,370
Additions:					
construction costs	-	15,908	-	12,129	28,037
purchased properties	10,963	-	-	-	10,963
replaced components	3,290	-	-	-	3,290
Completed schemes	14,292	(14,292)	14,904	(14,904)	-
Disposals:					
staircasing sales to 100%	-	-	(712)	-	(712)
staircasing sales partial	-	-	(229)	-	(229)
other sales	(64)	-	-	-	(64)
replaced components	(600)	-	-	-	(600)
At 31 December 2020	588,967	19,043	90,871	10,174	709,055
Depreciation:					
At 1 January 2020	(63,183)	-	-	-	(63,183)
Charge for the year	(6,087)	-	-	-	(6,087)
Eliminated on disposals:					
other sales	3	-	-	-	3
replaced components	507	-	-	-	507
At 31 December 2020	(68,760)	-	-	-	(68,760)
Net book value at 31 December 2020	520,207	19,043	90,871	10,174	640,295
Net book value at 31 December 2019	497,903	17,427	76,908	12,949	605,187

15 Tangible fixed assets - housing properties (continued)

	Group 2020	Group 2019	Association 2020	Association 2019
The net book value of housing properties may be further analysed as:				
Freehold	601,968	566,669	601,968	566,669
Long leasehold	38,327	38,518	38,327	38,518
	640,295	605,187	640,295	605,187
Interest capitalisation				
Interest capitalised in the year	907	1,138	907	1,138
Rate used for capitalisation	3.1%	3.1%	3.1%	3.1%
Works to properties				
Major components replacement capitalised	3,290	5,435	3,290	5,435
Major repairs expenditure to income and expenditure account	268	211	268	211
	3,558	5,646	3,558	5,646
Total Social Housing Grant received or receivable to date is as follows:				
Deferred capital grant – Housing properties - general needs	79,770	77,844	79,770	77,844
Deferred capital grant – Housing properties - shared ownerships	8,895	7,983	8,895	7,983
Recycled capital grant fund	953	1,156	953	1,156
Revenue grant – income and expenditure	973	961	973	961
Revenue grant – reserves	36,320	35,359	36,320	35,359
	126,911	123,303	126,911	123,303

Finance leases

The net book value of housing properties for the group includes an amount of £21,047k (2019 - £21,173k) 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 £351m pledged as security at 31 December 2020 (2019 - £352m).

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 2020	2,423	5,315	1,413	9,151
Additions	-	840	11	851
Disposals	-	-	-	-
At 31 December 2020	2,423	6,155	1,424	10,002
Depreciation				
At 1 January 2020	(842)	(4,569)	(1,190)	(6,601)
Charge for year	(38)	(359)	(55)	(452)
Disposals	-	-	-	-
At 31 December 2020	(880)	(4,928)	(1,245)	(7,053)
Net book value				
At 31 December 2020	1,543	1,227	179	2,949
At 31 December 2019	1,581	746	223	2,550

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 2020	2,423	5,290	1,375	9,088
Additions	-	840	11	851
Disposals	-	-	-	-
At 31 December 2020	2,423	6,130	1,386	9,939
Depreciation				
At 1 January 2020	(842)	(4,545)	(1,175)	(6,562)
Charge for year	(38)	(359)	(52)	(449)
Disposals	-	-	-	-
At 31 December 2020	(880)	(4,904)	(1,227)	(7,011)
Net book value				
At 31 December 2020	**1,543**	**1,226**	**159**	**2,928**
At 31 December 2019	**1,581**	**745**	**200**	**2,526**

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
The net book value of office buildings may be further analysed as:				
Freehold	1,527	1,562	1,527	1,562
Short leasehold	16	19	16	19
	1,543	1,581	1,543	1,581

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 2020 is calculated to be £57,189 (2019: £47,079). West Kent's share of the profits to date would be £47,079 (2019: £23,540). This has not been presented in the accounts as it is not deemed to be material.

18 Investment properties

Group and Association	Garage land £'000
Fair Value	
At 1 January 2020	6,390
Additions	28
Movements in fair value of investment	-
At 31 December 2020	6,418

The association owns garages which are classified as investment properties and a valuation was performed in December 2019. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. This valuation has been undertaken by Savill's Affordable Housing Division, a widely recognised specialist valuer and property advisor in the social housing sector. They act for many registered providers, all existing lenders, lawyers and rating agencies in the sector (without exception), and have driven a high proportion of Statutory Accounts valuations, Bond Issuances (and their revaluations) and a cross section of land/consultancy projects.

For the reporting period the valuation arrived at in December 2019 has been used.

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

Discount rate	9.0%
Catch up repairs	£235k per annum (Years 1-5)
Future maintenance	£25 per unit per annum (Year 6 onwards)
Management cost	£10 per unit per annum (All years)
Rent loss through voids	25%

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

19 Properties for sale

Group and Association	2020 £'000	2019 £'000
First tranche shared ownership properties:		
Work in progress (Properties under construction)	5,478	7,029
Completed properties (Properties completed and unsold)	2,742	5,063
	8,220	12,092

Properties developed for sale include capitalised interest of £215,425 (2019 - £337,768).

20 Debtors

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	1,267	1,190	1,267	1,190
Less: Provision for doubtful debts	(705)	(723)	(705)	(723)
	562	467	562	467
Amounts owed by group undertakings	-	-	157	-
Staff loans	-	3	-	3
Other debtors	620	648	583	596
Prepayments and accrued income	709	906	667	873
	1,891	2,024	1,969	1,939
Due after one year				
Staff loans	-	-	-	-
Amounts held on trust	3,611	3,568	3,611	3,568
Prepayments and accrued income	310	146	310	146
	3,921	3,714	3,921	3,714
	5,812	5,738	5,890	5,653

The amounts held in trust relate to interest servicing reserve held on loans of £3,611k (2019 - £3,568k) 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 (2019 - Nil).

21 Cash and cash equivalents

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,790	27,070	4,432	26,930
Leaseholder accounts	750	732	750	732
	5,540	27,802	5,182	27,662

22 Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 26)	2,067	1,973	2,067	1,973
Trade creditors	685	1,501	676	1,483
Rent and service charges received in advance	1,411	1,189	1,411	1,189
Obligations under finance leases (Note 26)	191	163	191	163
Other creditors	1,286	1,451	1,286	1,451
Recycled capital grant fund (Note 25)	303	405	303	405
Accruals and deferred income	3,432	1,618	3,354	1,585
Accrued interest	1,592	1,561	1,592	1,561
	10,967	9,861	10,880	9,810

23 Creditors: amounts falling due after more than one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans and borrowings (Note 26)	230,158	237,840	230,158	237,840
Obligations under finance leases (Note 26)	21,498	21,998	21,498	21,998
Deferred capital grant (Note 24)	88,665	85,827	88,665	85,827
Recycled capital grant fund (Note 25)	650	751	650	751
Sinking fund balances	821	737	821	737
	341,793	347,153	341,793	347,153

24 Deferred capital grant

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 January	85,827	85,811	85,827	85,811
Grants received during the year	943	757	943	757
Grants from stock acquisitions	2,588	-	2,588	-
Grants recycled from the recycled capital grant fund	405	354	405	354
Released to income during the year	(973)	(961)	(973)	(961)
Grants on disposed properties	(125)	(134)	(125)	(134)
At 31 December	88,665	85,827	88,665	85,827

25 Recycled capital grant fund

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 January	1,156	1,337	1,156	1,337
Inputs to Recycled capital grant fund:				
• grants recycled from deferred capital grants	125	134	125	134
• grants recycled from statement of comprehensive income	75	24	75	24
• interest accrued	2	15	2	15
Recycling of grant:				
• new build	(405)	(354)	(405)	(354)
At 31 December	953	1,156	953	1,156
Amounts three years or older where repayment may be required	-	-	-	-

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

26 Loans and borrowings

	Loans	Finance Lease	Total	Loans	Finance Lease	Total
	2020	2020	2020	2019	2019	2019
Group and Association	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
No later than one year	2,067	191	2,258	1,973	163	2,136
Later than one year and not later than two years	5,681	220	5,901	3,472	194	3,666
Later than two years and not later than five years	19,544	877	20,421	12,667	790	13,457
Later than five years	204,933	20,402	225,335	221,701	21,014	242,715
	232,225	21,690	253,915	239,813	22,161	261,974

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 2020 the group had undrawn loan facilities of £120m (2019 - £55m).

	Facility	Drawn	Available	Facility	Drawn	Available
	2020	2020	2020	2019	2019	2019
Loans principal excluding fees	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
National Westminster Bank*	110,000	40,000	70,000	50,000	45,000	5,000
Bank of Scotland	139,000	89,000	50,000	140,750	90,750	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	-
	348,000	228,000	120,000	289,750	234,750	55,000

** Loan refinanced with The Royal Bank of Scotland on 20 August 2020, the refinance included changing the lender to National Westminster Bank Plc.*

27 Financial instruments

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets measured at historic cost				
Trade receivables	562	467	562	467
Other receivables	5,250	5,271	5,328	5,186
Cash and cash equivalents	5,540	27,802	5,182	27,662
Total financial assets	11,352	33,540	11,072	33,315
Financial liabilities measured at historic cost				
Loans payable	232,225	239,813	232,225	239,813
Trade creditors	685	1,501	676	1,483
Other creditors	98,160	93,539	98,082	93,506
Finance leases	21,690	22,161	21,690	22,161
Total financial liabilities	352,760	357,014	352,673	356,963

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

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

28 Pensions

Two pension schemes are operated by the group.

Defined benefit pension scheme

The group is an admitted body to the Kent County Council local government superannuation scheme, a defined benefit pension scheme. The group closed its membership to new entrants. 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 2020 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.

	2020	**2019**
Reconciliation of present value of plan liabilities	**£'000**	**£'000**
At the beginning of the year	54,986	50,607
Current service cost	1,291	1,283
Interest cost	1,139	1,422
Actuarial (gains) / losses:		
Change in financial assumptions	12,338	6,669
- Change in demographic assumptions	-	(3,905)
Experience gains on curtailments	(1,660)	-
Estimated benefits paid	(1,666)	(1,743)
Past service costs, including curtailments	-	414
Contributions by scheme participants	233	264
Unfunded pension payments	(25)	(25)
At the end of the year	66,636	54,986
Composition of plan liabilities Schemes wholly or partly funded	Partly	Partly

Reconciliation of fair value of plan assets	2020 £'000	2019 £'000
At the beginning of the year	48,899	43,291
Interest income on plan assets	1,021	1,227
Return on assets less interest	4,119	4,858
Other actuarial gains	32	-
Administration expenses	(26)	(21)
Contributions by employer including unfunded	918	1,048
Contributions by fund participants	233	264
Estimated benefits paid	(1,691)	(1,768)
At the end of the year	53,505	48,899
Fair value of plan assets	53,505	48,899
Present value of the defined benefit obligation	(66,395)	(54,764)
Present value of unfunded obligation	(241)	(222)
Net pension scheme liability	(13,131)	(6,087)
Amounts recognised in income and expense are as follows:		
Current service cost	1,291	1,697
Administrative expenses	26	21
Interest cost	1,139	1,422
Interest on assets	(1,021)	(1,227)
	1,435	1,913
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	4,119	4,858
Other actuarial gains on assets	32	3,905
Experience gains and losses arising on the scheme liabilities	1,660	-
Changes in assumptions underlying the present value of the scheme liabilities	(12,338)	(6,669)
	(6,527)	2,094

2020 Composition of plan assets	2020 £'000	2019 £'000
Equities	33,350	32,764
Gilts	334	356
Other bonds	7,406	4,289
Property	5,432	5,745
Cash	3,087	1,952
Target return portfolio	3,896	3,793
Total plan assets	53,505	48,899
Actual return on plan assets	5,140	6,085

Principal actuarial assumptions used at the balance sheet date		
Discount rates	1.3%	2.1%
Future salary increases	3.5%	3.8%
Future pension increases	2.5%	2.3%
Mortality rates		
for a male aged 65 now	21.9	21.8
at 65 for a male member aged 45 now	23.3	23.2
for a female aged 65 now	23.8	23.7
at 65 for a female member aged 45 now	25.3	25.2

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 £331k (2019 - £243k). Contributions totalling £Nil (2019 - £Nil) were payable to the fund at the year end and are included in creditors.

29 Share capital

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
At 1 January	29	28	29	28
Shares issued in the year	-	2	-	2
Shares cancelled in the year	(2)	(1)	(2)	(1)
At 31 December	27	29	27	29

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	
	2020	2019	2020	2019
Amounts payable as lessee	£'000	£'000	£'000	£'000
No later than one year	131	135	109	114
Later than one year and not later than five years	410	508	324	422
Later than five years	2,298	2,317	2,269	2,266
	2,839	2,960	2,702	2,802

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	
	2020	2019	2020	2019
Amounts receivable as lessor	£'000	£'000	£'000	£'000
No later than one year	2,498	2,498	2,498	2,498
Later than one year and not later than five years	9,990	9,990	9,990	9,990
Later than five years	278,840	278,840	278,840	278,840
	291,328	291,328	291,328	291,328

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Commitments contracted but not provided for:				
Construction	66,371	50,328	66,371	50,328
Construction - Ink Development Company Limited	1,429	1,732	1,429	1,732
Commitments approved by the Board but not contracted for:				
Construction	20,473	28,227	20,473	28,227
Construction - Ink Development Company Limited	3,253	-	3,253	-
	91,526	80,287	91,526	80,287

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

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Social Housing Grant	5,355	1,876	5,355	1,876
Approved loan facility	57,956	-	57,956	-
Sales of properties	28,215	39,930	28,215	39,930
Existing reserves	-	38,481	-	38,481
	91,526	80,287	91,526	80,287

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

33 Related party disclosures

The ultimate controlling party of the group is West Kent Housing Association. There is no ultimate controlling party of West Kent Housing Association.

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

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

The board includes three tenant members (2019 - three) who hold tenancy agreements on normal terms and cannot use their position to their advantage. There were eleven shareholders (2019 - 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:

	2020	2019
	£'000	£'000
Payment due from previous year	-	(1)
Charges in year	88	83
Payments in year	(89)	(82)
Payments due at end of year	(1)	-

Joint venture

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

	2020	2019
	£'000	£'000
Net sales and purchases of goods and services	3,000	4,666
Debtors due to Ink Development Company Limited	705	527
Creditor due from Ink Development Company Limited	487	255
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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Payable to association by subsidiaries:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
West Kent Extra Limited	693	740	107	117	800	857
	693	740	107	117	800	857

	Staff and Management charges		Other charges		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Donation by association to subsidiaries:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
West Kent Extra Limited	541	450	107	117	648	567
	541	450	107	117	648	567

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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